Strong States, Strong Nation

The State of State Budgets
Jackson Brainerd
Executive Committee Task Force on State and Local Taxation
Overview

Expenditures exceeding revenues

Mixed revenue performance

Some budget shortfalls and fiscal challenges
State Budget Shortfalls
Projected Changes in State General Fund Revenues and Expenditures: FY 2017

Source: NCSL survey of legislative fiscal offices, summer 2016.
Revenue Outlook for FY 2017

Source: NCSL survey of legislative fiscal offices, fall 2016.
State Revenue Collections

- **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.
State & Local Tax Revenue Since the Start of Recession, Four Quarter Moving Average Adjusted for Inflation

Cumulative % change since start of recession

Years since start of recession

Sources: Rockefeller Institute of Government
Notes: 4-quarter average of inflation-adjusted tax revenue. Data are shown only until the start of the next recession.
Year-End-Balances FY 1981 to FY 2017 (projected)

Recession Length: 16
Recession Length: 8
Recession Length: 8
Recession Length: 18

Source: NCSL surveys of legislative fiscal offices.
State Year-End Balances

Year-end balance as a % of state spending

Fiscal Year

Source: NCSL surveys of legislative fiscal offices.
Challenges and Concerns

- Sluggish revenue growth.
- Low Energy and Agricultural Commodity Prices
- Increased program spending, particularly for Medicaid.
- Demographics
- Mismatch between spending and revenue growth.
- Uncertainty about federal policy changes and the national economy.
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2017 Spring Budget Update: