# STATE FISCAL FUTURES: Navigating Budget Pressures & Revenue Trends

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NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

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Executive Director

July 18, 2026




# The Who in Our Why




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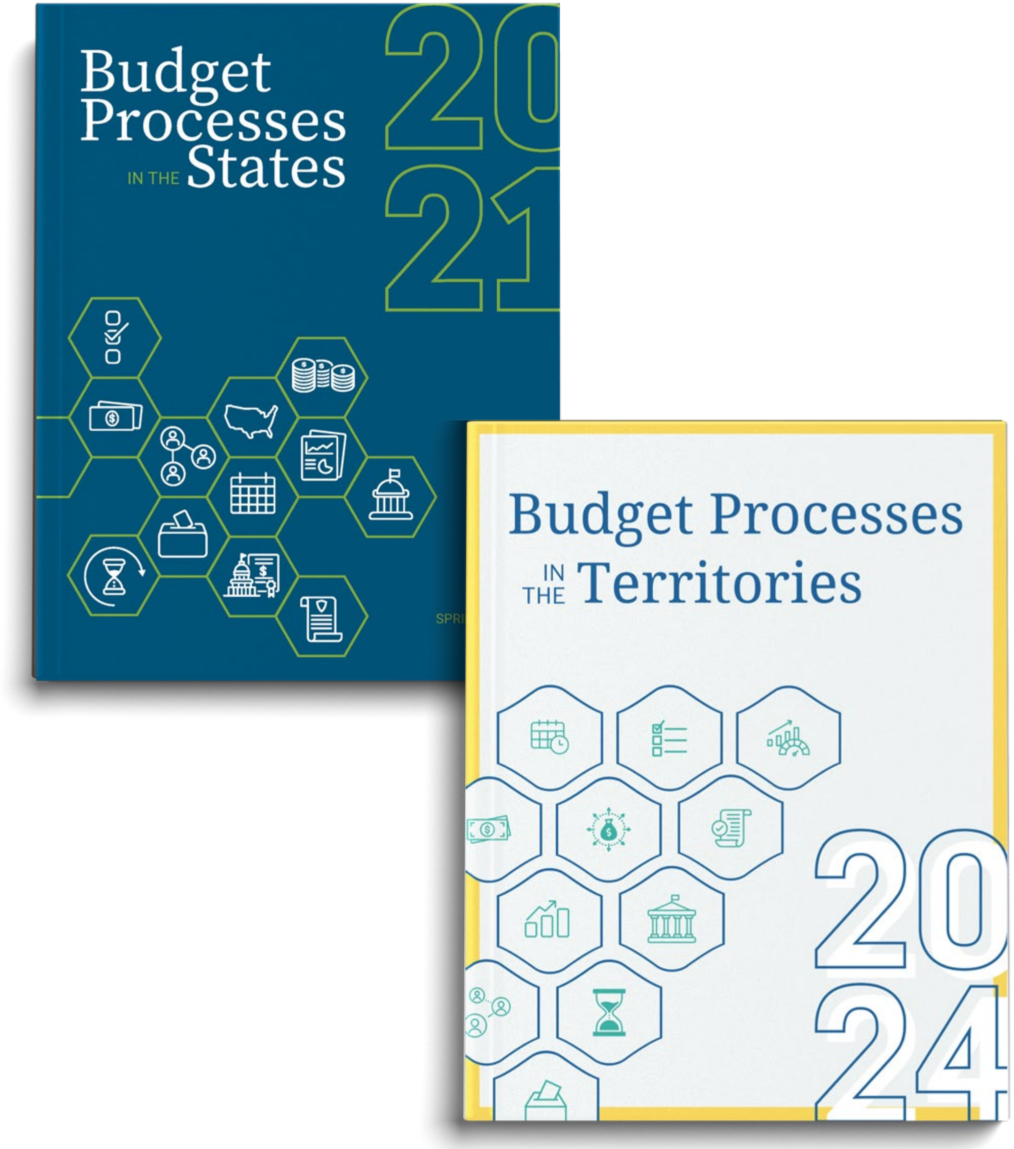
**THE NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS**

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




# Budget Processes in the States and Territories

Since the first edition of Budget Processes in the States was published in 1975, the report has become a significant reference for state budget officers and others interested in the organization and operation of state government. In this report, NASBO compiles state-by-state comparative information on state budgeting practices, organized into six sections.

NASBO recently collected comparable information from budget offices in three U.S. territories

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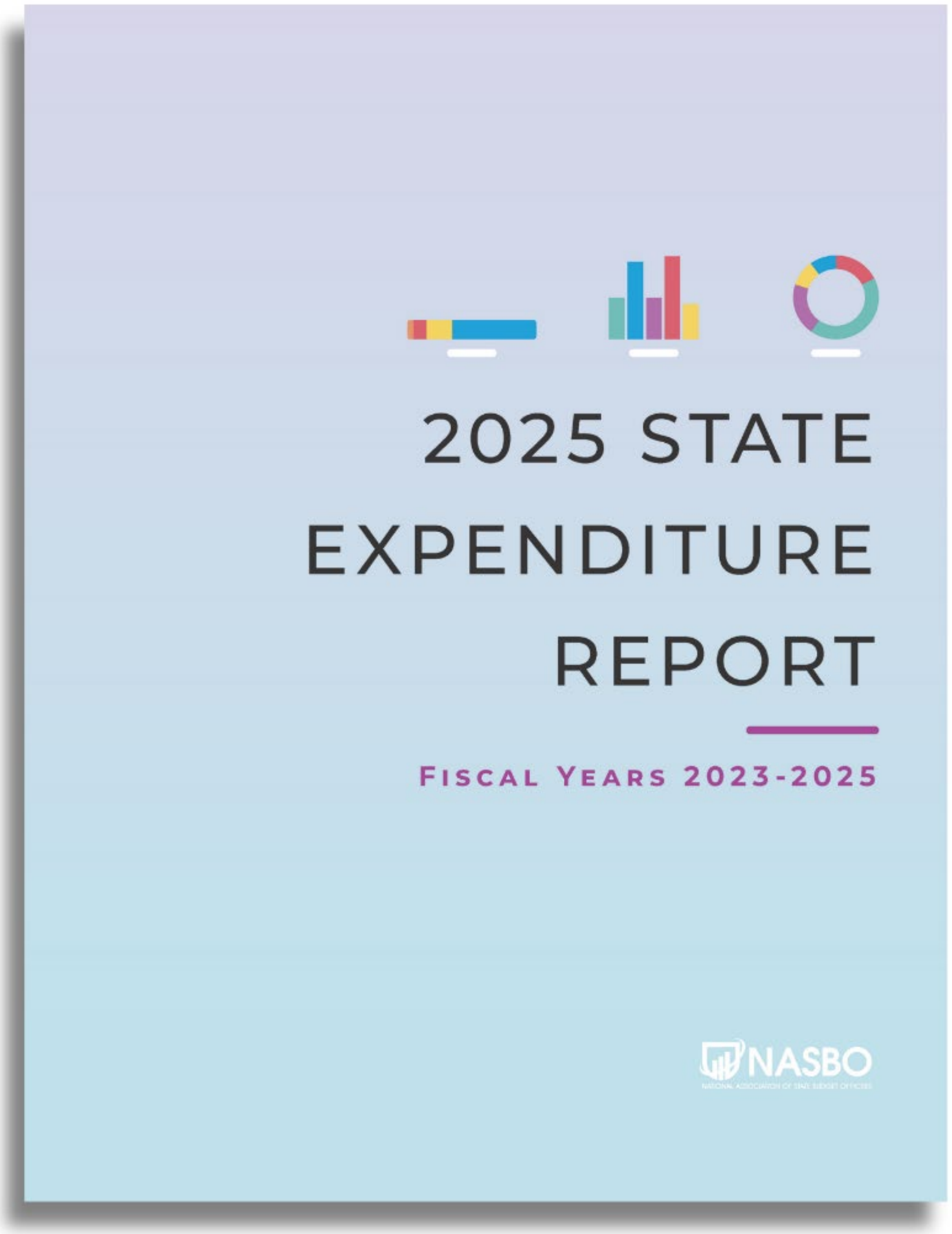
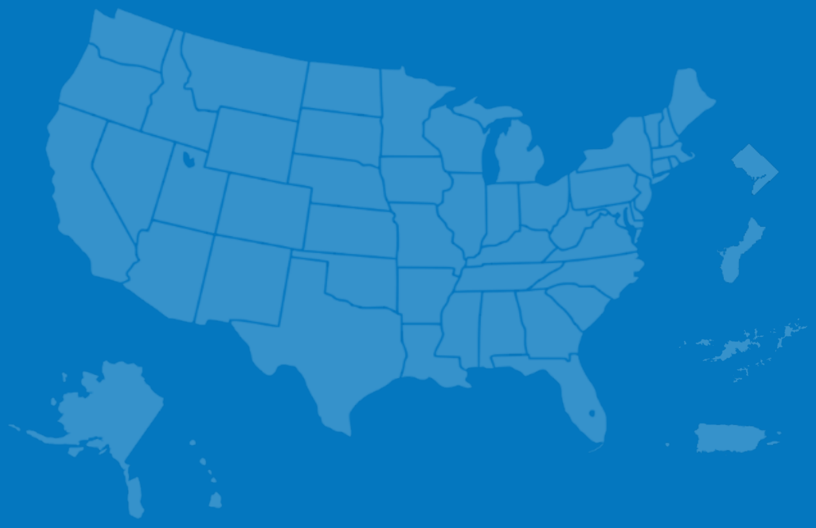
# Spring Fiscal Survey of States, 2026

Recommended budgets for fiscal 2027 indicate states and territories face constrained conditions amid slow revenue growth and rising spending pressures




# State Expenditure Report

The latest edition includes data from estimated fiscal 2025, actual fiscal 2024, and actual fiscal 2023. The annual report includes 50-state data broken down by fund source and program area, as well as data from three U.S. territories and the District of Columbia.



# Topics Covered Today

Budget Processes Across States

State Revenue Trends

State Spending Trends

Trends in Federal Funding

The Good News: Underlying State Fiscal Conditions

Budget Outlook

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# Budget Processes Across States

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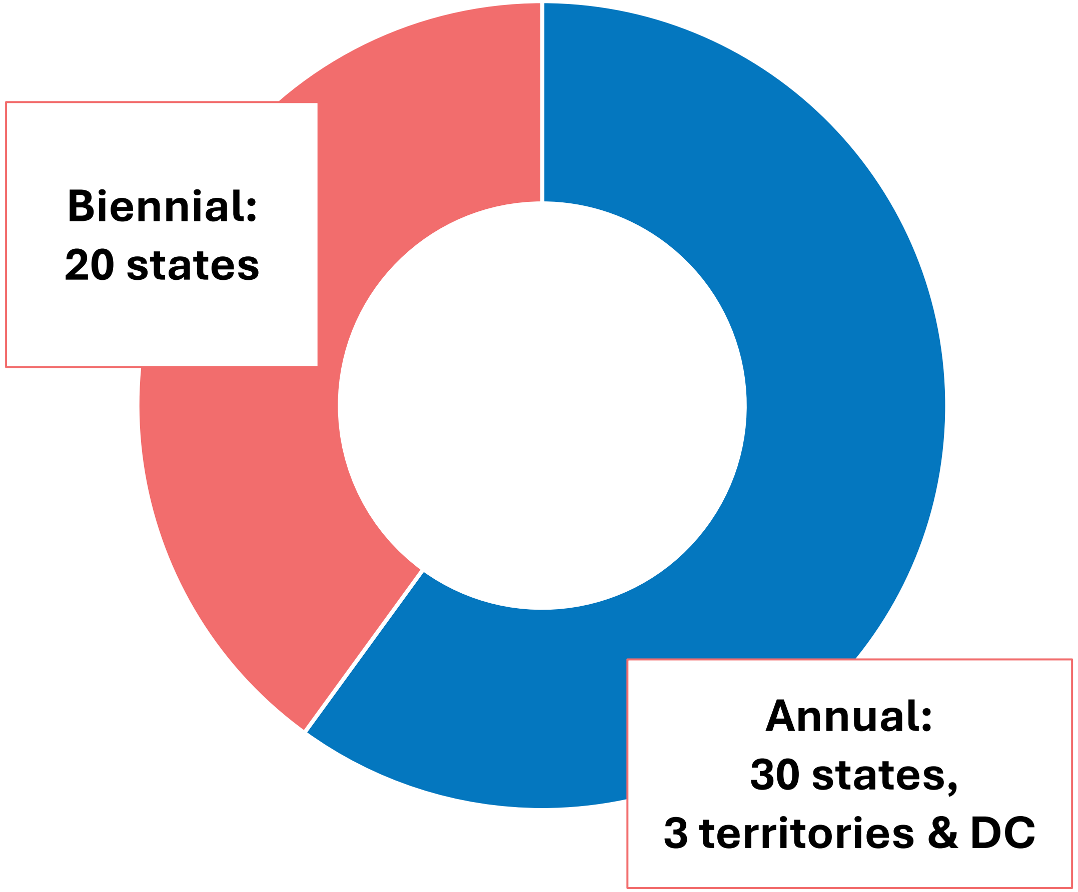
# Budget Calendars




## Fiscal Year Start Date

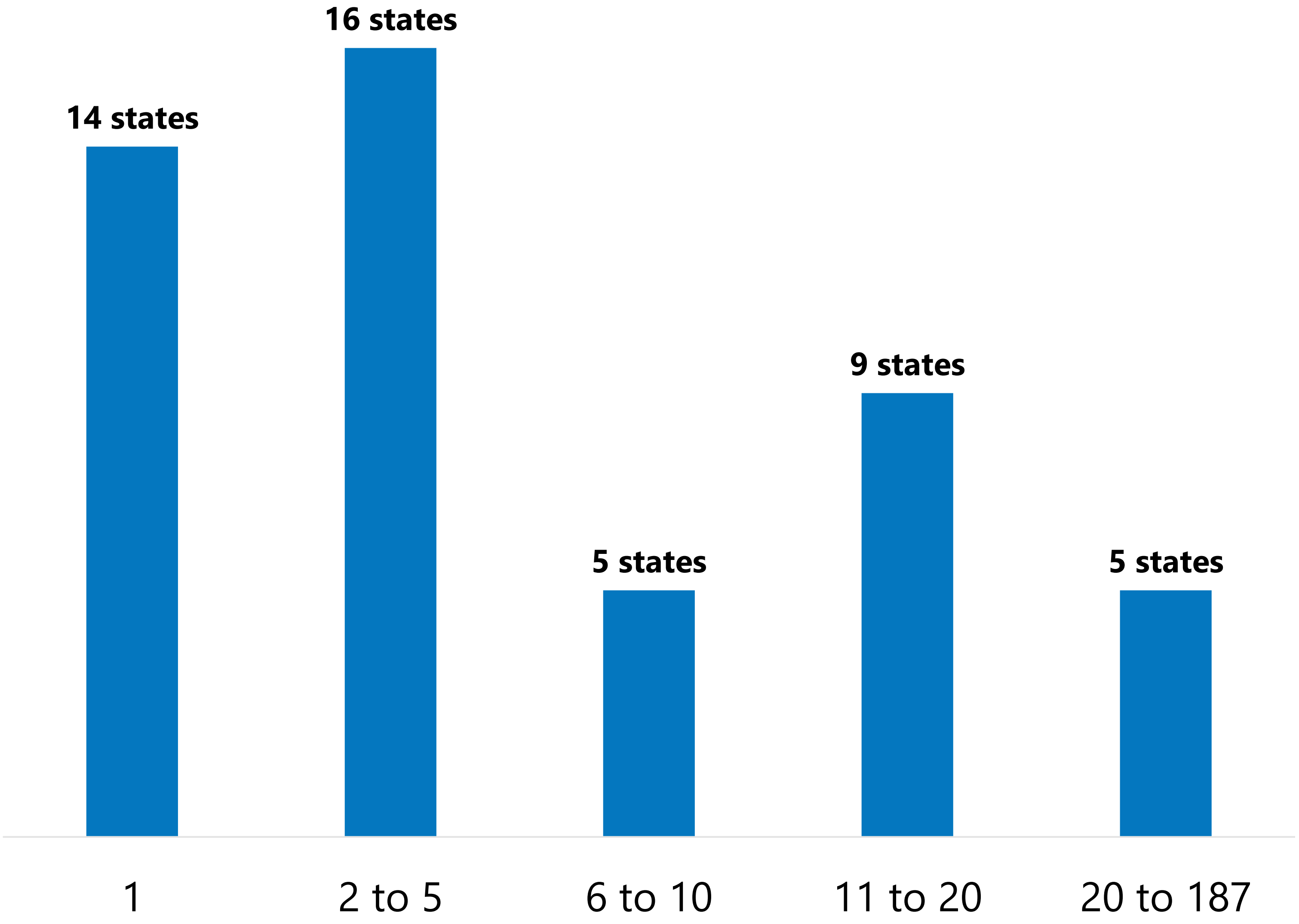
**July 1**
(46 states, PR)

**April 1**
(NY)

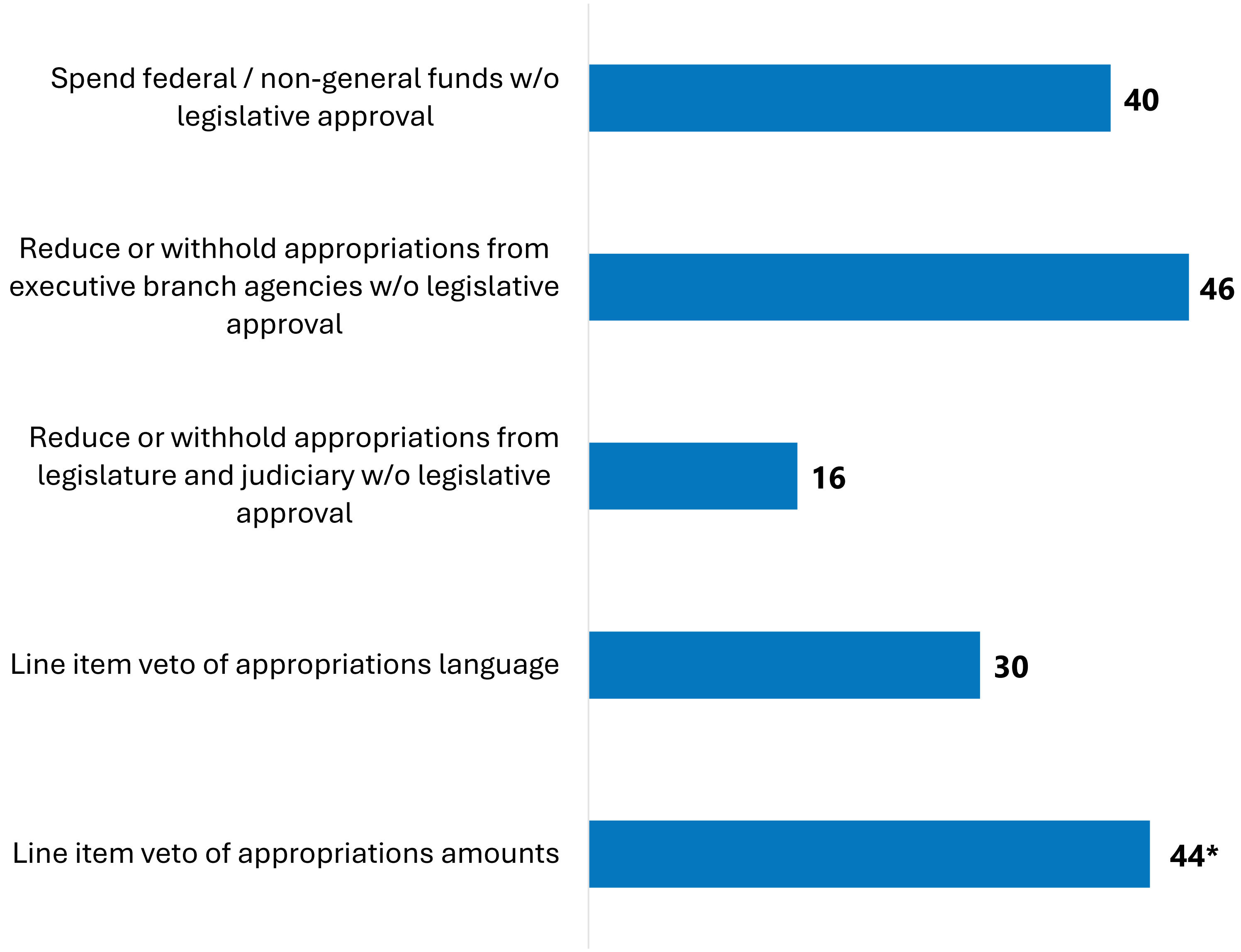
**Sept. 1**
(TX)

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

# Number of Bills Making Up Enacted Budget



# Gubernatorial Budget Authority

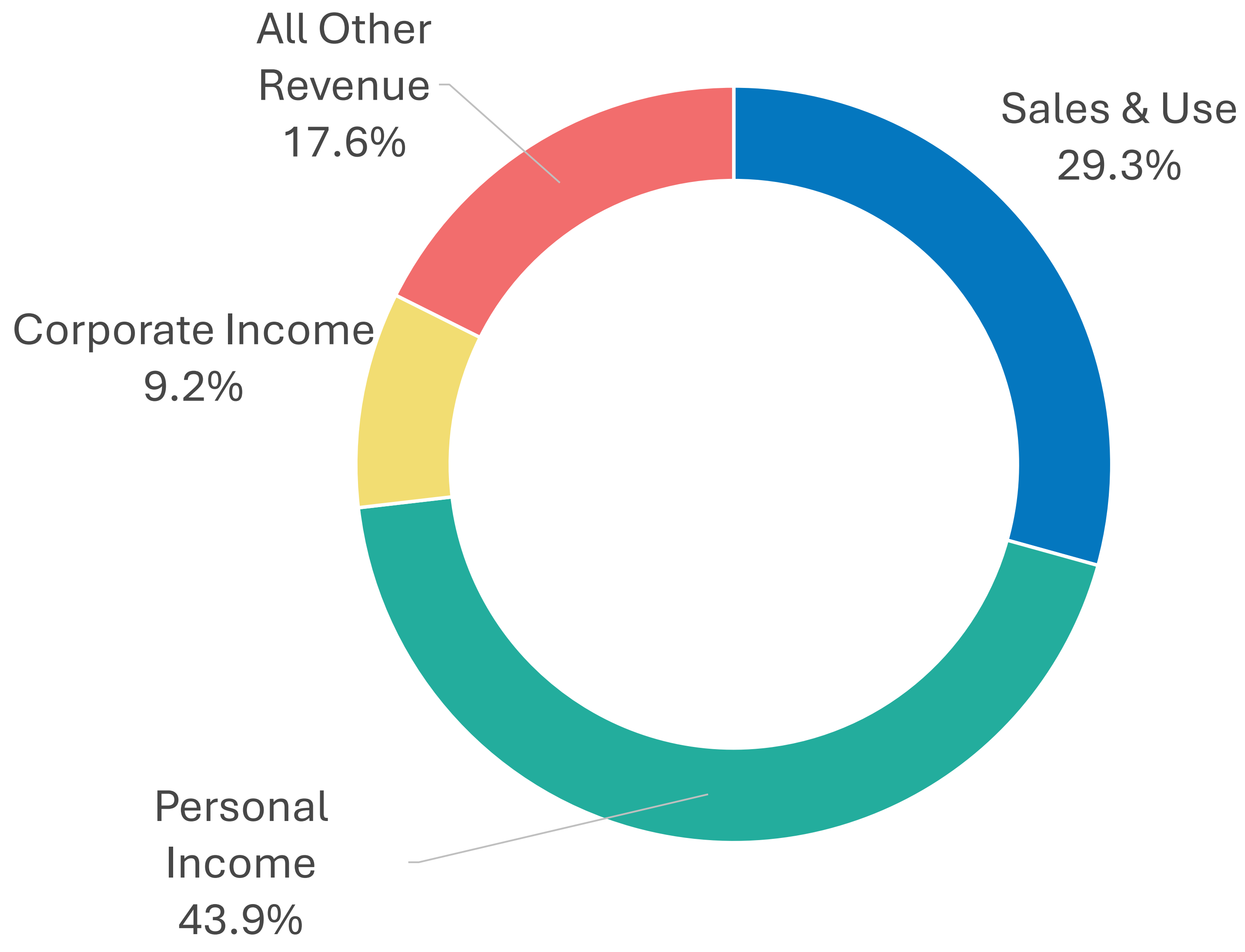



** This number differs from what is reported in the NASBO's Budget Processes in the States (2021) due to a change in Maryland's budget process.*

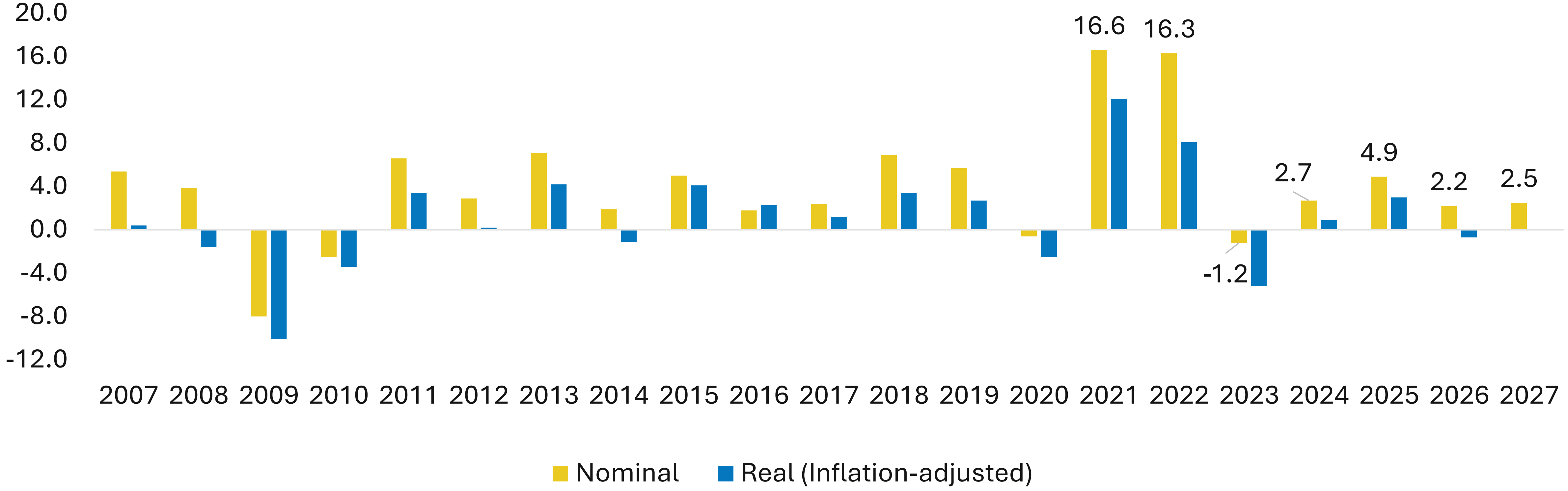
# State Revenue Trends

# Composition of General Fund Revenue by Source

Fiscal 2027 Recommended



# Annual General Fund Revenue Percentage Changes
# Fiscal 2007 to Fiscal 2027 – FY 2027 Recommended Budgets




*Note: Fiscal 2026 figure is estimated and fiscal 2027 figure is projected based on governors' proposed budgets.*

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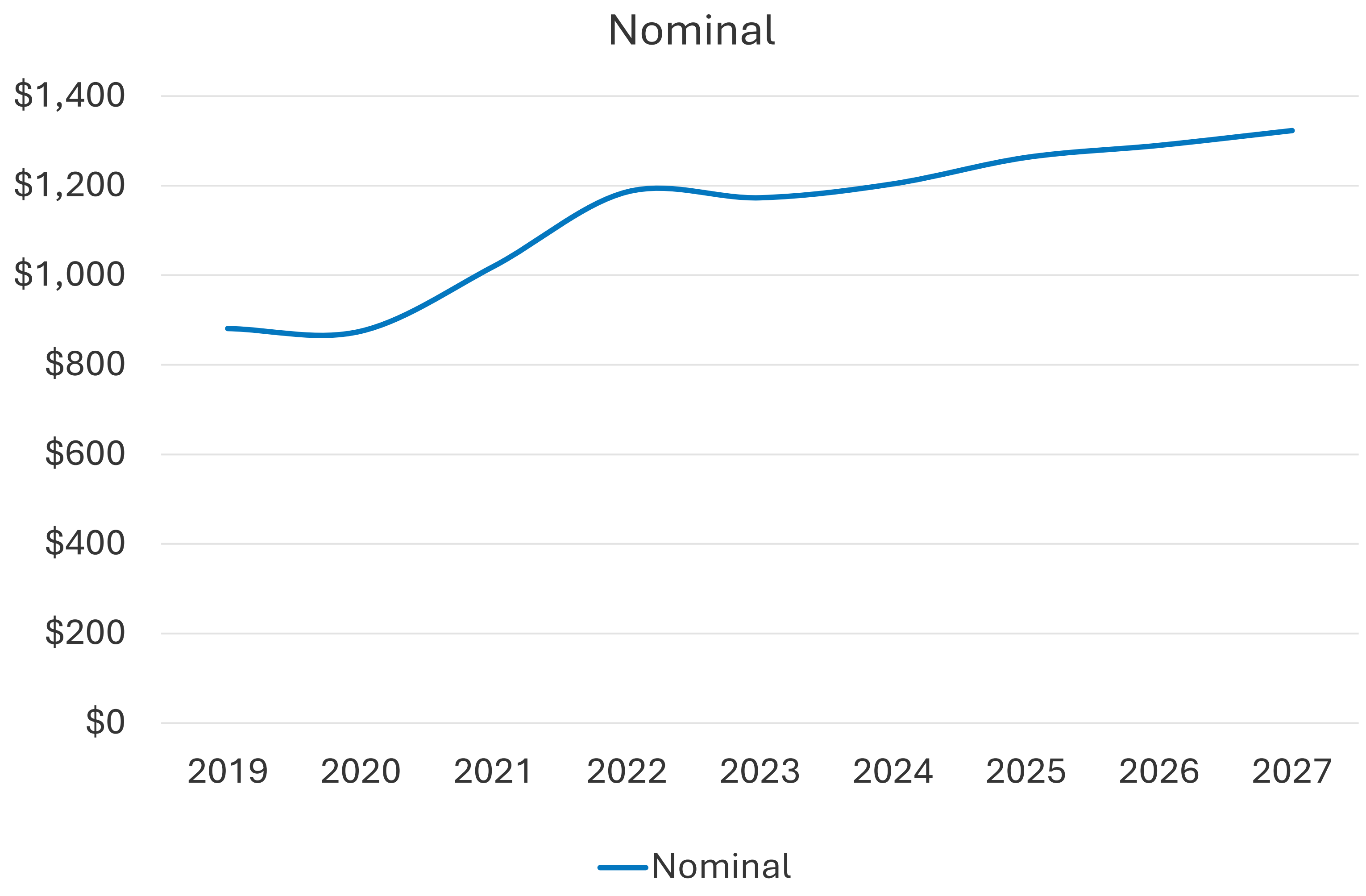
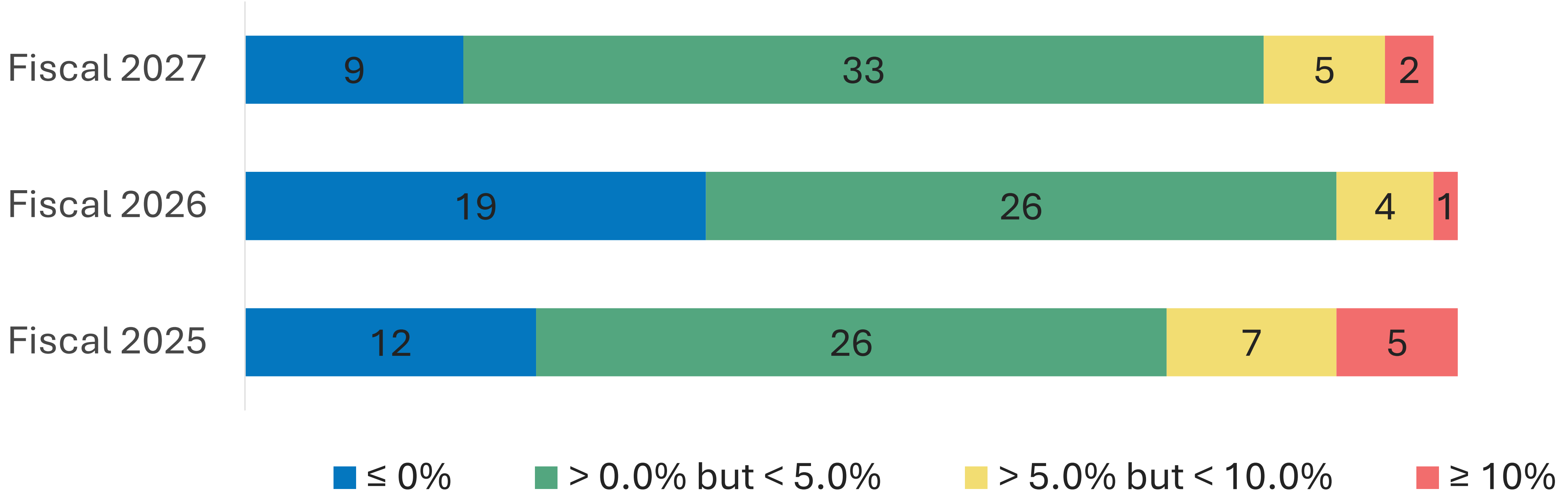
# Annual General Fund Revenue (in Billions)

Fiscal 2019 to Fiscal 2027, [FY 2027 Recommended Budgets]



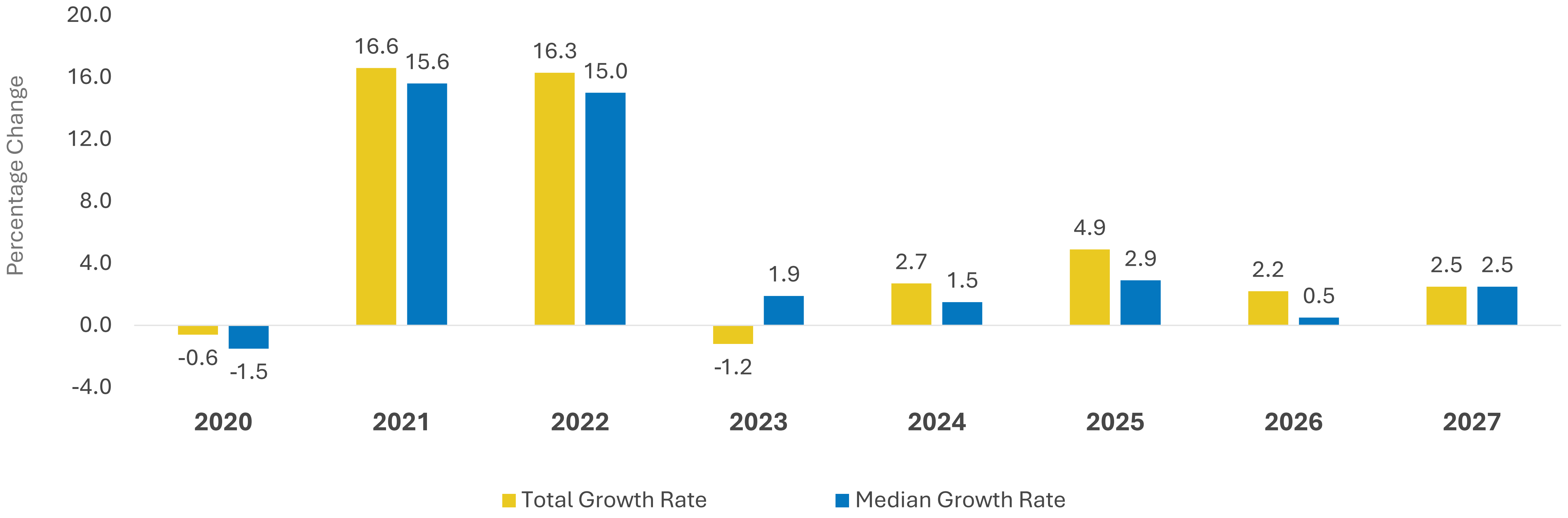

*Note: Fiscal 2026 figure is estimated and fiscal 2027 figure is projected based on governors' recommended budgets. Fiscal 2019 figure adjusted to account for change in reporting methodology for Ohio beginning in the Spring 2021 Fiscal Survey.*

# Annual Percentage Change in General Fund Revenue (Number of States), <u>FY 2027 Recommended Budgets</u>




*Note: Fiscal 2025 reflects changes from fiscal 2024 (actual) to fiscal 2025 (actual). Fiscal 2026 reflects changes from fiscal 2025 (actual) to fiscal 2026 (estimated). Fiscal 2027 reflects changes from fiscal 2026 (estimated) to fiscal 2027 (recommended). One state (Virginia) was not able to report on revenue projection for fiscal 2027.*

# Annual Percentage Change in Nominal General Fund Revenue, Total v. Median Growth




*Note: Fiscal 2026 figure is estimated; fiscal 2027 figure is projected based on governors' proposed budgets.*

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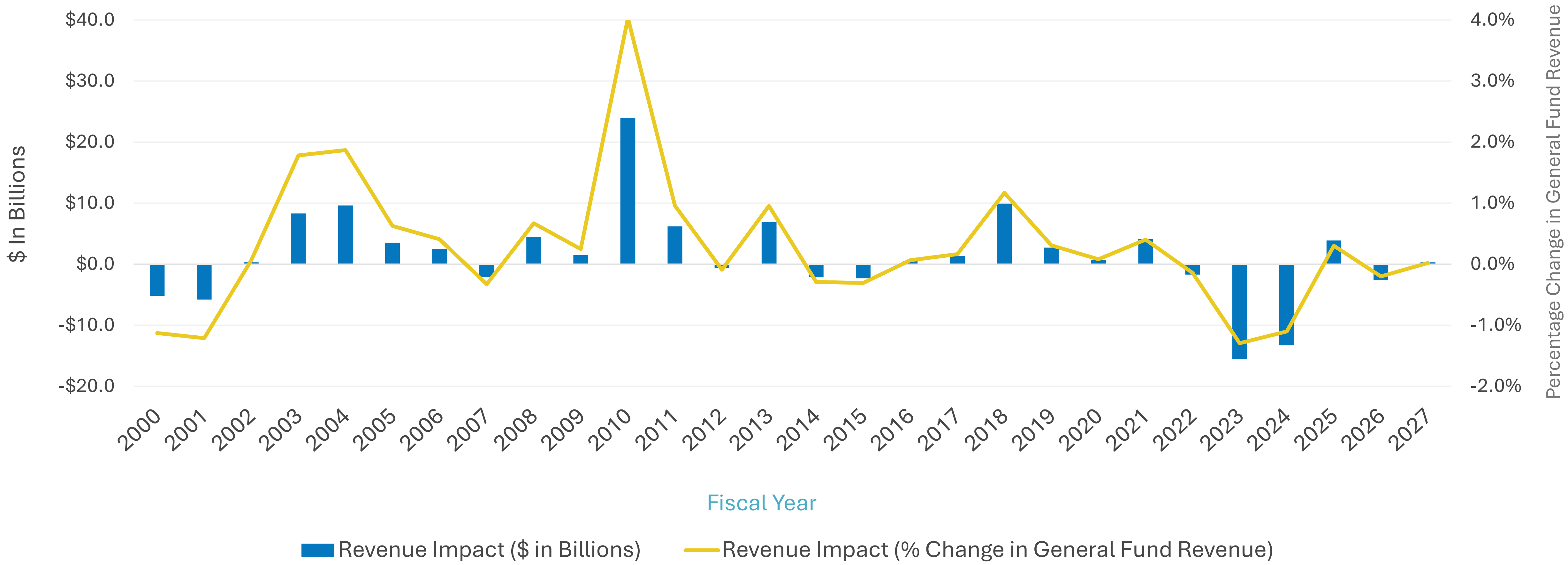
# Impact of State Revenue Actions Over Time

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

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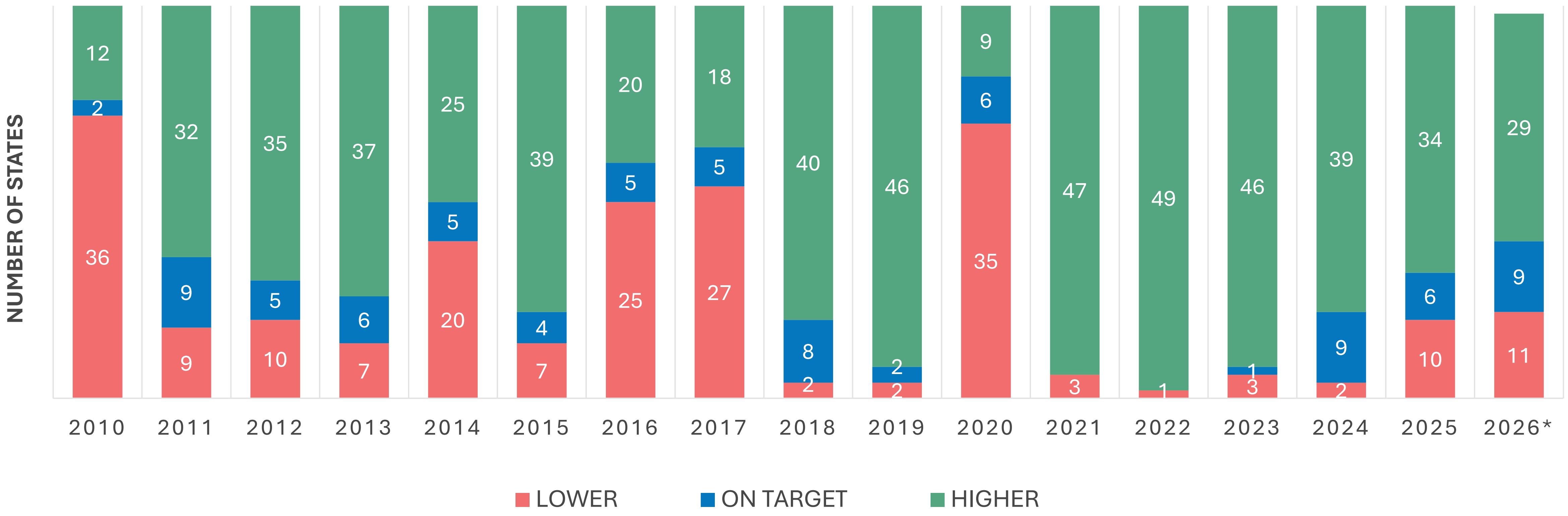
# Tax Increases and Decreases Recommended in Fiscal 2027

| Revenue Type | Sales & Use Taxes | Personal Income Taxes | Corporate Income Taxes | All Other Sources | Total General Fund Impact |
|---|---|---|---|---|---|
| # of Proposed Increases | 2 | 5 | 11 | 11 | **14** |
| # of Proposed Decreases | 8 | 16 | 6 | 8 | **19** |
| Total Impact of Increases ($ In Millions) | $434 | $503 | $2,541 | $2,580 | $5,653 |
| Total Impact of Decreases ($ in Millions) | -$607 | -$3,515 | -$446 | -$1,238 | -$5,402 |
| Net General Fund Revenue Impact | **-$173** | **-$3,012** | **$2,095** | **$1,342** | **$251** |

*NASBO Fiscal Survey of States*

# General Fund Revenue Collections

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




**Fiscal 2026 is estimated and data are subject to change.*

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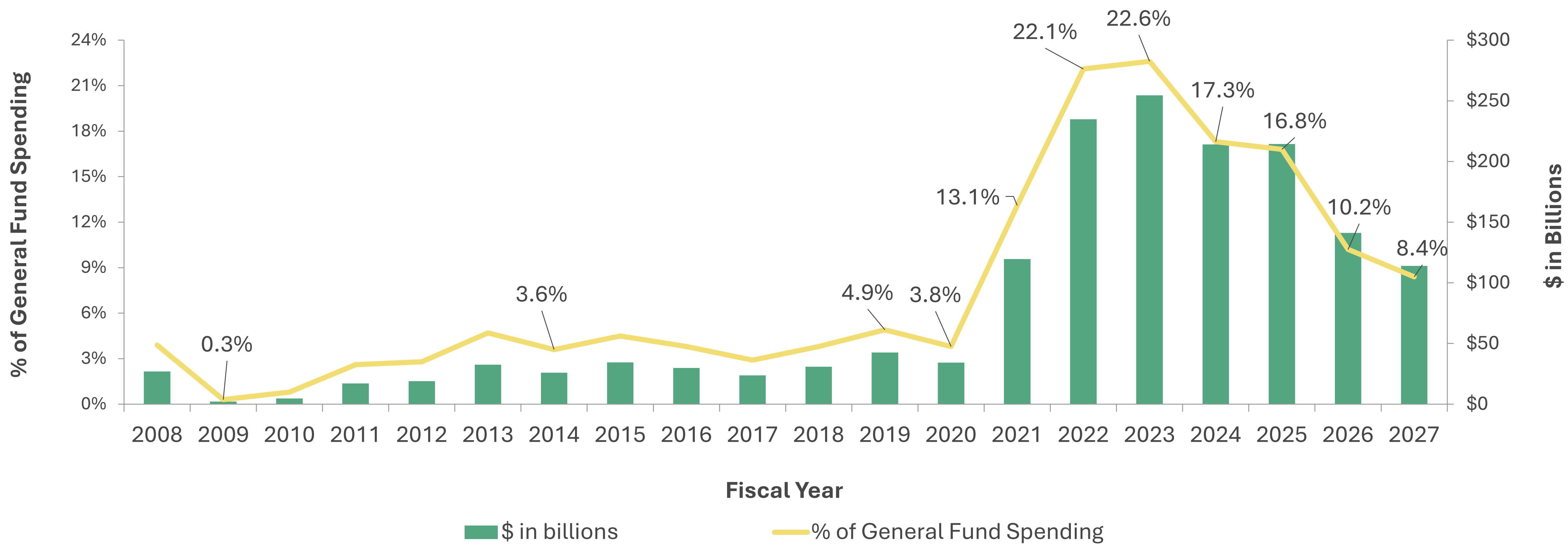
# General Fund Ending Balances Fiscal 2008 to Fiscal 2027

## General Fund Ending Balances in Dollars and as a Percentage of General Fund Spending




*Note: Fiscal 2026 figure is based on estimated data; fiscal 2027 figure is based on governors' proposed budgets. General fund ending balances shown here have been adjusted to exclude any designated rainy day funds held within a state's general fund.*

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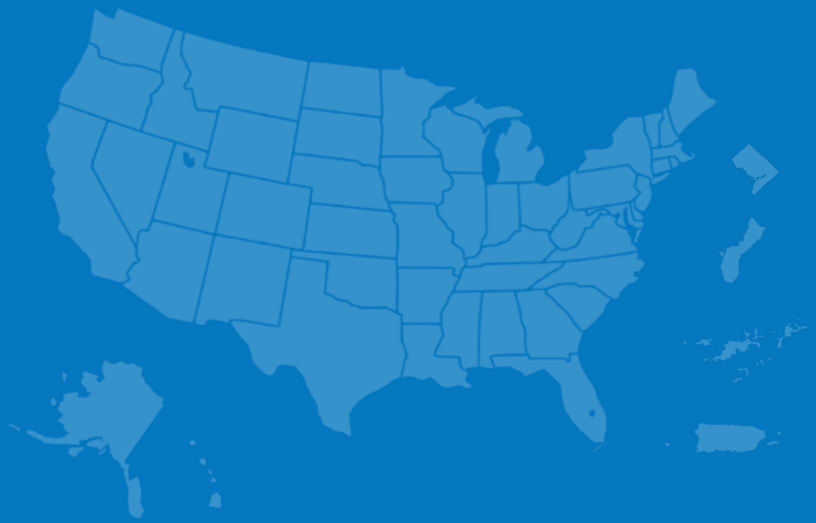
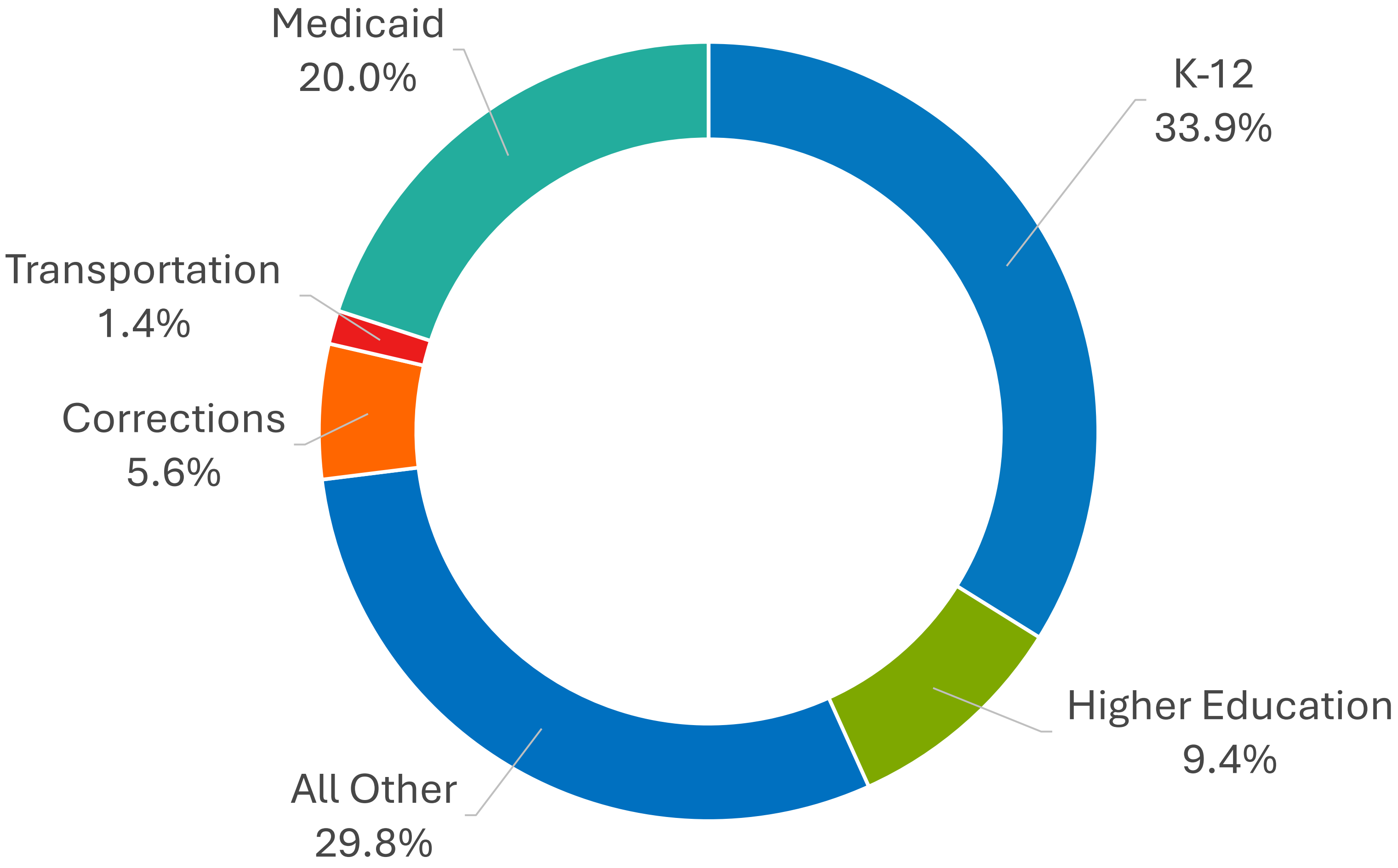
# State Spending Trends



**$1,216 Billion**

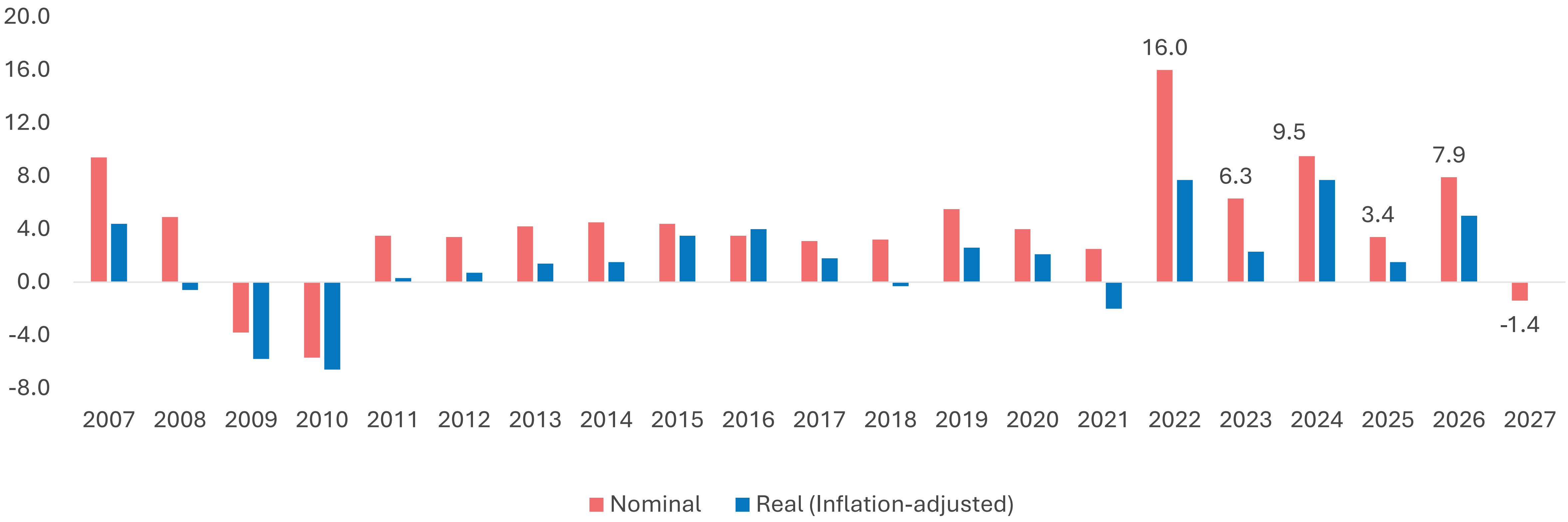
FY25

General Funds
Expenditures By Function




*Source: NASBO State Expenditure Report*

# Annual General Fund Expenditure Percentage Changes Fiscal 2007 to Fiscal 2027




*Note: Fiscal 2026 figure is based on estimated data; fiscal 2027 figure is based on governors' proposed budgets.*

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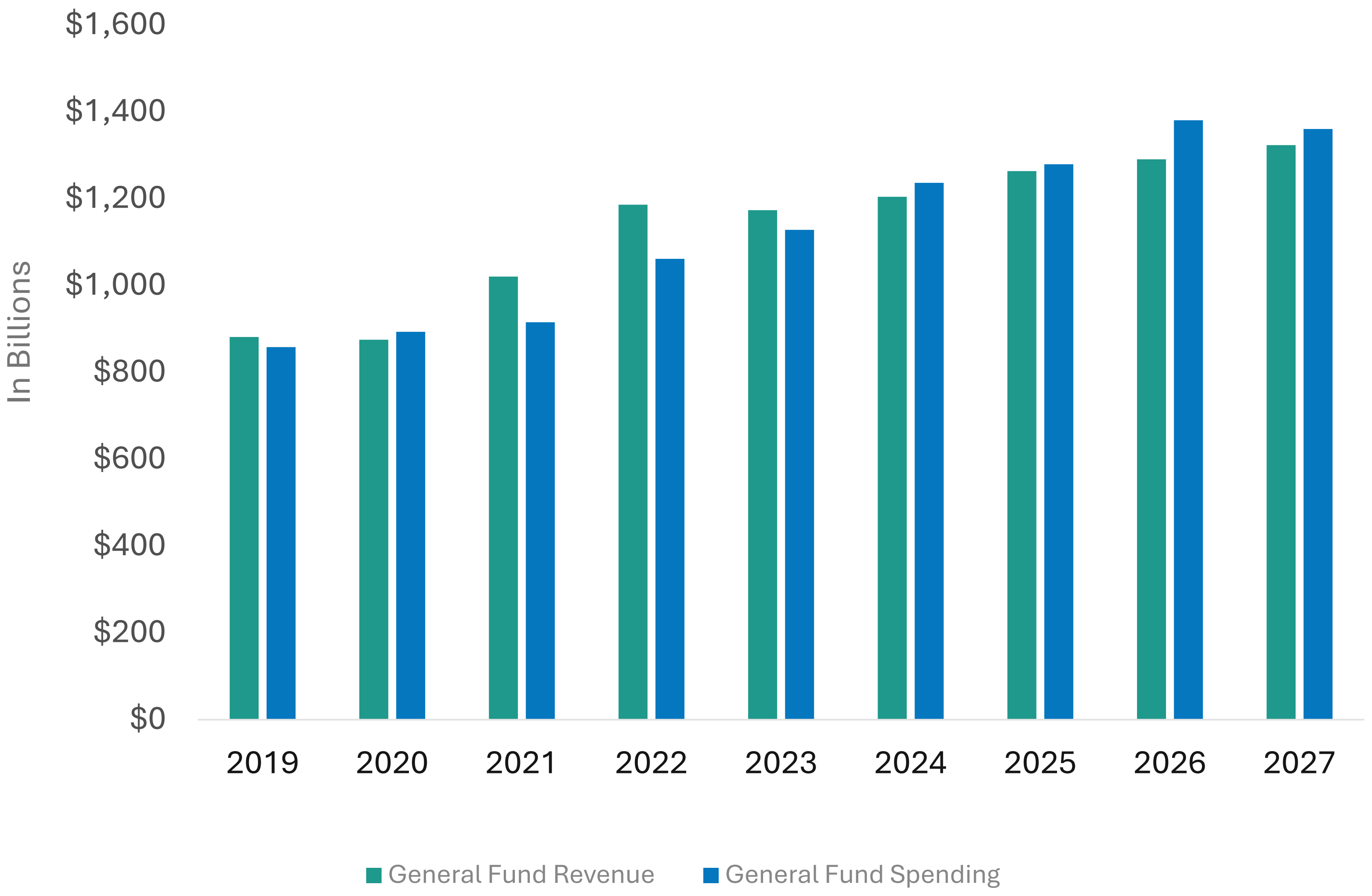
# Spending Exceeds Revenues as States Spend Down General Fund Ending Balances

Surplus funds largely directed to one-time investments




*Note: Fiscal 2026 figure is based on estimated data; fiscal 2027 figure is based on governors' proposed budgets.*

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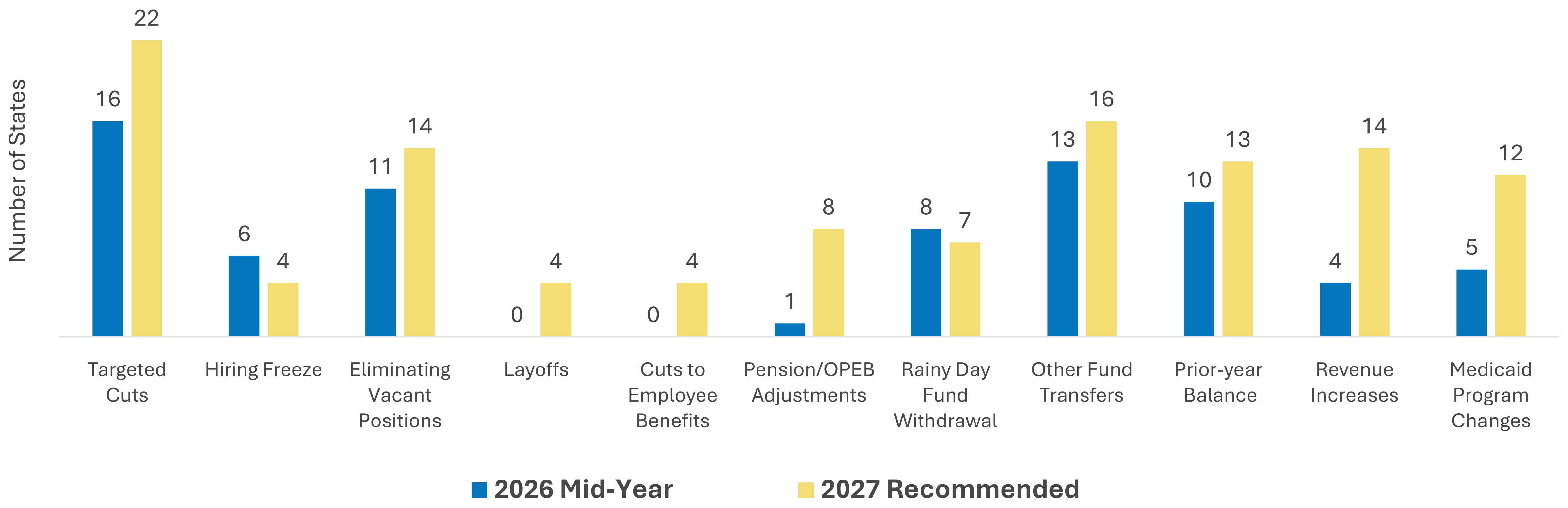
# Use of Budget Management Strategies

Targeted cuts, personnel actions, and other actions commonly used in fiscal 2027 proposed budgets

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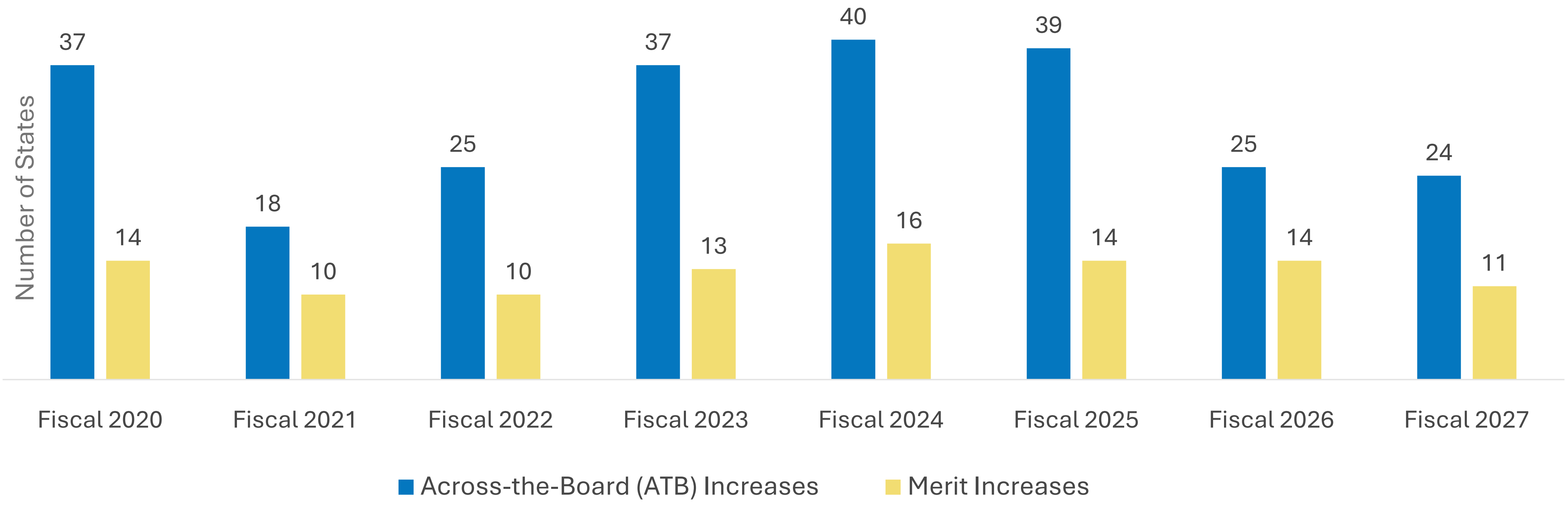
# Governors’ Proposed Employee Pay Increases in Fiscal 2027
# Enacted Employee Pay Increases Fiscal 2020 to Fiscal 2026

## State Employee Compensation Changes

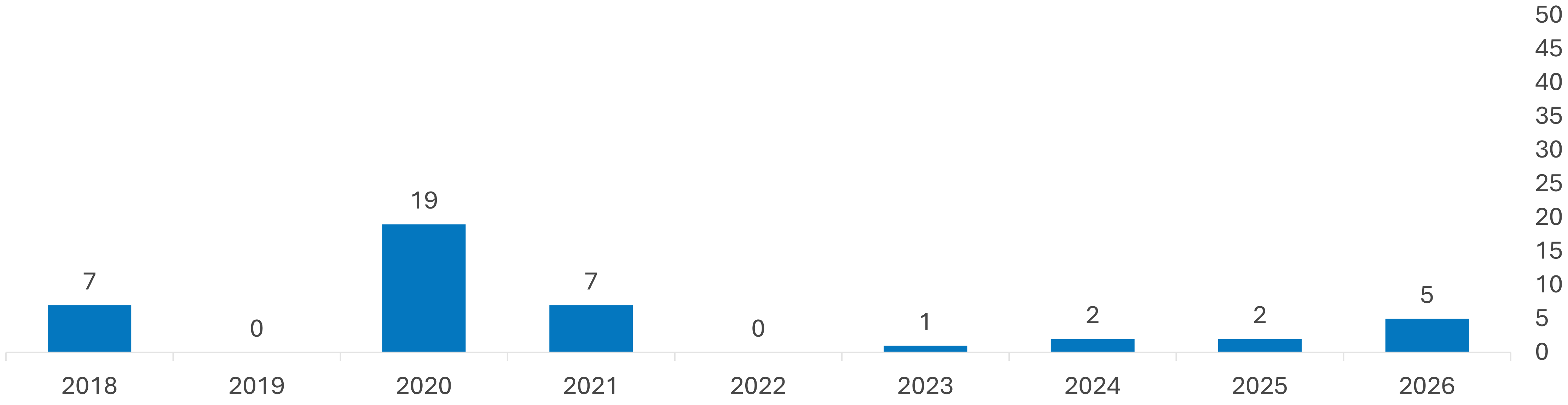
Across-the-board increases in Fiscal 2027 ranged from 1-5%, with a median increase of 2.4%.




NASBO Fiscal Survey of States

# Mid-Year Budget Reductions Due to a Shortfall Fiscal 2018 to Fiscal 2026

## Number of States Making Budget Cuts Made The Budget Passed Due to a Revenue Shortfall




*Fiscal 2026 is ongoing, includes proposed actions, and is subject to change.*

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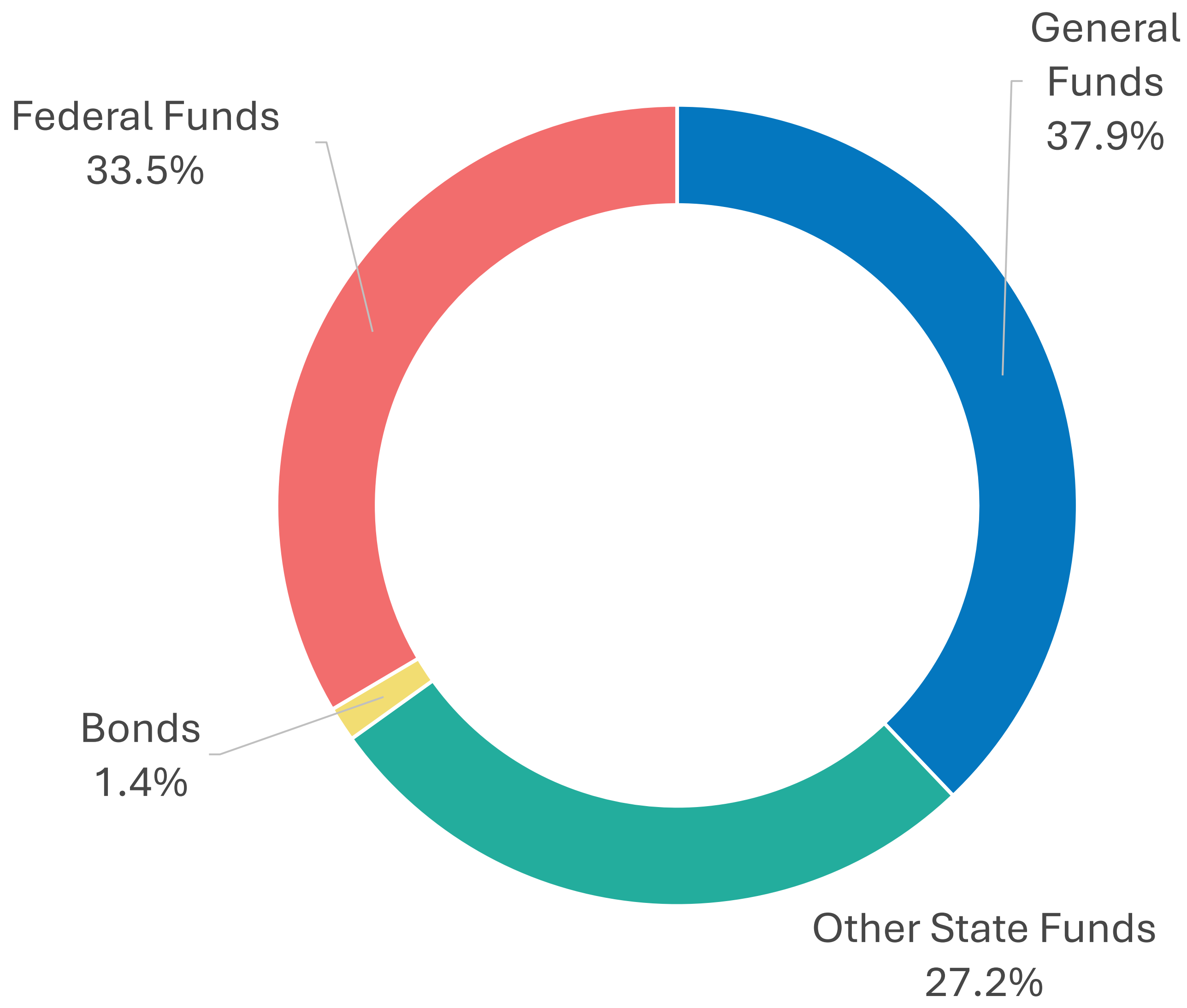
# Trends in Federal Funding

# Total State Expenditures By Fund Source

Estimated FY2025




*Source: NASBO State Expenditure Report*

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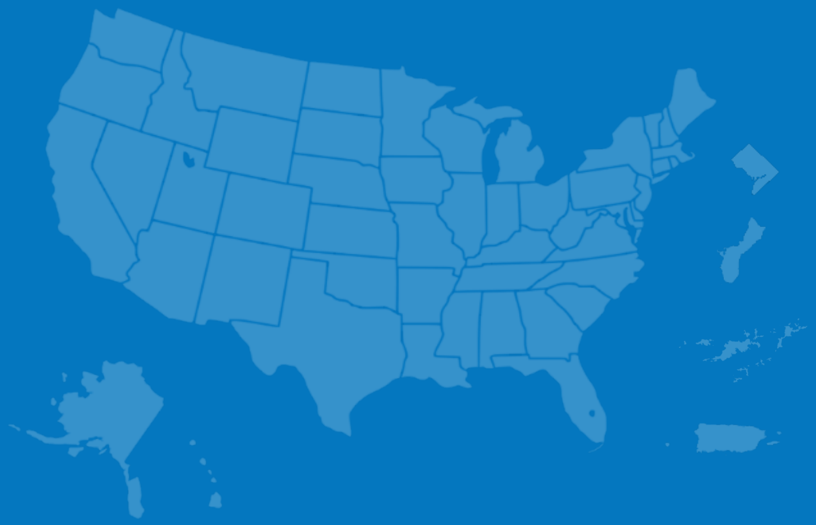
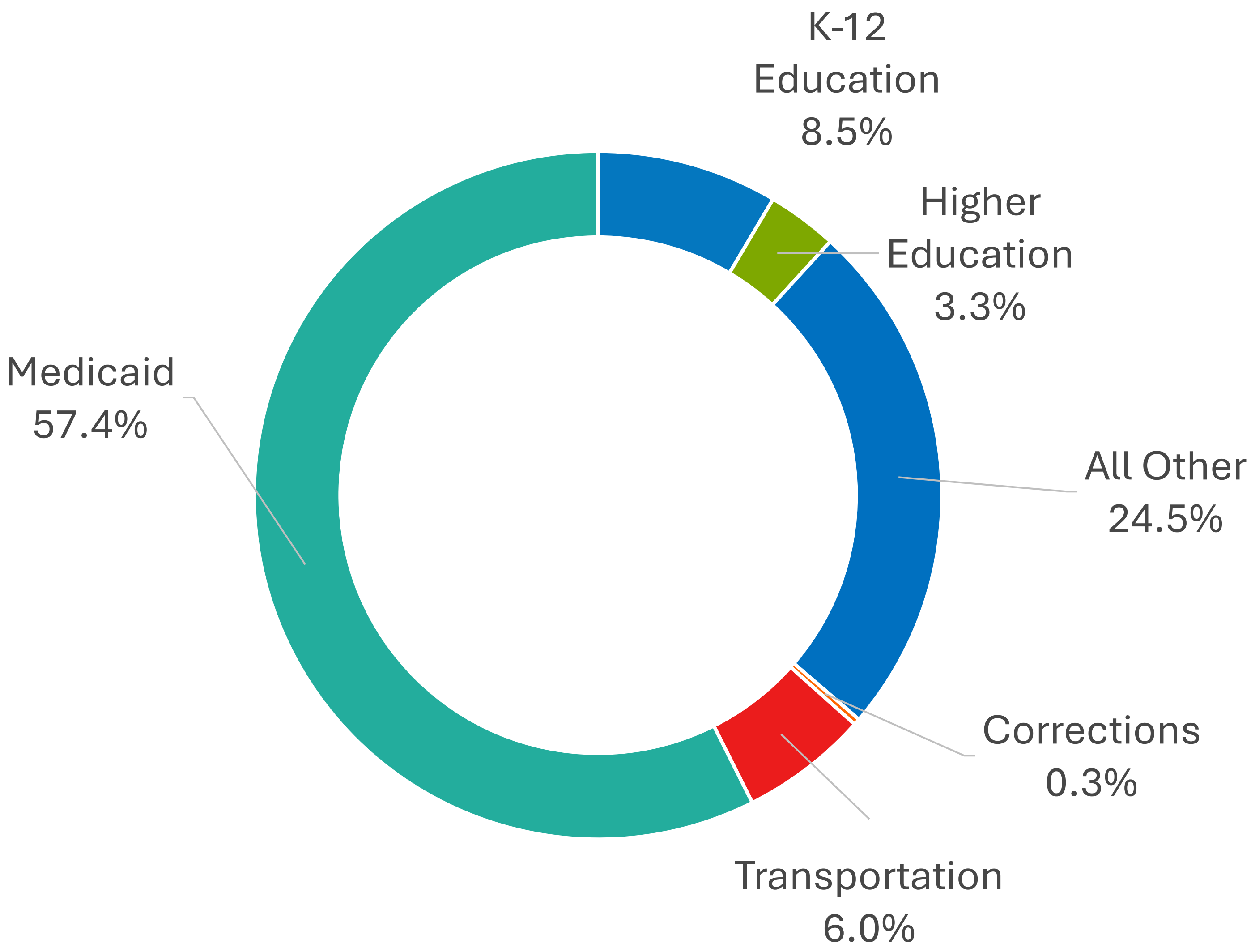


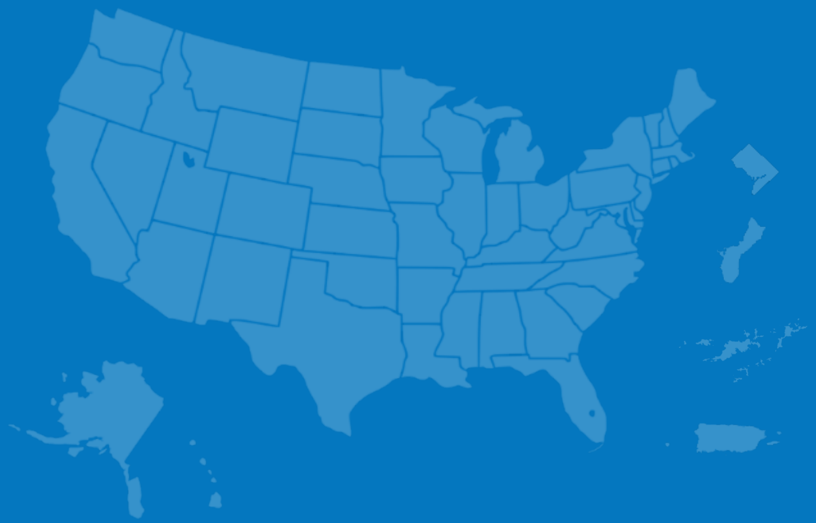
**$1,077 Billion**

FY25

Federal Fund Expenditures
By Function



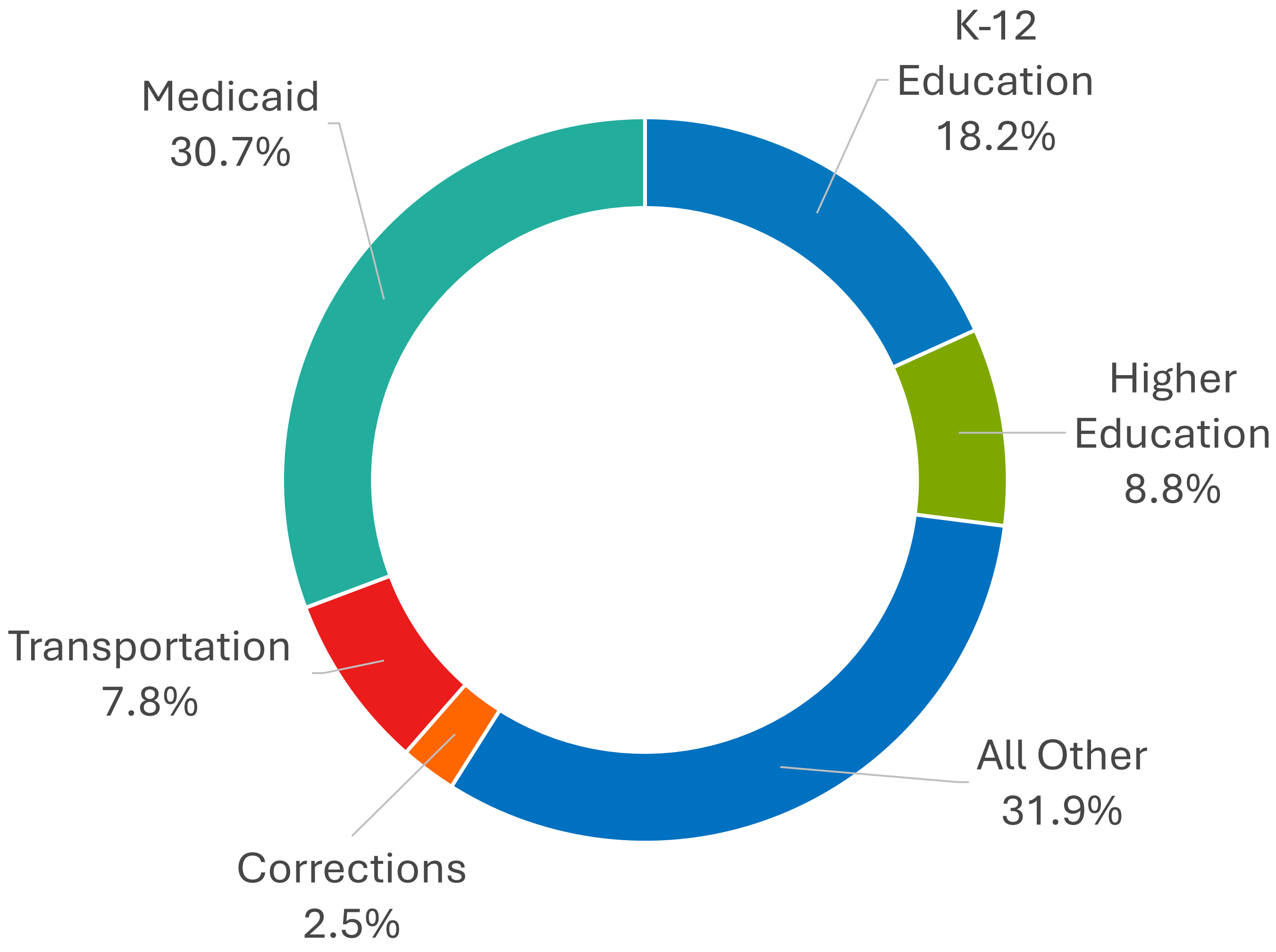

*Source: NASBO State Expenditure Report*



**$3,212 Billion**

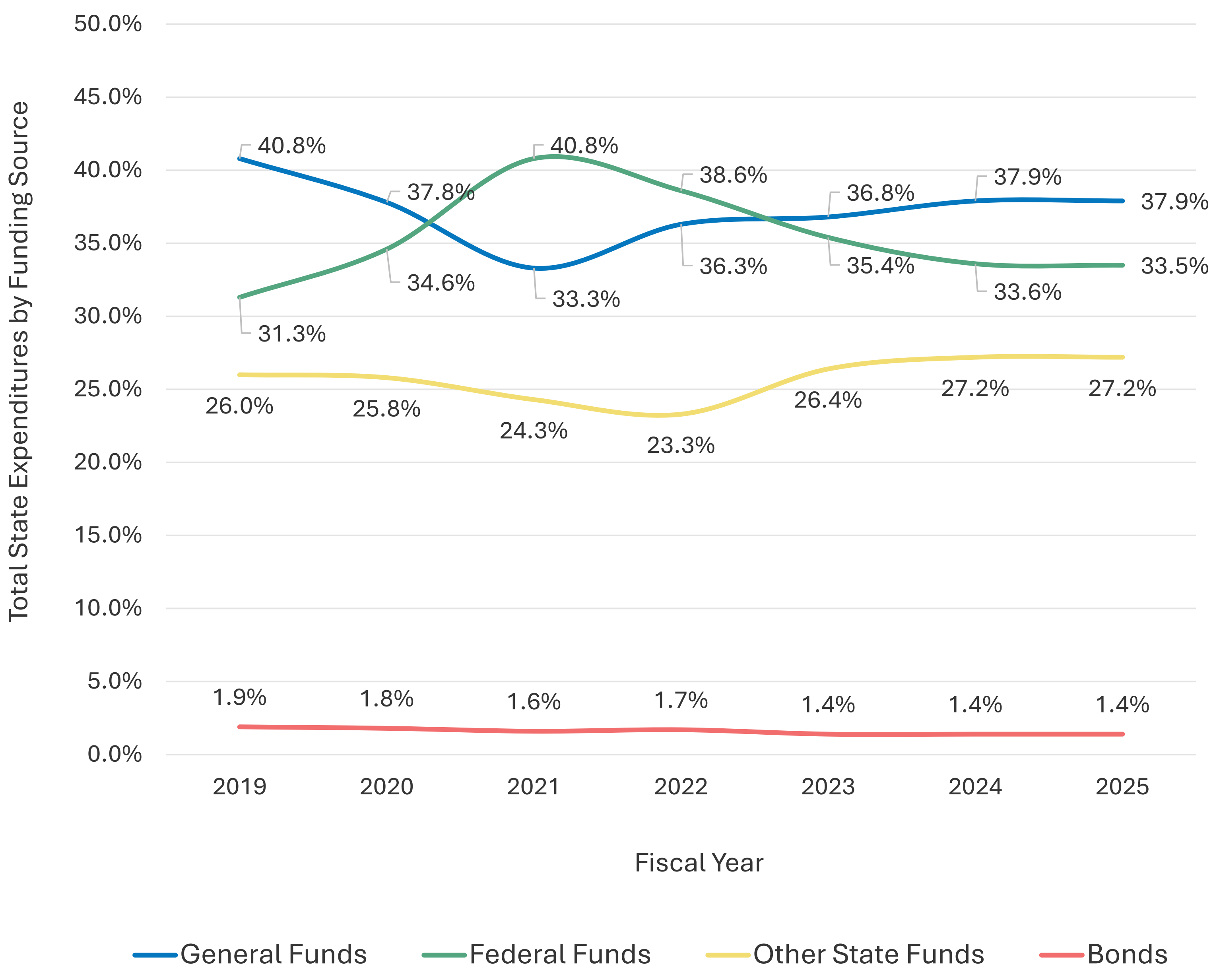
FY25

Total State Expenditures By Function




*Source: NASBO State Expenditure Report*

# Federal Expenditures Are Returning to Normal Levels

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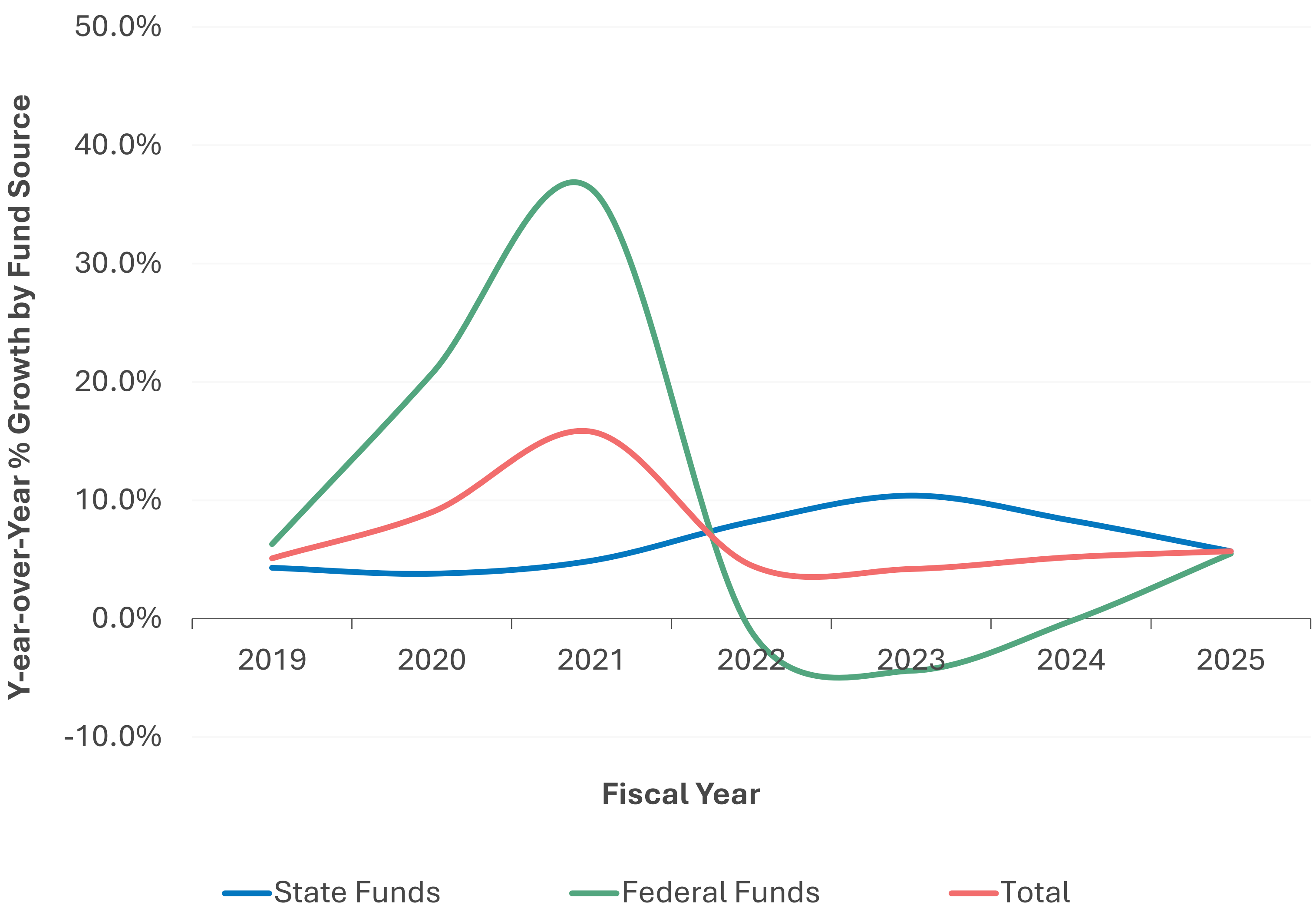
# Total State Spending Grows Moderately for Fourth Straight Year




*Source: NASBO State Expenditure Report*

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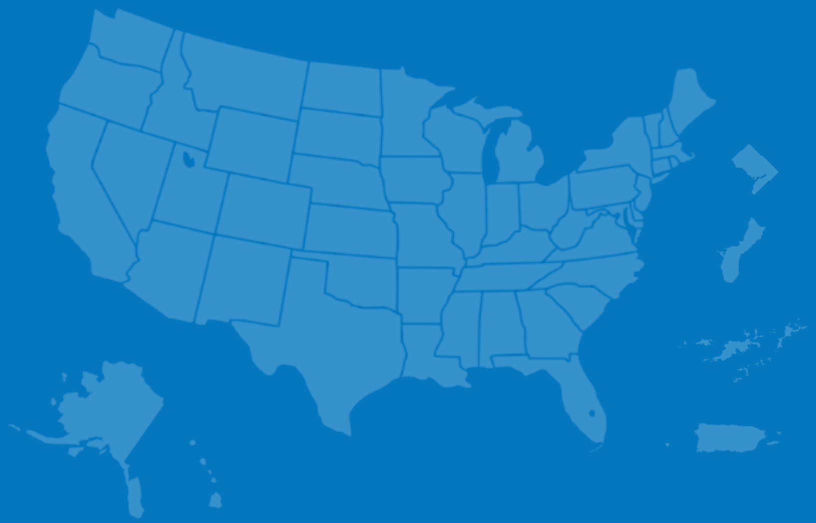

# Select OBBBA Provisions Affecting State Budgets

Fiscal Year 2027 - Increased state share of SNAP administrative costs from 50% to 75% (October 1, 2026); More frequent Medicaid eligibility checks and Medicaid work requirements (December 31, 2026)

Fiscal Year 2028 – Medicaid Provider taxes phase-down in expansion states (October 1, 2027); SNAP benefit state match begins (October 1, 2027); Grandfathered state directed payments phase-down begins (January 1, 2028)

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# Estimated Expenditure Impacts

## Federal Medicaid Spending

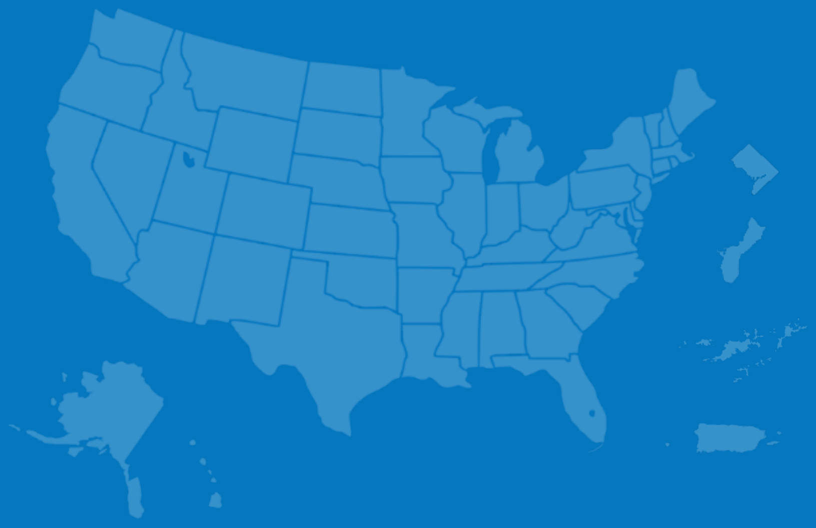
- Federal cuts to states over 10 years would represent 14% of federal spending on Medicaid over the period. (KFF Analysis) (On an annual basis, 14% of FY 2025 federal Medicaid expenditures by states = $86.6 billion.)

## 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

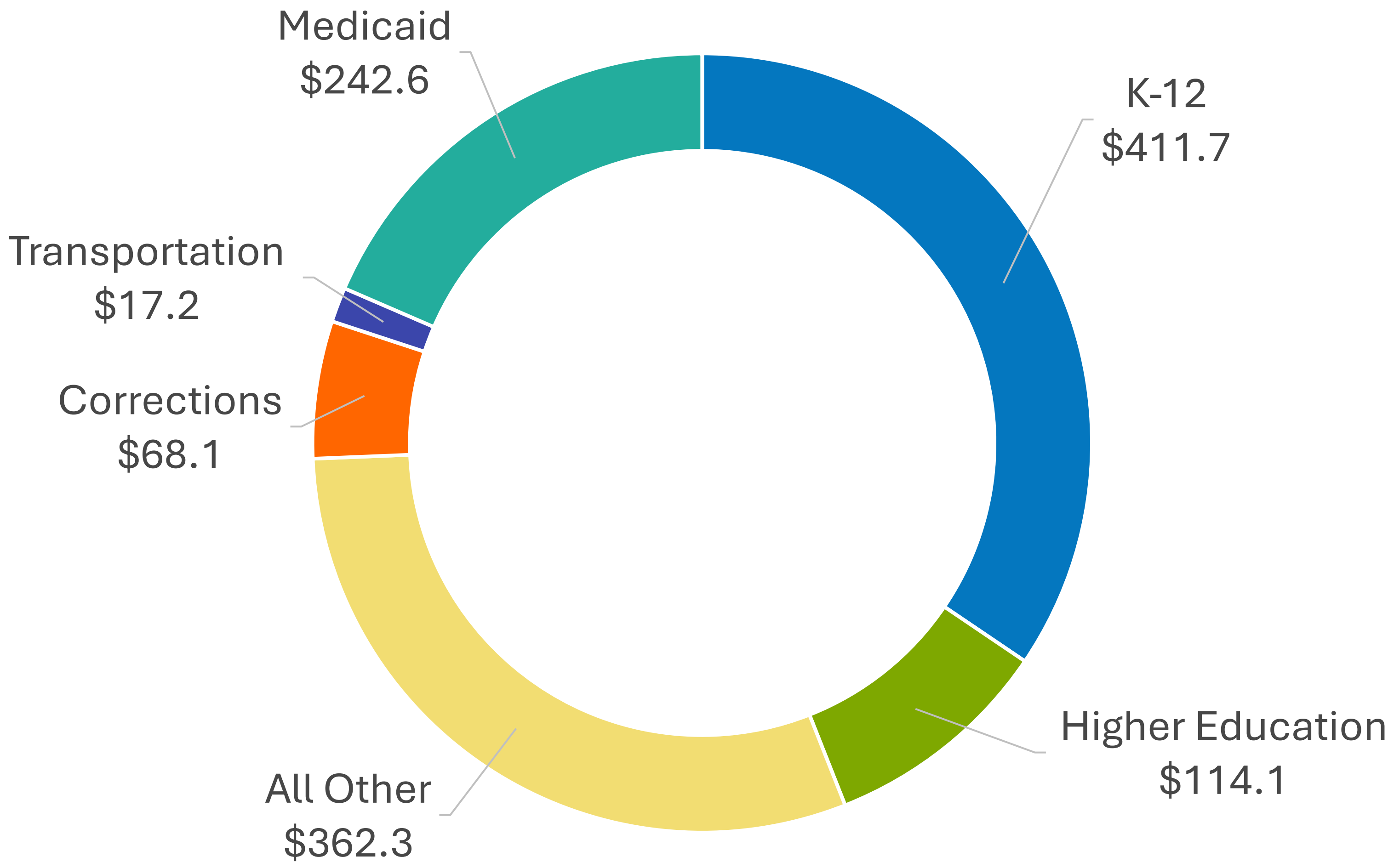
- Other cost shifts
- Cuts to Current Federal Grants
- Current Escalation in State Costs



**$1,216 Billion**

FY25

General Funds Expenditures By Function




*Source: NASBO State Expenditure Report*

*Amount in Billions*

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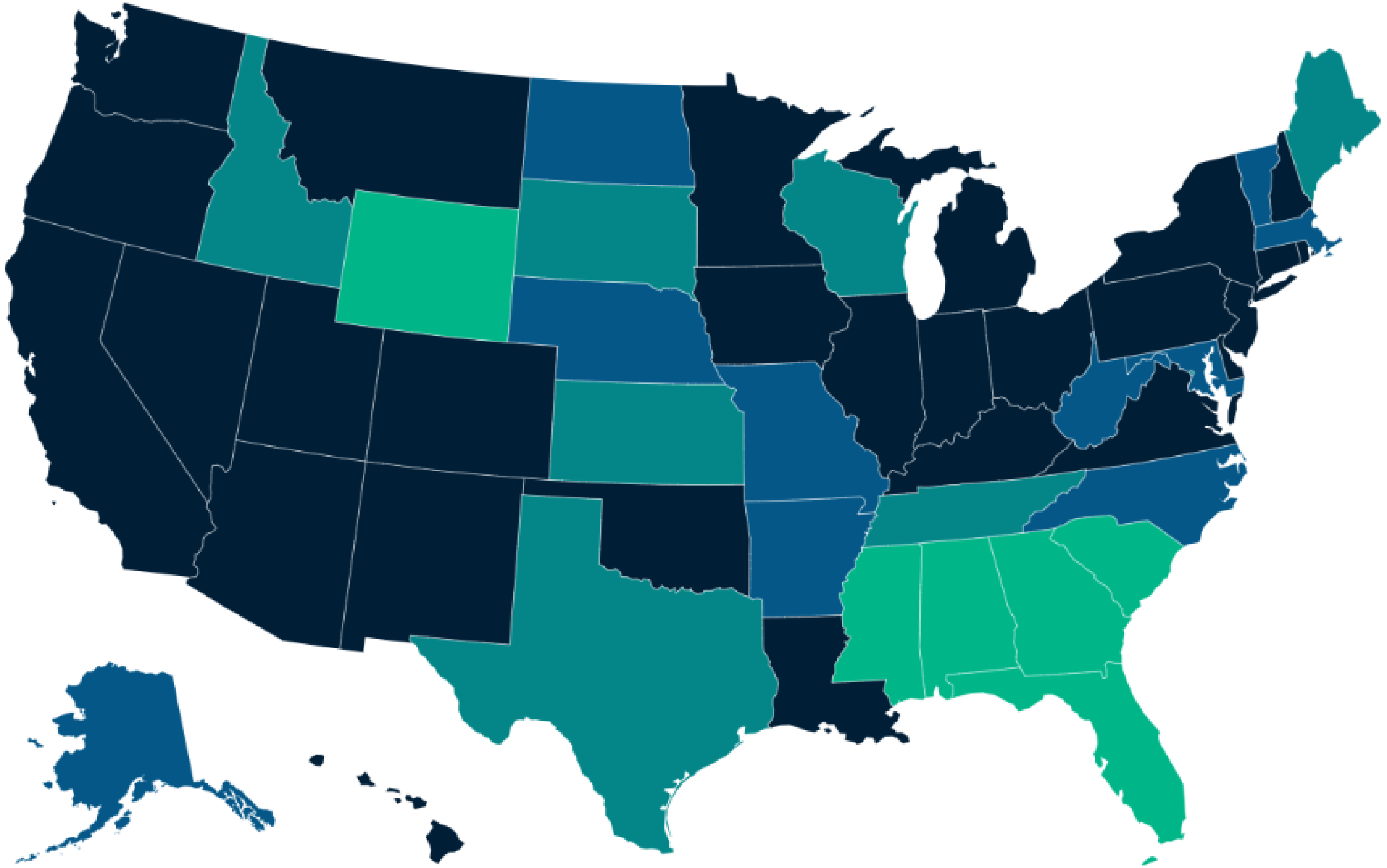
## Federal Medicaid Cuts in the Enacted Reconciliation Package, By State

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

< 7%   7%–10%   10%–13%   ≥ 13%

KFF Data



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

KFF

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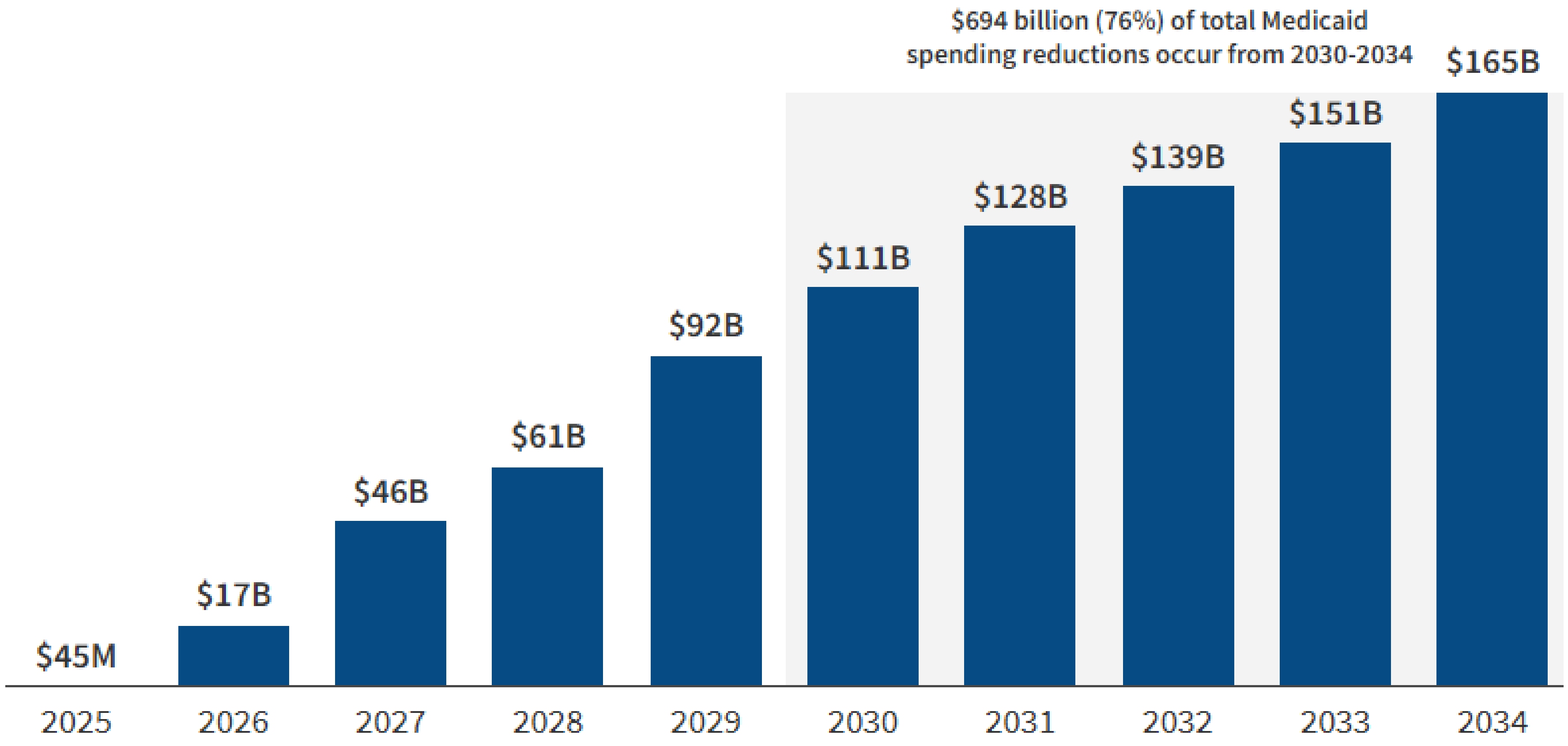
# Federal Medicaid Cuts in the Enacted Reconciliation Package, By Year

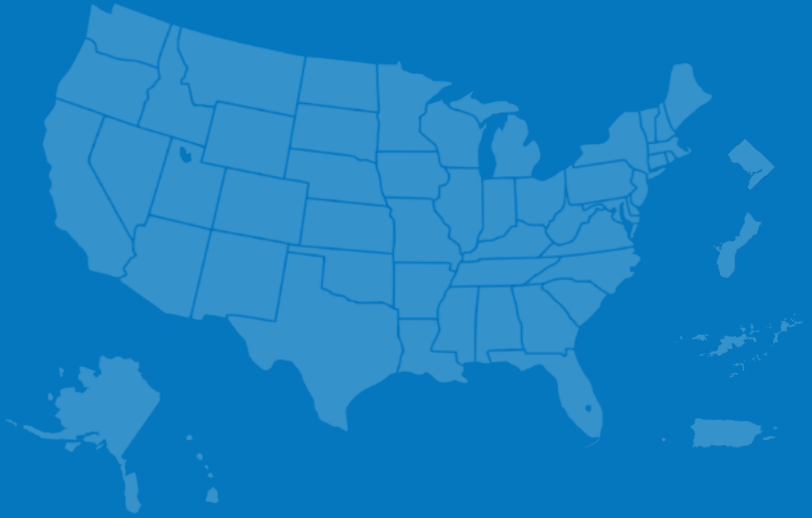
KFF Data




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

KFF



# OBBBA Impacts on States: Takeaways

Revenue impacts from OBBBA tax provisions have reduced general fund revenue growth, substantially in some states.

Expenditure impacts are phasing in with major expenditure impacts from OBBBA occurring in future years.

Impacts are not uniform across states, and state responses to the changes will also vary.

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.

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

Raise revenue

Program reductions

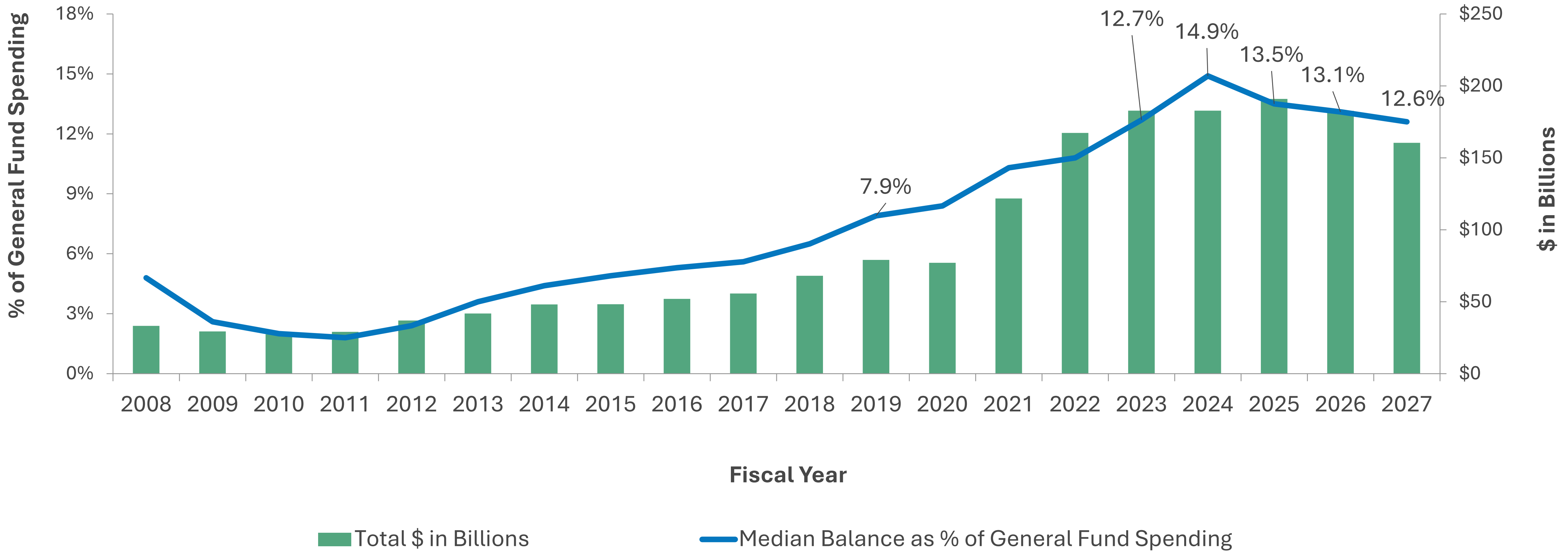
Cuts in other areas

A mix of all three

# The Good News: Underlying State Fiscal Conditions

# State Rainy Day Funds Fiscal 2008 to Fiscal 2027

## Rainy Day Fund Balances in Dollars and Median Balance as a % of General Fund Spending




*Note: Fiscal 2026 figure is based on estimated data; fiscal 2027 figure is based on governors' proposed budgets. Total dollar amounts for fiscal 2026 and fiscal 2027 have been 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.*

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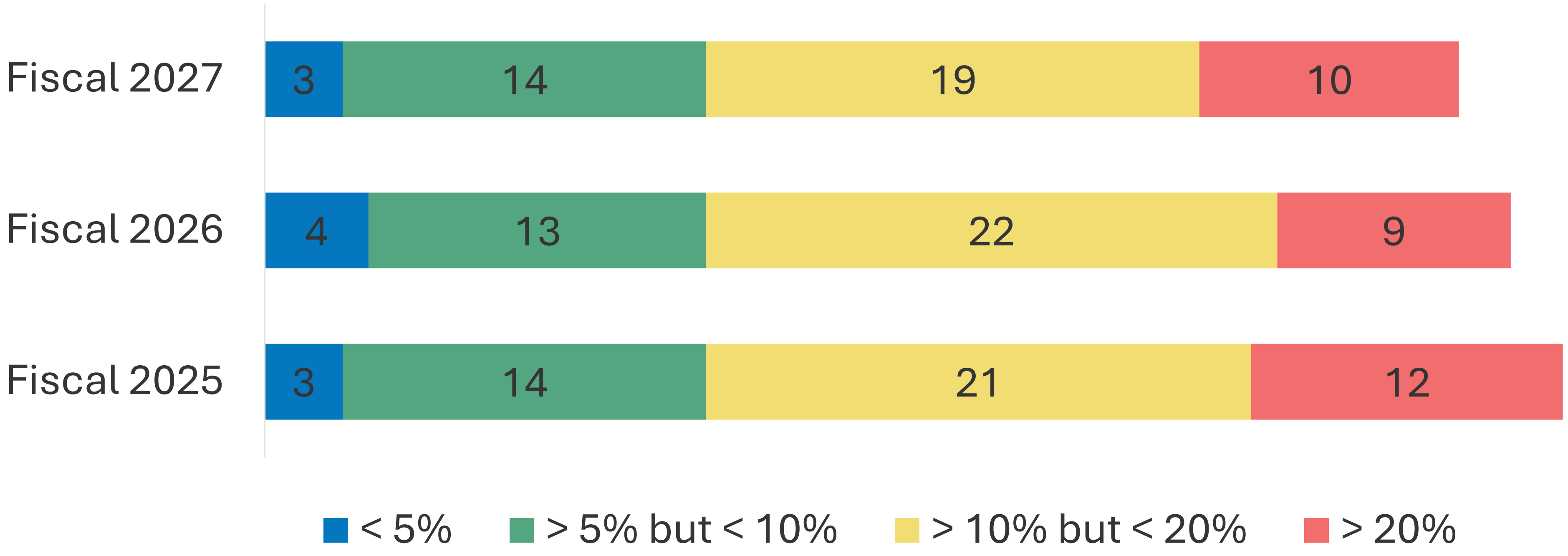
# Rainy Day Fund Balance as a Percentage of General Fund Spending (Number of States)




*Note: Fiscal 2026 is estimated; fiscal 2027 is projected based on governors' recommended budgets. Two states (Georgia and Wisconsin) were not able to report on rainy day fund balance projections for fiscal 2026, while four states (Georgia, Mississippi, Virginia, and Wisconsin) were not able to report for fiscal 2027.*

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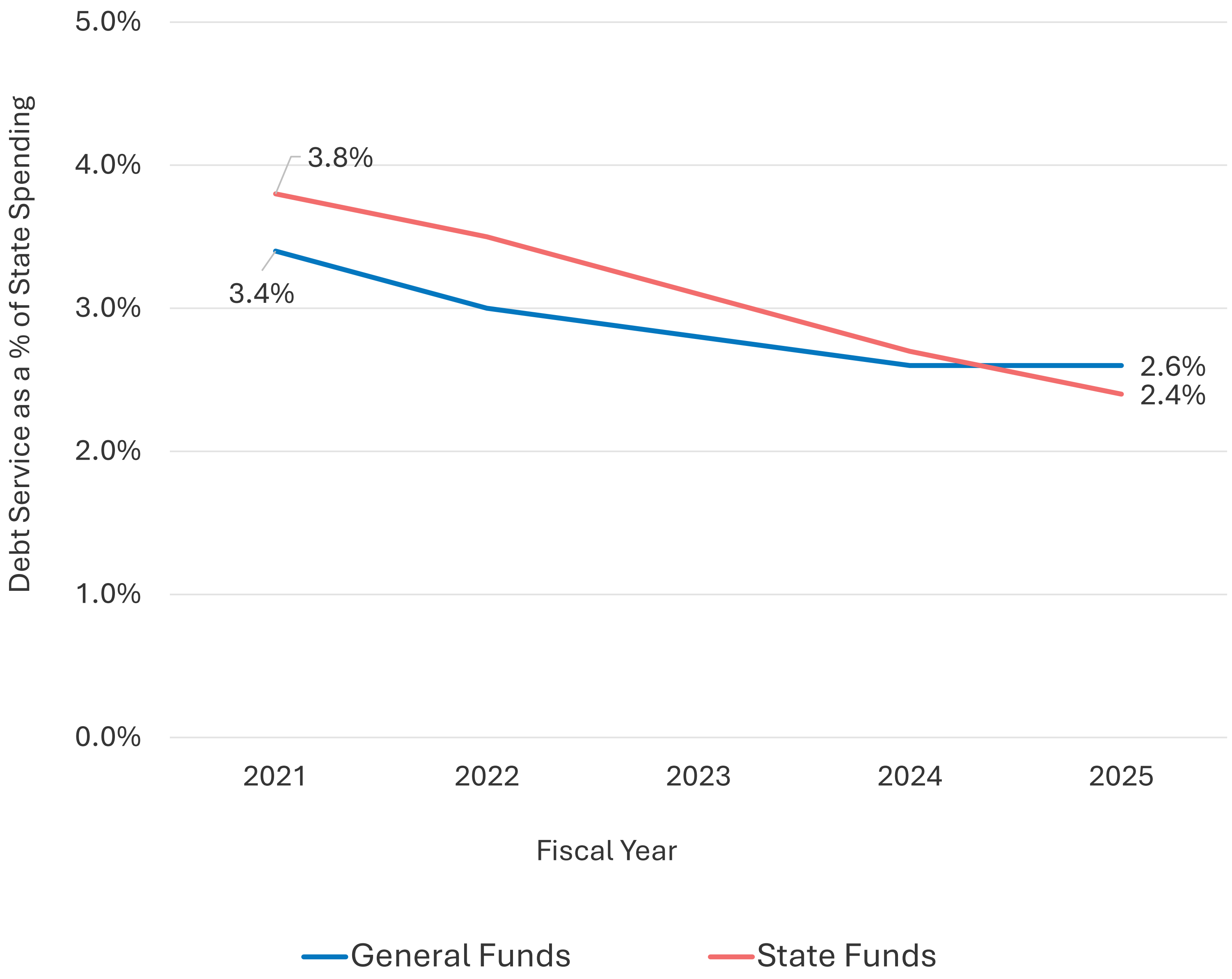
# Debt Service Declines as a Percentage of State Spending

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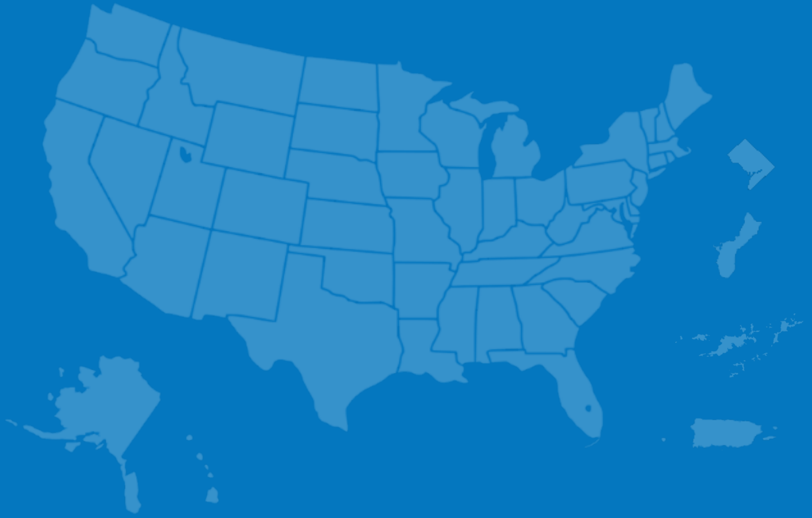
# Budget Outlook



# States Are Managing Expectations In A Tighter Environment

State general fund revenue growth is projected to be moderate. Forecasters cited economic uncertainty; changes in federal spending and employment; international events; and tariffs.

Expenditure growth is outpacing revenue growth. Pressures include medical inflation, school choice, housing, natural disasters, and declining federal funds.

Declining federal funds include the end of pandemic-era federal funding and cancellation of federal grant funding, BEFORE major OBBBA expenditure impacts hit budgets.

OBBBA impacts for most states in Fiscal 2027 include tax conformity, increased SNAP administrative costs, staffing, and IT investments.

While states are facing budget pressures, underlying fiscal conditions remain positive and we are still seeing state highlight strategic investments, with a particular focus on improving affordability.

# Questions?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