State Budget Update

Spring 2017

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Summary

Nearly eight years after the end of the Great Recession, states are again facing budget challenges. Over the past few years, states have consistently struggled with slow revenue growth, and this year is no exception.

Many states describe their fiscal situation as stable in the near term, but slow revenue growth could lead to more fiscal challenges in the future, especially if there is a downturn in the national economy. Demographic changes, low energy prices, and a sluggish agricultural economy are also plaguing some state budgets.

In the spring of 2017, NCSL surveyed legislative fiscal offices about their state's fiscal conditions. The report highlights their responses.

Budget Shortfalls

For the first time since the end of the Great Recession, a significant number of states find themselves facing budget shortfalls. For the fiscal year (FY) 2017 fiscal year or the current biennium (for states that enact a two-year budget), 22 states reported that their state had addressed, or would address a budget shortfall before the end of the fiscal year. No overarching characteristic defines states facing budget shortfalls, except that revenue collections are not in line with spending plans. States facing FY 2017 shortfalls range broadly from energy producing states such as Alaska to agriculturally dependent states such as South Dakota.

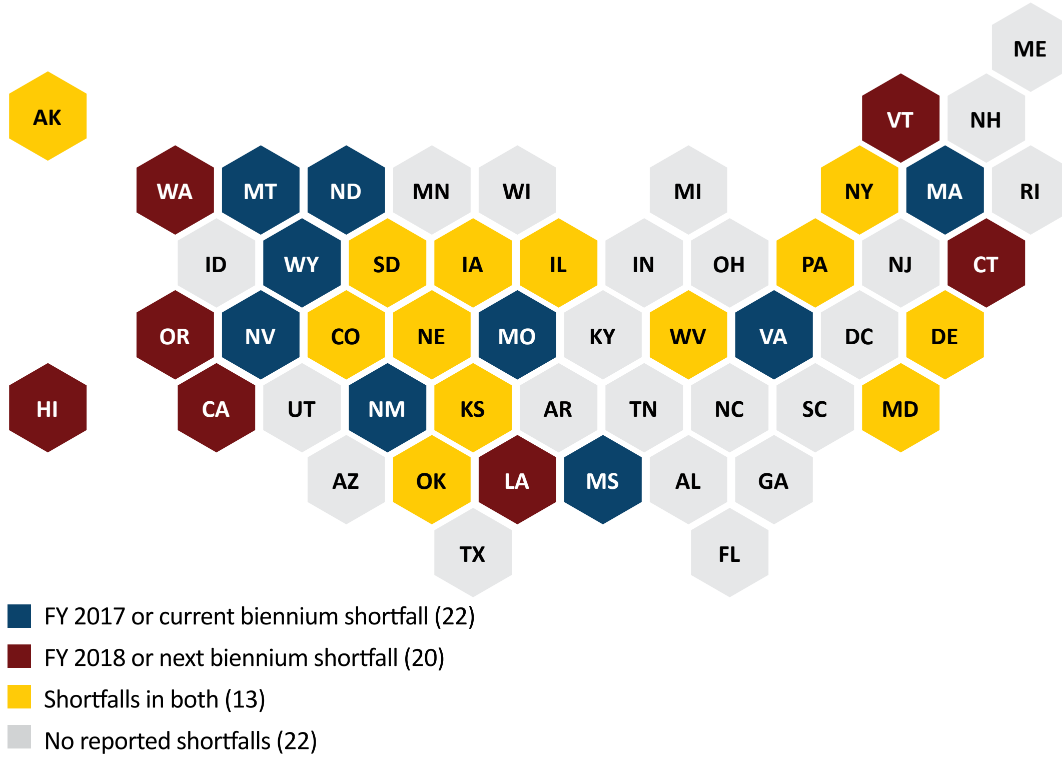
According to the survey, 20 states anticipate addressing a shortfall in FY 2018, or the upcoming biennium. Of those states, 13 are also addressing an FY 2017 shortfall, indicating that some states may be facing more prolonged financial challenges, or are addressing structural deficits.

The primary reason for state shortfalls varies across the states. Some examples of the challenges facing states are below:

- **Colorado.** The Colorado economy has been strong, as has population in-migration, which has supported demand for government services. Additionally, state law requires certain state expenditures on K-12 education, Medicaid, transportation, and capital construction, among other programs. Constitutional constraints on revenue (namely, the Taxpayer Bill of Rights Amendment and Gallagher Amendment) are limiting the amount of revenue the state can collect and spend or save. Combined, these factors have resulted in a budget shortfall.
- **Connecticut.** Rapid growth in fixed costs (primarily debt and retirement related expenses) coupled with historically slow revenue growth.
- **Iowa.** Slow growth in income tax and sales and use tax revenues. Sales and use tax growth has turned flat.
- **Mississippi.** Overall, the revenue for the state has seen little to no growth and in some categories is experiencing a decline.
- **Nevada.** The shortfall over the 2015-2017 biennium is primarily due to increased K-12 enrollment, a shortfall in the Local School Support Tax dedicated for K-12 education and greater than projected Medicaid caseloads.
- **South Dakota.** Lower than expected sales tax revenues due to slow farm economy and E-commerce sales.
- **Wyoming.** Principal reasons for the shortfall include lower than anticipated natural gas and oil prices, lower coal volumes, and lower sales and use tax collections compared to the forecasts in place at the time the 2017-2018 budget was initially developed.

More information is available in Table 1 of the Appendix.

Figure 1. State Budget Shortfalls



State Revenue Projections

A majority of states (33) expect to meet their latest revenue forecast. With the fiscal year ending June 30, most states had adjusted revenue projections by the spring, and have a relatively accurate idea of the amount of revenue available for the remainder of the fiscal year. The exception can be predicting April revenues from personal income tax filings. There can sometimes be "April surprises" that derail state revenue estimates.

For the remainder of FY 2017, nine states—Illinois, Mississippi, Nebraska, New Jersey, New York, Oklahoma, Pennsylvania, Rhode Island and West Virginia—are unlikely to meet their most recent revenue estimate. Eight states—Idaho, Indiana, Maine, Nevada, North Carolina, Tennessee, Vermont—and the District of Columbia are likely to exceed their revenue estimate.

Despite a majority of states expecting to meet their latest revenue estimate by the end of the fiscal year, revenue performance overall appears to be mixed, with several states reporting that some revenue sources are over or underperforming. In Arkansas, Illinois, Missouri, New York and Oklahoma, business taxes are trending below estimate. Other states, such as California and Louisiana, report that no revenue sources are significantly below or above projections, or are expected to even out by the end of the fiscal year. A few states, such as Idaho and Michigan, are experiencing above forecasted growth in a revenue source.

There are no common threads for states that are above or below revenue projections, and states are seeing a variety of different revenue sources over or under performing. Some examples of state comments on revenue sources that are above or below projections are below.

- **Idaho.** Income tax collections were significantly above the forecast - about 3.4 percent more than anticipated.
- **Louisiana.** Revenue collections as a whole are expected to balance out to forecast by fiscal year end.
- **Mississippi.** Sales Tax and Individual Income Tax revenue sources are below projections. Possible reasons they are below projections may be related to oil related jobs lost, increase in internet sales, lower wage jobs, and overall slow growth.

- **New York.** Corporate Franchise Tax receipts are approximately $800 million below projection due to lower than projected audit receipts and lower collections due to continued implementation of Corporate Tax Reform enacted in 2015 and the phase-in of lower tax rates.
- **Oklahoma.** Corporate Income Tax collections are 70 percent below estimate. Sales tax collections are 5 percent below estimate.
- **Utah.** Sales and use tax collections are coming in slightly below forecast while individual income tax collections are slightly above forecast.

More information is available in Tables 2 and 3 of the Appendix.

Summary of the States' Fiscal Situation

The situation in most states remains stable. However, many states describe slow revenue growth as a challenge. Caseloads and the need for government services continue to increase, and revenues are not keeping pace with demand.

Low energy prices continue to weigh on energy dependent states such as Alaska, Montana, North Dakota and West Virginia. Some Midwestern states are also concerned about low agriculture commodity prices. Other states, such as Vermont, point to changing demographics as a challenge to state budgets. Finally, some states such as Virginia with close economic ties to the federal government are waiting to see what federal policy changes could affect state budgets.

A handful of states such as Minnesota and Utah describe sunnier fiscal situations with economic growth and potential surplus funds. Examples of states' summaries of their fiscal situations are below.

- **Alaska.** At current oil prices, Alaska would have a $2.9 billion shortfall in FY 2017 and a $2.7 billion shortfall in FY 2018 unless the state uses earnings from Alaska's $50 billion Permanent Fund to support government operations.
- **Arizona.** Stable revenue collections, but still facing challenge of maintaining structurally balanced budget.
- **Florida.** Revenues are stable but demand for spending always exceed available revenues.
- **Illinois.** Without a budget for over 22 months, the state's financial picture remains bleak. With over $12.5 billion in unpaid bills, and no agreed to path toward budget resolution yet found, the outlook is far past concerning.
- **Iowa.** Iowa's economy is showing signs of weakness in some areas. There is no indication that it is headed into a recession in the near term, but it is facing a difficult time. State revenues are still experiencing growth, just very slow growth.
- **Massachusetts.** Generally, the Massachusetts economy is performing well when looking at markers like the unemployment rate and business confidence. Despite these indicators, revenue collections have underperformed. The last four months of the fiscal year have historically accounted for 40 percent of total revenue, so the state is monitoring any changes in collections.
- **North Carolina.** Revenues are outpacing a cautious forecast as economic conditions stabilize. Expenditures are currently within budget.
- **Virginia.** Virginia's economic outlook is stable, and is seeing a rebound from a weak FY 2016. However, Virginia's economy is facing headwinds from potential cuts in federal spending.

More information is available in Table 4 of the Appendix.

Appendix

Table 1. Summary of State Budget Shortfalls

State	Has or will address shortfall in current FY/Biennium	Has or will address shortfall in next FY/Biennium	Comments
Alabama			
Alaska	X	x	The shortfall is expected to be addressed by using reserves. The governor proposed using a combination of budget reserves and earnings of the permanent fund.
Arizona			
Arkansas			For FY 2017 there is concern that the official general revenue forecast may have to be reduced to a level below what is allocated for state agencies and institutions.
California		X	The governor's budget projected a $1.6 billion budget shortfall and proposed $3.2 billion in actions to address the problem.
Colorado	X	X	
Connecticut		X	Currently projecting slight shortfall. April data will determine whether action is necessary.
Delaware	X	X	
District of Columbia		TBD	Budget adjustments may be needed if federal grants or Medicaid are reduced
Florida		TBD	FY 2018 shortfall will depend on the budget currently being considered.
Georgia			
Hawaii		X	Revenue projections have been reduced by over $150 million in FY 2017 but can be absorbed by a carryover balance of $1,027 million from FY 2016. For the next biennium, the governor's proposed budget would have increased the general fund biennium budget by $830 million; that budget was modified to fit current revenue projections.
Idaho			
Illinois	X	X	
Indiana			
Iowa	X	X	FY 2017—The Legislature made $113.3 million in budget adjustments in January, 2017 including $88.2 million in appropriation reductions and $25.1 million in revenue adjustments. The Legislature is currently looking at an additional shortfall of $105.9 million which will be addressed by using reserve funds. FY 2018—The Revenue Estimating Committee's lower estimate in March, 2017 resulted in a shortfall in revenue of $191.8 million and required the governor to submit a revised budget for FY 2018. The governor's revised budget incorporates the reductions referenced above for FY 2017 and makes some revenue adjustments in terms of transfers and appropriation reduction recommendations of $173.3 million compared to his original budget recommendation made in January.
Kansas	X	X	The Kansas Legislature has addressed the FY 2017 shortfall and is in the process of addressing the FY 2018 shortfall.
Kentucky			

State	Has or will address shortfall in current FY/Biennium	Has or will address shortfall in next FY/Biennium	Comments
Louisiana		X	The FY 2018 Executive Budget proposal closes a $404 million shortfall with budget reductions. The governor wants to add back $262 million of those costs plus $178 million of new additions.
Maine			
Maryland	X	X	
Massachusetts	X		Massachusetts addressed the FY 2017 budget gap through cuts to executive branch agencies and layoffs, as well as non-tax revenue sources (federal reimbursements, trust funds, etc.).
Michigan*			
Minnesota			
Mississippi	X		
Missouri	X		Currently $420 million of withholds from FY 2017.
Montana	X		Reductions have been implemented for FY 2017 and the Legislature has requested that the governor find additional reductions.
Nebraska	X	X	Reductions made to FY 2017 enacted earlier this session.
Nevada	X		
New Hampshire			
New Jersey			Revenues are lagging, but an actual shortfall into deficit is not expected.
New Mexico	X		New Mexico addressed its FY 2017 projected shortfall and does not project any remaining shortfall in FY 2017 or FY 2018. However, the governor threatens to veto appropriations and revenue bills passed at the recently completed session and announce a special session soon.
New York*	X	X	The state had enough reserves and was able to manage spending to be able to manage the shortfall in revenues for FY 2017 and has also enacted contingency language for FY 2018 if events reduce federal financial participation.
North Carolina			
North Dakota	X		The governor ordered two rounds of budget reductions. The Legislative Assembly met in special session in August 2016 and reduced general fund appropriations by 6.55 percent for most agencies, authorized the transfer of the budget stabilization fund balance of $572.5 million, and authorized a contingent $100 million transfer from the Bank of North Dakota to balance the 2015-17 biennium budget. Revenues have continued to decline and during the 2017 session, the Legislative Assembly will likely transfer an additional $155 million from available special funds to the general fund to provide a positive ending balance.
Ohio			
Oklahoma	X	X	
Oregon		X	The Legislature will do some selective rebalance actions during the 2017 session, especially for the human service agencies, but Oregon is not facing a 2015-17 budget deficit.
Pennsylvania	X	X	
Rhode Island			
South Carolina			

State	Has or will address shortfall in current FY/Biennium	Has or will address shortfall in next FY/Biennium	Comments
South Dakota	X	X	Shortfall as of the governor's recommended budget from December 2016 compared to adopted revenue target set in February 2017.
Tennessee			
Texas*			
Utah			
Vermont		X	Through the budget adjustment process, FY 2017 is in balance. The FY 2018 budget is in process. There is a $52 million or 3.3 percent current service general fund gap. The governor has proposed solutions and the House passed solutions to bridging this gap are significantly different.
Virginia	X		The current forecast was revised to reflect a shortfall in FY 2016 actual collections.
Washington		X	There are FY 2017 shortfalls within specific agencies such as K-12 and mental health. The is a significant shortfall for the 2017-19 biennium. The amount depends on assumptions about employee compensation, basic education and mental health.
West Virginia	X	X	
Wisconsin			
Wyoming	X		
Total	22	20	

* The fiscal year began on July 1 for 46 states. The exceptions are New York (April 1), Texas (Sept. 1) and Alabama and Michigan (Oct. 1).

Note: Kentucky, Virginia and Wyoming enacted a biennial budget in 2016 and were not asked about shortfalls in the next biennium beginning in 2018.

Note: N/R = NCSL has not yet received a survey response from that state or jurisdiction.

Source: NCSL survey of legislative fiscal offices, spring 2017.

Table 1A. Primary Reason for the Shortfall

Jurisdiction	Comments
Alabama	
Alaska	Low oil prices are the principal reason for Alaska's budget shortfall.
Arizona	
Arkansas	For FY 2017 year-to-date sales and use tax collections are $50.7 million below forecast and year-to-date corporate income tax collections are $71 million below forecast. Next month (April 2017) corporate income tax collections are expected to exceed the forecast.
California	The governor's budget estimates slow growth in revenues, particularly in the personal income tax, between 2016-17 and 2017-18 and higher estimates of costs for the state's Medicaid program. (Our office anticipates faster growth in revenues than the administration in 2017-18.)
Colorado	The Colorado economy has been strong, as has population in-migration, which has supported demand for government services. Additionally, state law requires certain state expenditures on K-12 education, Medicaid, transportation, and capital construction, among other programs. Constitutional constraints on revenue (namely, the TABOR Amendment and Gallagher Amendment) are limiting the amount of revenue the state can collect and spend or save. Combined, these factors have resulted in a budget shortfall.
Connecticut	Rapid growth in fixed costs (primarily debt and retirement related expenses) coupled with historically slow revenue growth.
Delaware	The revenue portfolio is not growing/aligning with economic growth.
District of Columbia	Sanctuary city and Medicaid expansion.
Florida	
Georgia	
Hawaii	Revenue projections were reduced by the state's Council on Revenues. Total projected revenue loss is over $800 million over three years (FY 2017 through FY 2019).
Idaho	
Illinois	The legislative and executive branches inability to agree on a path forward.
Indiana	
Iowa	Slow growth in income tax and sales/use tax revenues. Sales/use tax growth has turned flat.
Kansas	Primarily from reduced revenue estimates in the fall of 2016.
Kentucky	
Louisiana	Slow revenue growth relative to calculated program expenditure growth.
Maine	
Maryland	$155.6 million of shortfalls are funded in fiscal 2017, chiefly due to Medicaid MCO rate increases and enrollment, a grant to retain Marriott Corporation jobs, and local aid to offset for one year the local share of the administrative costs of the State Retirement Agency. About $33 million across 2017 and 2018 is not funded due to a shortfall in gaming revenue that supports K-12 education. A shortfall of about $156 million in 2017 and 2018 is also not funded due to Medicaid fee for service inpatient costs and overestimated pharmacy rebates.
Massachusetts	The FY 2017 budget shortfall is generally linked to slow revenue growth compared to spending exposures.
Michigan	
Minnesota	
Mississippi	Overall, the revenue for the state has seen little to no growth and in some categories is experiencing a decline.
Missouri	FY 2016 corporate tax performed poorly, refunds in general were very high and all hit at the end of the fiscal year, after the FY 2017 budget had been passed and signed by the governor, creating a shortfall to begin the year.
Montana	Revenue collections are less than anticipated in the 2015 session.
Nebraska	Actual revenue under estimate, declining forecasts.

Jurisdiction	Comments
Nevada	The shortfall over the 2015-2017 biennium is primarily due to increased K-12 enrollment, a shortfall in local school support tax dedicated for K-12 education and greater than projected Medicaid caseloads.
New Hampshire	
New Jersey	
New Mexico	
New York	The shortfall in corporate franchise receipts and transfers from other funds which was partially off-set by higher than projected collections in personal income tax and sales tax.
North Carolina	
North Dakota	Lower than anticipated sales tax and oil tax revenue collections due to lower oil and agriculture commodity prices.
Ohio	
Oklahoma	Approximately $700 million of this amount is a structural deficit caused by the use of one-time funding sources for ongoing operations in FY 2017 and automatic apportionment increases. The remainder is primarily caused by a decrease in corporate income taxes.
Oregon	Use of one-time revenues in the 2015-17 biennium; personal services costs and other cost growth for state government employees exceeding the rate of current law revenue growth.
Pennsylvania	
Rhode Island	
South Carolina	
South Dakota	Lower than expected sales tax revenues due to slow farm economy and e-commerce sales.
Tennessee	
Texas	
Utah	
Vermont	Underlying budget growth, particularly in retirement obligations, K-12 education, developmental services and state employees pay obligations are the biggest culprit in the current service budget growth coming in above revenue growth. Also, FY 2018 is a low year for some financial fee revenue that runs on a two-year cycle.
Virginia	Overall weakness in FY 2016 revenues, primarily in income and sales tax, created a ripple effect that required downward adjustments to revenues in both FY 2017 and FY 2018.
Washington	The cost of continuing current programs for 2017-19 is expected to exceed 2017-19 forecasted revenue for the by $550 million. While existing reserves remaining from the 2015-17 biennium are sufficient to cover that shortfall, there are significant additional budget pressures. Significant fiscal and policy issues facing the Legislature include implementation of the Supreme Court's McCleary decision (K-12 funding, particularly the state's share of basic education compensation), addressing behavioral health issues including court decisions involving both forensic and civil mental health services and federal oversight of Western State Hospital, and other fiscal and policy issues including employee and vendor compensation.
West Virginia	Hard times for extraction industries.
Wisconsin	
Wyoming	Principal reasons for the shortfall include lower than anticipated natural gas and oil prices, lower coal volumes, and lower sales and use tax collections compared to the forecasts in place at the time the 2017-2018 budget was initially developed.

Source: NCSL survey of legislative fiscal offices, spring 2017.

Table 2. Revenue Outlook for the Remainder of FY 2017

Jurisdiction	Unlikely to Meet Forecast	Expected to Meet Forecast	Likely to Exceed Forecast	Comments
Alabama		X		
Alaska		X		
Arizona		X		
Arkansas		X		The current general revenue forecast meets general revenue allocations. However, the current year-to-date actual collections of net available general revenue is $65.2 million below forecast or 1.7 percent. The three months remaining are expected to exceed the project forecast at a level that will be very close to if not in excess of the year end projection.
California		X		
Colorado		X		Our most recent forecast, released on March 17, predicted slightly higher general fund revenue relative to the most recent forecast, published in December. There is no new data since March 17.
Connecticut		X		At this point, the main variable is April income tax data.
Delaware		X		Most recent revenue forecast from DEFAC (Delaware Economic and Financial Advisory Council) occurred on March 20, 2017.
District of Columbia			X	FY 2017 revenues are projected to be $212 million higher than the approved budget amount. Revenues may continue to rise, although much more modestly.
Florida		X		
Georgia		X		
Hawaii		X		
Idaho			X	Through February, Idaho was running $42.4 million ahead of the forecast.
Illinois	X			Both the legislative and executive branch forecasting agencies have lowered expectations for FY 2017 and have very modest expectations for FY 2018.
Indiana			X	Through February 2017, major tax revenue sources to the general fund (Sales, Personal Income, Corporate, and Gaming) are 1.9 percent above the forecast target; other revenue sources to the general fund are 0.6 percent above forecast target. Overall, general fund revenue is 1.8 percent above the forecast target through February 2017. (Based on Dec. 15, 2016 revenue forecast.)
Iowa		X		The December forecast was recently lowered by $105.9 million. We expect to make the lowered estimate.
Kansas		X		Kansas revenue estimates were recently revised.
Kentucky		X		Through February, general fund receipts are just $4.2 million (0.1 percent) above the estimate, RF is $32.5 million (1.6 percent) above the estimate.
Louisiana		X		
Maine			X	Assuming no significant April 18th negative variance.
Maryland		X		

Jurisdiction	Unlikely to Meet Forecast	Expected to Meet Forecast	Likely to Exceed Forecast	Comments
Massachusetts		X		Through the month of February, the Department of Revenue has published that tax revenue is $134 million (0.8 percent) below the fiscal year-to-date benchmark. However, we remain hopeful that tax revenues will meet benchmark for the remainder of the year.
Michigan		X		
Minnesota		X		The most recent state budget forecast was released Feb. 28. Since that release general fund revenue for February exceeded the forecasted amount by $34 million.
Mississippi	X			The FY 2017 revenue estimate has been revised downward by $69.7 million from the November Revision to the original sine die estimate of $5,601.5 million. There have been two budget cuts related to revenue imposed in FY 2017 totaling $110 million and $11.1 million in transfers to the general fund from the working cash stabilization reserve fund. Further budget reductions and transfers may be necessary to meet the FY 2017 revenue estimate.
Missouri		X		Because of late refund activity in FY 2016 it will be difficult to estimate FY 2017 revenue until the very end of the fiscal year.
Montana		X		
Nebraska	X			
Nevada			X	The Economic Forum revised its May 1, 2015 forecast for the 2015-2017 biennium at its meeting on May 1, 2017.
New Hampshire		X		
New Jersey	X			Executive reduced FY 2017 forecast by $248 million, below the certification by 0.7 percent. Legislative Office estimates are $223 million below the Executive, or off another 0.6 percent.
New Mexico		X		State is tracking almost exactly with the forecast.
New York	X			While the Financial Plan was updated in February, a large percentage of tax receipts are received in March and these were below expectations.
North Carolina			X	February forecast projected $552 million in over-collections
North Dakota		X		In March 2017, the Legislative Assembly adopted the most recent revenue forecast for the remainder of the 2015-17 biennium which lowered expected general fund revenues by an additional $56 million or 1.6 percent compared to the January 2017 revised forecast. Compared to the original 2015-17 biennium general fund revenue forecast adopted in May 2015 of $5.0 billion, the March 2017 forecast of $3.4 billion is $1.6 billion or 32 percent less.
Ohio		X		The Executive reduced its FY 2017 tax revenue estimates by $592 million in January. That is the forecast that, so far, that was expected to be met.
Oklahoma	X			The legislature is only allowed to appropriate 95 percent of the estimate. The state is projected to collect 94.3 percent of the estimate, resulting in a 0.7 percent revenue failure for FY 2017

Jurisdiction	Unlikely to Meet Forecast	Expected to Meet Forecast	Likely to Exceed Forecast	Comments
Oregon		X		
Pennsylvania	X			Current year collections through February are $449.7 million, or 2.4 percent, below estimate. Revenues are expected to be $639 million below estimate at the end of the fiscal year, according to the Administration.
Rhode Island	X			Formal consensus to be adopted on May 10.
South Carolina		X		
South Dakota		X		Overall revenue is sluggish, but the agreement with Amazon to voluntarily collect sales tax should help us to meet our latest forecast.
Tennessee			X	
Texas		X		The 2016-17 forecast was revised in January 2017. Currently, collections are expected to meet this latest forecast.
Utah		X		General fund and education fund combined.
Vermont			X	Revenues are running ahead of expectation through March, most of this appears to be due to refund timing, especially in the corporate income tax and initial income tax
Virginia		X		The current forecast was revised to reflect a shortfall in FY 2016 actual collections.
Washington		X		The current forecast was released March 16, 2017. Collections since then have been slightly under the forecast ($8 million).
West Virginia	X			
Wisconsin		X		Year-to-date, corporate collections are running below the January 2017 estimate, but receipts in February were very strong.
Wyoming			X	Although a formal, quarterly performance update will be released in April, it appears that revenues collected will exceed the January 2017 forecast at this time.
Total	**9**	**33**	**9**	

Source: NCSL survey of legislative fiscal offices, spring 2017.

Table 3. Revenues Above or Below Projections

Jurisdiction	Comments
Alabama	
Alaska	
Arizona	Corporate income taxes are below projections, most likely due to ongoing phase-in of previously-passed rate reductions. Individual income taxes are above forecast; withholding 6.5 percent above prior year.
Arkansas	Year-to-date corporate income tax collections are $71 million below forecast due to a one month extension of the filing deadline.
California	None are significantly above or below projections. Personal income tax receipts are down $259 million for the fiscal year to date relative to January forecast estimates; the sales and use tax is down $226 million and the corporate tax is up $106 million (February 2017 State Tax Collections).
Colorado	With data through February, no revenue sources were significantly different than December projections. Estimated individual income taxes (paid primarily on business income and capital gains) were tracking slightly high, while corporate income taxes were tracking slightly low relative to the forecast released in December. Slower corporate income tax collections are believed to be attributable to weakness in the oil and gas industry. Corporate income tax collections are expected to improve along with economic conditions in the industry in FY 2018. These trends were incorporated into the forecast released in March.
Connecticut	
Delaware	The state's unclaimed property revenue (revenue from financial property that is remitted to the state due to the lack of verified ownership) decreased from earlier projections as a result of General Assembly legislation action (SB 31) in January 2017 that revised the rules of the program in an effort to promote greater predictability, efficiency and fairness for reporting and compliance. Current projections now predict a $22.5 million net decrease in unclaimed property revenue based on these changes.
District of Columbia	Real property taxes increased by $34 million due to stronger than expected price appreciation, sales tax revenue was revised upward by $19 million due to hospitality and adding e-commerce companies to the base, non-withholding individual income tax up by $16 million due to the stock market, business income tax revenue up $47 million (during a year when the rate was reduced by 0.4 percent) and a $29 million increase from deed transfer and recordation taxes from more than anticipated real estate transactions.
Florida	Revenues from Indian gaming are uncertain due to lawsuits, legislation and compact approval.
Georgia	Motor fuel and general fund proceeds associated with transportation reform (HB 170, 2015) are trending slightly above projected collections; the amended budget recognizes an additional $118.7 million available for appropriation. Corporate income taxes are slightly underperforming.
Hawaii	General excise tax collections, representing about 50 percent of annual tax revenue, have been flat or negative for 10 months (since July 2016).
Idaho	Income tax collections were significantly above the forecast—about 3.4 percent more than anticipated.
Illinois	Corporate income taxes in particular have underperformed, in part due to effects of a new accounting system at the Department of Revenue. Personal income taxes have also underperformed relative to expectations. While final payments are expected to improve year to date performance, considerable downside risk remains. Sales taxes have managed to only grow 1 percent thru February 2017.
Indiana	
Iowa	Sales/use tax revenue is below December projections—unsure of reasons. Possibility that a bill passed during the 2016 session providing a sales tax exemption for items consumed in manufacturing processes is having a greater impact than estimated. Could be multiple other reasons; possible that the state has reached full employment—need strong employment growth to fuel sales/use tax growth; low inflation—same amount of goods for lower prices; shift from durable goods to services which may not be taxed, etc. Primarily from reduced revenue estimates in the fall of 2016. Personal income tax, specifically lower income tax estimated payments and potentially lower tax filing payments; capital gains income is down, as is farm income, although not as low as last year.
Kansas	Kansas revenue estimates are on target due to recent revisions.
Kentucky	

Jurisdiction	Comments
Louisiana	Revenue collections as a whole are expected to balance out to forecast by fiscal year end.
Maine	
Maryland	
Massachusetts	In October 2016, the administration downgraded sales and use tax expectations by $175 million. Compared with this lowered benchmark, sales and use tax collections are still down $17 million through February.
Michigan	Sales tax running ahead of projections, part of it is strong vehicle sales.
Minnesota	
Mississippi	Sales tax and individual income tax revenue sources are below projections. Possible reasons they are below projections may be related to oil-related jobs lost, increase in internet sales, lower wage jobs, and overall slow growth.
Missouri	Corporate income tax continues to perform poorly, likely because of a combination of natural fluctuation and a change to corporate tax law in 2015.
Montana	
Nebraska	
Nevada	
New Hampshire	
New Jersey	Insurance premiums tax is significantly below. The first (March) of two annual payments was down 7.5 percent. The reason for this decline is not known at this time. Income tax is somewhat below due to a decline in September quarterly estimated payments. Petroleum products tax is significantly above original certification due to a tax rate increase enacted in the Fall of 2016.
New Mexico	Gross receipts tax revenues are above projections due to lower credit claim activity. Personal income tax revenues are below projections due partly to lower hourly wages and partly to historically low average hours worked per week.
New York	Corporate franchise tax receipts are approximately $800 million below projections due to lower than projected audit receipts and lower collections due to continued implementation of corporate tax reform enacted in FY 2015 and the phase-in of lower tax rates.
North Carolina	
North Dakota	
Ohio	
Oklahoma	Corporate income tax collections are 70 percent below estimate. Sales tax collections are 5 percent below estimate.
Oregon	
Pennsylvania	Total corporation tax collections are $171.1 million, or 10.5 percent below estimate, year-to-date through February.
Rhode Island	
South Carolina	None.
South Dakota	Sales tax: No sales tax collections on e-commerce sales; slow farm economy and general non-spending by consumers.
Tennessee	Franchise and excise taxes are above estimates and year-to-date growth rate is 21.31 percent; however, adjusting for one-time payments the underlying growth rate is 2.76 percent.
Texas	
Utah	Sales and use tax collections are coming in slightly below forecast while individual income tax collections are slightly above forecast.
Vermont	
Virginia	
Washington	
West Virginia	Consumer sales tax and personal income taxes are the biggest ones. Severances taxes are behind for the year, but show some signs of rebounding with rising natural gas and coal prices.
Wisconsin	
Wyoming	

Source: NCSL survey of legislative fiscal offices, spring 2017.

Table 4. Summary of State Fiscal Situations

Jurisdiction	Statement
Alabama	Slowly improving.
Alaska	At current oil prices, Alaska would have a $2.9 billion shortfall in FY 2017 and a $2.7 billion shortfall in FY 2018 unless the state uses earnings from Alaska's $50 billion Permanent Fund to support government operations.
Arizona	Stable revenue collections, but still facing challenge of maintaining structurally balanced budget.
Arkansas	No surplus is projected in the Official General Revenue Forecast as compared to general revenue allocations for state agencies and institutions. There is concern end-of-year collections will not meet the Official Forecast.
California	The governor identified a $1.6 billion budget problem and proposed $3.2 billion in actions to address the problem. The budget faces additional and possibly substantial uncertainty from changes in law and policy at the federal level.
Colorado	Colorado is facing a budget shortfall.
Connecticut	Continued slow growth.
Delaware	The State of Delaware is facing significant financial challenges in both FY 2017 and FY 2018, with deficits projected at $107.7 million and $385.6 million respectively.
District of Columbia	Strong, but wary of possible federal impacts. FY 2018 revenues are projected to increase by $175 million allowing D.C. to implement the final $100 million of tax reductions from the recommendations of our tax revision commission. The total tax relief, implemented over three years was $185 million. Reduction of federal grant funds are a concern: we anticipate the impact could be anywhere from $30 million to $100 million annually due to our Sanctuary City status. Repeal of the ACA could cost the District (we provide Medicaid up to 212 percent of the FPL) $563 million in FY 2018.
Florida	Revenues are stable but demand for spending always exceed available revenues.
Georgia	Georgia is expected to meet its amended revenue estimate of $24.3 billion for FY 2017.
Hawaii	Carryover balances will help the state get through FY 2017 but declining revenue projections required expenditure adjustments going into the 2017-2019 biennium. Deficits are projected for the 2019-2021 biennium.
Idaho	The state is in a stable financial situation heading into the FY 2018 year.
Illinois	Without a budget for over 22 months, the state's financial picture remains bleak. With over $12.5 billion in unpaid bills, and no agreed to path toward budget resolution yet found, the outlook is far past concerning.
Indiana	The fiscal situation is still relatively stable overall, with major tax revenue sources 1.9 percent above forecast, other revenue sources 0.6 percent above forecast, and all revenue sources 1.8 percent above forecast.
Iowa	Iowa's economy is showing signs of weakness in some areas. There is no indication that the state is headed into a recession in the near term, but the state is facing a difficult time. State revenues are still experiencing growth, just very slow growth.
Kansas	
Kentucky	On the revenue side, receipts should be close to, or fall just short of, the forecast. Results will be highly dependent on Q4 receipts, which are heavily influenced by income tax returns and corporate tax receipts.
Louisiana	The fiscal status of the state is closely balanced.
Maine	Stable. Revenue forecast will be updated May 1, 2017. Spending for the current year does not appear to be increasing significantly above prior year levels through nine months. The current session is focusing on specific policy issues and initiatives and not overall budget shortfalls or surpluses. A major focus will continue to be enacting a balanced 2018-2019 Biennial Budget by July 1.
Maryland	Revenues were revised downward in the current fiscal year in September 2016 ($365 million), December 2016 ($14 million), and March 2017 ($35 million) based on slower than expected economic activity and wage growth. Although the FY 2018 general fund budget is expected to be balanced on both a cash and a structural basis, a structural shortfall in excess of $600 million is forecasted for FY 2019. The imbalance grows to an estimated $1.4 billion by FY 2022 absent significant changes in revenues or spending requirements.
Massachusetts	Generally, the Massachusetts economy is performing well when looking at markers like the unemployment rate and business confidence. Despite these indicators, revenue collections have underperformed. The last four months of the fiscal year have historically accounted for 40 percent of total revenue, so the state is monitoring any changes in collections.

Jurisdiction	Statement
Michigan	Most major taxes are exhibiting modest growth from prior year levels, most deviations from forecast reflect taxes that are often subject to substantial volatility related to timing.
Minnesota	The February 2017 state budget forecast projects a FY 2016-17 general fund balance of $744 million. That is $88 million higher than the FY 2016-17 balance projected in the November 2016 forecast. For FY 2018-19, the general fund revenue is expected to exceed spending by $736 million. That is $186 million higher than the projection in the November 2016 forecast.
Mississippi	The state's economy is growing at a modest pace and is expected to continue that way for the foreseeable future. Overall, the revenue for the state has seen little to no growth and in some categories is experiencing a decline.
Missouri	The state is right around the most recent estimate for FY 2017, but still in a hole from poor revenue in performance in FY 2016.
Montana	Montana had a 3.6 percent decline in revenue in FY 2016, largely due to declines revenues from in natural resource taxes and economic impacts resulting from commodity price declines. Moderate growth from this lower base is expected for FY 2017.
Nebraska	Significant fiscal stress in reaching statutory requirements for balance in the next biennium.
Nevada	Nevada's fiscal situation is stable.
New Hampshire	Overall, through February 2017, revenues are $34.1 million ahead of plan.
New Jersey	Fiscal situation is guarded. Revenues are slightly below projections. Surplus funds of $493 million are low at only 1.4 percent of appropriations.
New Mexico	New Mexico required solvency measures in a special session in 2016 and at the start of the regular session in 2017 to avoid a shortfall for FY 2017. The state no longer projects a shortfall, but reserves are at historic lows. However, economic and revenue forecasts indicate the state hit bottom and call for slow to moderate growth.
New York	Cautious. Revenue is expected to grow at a steady rate, a balanced budget has been passed with state spending growth capped at 2 percent, and the high-income personal income tax surcharge was extended for two years. However, proposals regarding federal tax and spending policy have created uncertainty which has the potential to negatively impact state tax and other state receipts which created the need for the state to enact language allowing contingency actions in the event of reduced federal financial participation.
North Carolina	Revenues are outpacing cautious forecast as economic conditions stabilize. Expenditures are currently within budget.
North Dakota	With the uncertain outlook regarding the price of oil and agriculture commodities, budgeting is a challenge for the 2017-19 biennium. Projections indicate revenues to remain relatively flat for the next biennium after ongoing general fund revenues for the 2015-17 biennium are anticipated to decline by 30 percent from 2013-15 biennium ongoing general fund revenues.
Ohio	There is significant concern about income tax receipts, but so far Medicaid expenditures are sufficiently under estimate that a positive year-end general fund balance remains possible. The transportation budget (just enacted) permits transfers up to $280 million from non-general funds to the general fund by the end of FY 2017 to ensure that the FY 2017 book will be able to be properly closed.
Oklahoma	The state is faced with a $900 million (13 percent) shortfall for FY 2018. Approximately $700 million of this amount is a structural deficit caused by the use of one time funding sources for ongoing operations in FY 2017.
Oregon	Fiscal situation appears stable with revenues growing close to forecasted pace. There are no major budget issues in the current biennium. Some concern exists over changes at the federal level that may lead to changes in federal financial support for some programs. Unemployment rate at record lows in February 2017 at 4.0 percent, the lowest since comparable records started being kept in 1976. Job growth over the past 12 months at 2.2 percent, slightly down from the average rate over the past four years of about 3 percent, but higher than the national growth rate. Regional disparities, however, are continuing with most of the job growth in the urban areas of the state.
Pennsylvania	Sluggish revenue growth is not keeping pace with expenditures. Those factors, along with the use of one-time revenue sources in the past have created a budget deficit approaching $3 billion for 2017/18.
Rhode Island	
South Carolina	Slow but steady growth.
South Dakota	Balanced conservative and lean budget, while realizing lower than expected overall revenues. Leading indicators are forecasting robust positive economic growth in FY 2018, while lagging indicators are estimating flat to minimal growth in FY 2018.

Jurisdiction	Statement
Tennessee	FY 2017 revenues are exceeding estimates by 7 percent and growth over the previous year is above 6 percent. Year-to-date collections through February 2017 continue exceeding projections.
Texas	There have been no unusual demands on the 2016-17 Texas budget and there should be sufficient revenue to fund the 2016-17 budget. 2018-19 balances and revenues available to fund the 2018-19 budget are likely to decrease compared to 2016-17. During 2016-17, the voters adopted a constitutional amendment shifting the deposit of $5 billion in sales taxes each biennia from the general fund to the state highway fund beginning in 2018-19. This shift will reduce available revenue in the general fund during 2018-19. Additionally, the previous legislature provided $1.2 billion in biennial recurring property tax relief and $2.6 billion in biennial recurring franchise tax relief (beginning in 2016-17). The rainy day fund is forecasted to have a balance of $11.9 billion at the end of the 2018-19 biennium.
Utah	Utah's budget continues to grow. Current fiscal year (FY 2017) revenue growth in the discretionary general and education funds (GF/EF) is forecast at 4.6 percent. Current fiscal year Medicaid cost growth is significantly lower than anticipated at this time last year, allowing for current year budget reductions in that area. Next fiscal year (FY 2018) GF/EF appropriations are 4.2 percent higher than original FY 2017 appropriations.
Vermont	While revenue and economy are generally stable, Vermont continues to grapple with elements that are creating a general long-term structural deficit outlook, which includes an aging demographic. The immediate budget issues are summarized below. Remain concerned about eventual impacts from as yet to be clear changes at the federal level.
Virginia	Virginia's economic outlook is stable, and is seeing a rebound from a weak FY 2016. However, Virginia's economy is facing headwinds from potential cuts in federal spending.
Washington	The fiscal situation for the current biennium (2015-17) continues to improve. Forecasted revenue has increased. The challenge is crafting the 2017-19 biennium (including a balanced outlook for 2019-21).
West Virginia	The state is once again confronting a significant structural deficit.
Wisconsin	Stable.
Wyoming	FY 2016 revenue collections for the general fund and budget reserve account declined by 36 percent compared to revenue collections in FY 2015. The decline in revenues has stabilized in FY 2017 and, in the case of mineral severance tax collections and state investment earnings, is showing signs of improvement. In addition to the budget reductions implemented at the start of the 2017-2018 biennium, Wyoming policymakers implemented additional reductions totaling $278 million in the 2017 general session to more closely align projected revenues and state general fund appropriations.

Source: NCSL survey of legislative fiscal offices, spring 2017.

NCSL Contact

Erica MacKellar
Senior Policy Specialist
303-856-1403
Erica.MacKellar@ncsl.org

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William T. Pound, Executive Director

7700 East First Place, Denver, Colorado 80230, 303-364-7700 | 444 North Capitol Street, N.W., Suite 515, Washington, D.C. 20001, 202-624-5400

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