

# STATE FISCAL FUTURES: Navigating Budget Pressures & Revenue Trends

August 23, 2025

Shelby Kerns  
Executive Director



**80<sup>th</sup> NASBO**  
ANNIVERSARY



# The Who in Our Why

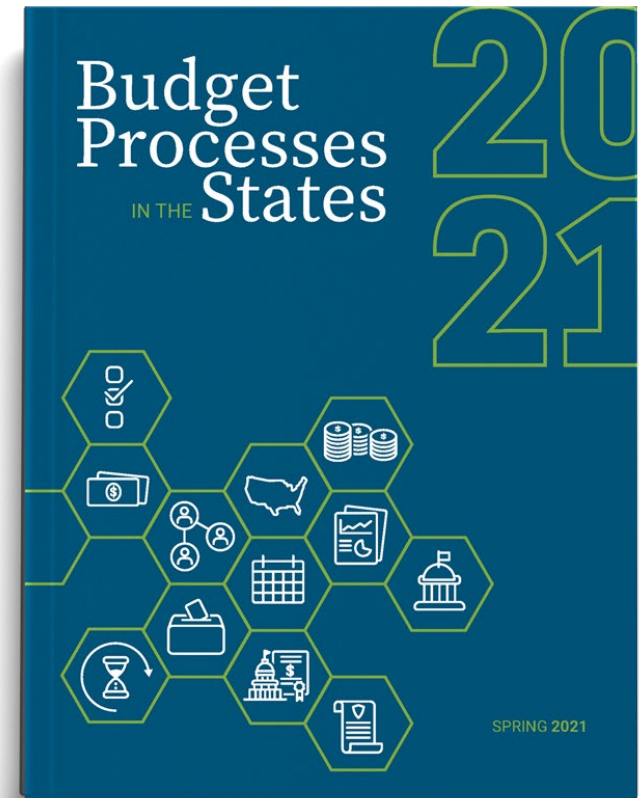
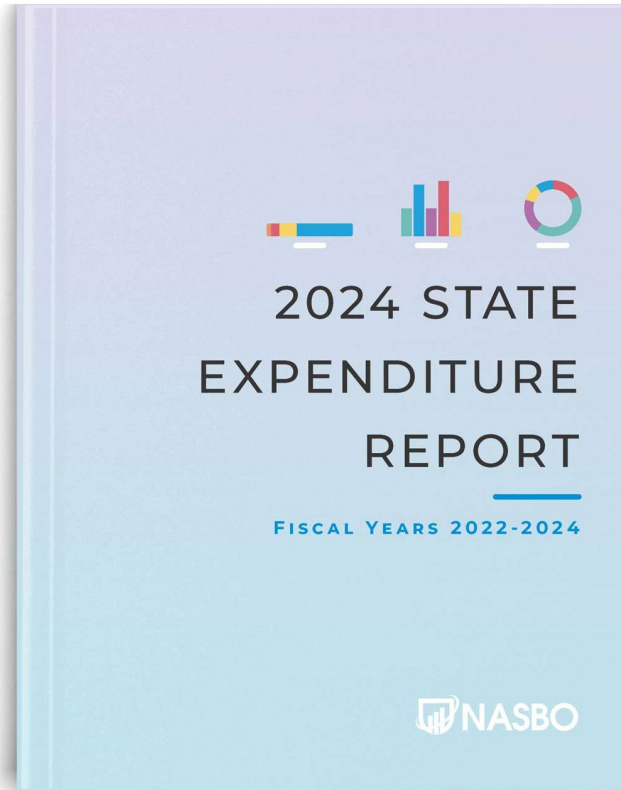
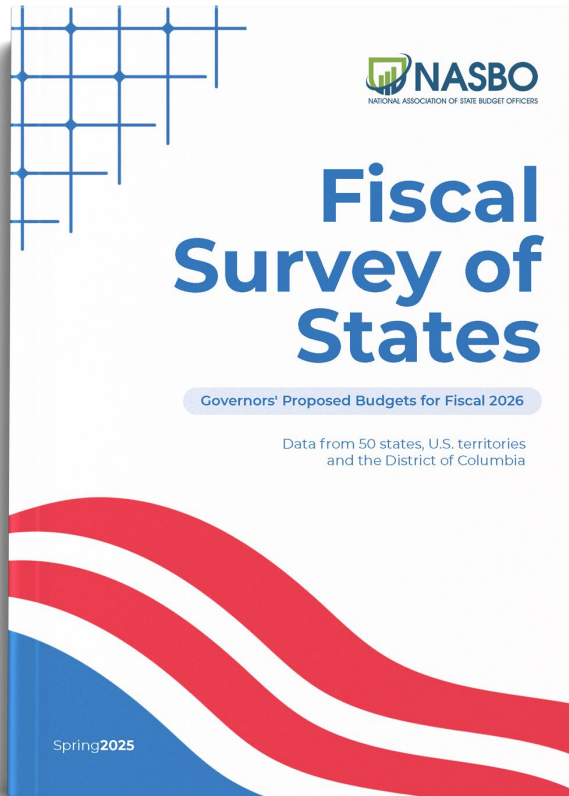


**80<sup>th</sup> NASBO**  
ANNIVERSARY

NASBO is an independent, nonpartisan, nonprofit research and educational organization. For 80 years, NASBO has been the professional membership organization for budget and finance officers across all states, territories, and DC.

**The National Association of State Budget Officers**







**Topics  
Covered  
Today**

---

Budget Processes Across States

---

State Revenue Trends

---

State Expenditure Trends

---

Federal Funds in State Budgets

---

One Big Beautiful Bill Act Cost Shifts

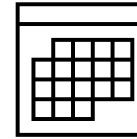
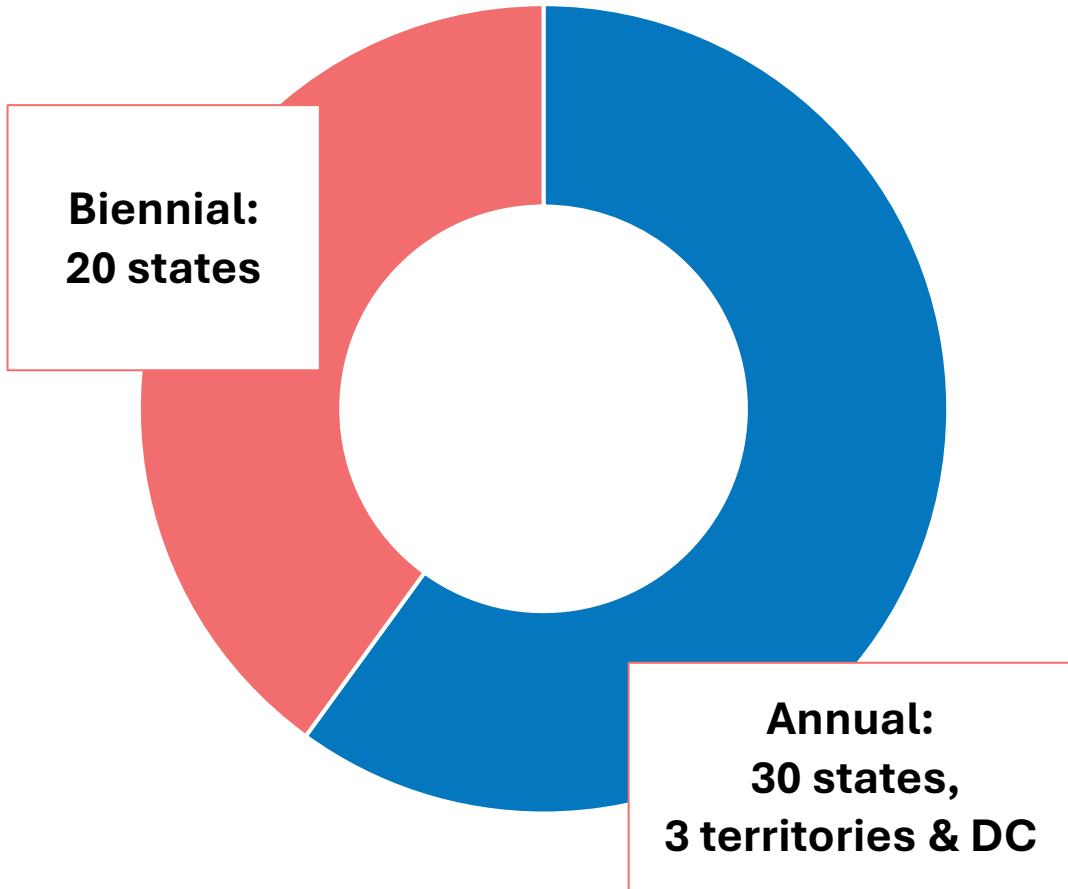
---

State Savings Levels



# Budget Processes Across States

# Budget Calendars



## Fiscal Year Start Date

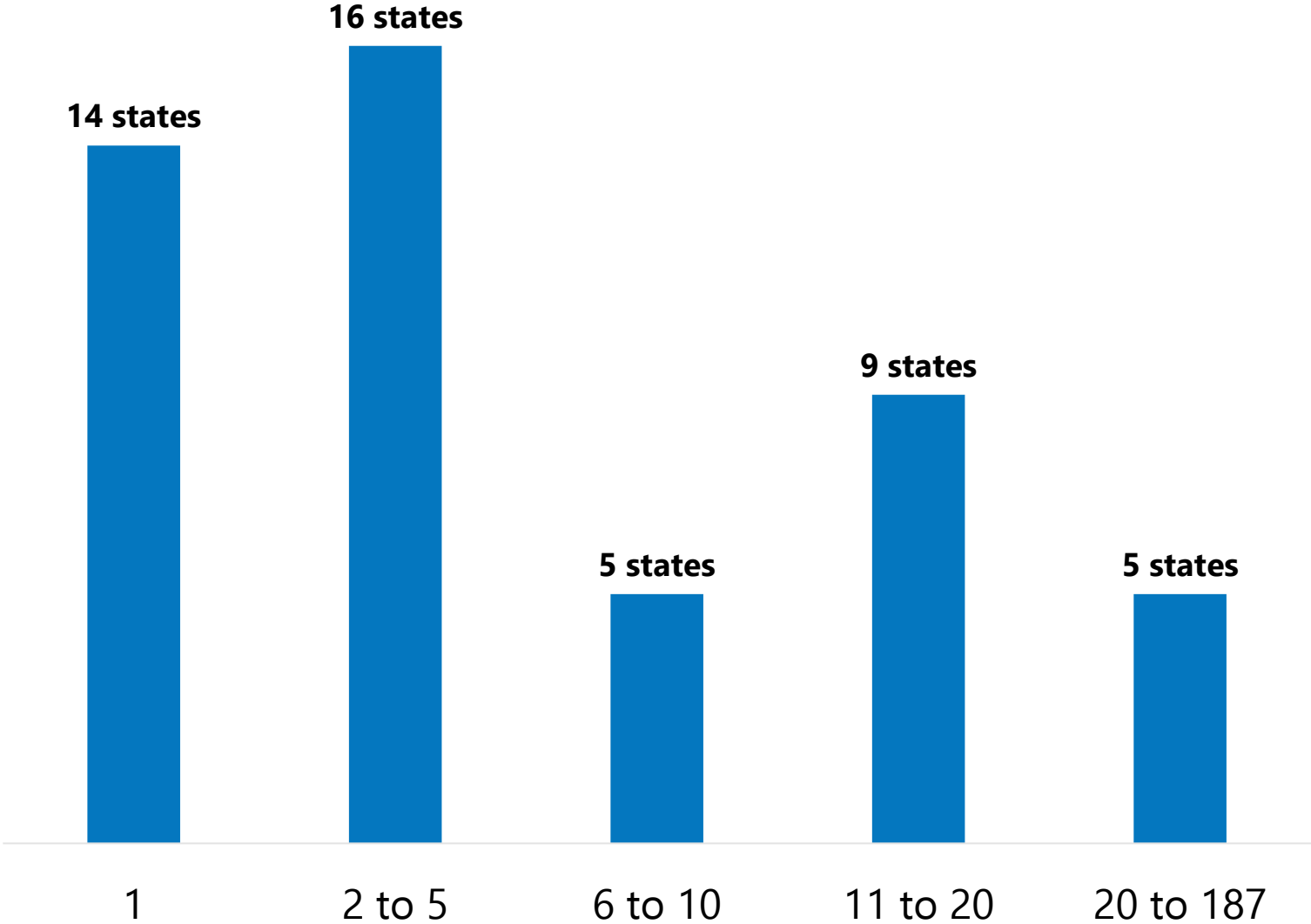
**July 1**  
(46 states, PR)

**April 1**  
(NY)

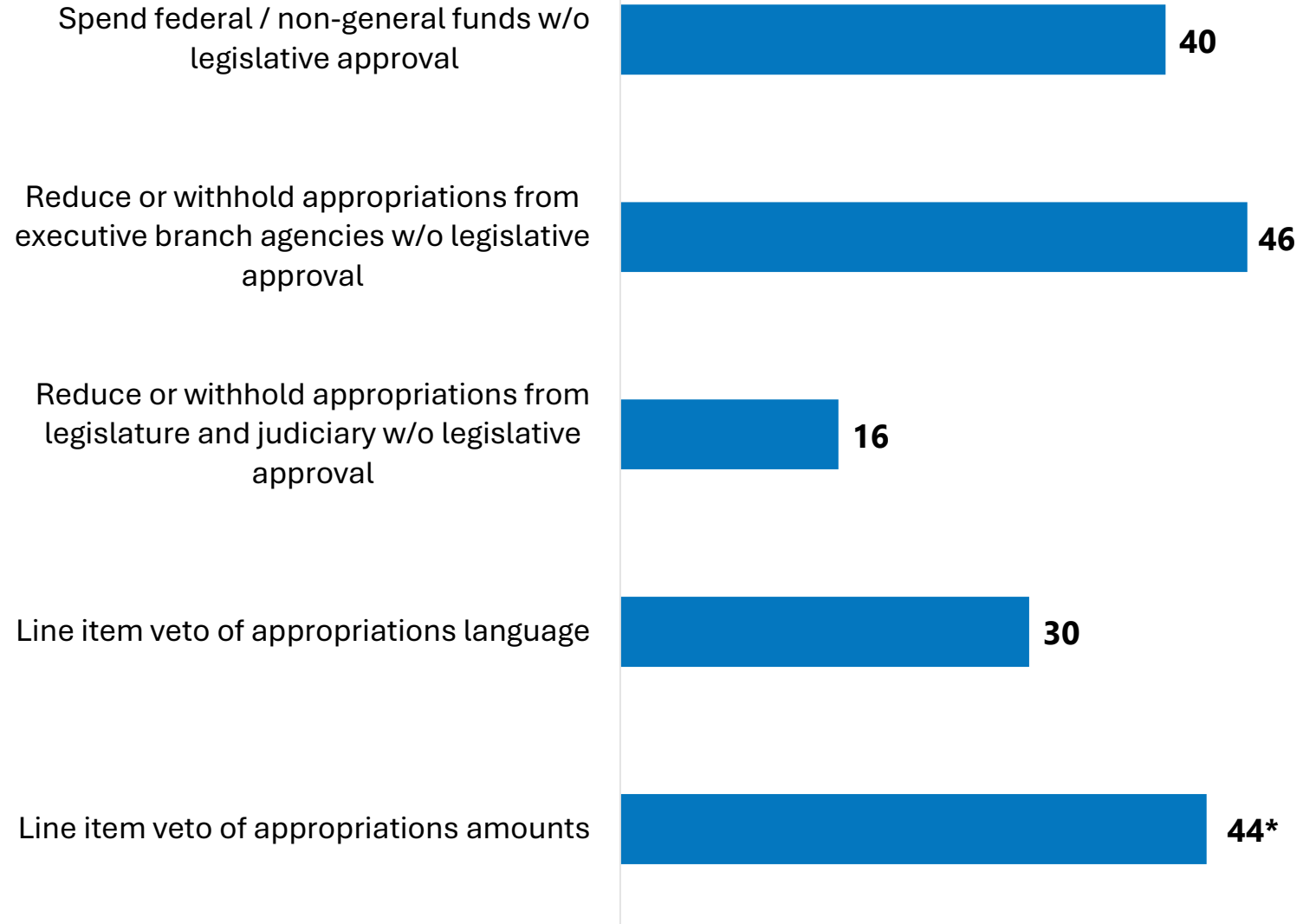
**Sept. 1**  
(TX)

**October 1**  
(AL, MI, DC, GU, VI)

# Number of Bills Making Up Enacted Budget



# Gubernatorial Budget Authority



*\* This number differs from what is reported in the NASBO's Budget Processes in the States (2021) due to a change in Maryland's budget process.*

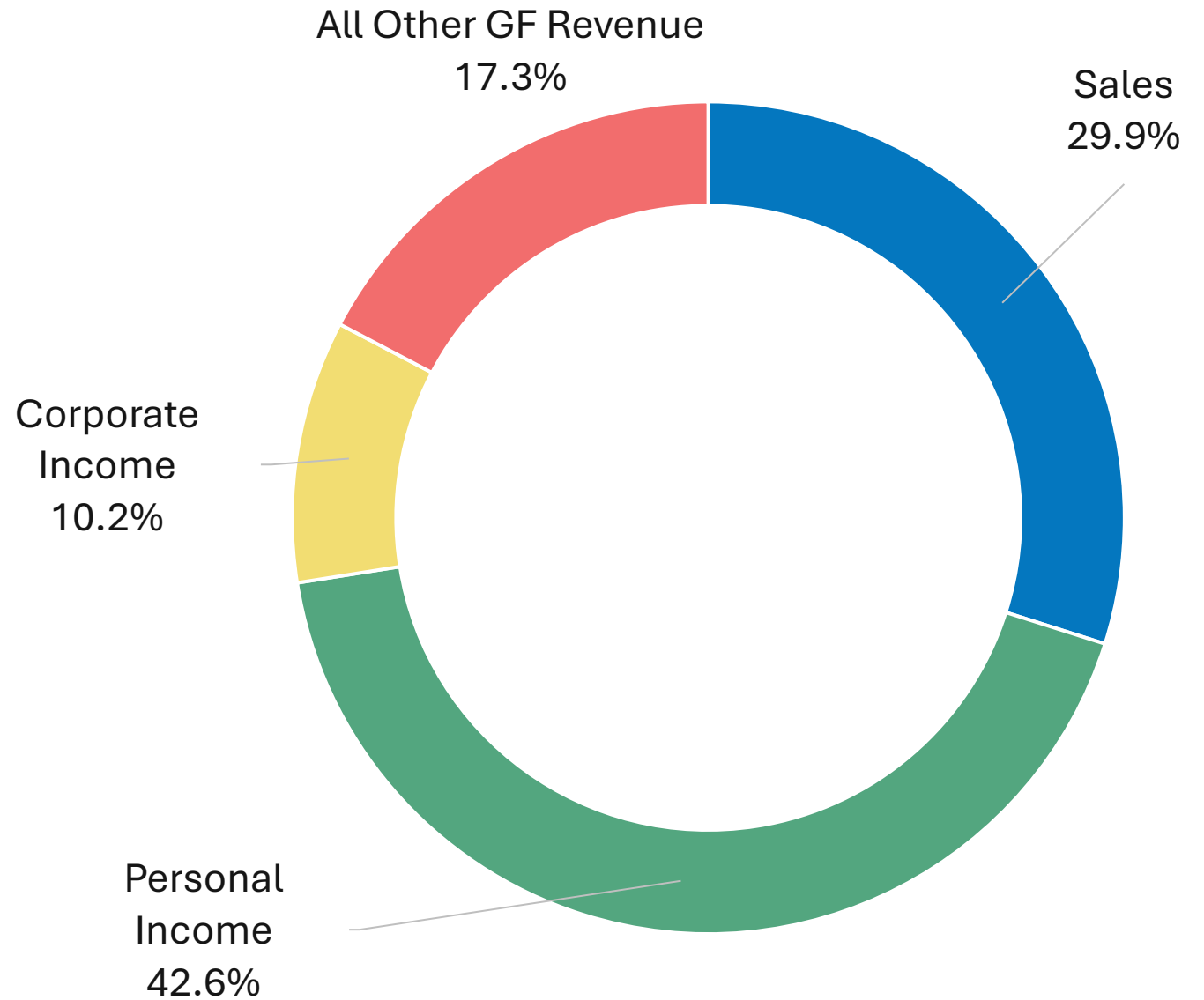


# State Revenue Trends



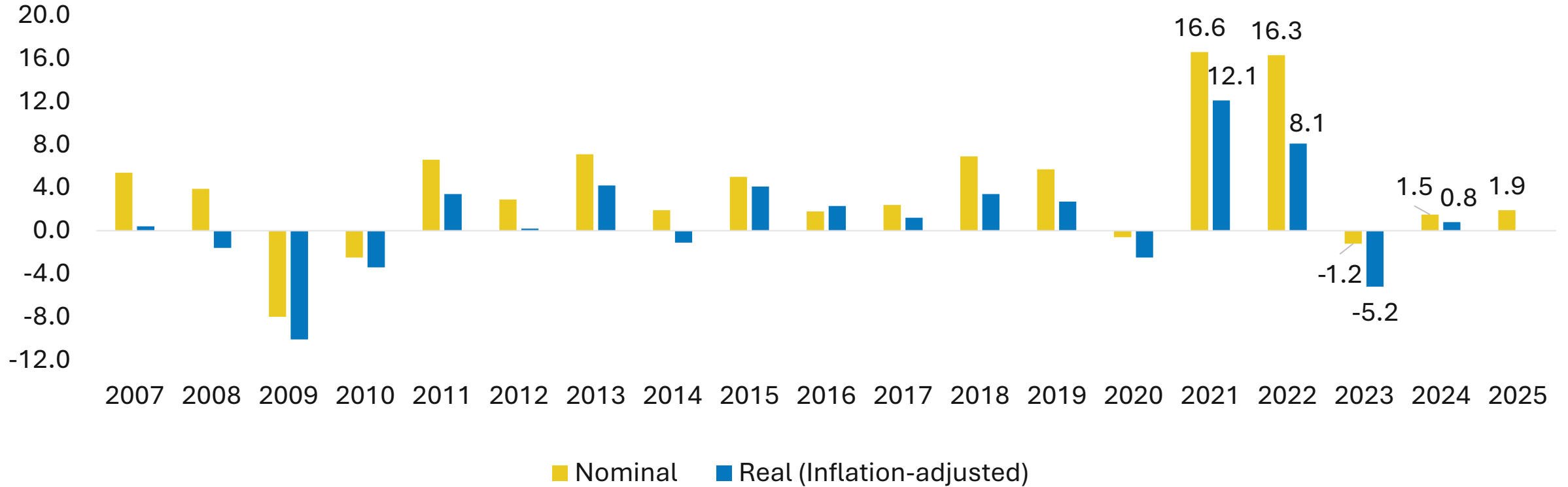
# Revenue Sources in the General Fund (%)

Fiscal 2025, Estimated



NASBO Fiscal Survey of States

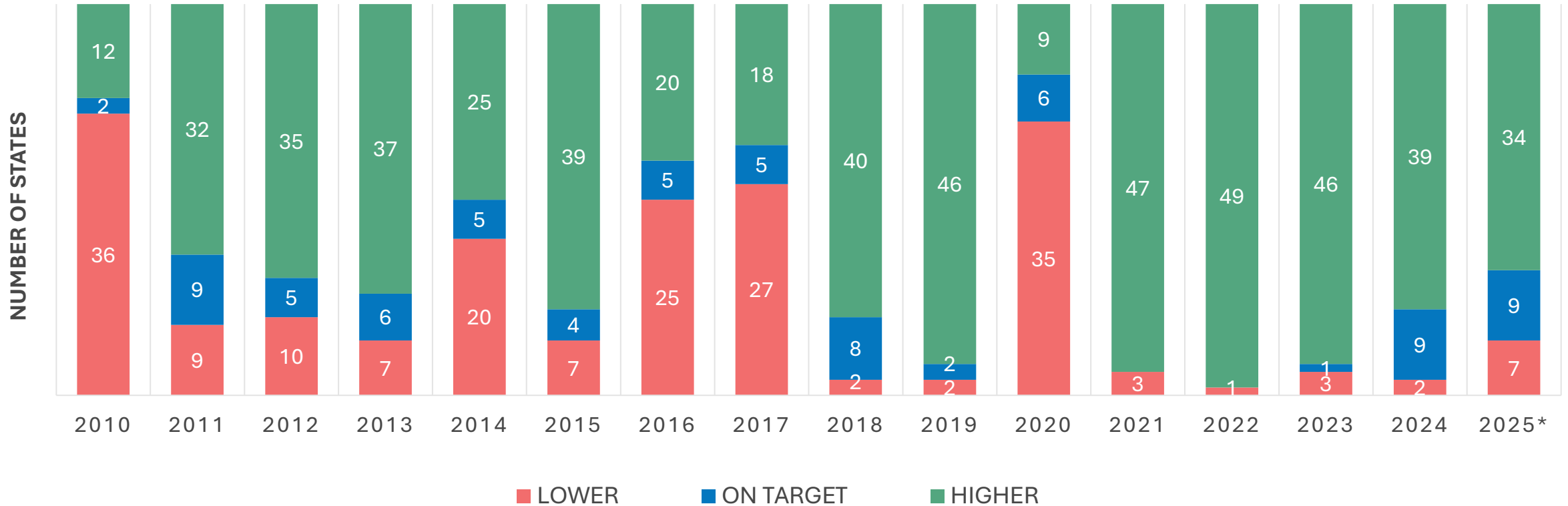
# Annual General Fund Revenue Percentage Changes Fiscal 2007 to Fiscal 2025 – FY 2025 Enacted Budgets



Note: Fiscal 2024 figure is preliminary actual and fiscal 2025 figure is projected based on states' enacted budgets.

# General Fund Revenue Collections

## General Fund Revenue Collections Compared To Original Revenue Projections (By Fiscal Year)



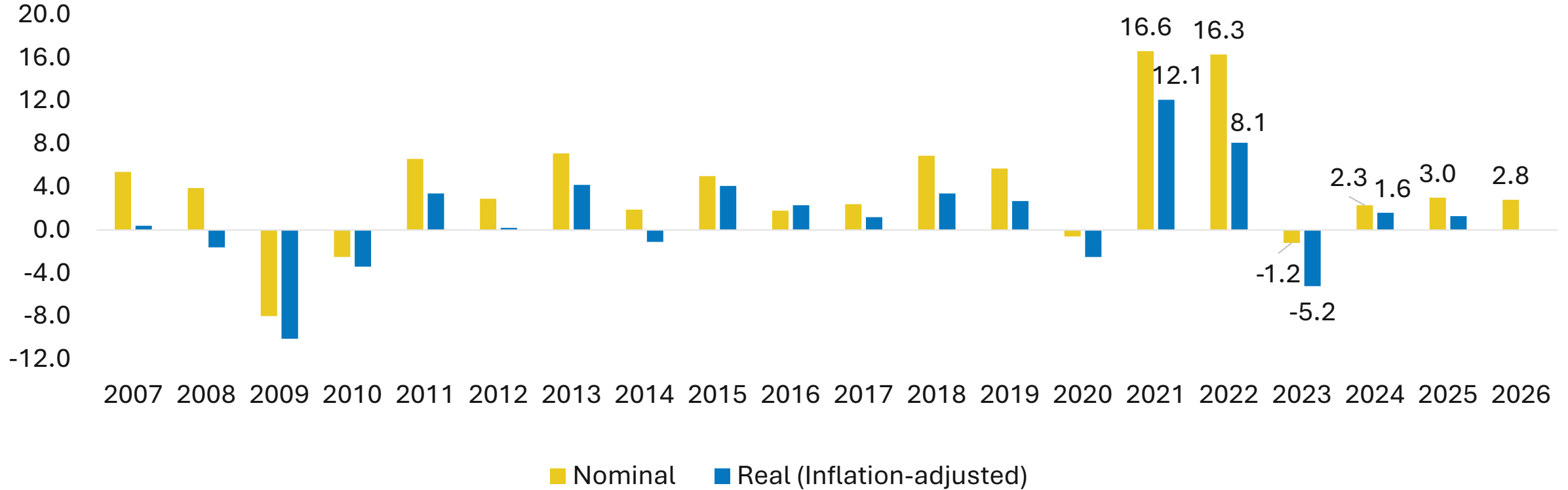
\*Fiscal 2025 is ongoing and figures are subject to change.

General Fund Revenue Collections Compared To Original Revenue Projections (By Fiscal Year)

NASBO Fiscal Survey of States

# Annual General Fund Revenue Percentage Changes

## Fiscal 2007 to Fiscal 2026 - FY 2026 Recommended Budgets



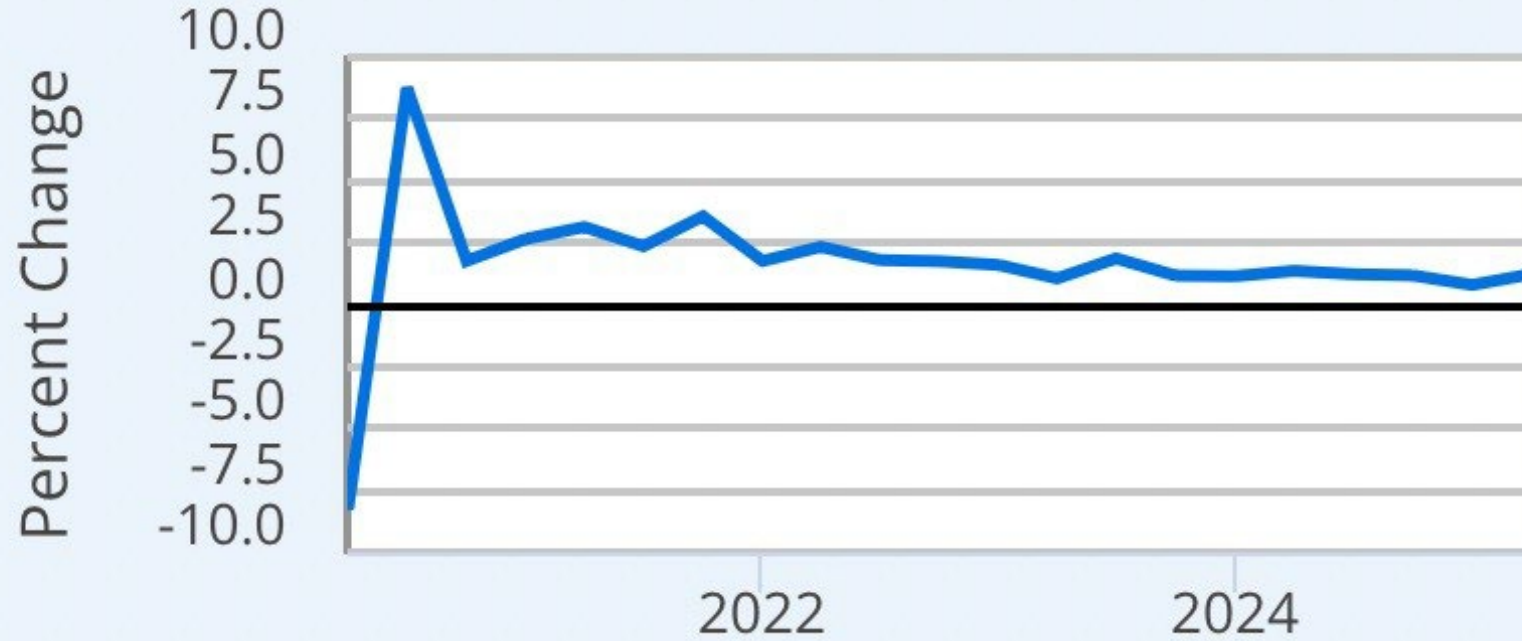
Note: Fiscal 2025 figure is estimated and fiscal 2026 figure is projected based on governors' recommended budgets.



**FRED**



— Gross Domestic Product



## Gross Domestic Product 2020 to 2025

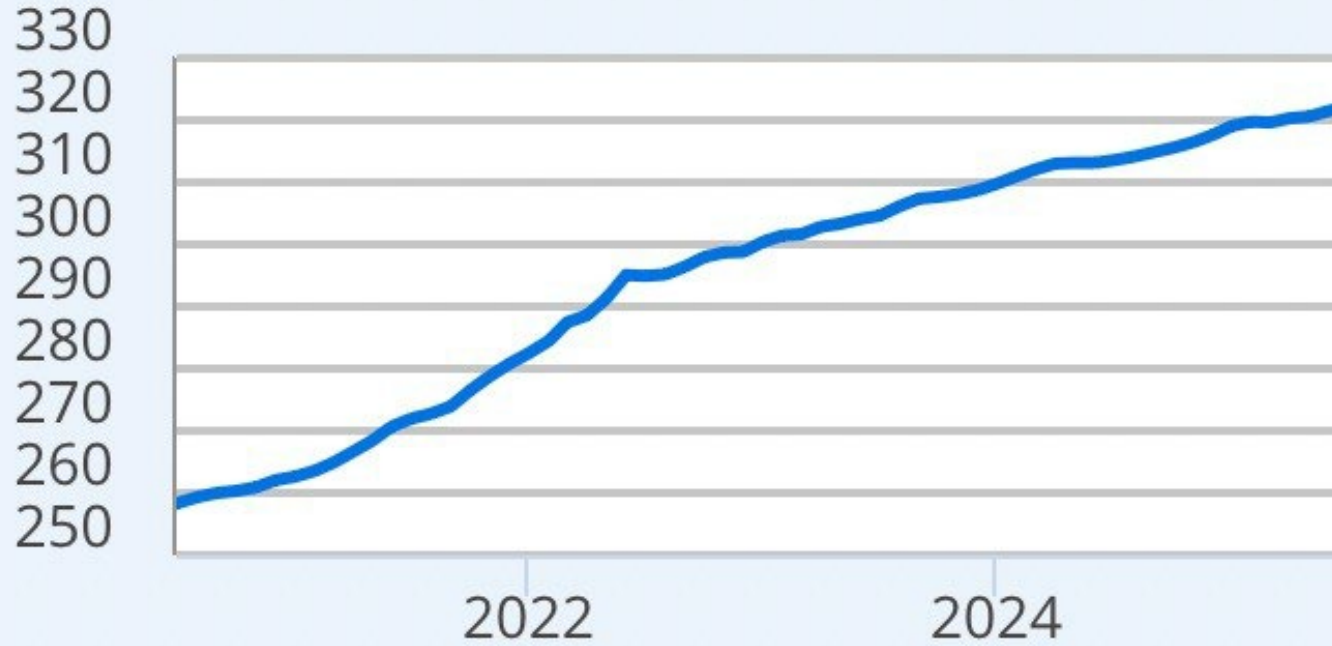


**FRED**



— Consumer Price Index for All Urban Consumers: All I...

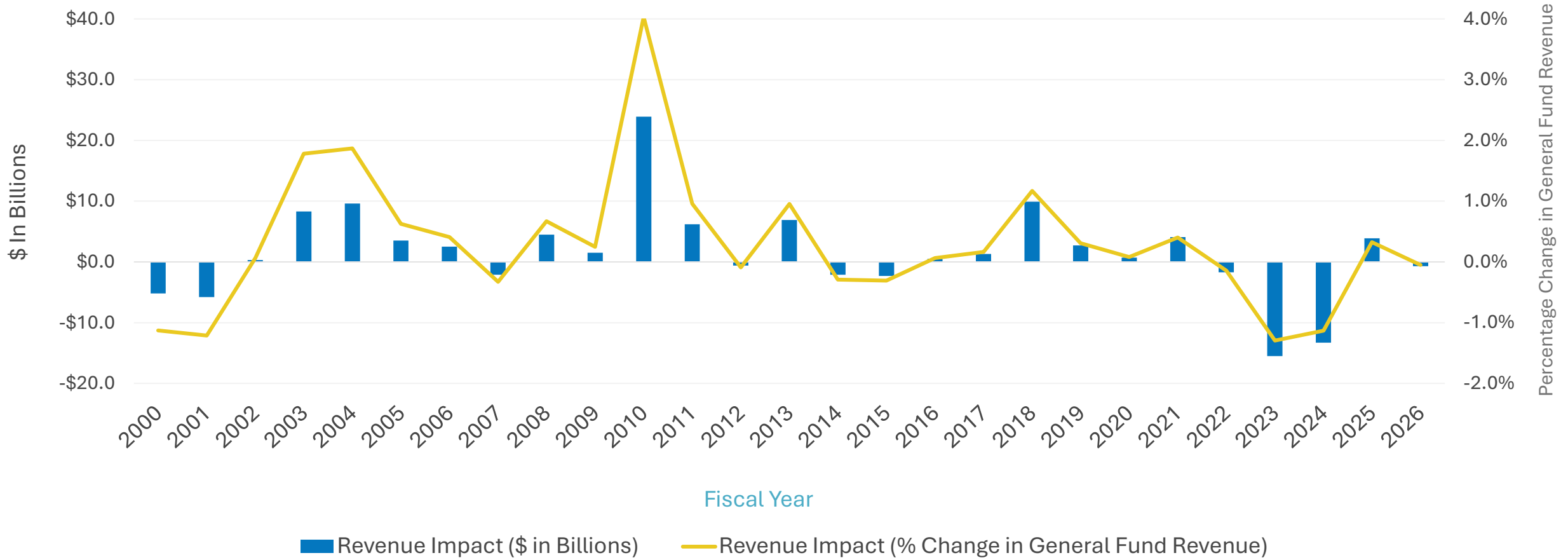
Index 1982-  
1984=100



## Core CPI (Inflation) 2020 to 2025

# Impact of State Revenue Actions Over Time

\$ in billions and % change in total general fund revenue

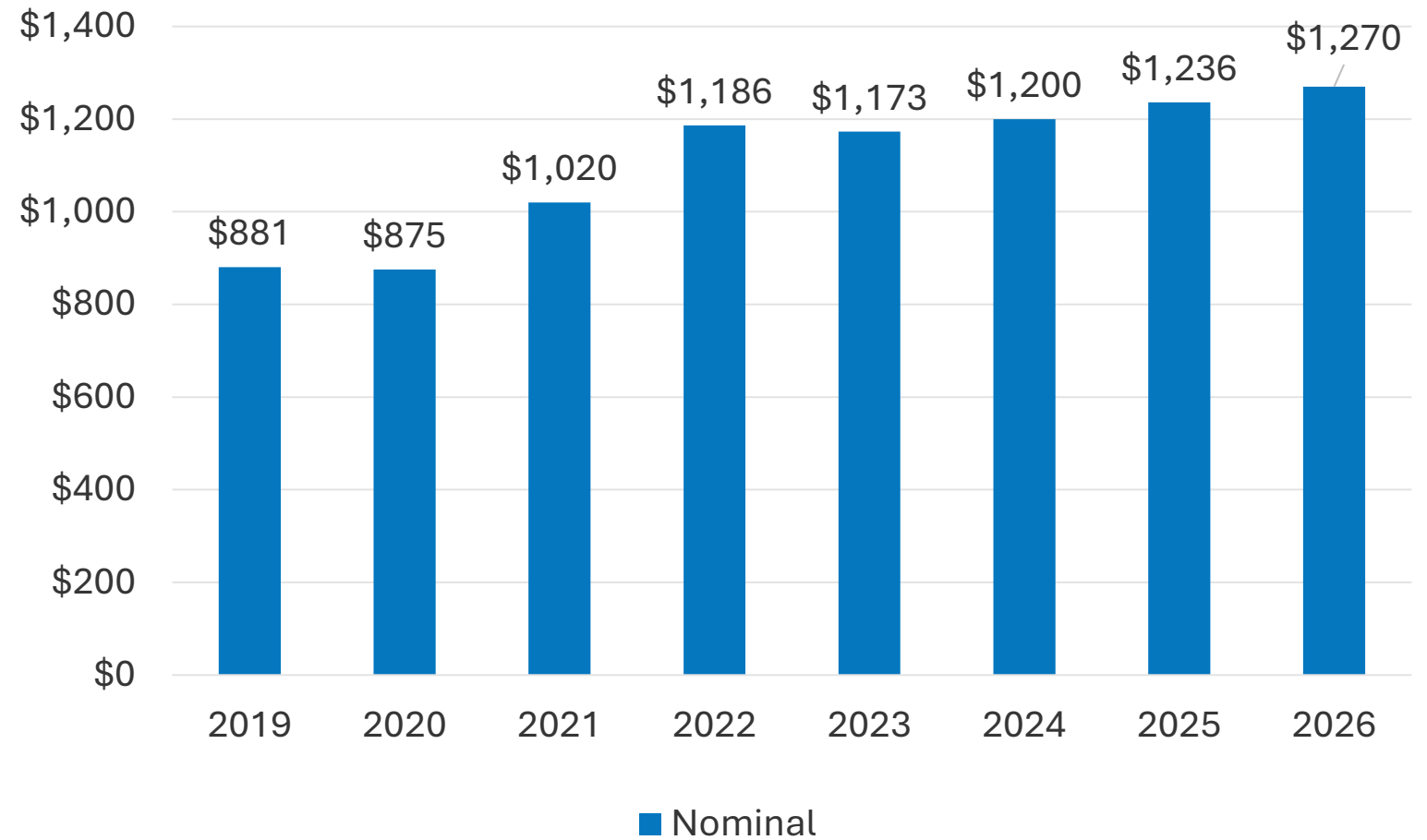


Note: Fiscal 2026 figure is based on governors' recommended budgets.

NASBO Fiscal Survey of States

# Annual General Fund Revenue (in Billions)

Fiscal 2019 to Fiscal 2026

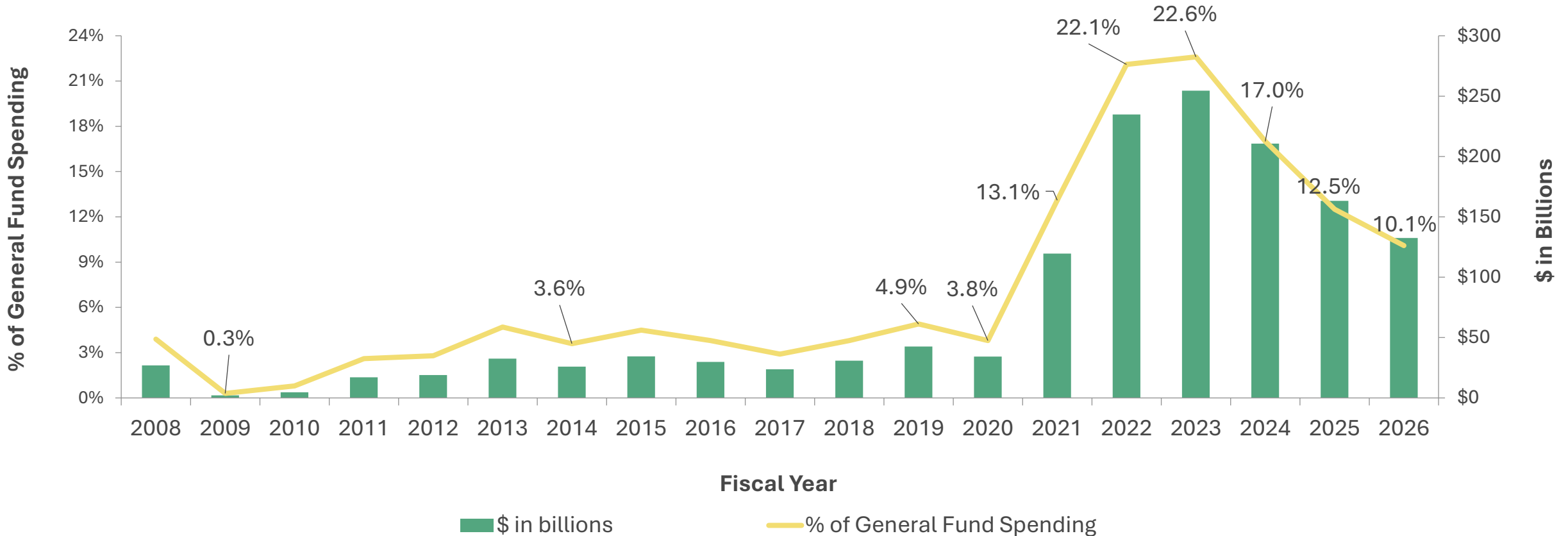


*Note: Fiscal 2025 is estimated and fiscal 2026 is projected based on governors' recommended budgets.*

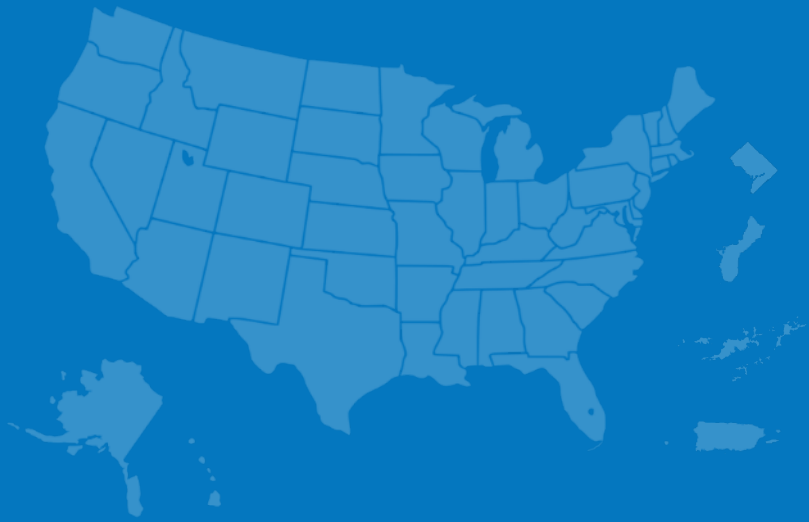
NASBO Fiscal Survey of States

# General Fund Ending Balances Fiscal 2008 to Fiscal 2026

GF Ending Balances in Dollars and as a Percentage of General Fund Expenditures



Note: General fund ending balances shown here have been adjusted to exclude any designated rainy day funds held within a state's general fund. Fiscal 2025 are estimated figures and fiscal 2026 are recommended figures.



## Revenue Trends

---

Fiscal 2026 revenue growth is projected to be moderate.

---

Revenue projections have been adjusted downward in a handful of states. Forecasters cited economic uncertainty; changes in federal spending and employment; tariffs; and decreased international tourism

---

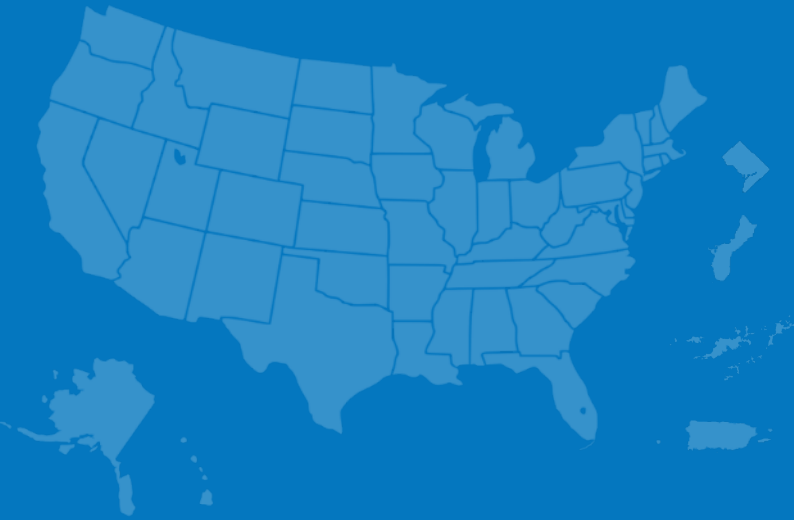
Revenue impacts from OBBBA tax provisions will reduce growth, substantially in some states

---

Growth in sales tax collections is slowing in a number of states

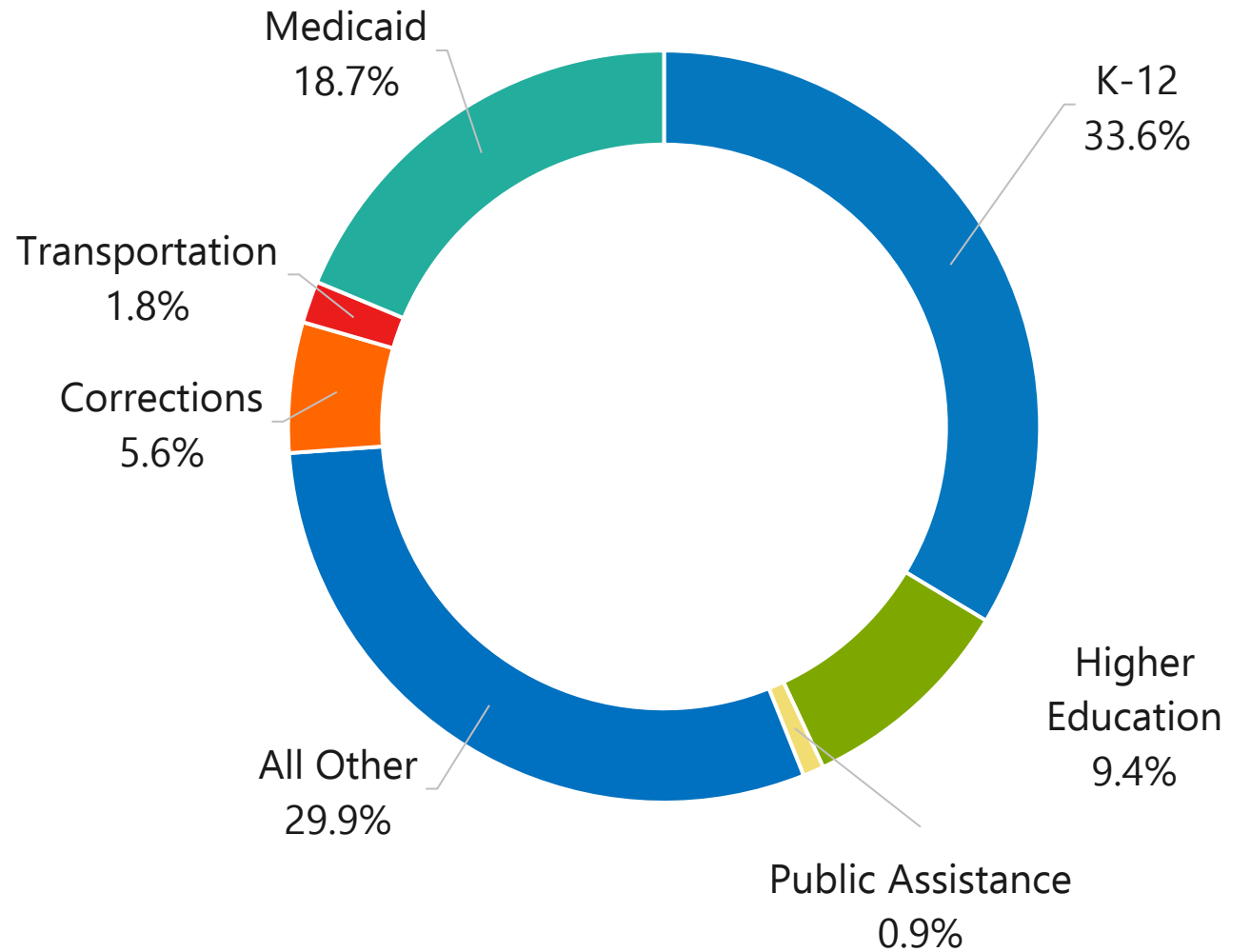


# State Expenditure Trends



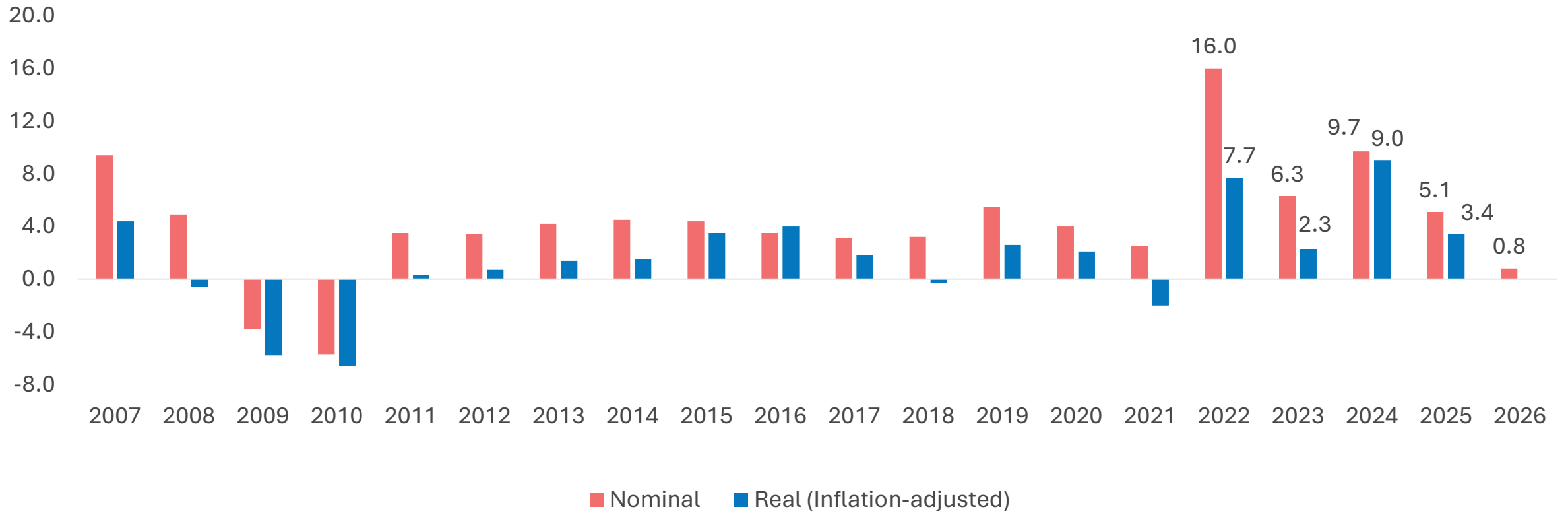
# General Fund Expenditures By Function

Estimated FY 2024

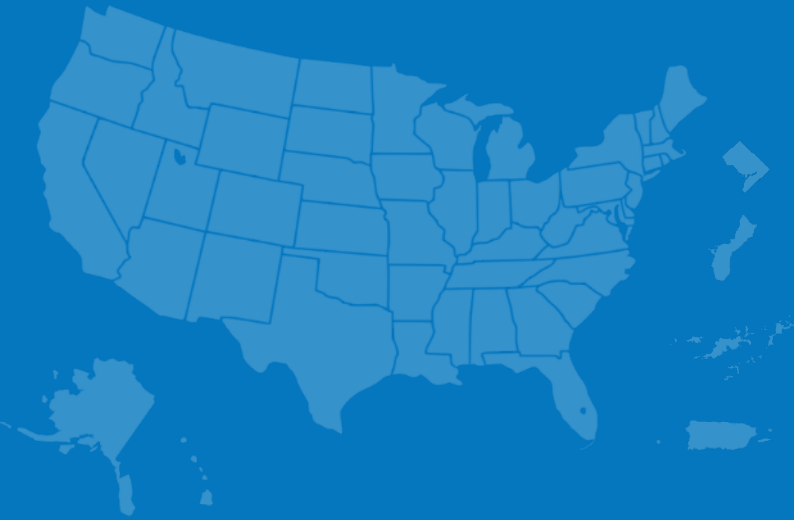


Source: NASBO State Expenditure Report

# Annual General Fund Expenditure Percentage Changes Fiscal 2007 to Fiscal 2026



Note: Fiscal 2025 figure is based on current estimates; fiscal 2026 figure is based on governors' recommended budgets.



## Expenditure Trends

---

States are managing expectations for new funding in this tighter budget environment

---

Expenditure growth is outpacing revenue growth

---

Pressures include medical inflation, school choice, housing, declining federal funds

---

Actual expenditures continue to reflect previously budgeted multi-year projects

---

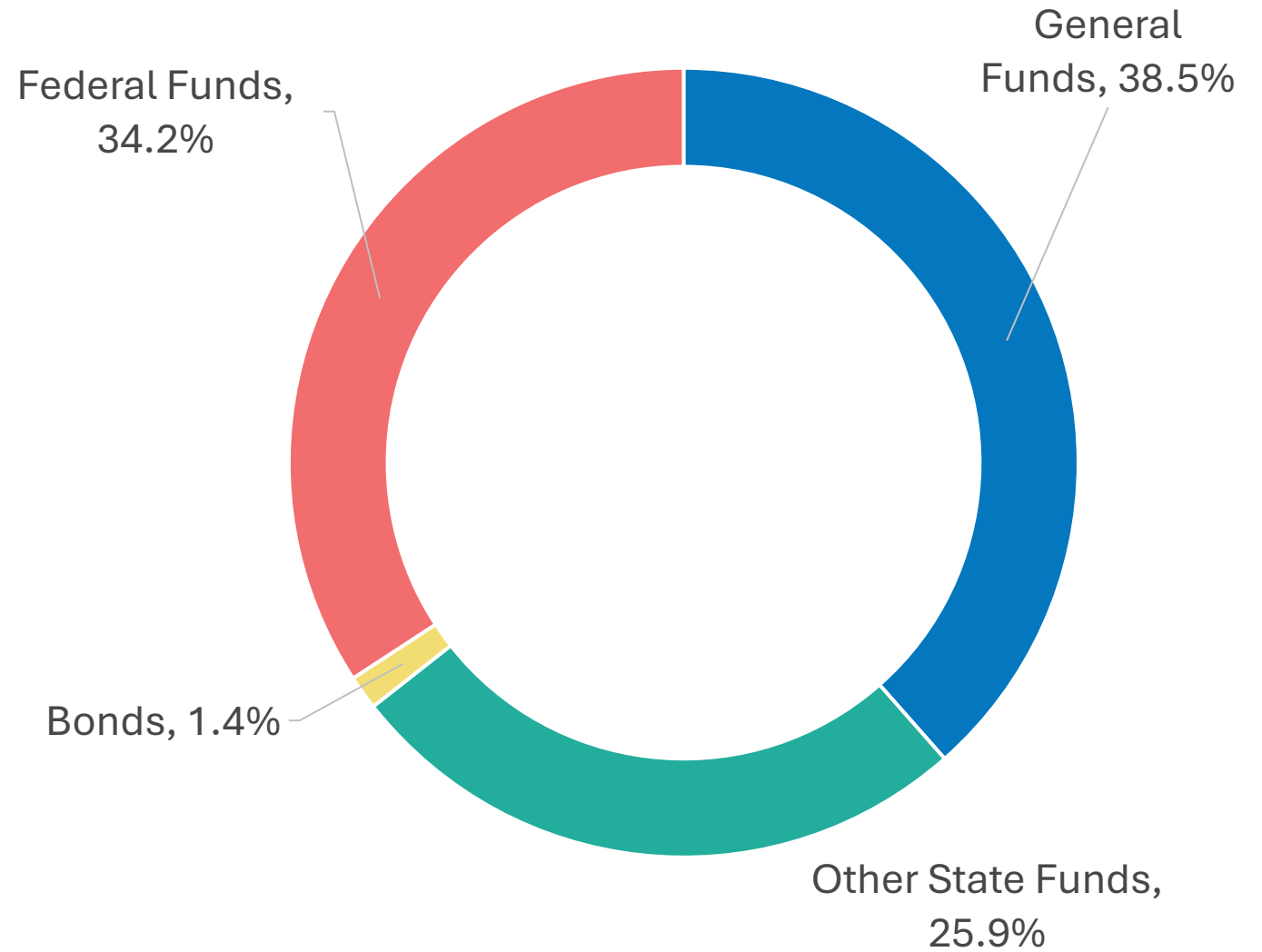
Surplus general fund from previous years continues to impact expenditures



# Federal Funds in State Budgets

# Total State Expenditures By Fund Source

Estimated Fiscal 2024



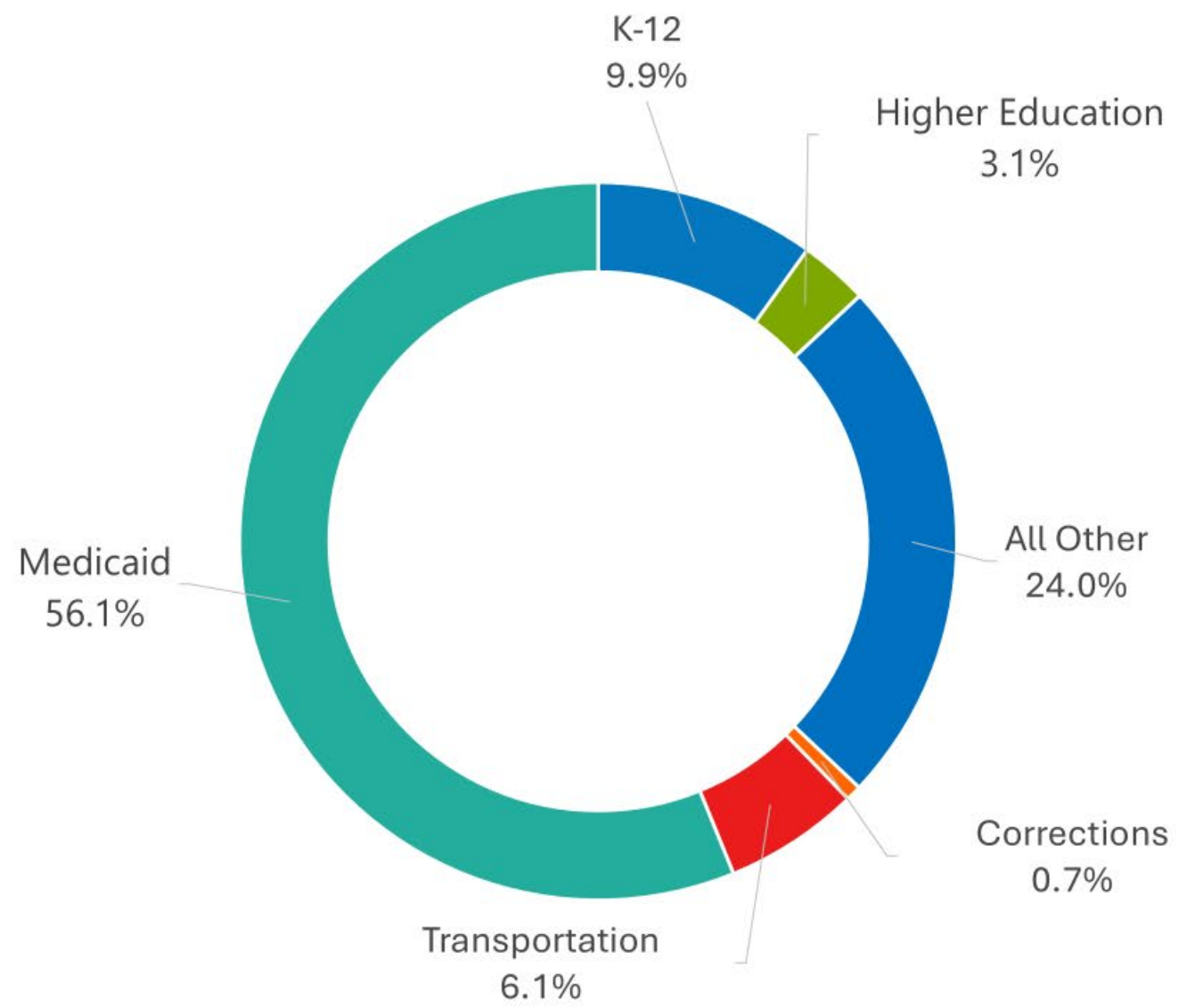
Source: NASBO State Expenditure Report



**\$1,047  
Billion**

**FY24**

Federal Funds  
Expenditures By Function



Source: NASBO State Expenditure Report

# Increases In Total State Spending

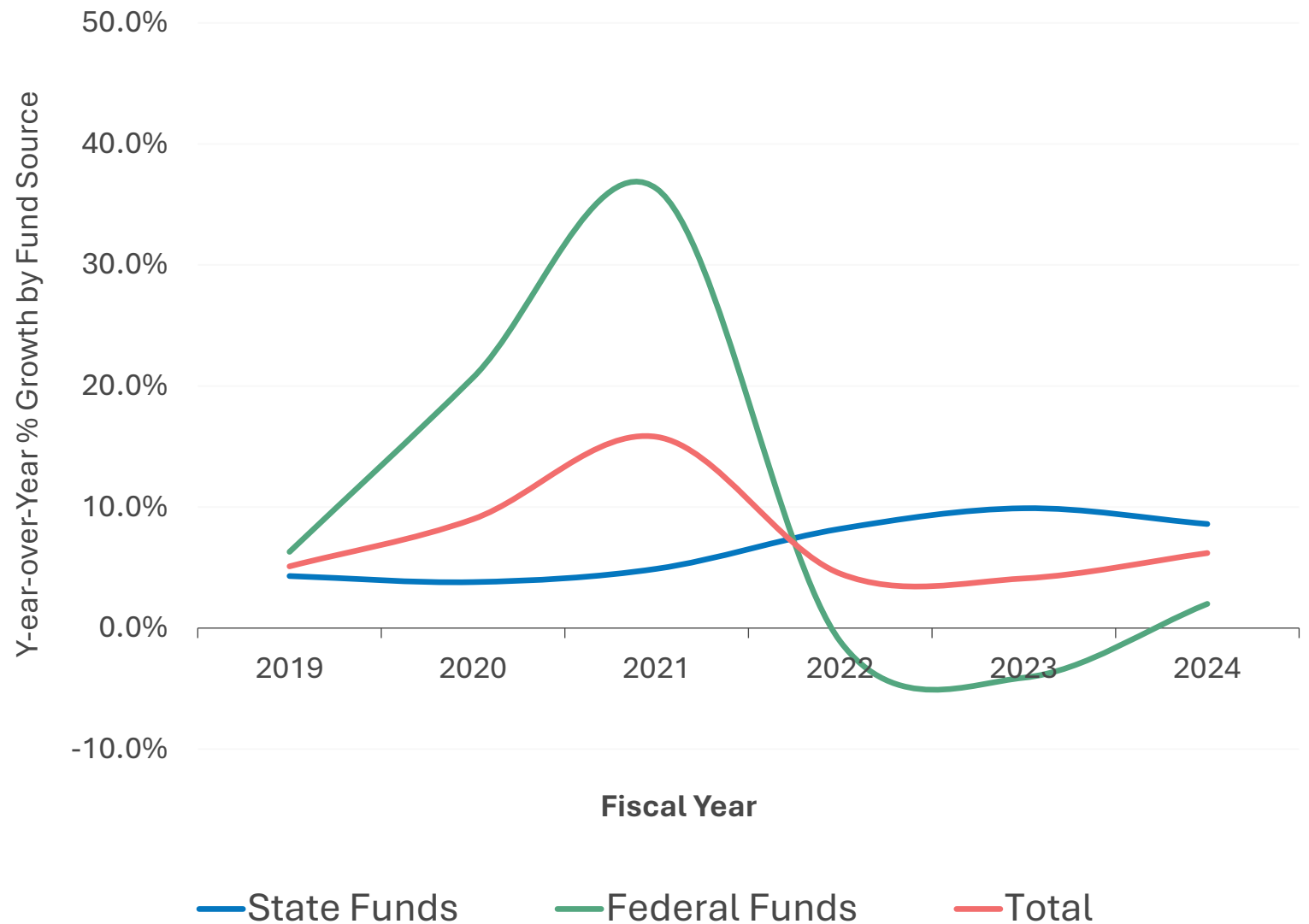
Year-Over-Year Percentage Increases in Total State Expenditures\*



\*Total state expenditures include spending from general funds, other state funds, bonds, and federal funds to states.

# Annual Percentage Change in Expenditures by Fund Source

## Fiscal 2019 to Fiscal 2024



State Expenditure Report



## Federal Funding Trends

---

The end of pandemic-era funding, coupled with slowing general fund growth, has created tight budget conditions

---

The cancellation of federal grant funding, coupled with upcoming OBBBA impacts, will lead to tough choices

---

Disasters are stressing budgets and states are concerned they will shoulder a greater burden of costs in the future

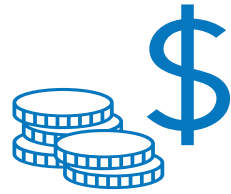
---

Federal uncertainty is a top concern for budget writers



# One Big Beautiful Bill Act

# Estimated Expenditure Impacts



## Federal Medicaid Spending

- Federal cuts to states over 10 years would represent 14% of federal spending on Medicaid over the period. (KFF Analysis) (On an annual basis, 14% of FY 2024 federal Medicaid expenditures by states = \$82.2 billion.)



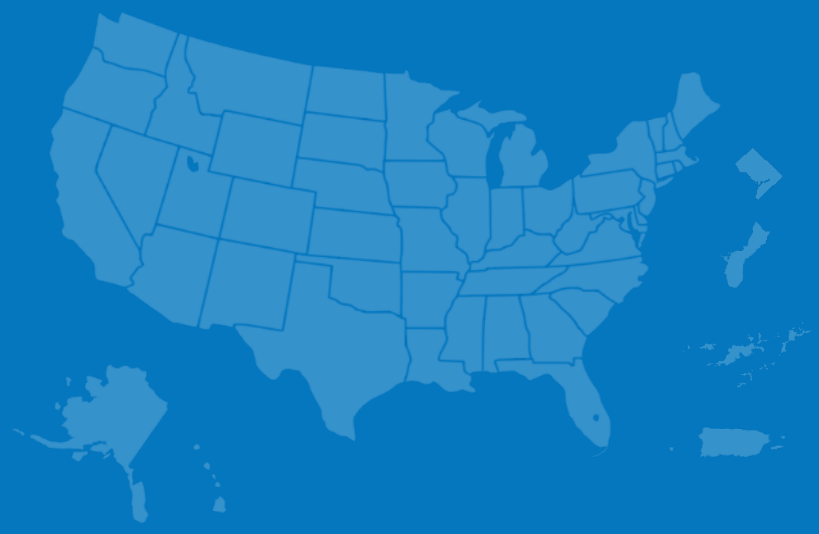
## SNAP Cost Sharing

- Shifting a share of SNAP Expenditures to states based on error rates (FY 2024=\$11.6 billion) + increasing admin costs (\$3.5 billion) (FFIS Analysis)

### These are in addition to

- Other cost shifts
- Cuts to Current Federal Grants
- Current Escalation in State Costs

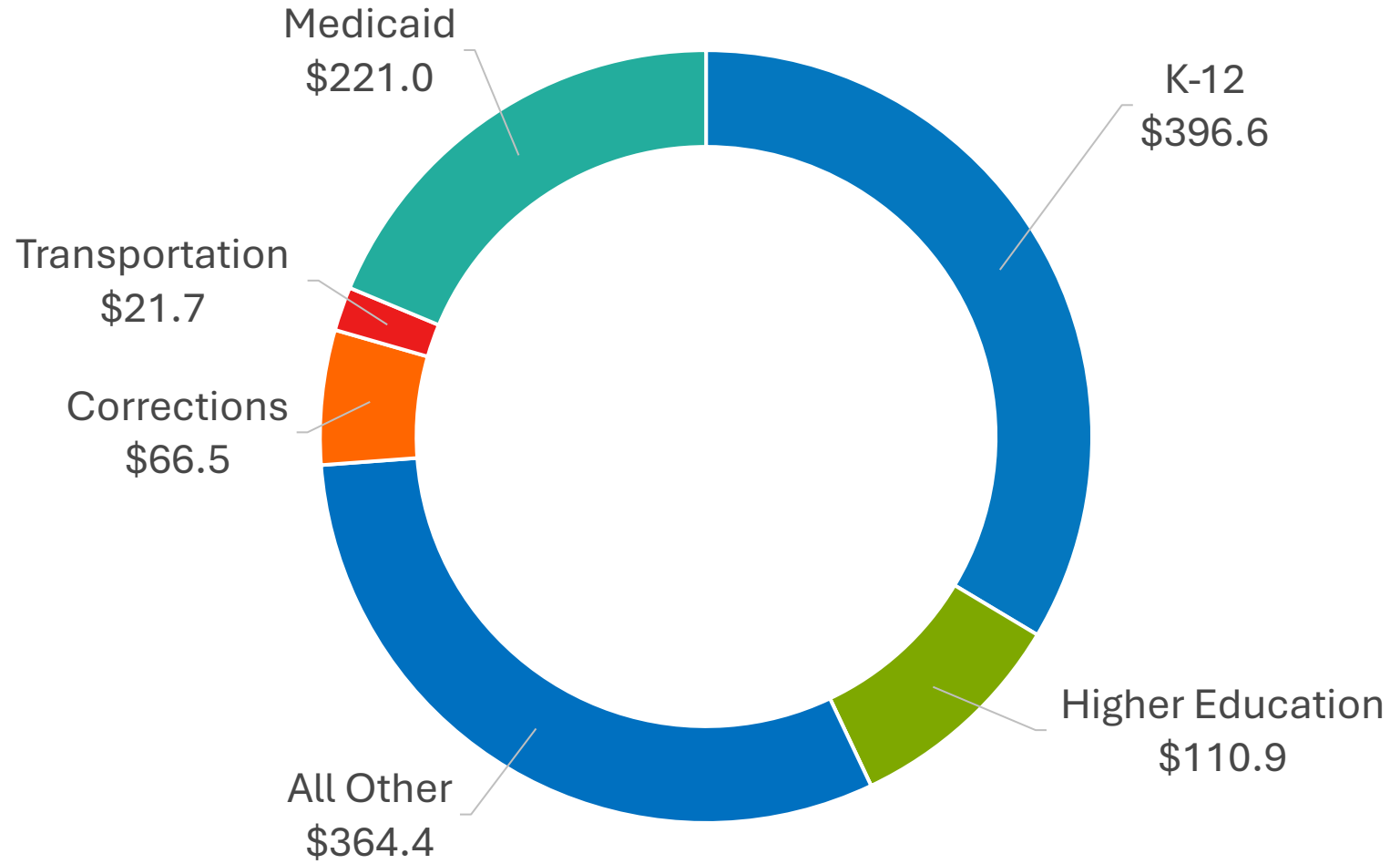




**\$1,181  
Billion**

FY24

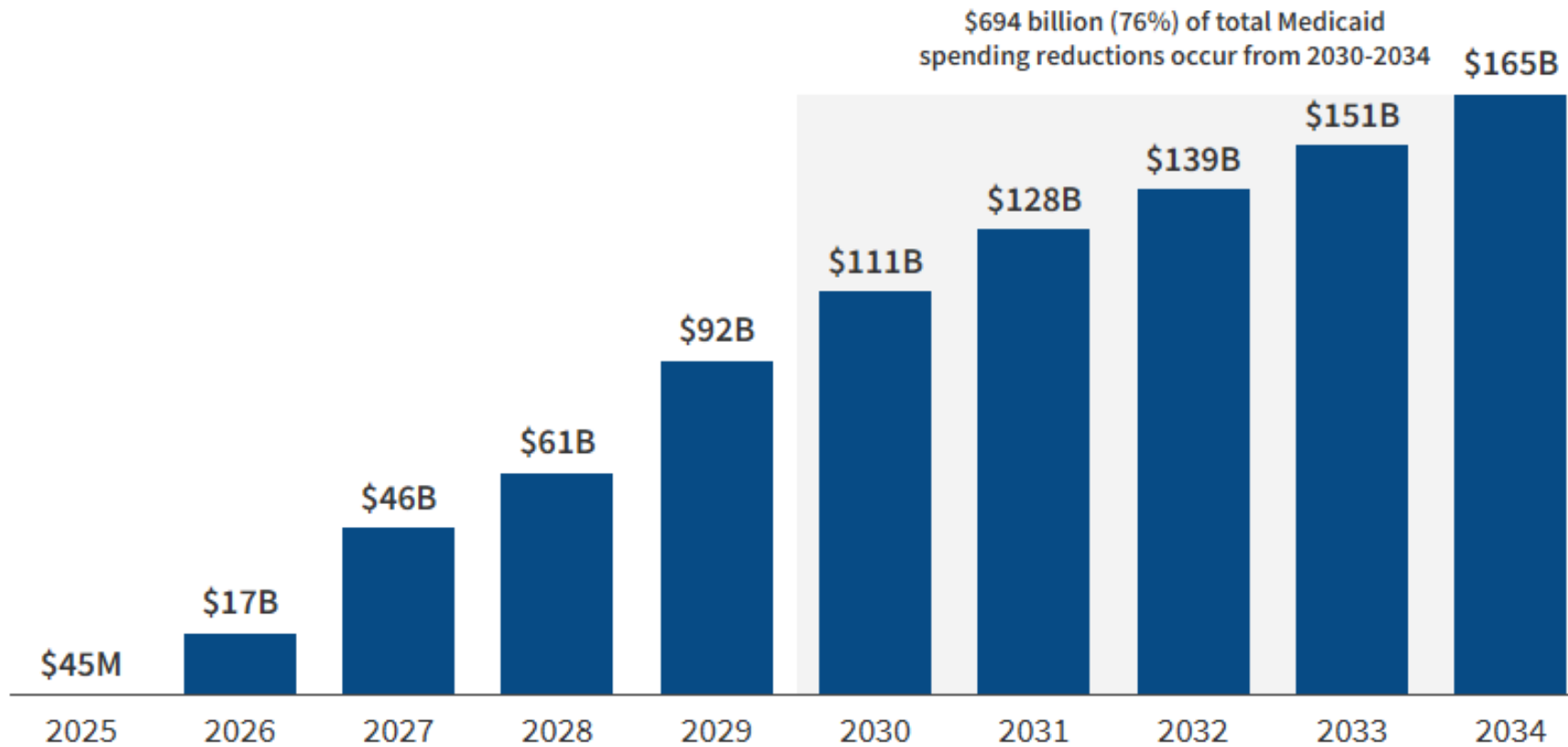
General Funds  
Expenditures By Function



Source: NASBO State Expenditure Report

Amount in Billions

## Federal Medicaid Cuts in the Enacted Reconciliation Package, By Year



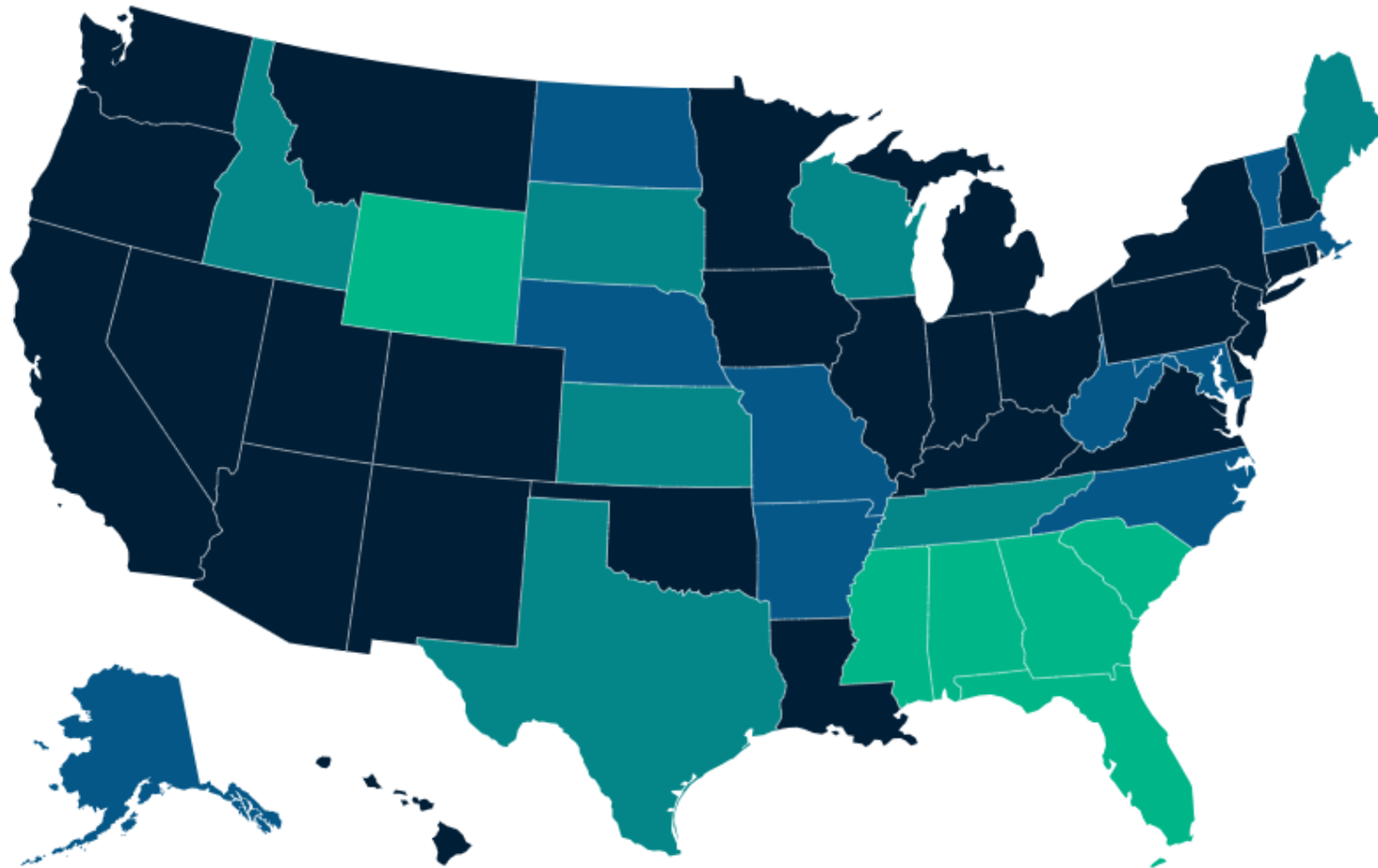
Note: Estimated interaction effects are included each year. Over the 10-year period, the Medicaid spending reductions total \$911B, including \$79B in estimated Medicaid spending interactions. Without accounting for interactions, the total is \$990B. See Methods in "Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Enacted Reconciliation Package" for more details.

Source: [KFF analysis of CBO estimates of the enacted reconciliation package](#) • [Get the data](#) • [Download PNG](#)

## Federal Medicaid Cuts in the Enacted Reconciliation Package, By State

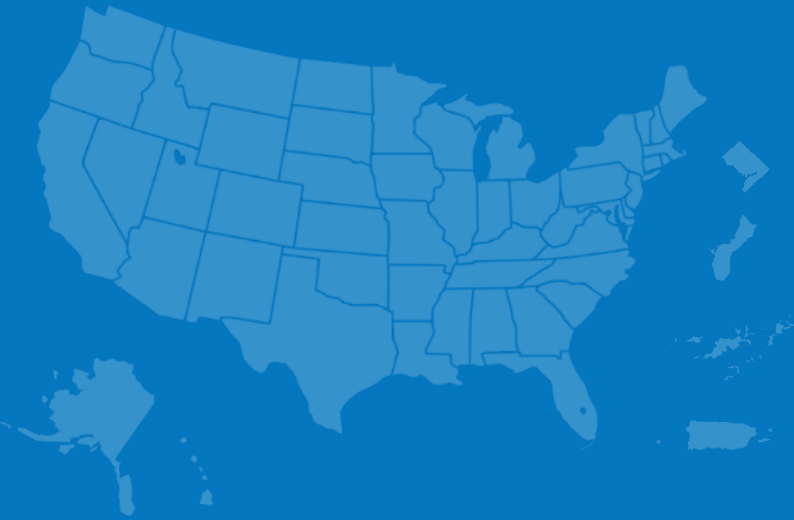
As a % of 10-year baseline federal spending (2025-2034)

■ < 7%   ■ 7%–10%   ■ 10%–13%   ■ ≥ 13%



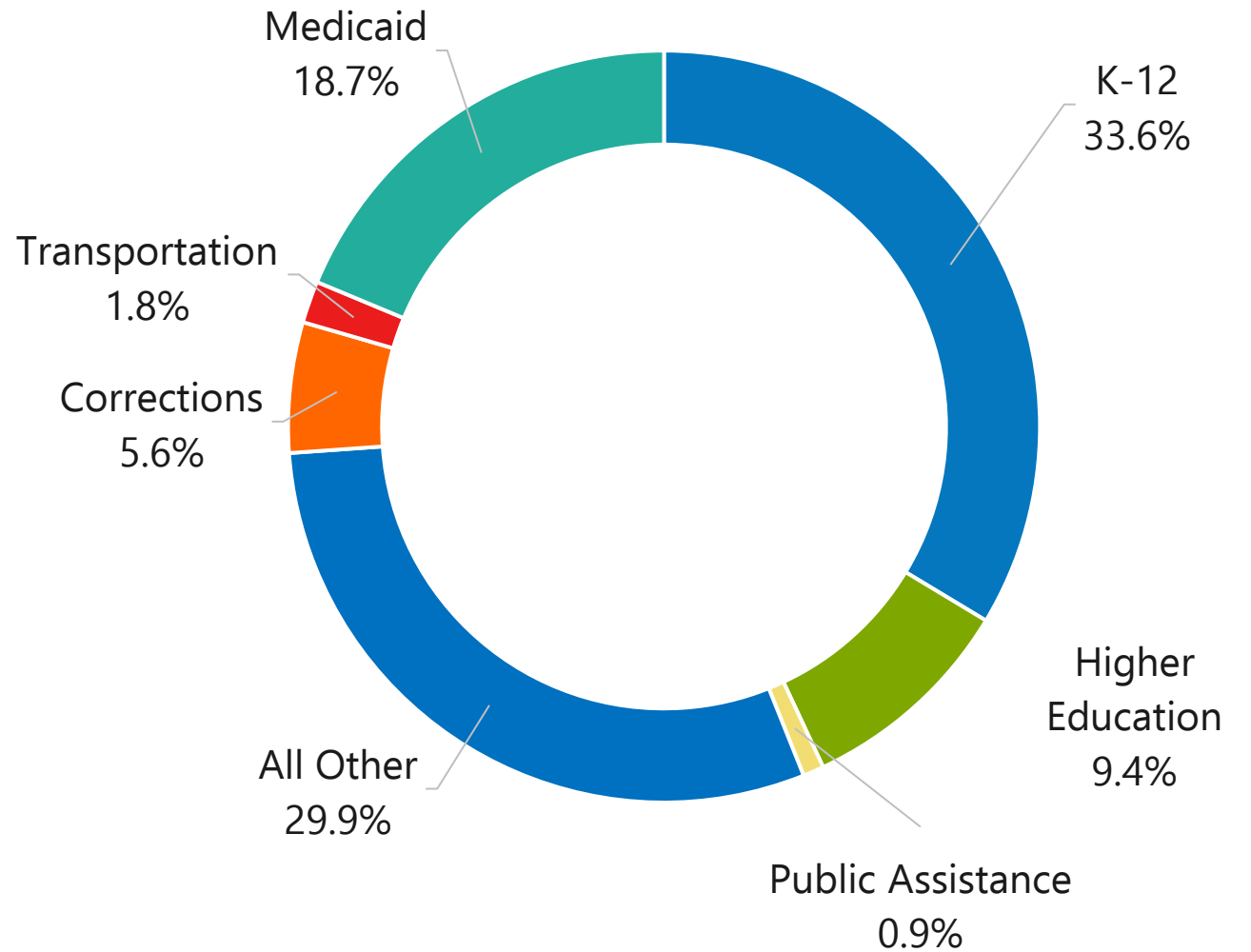
Note: \$911 billion in federal Medicaid spending cuts over the 10-year period is allocated across states, including \$79B in estimated Medicaid spending interactions. See Methods in "Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Enacted Reconciliation Package" for more details.

Source: KFF analysis of CBO estimates of the enacted reconciliation package • [Get the data](#) • [Download PNG](#)



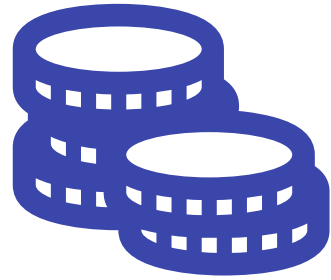
# General Fund Expenditures By Function

Estimated FY2024

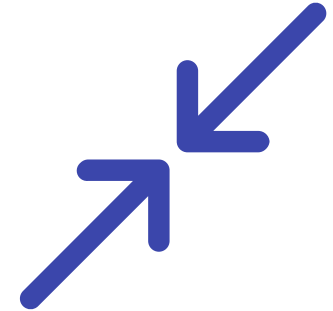


Source: NASBO State Expenditure Report

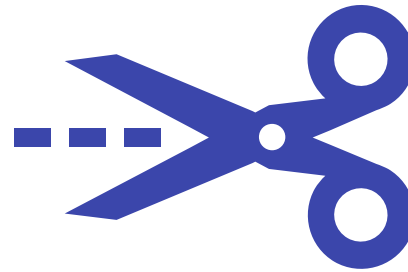
# Options States Will Have to Balance Budgets In Response to Federal Actions



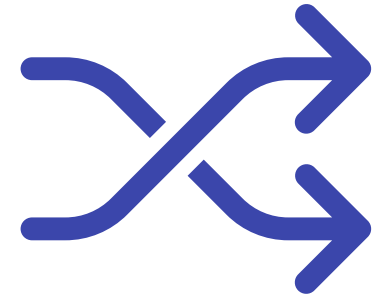
Raise revenue



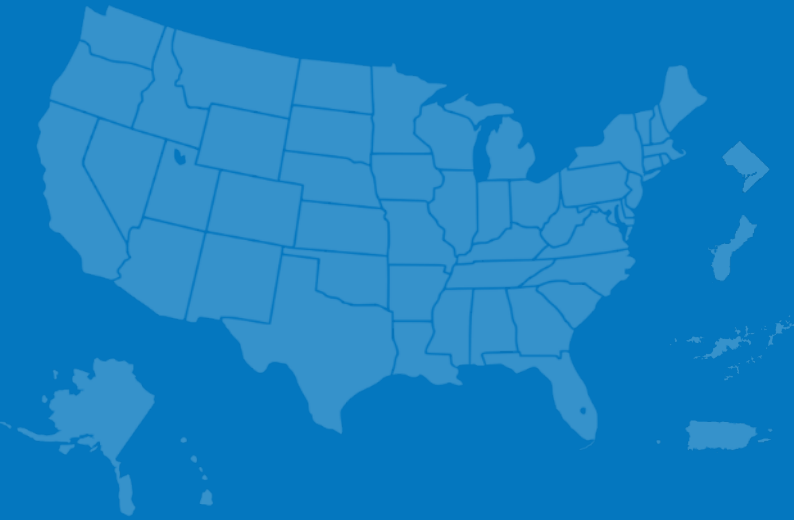
Program reductions



Cuts in other areas



A mix of all three



## States Can't Absorb All Federal Cuts and Cost Shifts

---

States need to be preparing but major impacts will occur in out years

---

Impacts are not uniform across states

---

OBBBA changes will be part of state budgeting discussions and decisions for the coming decade

---

States will see many changes in leadership before the OBBBA impacts are fully phased-in (in some cases, even before they begin)

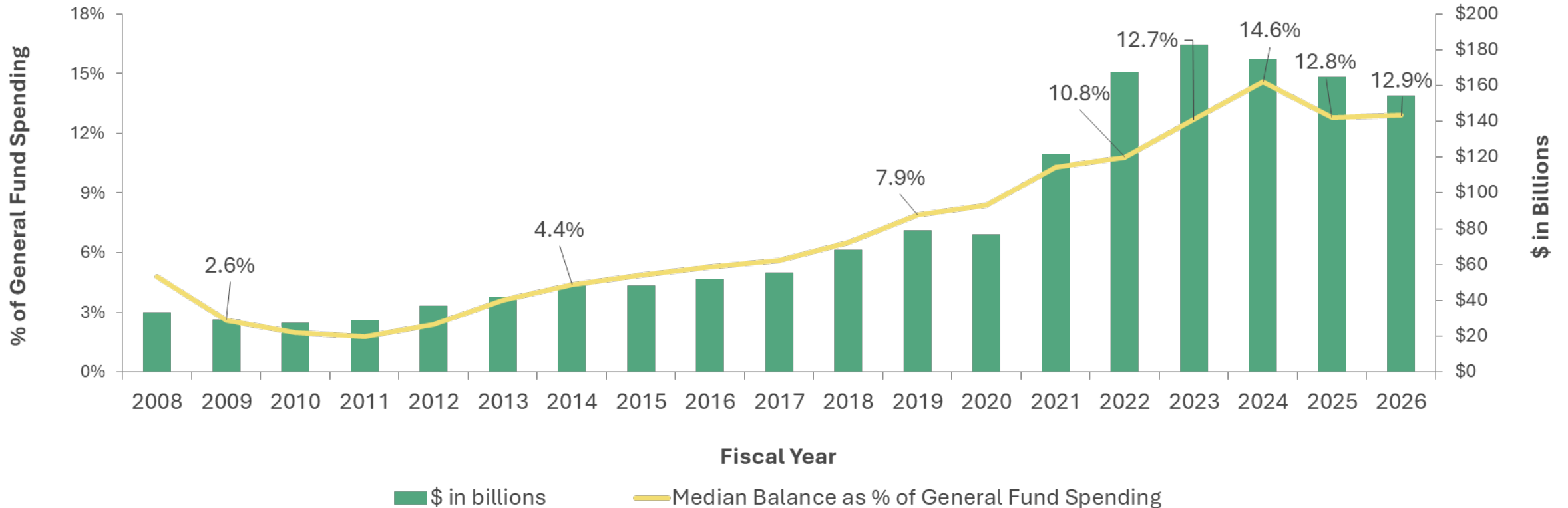


# State Savings Levels



# State Rainy Day Funds Fiscal 2008 to Fiscal 2026

In Dollars and as a Percentage of General Fund Expenditures



Note: Fiscal 2025 are estimated figures and fiscal 2026 are recommended figures. Total dollar amounts for fiscal 2025 and fiscal 2026 are adjusted to allow for year-over-year comparisons by including most recent rainy day fund balance figure available for states that were unable to report rainy day fund balance projections for those years.



**Questions?**



---

**Thank  
you**

**80<sup>th</sup> NASBO**  
ANNIVERSARY