It takes a tool kit.
Fiscal Volatility Tool Kit

Monitoring and Reporting: Require and hear regular reports on fiscal indicators. Reports could include weekly or monthly updates on revenue collections and expenditures; annual analysis of revenue estimates versus historical trend; budget stress testing; periodic updates on obligations (debt, unfunded retirement liability, contingent tax credits, etc.) and reserves (cash balance, budget reserves, “working rainy day fund”, etc.).

Structural Balance: Match one-time revenue (surpluses, windfalls, capital gains, etc.) to one-time costs (grants, bonuses, etc.) and ongoing revenue (sales tax, withholding, etc.) to ongoing commitments (salaries, depreciation, etc.). State explicitly in appropriations acts what funding is one-time, then eliminate that funding in the next year’s base budget. Recognize full cost of ownership or full cost at final implementation by including one-time negative appropriations that offset estimated future full costs.

Cash Flow Management: Collect at least some portion of your revenue before you budget it. This is sometimes called an “ending fund balance”. Have it in the bank as a reserve for the next fiscal year, because even when times are good there is estimating error.

Spending Reductions: Prioritize projects so that some can be delayed and lower impact programs that can be eliminated.

Working Rainy Day Funds: In growing economy, appropriate general revenue for “pay as you go” roads, buildings, and capital maintenance. At the same time, pay-down debt. In a downturn, reverse these. Use the cash to patch operating budget gaps and borrow in favorable capital markets to build infrastructure.

Operating Reserves: Monitor unspent appropriations (a.k.a.: nonlaping program balances) and unappropriated or unspent restricted account balances. Include in statute a “notwithstanding” clause allowing the Legislature to sweep these in a revenue shortfall. Access them early-on before one is in a budget deficit.

Revenue Enhancement: Raise some taxes, rates and fees. Start with activity that has relatively inelastic demand – things like tobacco and motor vehicle registration.

Formal Budget Reserves: Build and maintain appropriate rainy day funds in growing economy that can only be accessed in a deficit. Appropriate balances can be determined in a number of ways – one of which is value at risk over a given period of time. Use these reserves last when one is in a budget deficit. Don’t use entire balance at once – one doesn’t know how long a downturn will last. Refill these first.