

## Top Fiscal Issues in 2022

The past two years have been a fiscal roller coaster for states. As states began 2020, they anticipated strong revenue growth, and legislatures across the country were working on their priorities for the coming year. Those priorities quickly changed as COVID-19 swept across the country and legislatures quickly turned their attention to addressing the public health emergency and bracing for the economic fallout from the pandemic.

Since then, the federal government has provided billions of dollars in aid to state and local governments, and state revenues have rebounded more quickly than anticipated, with several states anticipating revenue surpluses in the coming year. Revenue growth and unprecedented federal funds for states will certainly shape many upcoming legislative sessions as states determine funding priorities for the coming year. So, what fiscal issues will be top of mind for legislators as they meet in 2022?

**Federal stimulus funds.** Deciding how best to spend the federal aid will be a major fiscal priority for many state legislatures this year. Most states allocated a portion of their Coronavirus State Fiscal Recovery Funds last year, but many kept all or some of the funds to be allocated in upcoming 2022 legislative sessions. These funds are a one-time windfall for states, and legislators are carefully planning the best way to use these funds. Several states have used the interim to solicit public input on the use of the funds and created interim study committees to recommend how they should be allocated. Use of these funds will be a priority for many legislators as they return to capitols in the new year. NCSL is currently tracking these allocations in an [ARPA State Fiscal Recovery Funds database](#) on our website.

**Jobs.** Legislators are also very concerned about the sluggish job market, with many industries struggling to hire workers they need. States themselves are also feeling the pinch as people leave the labor force and switch careers. Corrections facilities are one area states are having a particularly difficult time recruiting and retaining staff and some states are considering pay increases and other incentives to recruit corrections workers. Additionally, while unprecedented federal aid has flowed to state agencies and programs, many report challenges implementing programs amid staffing shortages.

**Infrastructure.** With the passage of the Infrastructure Investment and Jobs Act in November, states are receiving additional federal funding, and allocating those funds and upgrading state infrastructure is also a priority for many legislatures.

**State Revenues.** As previously mentioned, state revenues have quickly rebounded, resulting in revenue surpluses in many states. Legislators will face choices this session on how to use those surpluses. States that were hard hit economically during the pandemic, and dipped into their rainy day funds are likely to replenish their savings accounts. Other states are contemplating using the surpluses for various forms of tax relief. Travel, tourism and hospitality industries were hit hard during the pandemic, and legislatures will likely be looking for ways to assist and boost the return of those economic sectors.

**Healthcare.** The pandemic has also strained hospitals, nursing home facilities and other healthcare systems that receive reimbursements from the state for some services. Some states are considering provider rate increases this session to assist healthcare providers.

**K-12 education.** Finally, states spend an average of one-third of their general fund budgets on K-12 education, so it is no surprise K-12 education funding is regularly a top priority during legislative sessions. Educators and students continue to be impacted by the COVID-19 pandemic and legislators are

likely to address several K-12 funding issues including programs related to student learning loss and teacher shortages facing many school districts around the country.

States still face many challenges as they recover from the economic effects of the global pandemic and fiscal uncertainty still confronts legislatures. New variants of COVID-19 are arising, and there are many questions about the health of the global and U.S. economies. All these issues will likely affect budget discussions in 2022 legislative sessions, and shape legislative fiscal priorities.