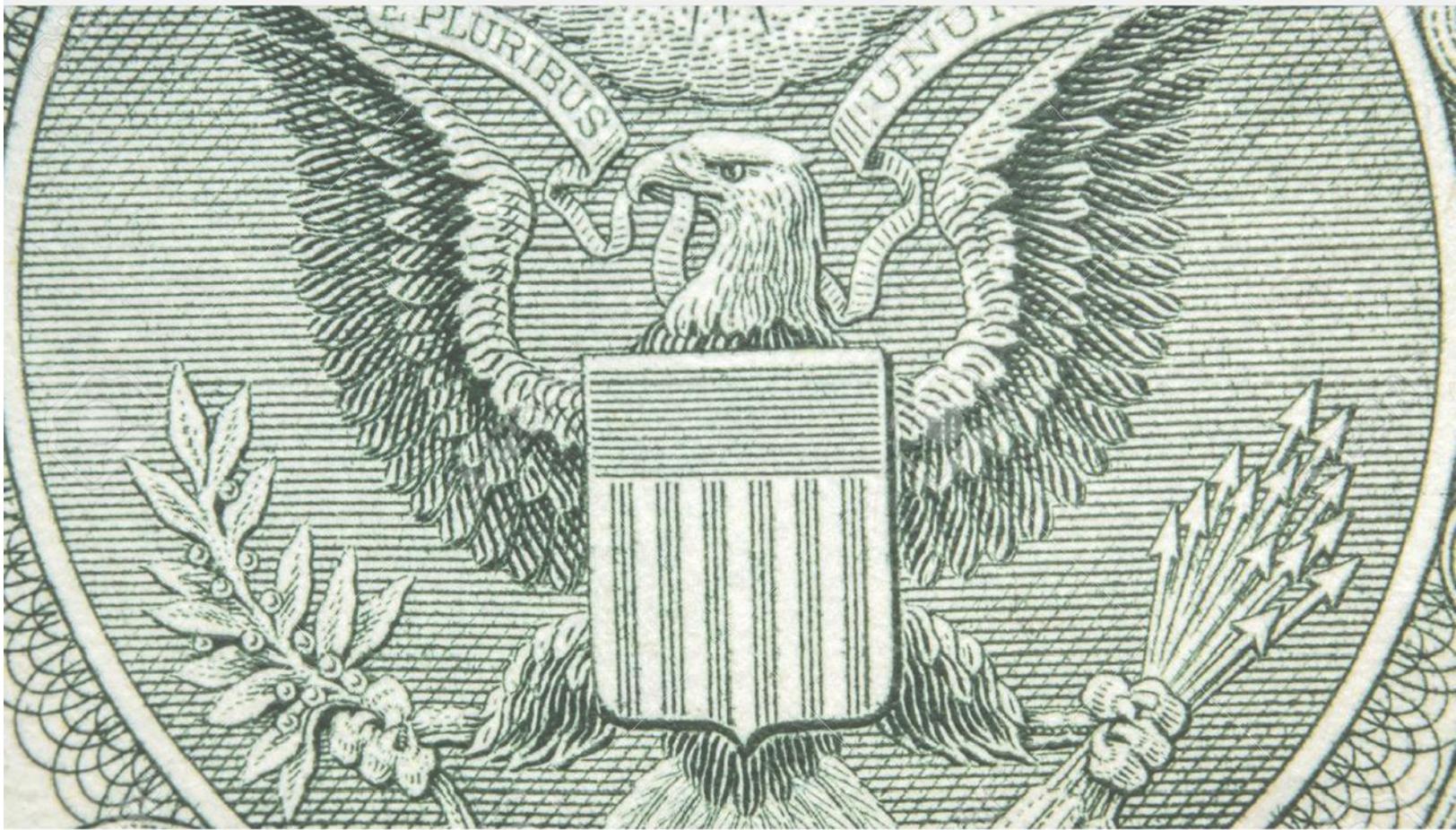


FISCAL BRIEF

Late State Budgets



NATIONAL CONFERENCE OF STATE LEGISLATURES

JULY | 2020

State lawmakers consider all sorts of laws during a typical legislative session, but the only task required of them is to complete a balanced state budget. Enacting a state budget and determining policy priorities are never easy, even when state revenues are healthy. This year was particularly challenging because the coronavirus pandemic interrupted the budget process and caused revenues to plummet.

State Budget Requirements

State budgets are not all the same. For some states, it's an annual spending plan approved each year while for others, it's a biennial budget covering two fiscal years. One thing they all have in common is that they must be balanced by the start of the new fiscal year, which begins July 1 in all but four states (Alabama, Michigan, New York and Texas).

Every state but Vermont has a balanced budget requirement, though Vermont traditionally also balances its budget. [Balanced budget requirements](#) vary by state in terms of stringency and at which point in the process the budget must be balanced.

In the aftermath of the Great Recession, balancing the budget on time became a challenge for some states. And with many states facing plummeting revenue declines in the wake of the COVID-19 pandemic, states may face difficult budget decisions and confront late state budgets.

What happens when a budget is not enacted on time? It depends on the state.

Late State Budgets

In many cases, a government shutdown occurs if a new budget is not in place. New Jersey's government shut down for three days in 2017 leading up to the Independence Day holiday, closing state beaches and other tourist attractions during a busy vacation week. Minnesota experienced a particularly disruptive 20-day shutdown in 2011, which furloughed 19,000 state workers and closed state parks at the height of the summer travel season. Workers deemed essential to public health and safety are largely exempt from furloughs when states experience shutdowns.

In some states, such as Illinois and Pennsylvania, court cases have ensured that at least some government services continue, resulting in a partial shutdown. Illinois currently holds the record for the longest budget stalemate. The state failed to enact a budget for FY 2016 or FY 2017, though disruptions were minimal for the average citizen because of court rulings and stopgap funding mechanisms.

Three states, North Carolina, Rhode Island and Wisconsin, have provisions in place to automatically continue funding at the previous year's spending levels until an agreement on a new budget is reached.

Budgeting in 2020

The COVID-19 pandemic created new challenges to passing a budget this year. Several states were forced to suspend sessions in the middle of budget negotiations, and it was unclear whether a budget deal would be reached before the start of the fiscal year. Several states chose to enact stopgap spending plans, or temporary budgets, anticipating special sessions this fall when states will have more accurate revenue forecasts. These states technically have late state budgets, but there will be no disruption in state services. However, state statutes governing the budget process vary greatly from states to state, and stopgap spending was not an option in all states.

Louisiana, for example, had just begun its budget process when the legislature was forced to postpone its session. The state's constitution does not allow funding to continue into the next fiscal year without a complete budget, so lawmakers were unable to consider a short-term spending plan. The state scrambled to bring legislators and staff safely back to the capital to complete a budget before the July 1 deadline.

Perhaps the most interesting method to avoid a late state budget occurred in New Jersey, which extended the FY 2020 fiscal year. The state now has until Oct. 1 to complete a full FY 2021 budget.

There are technically several late state budgets as states move into FY 2021, but there will be no immediate government shutdowns. However, states are not out of the woods yet. Many states will be debating spending priorities as temporary spending plans expire later this summer, so it remains to be seen whether there are more disruptions in the budget process.

NCSL Contact:

[Erica MacKellar](#), 303-856-1403