State Budget Update
Fall 2016

NATIONAL CONFERENCE *of* STATE LEGISLATURES | JAN 2017

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- To improve the quality and effectiveness of state legislatures.
- To promote policy innovation and communication among state legislatures.
- To ensure state legislatures a strong, cohesive voice in the federal system.

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State Budget Update: Fall 2016

Halfway through FY 2017, states continue to feel the effects of the Great Recession, with slow tax revenue growth. According to NCSL's State Budget Update: Fall 2016 budget survey, 28 states and the District of Columbia expect to meet their revenue forecast for FY 2017, but half of those states revised their original revenue outlook downward. Fourteen states do not expect to meet their forecasted revenues and may face budget shortfalls as they move further into FY 2017.

Despite some overall concern about slow revenue growth, state budgets were largely described as stable as they approached the midpoint of the current budget year.

Personal income tax performance is mixed heading into 2017. Personal income tax collections are on target in about one-third of the states, below estimate in about one-third and above forecasted levels in another third.

Sales and use tax collections have been more sluggish. Over 20 states reported that sales tax collections are below estimate. Corporate income taxes, a notoriously volatile revenue source, are also below estimate in at least 20 states. Energy dependent states also continue to face lower severance tax revenue than expected, with at least 10 states that levy a severance tax reporting collections below their budgeted estimates.

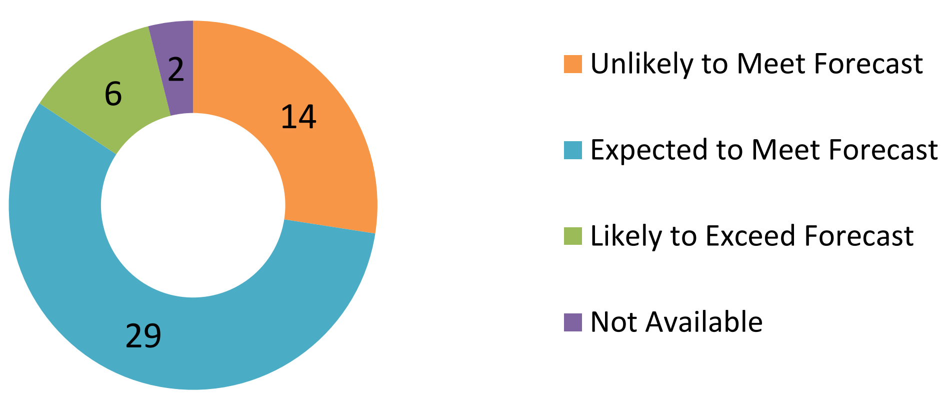
This report highlights results from NCSL's most recent survey of legislative fiscal officers about state tax collections and other indicators of state fiscal health. Detailed tables for each section are contained in the report's appendix.

FY 2017 Revenue Performance

Revenue collections are meeting expectations in just over half the states, with 28 states and the District of Columbia on target to meet their revenue estimate by the end of FY 2017. Six states – Alaska, Arizona, Georgia, Maine, Nevada and Tennessee – anticipate exceeding their forecasted revenue estimate.

Fourteen states do not expect to meet their revenue estimates, though the reasons for missing the forecast varies from state to state. Some Midwestern states cited sluggish agricultural commodity prices as part of the reason for the lower estimates. Illinois noteD that other economic factors are playing a role, and Pennsylvania reported that the performance of a recently enacted tax package will play a role in whether or not the state meets its revenue forecast.

Figure 1. Revenue Outlook for FY 2017



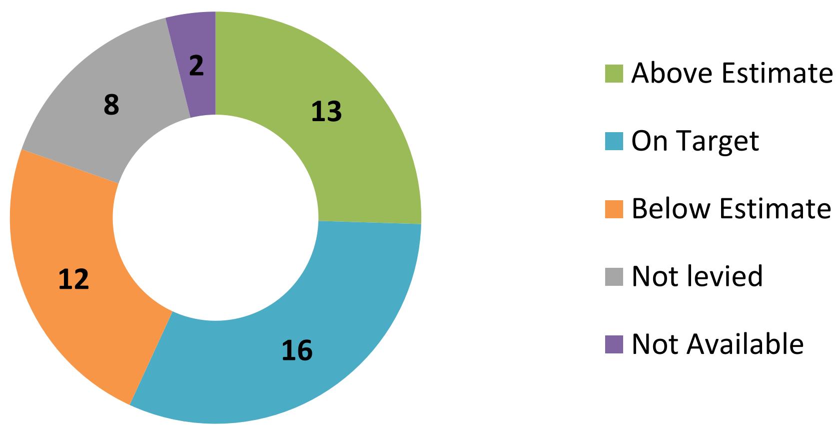
Personal Income Taxes

Personal income taxes make-up the largest share of state tax collections, at nearly 40 percent of collections. Nine states do not levy a broad-based personal income tax, though two of these states – New Hampshire and Tennessee – do tax interest income and dividends.

For FY 2017, personal income tax collections are mixed in the states.

- Sixteen states expect personal income tax collections to meet budgeted expectations. Nine of those states – Colorado, Delaware, Kansas, Maryland, Montana, Nebraska, New Mexico, New York and North Dakota – revised their forecast downward.
- Thirteen states – Arizona, Arkansas, Georgia, Idaho, Indiana, Kentucky, Maine, Massachusetts, Michigan, North Carolina, Rhode Island, Utah and Virginia – are on track to exceed their revenue estimate.
- Personal income tax collections are expected to be below estimate in 12 states – Connecticut, Illinois, Iowa, Louisiana, Minnesota, Mississippi, Missouri, New Jersey, Ohio, Pennsylvania, Tennessee and West Virginia. In five of those states, actual collections were below estimates that had already been revised downward.

Figure 2. Personal Income Tax Collections

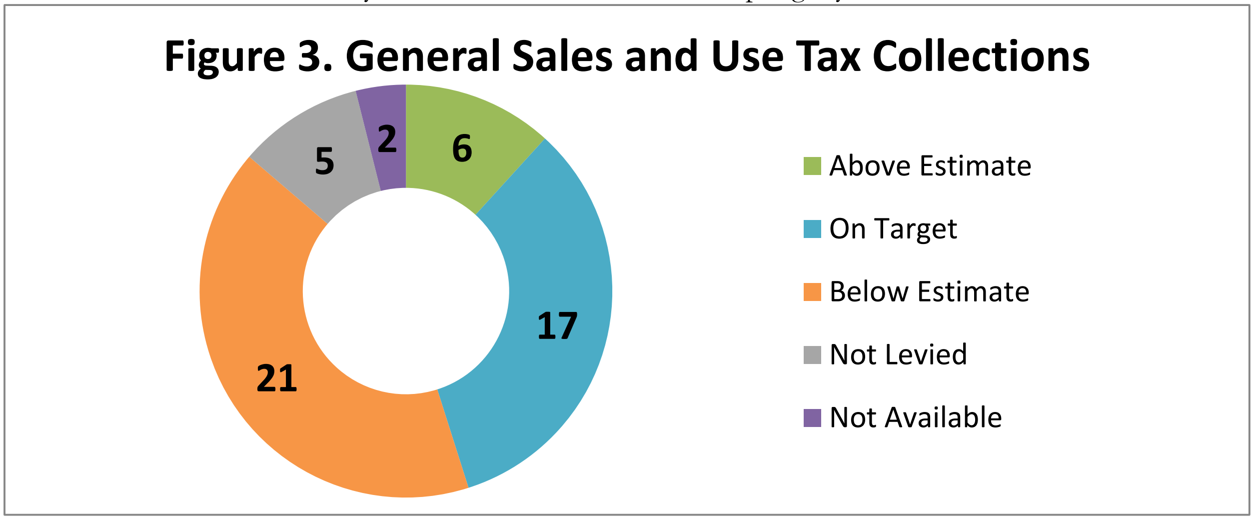


General Sales Taxes

The second largest source of total state tax revenue are general sales and use taxes, which account for about 30 percent of state revenues on average. Five states – Alaska, Delaware, Montana, New Hampshire and Oregon – do not levy a state sales tax. Through October, general sales tax collections are below estimate in nearly half the states.

- Seventeen states anticipate general sales tax collections will be on target by the end of FY 2017. Seven of those states – California, Florida, Kansas, Massachusetts, Nebraska, New Mexico and Wyoming – have revised their forecasts downward. Four states – Idaho, Iowa, New York and Washington – have increased the forecast for sales tax collections.
- Sales and use tax collections are below forecasted amounts in 21 states. The lower-than-expected sales tax revenue is a concern for many states.

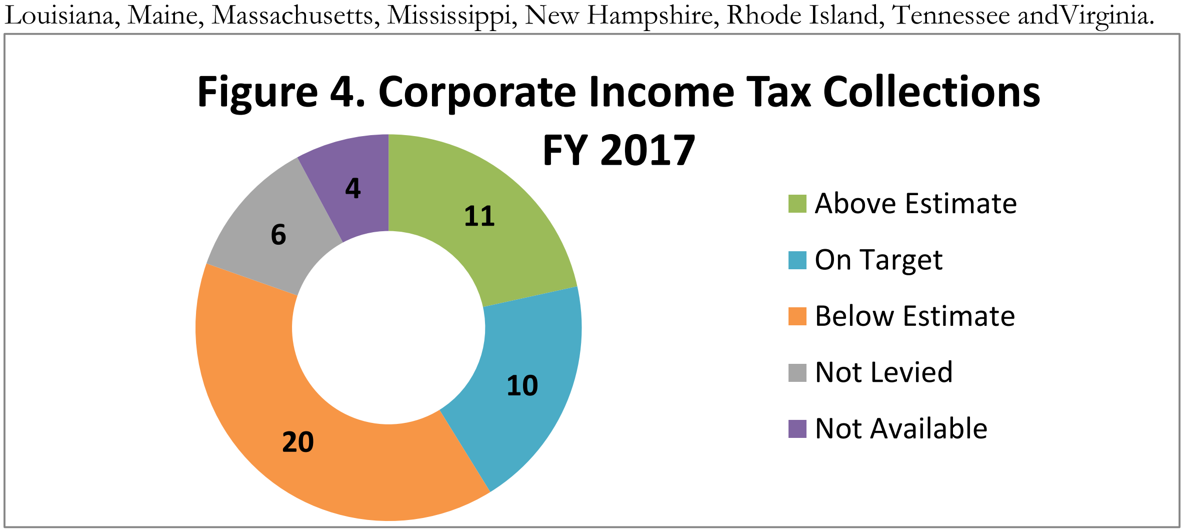
- Only six states – Colorado, Florida, Georgia, Maine, Maryland and Tennessee are expecting sales tax collections to exceed budgeted estimates. Colorado, Florida and Maryland had previously revised those estimates downward. Only Maine had revised its estimate up slightly for FY 2017.



Corporate Income Taxes

On average, corporate income tax collections, which are notoriously volatile, make-up about 5 percent of state revenues. Six states – Nevada, Ohio, South Dakota, Texas, Washington and Wyoming – do not levy a traditional corporate income tax. Like general sales taxes, corporate income taxes are largely underperforming in FY 2017.

- In ten states – California, Delaware, Kansas, Montana, Nebraska, New Mexico, New York, North Carolina, North Dakota and Oregon – corporate income tax collections are expected to be on target by the close of the fiscal year.
- Twenty states – Alabama, Arizona, Arkansas, Colorado, Illinois, Indiana, Iowa, Kentucky, Maryland, Michigan, Minnesota, Missouri, New Jersey, Oklahoma, Pennsylvania, South Carolina, Utah, Vermont, West Virginia and Wisconsin are projecting corporate income tax collections below budgeted estimates.
- Corporate income tax collections are trending above estimate in 11 states – Florida, Georgia, Idaho, Louisiana, Maine, Massachusetts, Mississippi, New Hampshire, Rhode Island, Tennessee andVirginia.



Other Taxes

In addition to the "Big 3" taxes, states also rely on a variety of other taxes. These often include taxes on oil and gas production, other severance taxes, real estate transfer taxes, lodging, gambling and others. In some states, these other taxes might comprise a significant portion of state tax revenue, while in others they may only contribute a small slice of total revenue collections.

- Severance tax collections in the states have been trending downward as energy prices have remained low. Of the states that levy a severance tax, 10 states expect collections to be lower than originally estimated for FY 2017. Severance taxes are on target in seven states, and only one state, Louisiana, is anticipating severance tax revenue above forecast.
- Real estate transfer tax collections are largely on target, with 14 states expecting to meet their estimate. Revenues are on track to exceed budgeted expectations in seven states, and collections are only below estimate in Pennsylvania.
- Other notable taxes: gaming taxes are above estimate in Nevada, but below estimate in Indiana. The Business and Occupation Tax, Washington State's second largest tax source, is meeting revenue expectations. Inheritance transfer taxes are below estimate in both New Jersey and Pennsylvania, and meals and rental taxes are above estimate in both New Hampshire and Vermont.

Summary of the State Fiscal Situations

State budgets are largely described as stable in FY 2017. However, some states cite concerns about shortfalls and slow revenue growth. A handful of states describe positive fiscal situations and healthy revenue forecasts. Some examples of comments made about the state fiscal situation follow:

- **Alaska**. "The state's fiscal situation continues to be dire. FY 2017 revenues of $1.2 billion are expected to cover only 27.5 percent of FY 2017 appropriations, leaving a shortfall of $3.1 billion. Despite the budget gap, no significant revenue enhancement legislation has passed. Because no revenue enhancement legislation has passed and Alaska's Permanent Fund earnings were not used to support government operations, the Governor vetoed $666 million of Alaskan's dividends, or half."
- **California.** "California is increasingly prepared to weather a mild recession without cutting spending or raising taxes. We estimate FY 2017 will end with $7.5 billion in reserves. This total includes $6.7 billion in the Budget Stabilization Account, the state's constitutionally required budget reserve, which can only be accessed during a budget emergency. Given our estimates of state revenues, expenditures, and reserves, the state can generally maintain its current policies over the next five fiscal years even under somewhat more pessimistic economic scenarios."
- **Florida.** "We have sufficient revenues to balance our budget for FY 2017-2018 but face significant deficits in the following two years due to projected growth in Medicaid spending. These future year deficits will require budget reductions in the coming fiscal year."
- **Kansas.** "The November 2016 revenue estimate reduced the current year general fund receipts by $345 million. While current expenditures are trending close to the approved amounts, there will not be sufficient revenue to fund current approved expenditures. Either additional revenue of $350 million, a corresponding expenditure reduction, or some combination of revenue and reduced expenditures will be needed."
- **Michigan.** "Stable: both revenue and expenditures have largely been as expected."
- **Mississippi.** "Continued slow growth projected for FY 2017 and beyond."
- **Utah.** "The Utah economy continues to expand. We remain hopeful revenue growth will meet estimates."

Biggest Revenue Challenge

While FY 2017 budgets are stable, states face a number of revenue challenges in the next few years. Some examples of the challenges states expect to confront over the next two years follow:

- **Alabama.** "Stagnant growth in revenue sources dedicated to the general fund."
- **Iowa.** "Low commodity prices over the last few years continues to tug at the economy. Fortunately, the Iowa economy is well diversified with financial services, and other service industries.
- **Maryland.** "Volatility of individual income tax revenues and slow growth in sales tax revenue."
- **North Dakota.** "Forecasting sales tax revenues accurately. Sales tax collections continue to be less than the lower revised projections."
- **Oklahoma.** "The state is facing a significant structural imbalance from the use of one time money to prop up ongoing operations. The structural imbalance going into FY 2018 is more than 10 percent of the general revenue fund estimate."
- **Virginia.** "The biggest challenge is the disconnect between job growth and taxes generated. In Virginia, jobs are growing, but the growth is in lower-paying jobs than what we saw before sequestration. The aging workforce and retirements are also impacting this change. Sales tax is also very flat, probably due to a variety of factors, including e-commerce, demographics, etc."

Conclusion

The fiscal situation in most states is stable, with revenues meeting forecast for the current fiscal year. A handful of states are seeing strong tax revenues and are optimistic about the state's fiscal future. However, several states are seeing sluggish revenues from sales taxes, severance, and other taxes that could lead to budget shortfalls. While state budgets are generally stable for the current fiscal year, there is some growing concern and uncertainty about the future of state finances.

Appendix

Table 1. Performance of Major Tax Categories in FY 2017: Personal Income Tax								
		Revised			Performance			
Jurisdiction	Through	No	Up	Down	Above Estimate	On Target	Below Estimate	Comment
Alabama	Sept.	X				X		
Alaska (N/A)	Sept.							
Arizona	Oct.	X			X			$42 million above enacted budget forecast
Arkansas	Oct.	X			X			$4.3 million or 0.4 percent above forecast
California	Oct.		X			X		LAO estimates of personal income tax revenues $1.69 billion above June 2016 Budget Act assumptions for FY 2016-17. FY 2015-16 estimates were lowered by $923 million. (latest estimate released 11/16/2016).
Colorado	Oct.			X		X		The quarterly forecast released in September was essentially unchanged for the current (FY 2016-17) fiscal year and was revised downward slightly for next fiscal year. Collections through October are tracking slightly above September forecast estimates but are within 1 percent of the September forecast estimate.
Connecticut	Oct.			X			X	
Delaware	Sept.			X		X		
District of Columbia		X						
Florida (N/A)	Sept.							
Georgia	Oct.	X			X			
Hawaii								
Idaho	Oct.			X	X			Up $27.1 million from revised forecast.
Illinois	Oct.	X					X	
Indiana	Oct.	X			X			Personal income tax is currently 2.0 percent above target. Forecast to be updated on December 15, 2016.
Iowa	Oct.			X			X	Revised downward by 1.7 percent.
Kansas	Oct.			X		X		The estimate was reduced by $97 million, or 4.1 percent in November 2016.
Kentucky	Oct.	X			X			
Louisiana	Sept.	X					X	No base revisions since Feb 2016.
Maine	Oct.		X		X			Revised upward for current FY 2017 and for FY 2018 (slightly) but revised downward for FY 2019.
Maryland	Oct.			X		X		
Massachusetts	Oct.	X			X			
Michigan	Oct.	X			X			WH up by about same amount refunds are up. Increase reflects annual pmts.

Table 1. Performance of Major Tax Categories in FY 2017: Personal Income Tax								
		Revised			Performance			
Jurisdiction	Through	No	Up	Down	Above Estimate	On Target	Below Estimate	Comment
Minnesota	Sept.	X					X	Income tax collections are below estimates by 1 percent ($28.9 million) for the first three months of FY 2017.
Mississippi	Sept.	X					X	
Missouri	Oct.	X					X	
Montana				X		X		Estimate revised downward by 6.7 percent.
Nebraska	Sept.			X		X		Insufficient time to evaluate new forecast.
Nevada (N/A)	Sept.							
New Hampshire (N/A)	Oct.							
New Jersey	Sept.	X					X	
New Mexico				X		X		
New York	Sept.			X		X		Receipts were revised November 14th using receipts through September (mid-year). General Fund Personal Income Tax receipts compared to the enacted budget estimate (April 2016) are $720 million below estimates and October receipts are on target with the mid-year revised estimates.
North Carolina	Oct.	X			X			Wage and Salary withholding stronger than projected in May 2016 forecast.
North Dakota	Sept.			X		X		
Ohio	Oct.			X			X	Prior forecast was made in May 2015.
Oklahoma	Oct.	X				X		
Oregon	Sept.	X				X		
Pennsylvania	Oct.	X					X	1.7 percent below estimate.
Rhode Island			X		X			
South Carolina		X				X		
South Dakota (N/A)	Oct.							
Tennessee	Oct.	X					X	Tax levied on earnings from stock/bonds.
Texas (N/A)	Sept.							
Utah	Oct.	X			X			
Vermont	Oct.					X		
Virginia	Oct.			X	X			Forecast for major general fund sources was lowered in August based on FY 2016 collections failing to meet the forecast.
Washington (N/A)	Oct.							
West Virginia	Oct.	X					X	Downturns in mining & natural gas industries.
Wisconsin	Oct.	X				X		

Table 1. Performance of Major Tax Categories in FY 2017: Personal Income Tax								
		Revised			Performance			
Jurisdiction	Through	No	Up	Down	Above Estimate	On Target	Below Estimate	Comment
Wyoming (N/A)	Sept.							
Total		24	3	14	13	16	12	

Key: N/A = tax not levied.

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

Table 2. Performance of Major Tax Categories in FY 2017: General Sales and Use								
		Revised			Performance			
Jurisdiction	**Through**	**No**	**Up**	**Down**	**Above Estimate**	**On Target**	**Below Estimate**	**Comment**
Alabama	Sept.	X				X		
Alaska (N/A)	Sept.							
Arizona	Oct.	X				X		
Arkansas	Oct.	X					X	$31.6 million or -3.0 percent below forecast
California	Oct.			X		X		LAO estimates of sales and use tax revenues are $980 million below June 2016 Budget Act assumptions for FY 2016-17. (latest estimate released 11/16/2016).
Colorado	Oct.			X	X			The September forecast added a downward revision for the current and next budget year. Through October, revenue is tracking above forecast estimates.
Connecticut	Oct.			X			X	
Delaware (N/A)	Sept.							
District of Columbia			X					Due to additional ecommerce sales tax.
Florida	Sept.			X	X			
Georgia	Oct.	X			X			
Hawaii								
Idaho	Oct.		X			X		Up $4.4 million from revised forecast.
Illinois	Oct.	X					X	
Indiana	Oct.	X					X	Sales tax is currently 2.9 percent below target. Forecast to be updated on December 15, 2016.
Iowa	Oct.		X			X		
Kansas	Oct.			X		X		The estimate was reduced by $114.9 million, or 4.9 percent in November 2016.
Kentucky	Oct.	X				X		
Louisiana	Sept.	X					X	No base revisions since Feb 2016.
Maine	Oct.		X		X			Revised upward for current FY 2017 and for FY 2018 (slightly) but revised downward for FY 2019.
Maryland	Oct.			X	X			
Massachusetts	Oct.			X		X		On target with revised forecast .
Michigan	Oct.	X					X	
Minnesota	Sept.						X	Sales tax collections are below estimates by 2.3 percent ($28.3 million) for the first three months of FY 2017.

Table 2. Performance of Major Tax Categories in FY 2017: General Sales and Use								
		Revised			Performance			
Jurisdiction	**Through**	**No**	**Up**	**Down**	**Above Estimate**	**On Target**	**Below Estimate**	**Comment**
Mississippi	Sept.	X					X	
Missouri	Oct.	X				X		
Montana (N/A)								
Nebraska	Sept.			X		X		Insufficient time to evaluate new forecast.
Nevada	Sept.	X					X	Sales tax reported through August 2016.
New Hampshire (N/A)	Oct.							
New Jersey	Sept.	X					X	
New Mexico				X		X		
New York	Sept.		X			X		Receipts were revised November 14th using receipts through September (mid-year). General Fund Sales and Use Taxes compared to the Enacted budget estimate (April 2016) are $56 million above estimates (in addition to general sales this includes cig and auto rental receipts).
North Carolina	Oct.	X				X		
North Dakota	Sept.			X			X	
Ohio	Oct.			X			X	Prior forecast was made in May 2015.
Oklahoma	Oct.	X					X	
Oregon (N/A)	Sept.							
Pennsylvania	Oct.	X					X	2.0 percent below estimate.
Rhode Island				X			X	
South Carolina	Oct.	X				X		
South Dakota	Oct.	X					X	
Tennessee	Sept.	X			X			
Texas	Oct.	X					X	FY 2017 sales tax collections are trending below estimate through two months.
Utah	Oct.	X					X	
Vermont	Oct.					X		Just a bit below.
Virginia	Oct.			X			X	
Washington	Oct.		X			X		The Nov 2016 forecast (compared to the Sept 2016 forecast) for FY 2017 sales and use tax increased by $78 million (0.8 percent).
West Virginia	Oct.	X					X	Downturns in mining and natural gas industries.
Wisconsin	Sept.	X					X	

Table 2. Performance of Major Tax Categories in FY 2017: General Sales and Use								
		Revised			Performance			
Jurisdiction	**Through**	**No**	**Up**	**Down**	**Above Estimate**	**On Target**	**Below Estimate**	**Comment**
Wyoming	Sept.			X		X		The forecast for FY 2017 was recently revised downward by 12.2 percent.
United States		23	6	14	6	17	21	
Source: NCSL survey of legislative fiscal offices, fall 2016.								

Table 3. Performance of Major Tax Categories in FY 2017: Corporate Income								
		Revised			Performance			
Jurisdiction	Through	No	Up	Down	Above Estimate	On Target	Below Estimate	Comment
Alabama	Sept.	X					X	Corporate income tax receipts declined by $150.5 million in the fiscal year that concluded 9/30/16; however, $90.4 million of this decline was related to some one-time payments received in the previous fiscal year.
Alaska	Sept.	X						
Arizona	Oct.	X					X	$23 million below enacted budget forecast.
Arkansas	Oct.	X					X	$7.1 Million or -5.4% below forecast
California	Oct.			X		X		LAO estimates of corporation tax revenues are $1.1 billion below June 2016 Budget Act assumptions for 2016-17. (latest estimate released 11/16/2016).
Colorado	Oct.			X			X	The quarterly forecast released in September was largely unchanged relative to June. Fiscal year-to-date through October, revenue is tracking below forecast.
Connecticut	Oct.							
Delaware	Sept.			X		X		
District of Columbia		X						
Florida	Sept.		X		X			
Georgia	Oct.	X			X			
Hawaii								
Idaho	Oct.			X	X			Up $6.6 million from revised forecast.
Illinois	Oct.	X					X	
Indiana	Oct.	X					X	Corporate tax is currently 15.7 percent below target. Forecast to be updated on December 15, 2016.
Iowa	Oct.			X			X	Revised downward very slightly.
Kansas	Oct.			X		X		The estimate was reduced by $126.0 million, or 31.8 percent in November 2016.
Kentucky	Oct.	X					X	
Louisiana	Sept.	X			X			No base revisions since Feb. 2016.
Maine	Oct.		X		X			Revised upward for FY 2017, FY 2018, FY 2019.
Maryland	Oct.			X			X	

Table 3. Performance of Major Tax Categories in FY 2017: Corporate Income								
		Revised			Performance			
Jurisdiction	Through	No	Up	Down	Above Estimate	On Target	Below Estimate	Comment
Massachusetts	Oct.	X			X			
Michigan	Oct.	X					X	
Minnesota	Sept.						X	Corp tax collections are below estimates by 5.2 percent ($18.5 million) for the first three months of FY 2017.
Mississippi	Sept.	X			X			
Missouri	Oct.	X					X	Down (36 percent) in FY 2016 and down (24 percent) in FY 2017.
Montana				X		X		Estimate revised downward by 10.5 percent.
Nebraska	Sept.			X		X		
Nevada (N/A)	Sept.							
New Hampshire	Oct.	X			X			Business Taxes are up 21.1 percent over plan.
New Jersey	Sept.	X					X	
New Mexico				X		X		
New York	Sept.		X			X		Receipts were revised November 14th using receipts through September (mid-year). General fund corporate tax receipts compared to the enacted budget estimate (April 2016) are $397 million above estimates.
North Carolina	Oct.	X				X		
North Dakota	Sept.			X		X		
Ohio (N/A)	Oct.							
Oklahoma	Oct.	X					X	
Oregon	Sept.		X			X		
Pennsylvania	Oct.	X					X	6.6 percent below estimate.
Rhode Island			X		X			
South Carolina	Oct.	X					X	
South Dakota (N/A)	Oct.							
Tennessee	Sept.	X			X			
Texas (N/A)	Oct.							
Utah	Oct.	X					X	
Vermont	Oct.						X	Just a bit below - but we fear this will get worse with possible refund activity.
Virginia	Oct.			X	X			

Table 3. Performance of Major Tax Categories in FY 2017: Corporate Income								
		Revised			Performance			
Jurisdiction	**Through**	**No**	**Up**	**Down**	**Above Estimate**	**On Target**	**Below Estimate**	**Comment**
Washington (N/A)	Oct.							
West Virginia	Oct.	X					X	Downturns in mining & natural gas industries.
Wisconsin	Sept.	X					X	
Wyoming (N/A)	Sept.							
United States		25	5	12	11	10	20	
Source: NCSL survey of legislative fiscal offices, fall 2016.								

Table 4. Performance of Major Tax Categories in FY 2017: Severance								
		Revised			Performance			
Jurisdiction	**Through**	**No**	**Up**	**Down**	**Above Estimate**	**On Target**	**Below Estimate**	**Comment**
Alabama	Sept.	X					X	
Alaska	Sept.							A severance (or production) tax is included with royalties under "Other/Petroleum Tax".
Arizona (N/A)	Oct.							
Arkansas	Oct.	X					X	$0.3 Million or -27.2 percent below forecast
California (N/A)	Oct.							
Colorado	Oct.			X				The continued recession in the oil and gas industry, coupled with a spring 2016 decision by the Colorado Supreme Court on behalf of the industry, continues to put downward pressure on expectations for severance taxes. In the current fiscal year, revenue is coming in slightly stronger than expected. However, policy decisions following the Supreme Court decision may limit the extent to which revenue may be spent.
Connecticut (N/A)	Oct.							
Delaware (N/A)	Sept.							
District of Columbia (N/A)								
Florida	Sept.	X				X		
Georgia (N/A)	Oct.							
Hawaii								
Idaho (N/A)	Oct.							
Illinois	Oct.							
Indiana	Oct.							Not a general fund revenue source so it not a forecast revenue source.
Iowa (N/A)	Oct.							
Kansas	Oct.		X			X		
Kentucky	Oct.	X					X	
Louisiana	Sept.	X			X			No base revisions since Feb. 2016.
Maine (N/A)	Oct.							
Maryland (N/A)	Oct.							
Massachusetts (N/A)	Oct.							
Michigan	Oct.	X				X		
Minnesota (N/A)	Sept.							

TABLE 4. PERFORMANCE OF MAJOR TAX CATEGORIES IN FY 2017: SEVERANCE								
		Revised			Performance			
Jurisdiction	**Through**	**No**	**Up**	**Down**	**Above Estimate**	**On Target**	**Below Estimate**	**Comment**
Mississippi	Sept.	X					X	
Missouri (N/A)	Oct.							
Montana				X		X		Estimate revised downward by 34.7 percent.
Nebraska (N/A)	Sept.							
Nevada (N/A)	Sept.							
New Hampshire (N/A)	Oct.							
New Jersey (N/A)	Sept.							
New Mexico				X		X		
New York (N/A)	Sept.							
North Carolina (N/A)	Oct.							
North Dakota	Sept.			X			X	
Ohio	Oct.							Not a general fund tax; not forecast.
Oklahoma	Oct.	X				X		
Oregon (N/A)	Sept.							
Pennsylvania (N/A)	Oct.							
Rhode Island (N/A)								
South Carolina (N/A)	Oct.							
South Dakota	Oct.	X					X	
Tennessee	Sept.	X					X	
Texas	Oct.	X					X	FY 2017 severance tax collections are trending below estimate through 2 months.
Utah	Oct.	X					X	
Vermont (N/A)	Oct.							
Virginia (N/A)	Oct.							
Washington	Oct.							Not a material general fund source.
West Virginia	Oct.	X					X	Downturns in mining and natural gas industries.
Wisconsin (N/A)	Sept.							
Wyoming	Sept.			X		X		The forecast for FY 2017 for total severance tax collections was recently revised downward by 16.8 percent.
United States		13	1	5	1	7	10	
Source: NCSL survey of legislative fiscal offices, fall 2016.								

Table 5. Performance of Major Tax Categories in FY 2017: Real Estate Transfer								
		Revised			Performance			
Jurisdiction	Through	No	Up	Down	Above Estimate	On Target	Below Estimate	Comment
Alabama	Sept.	X				X		
Alaska (N/A)	Sept.							
Arizona (N/A)	Oct.							
Arkansas	Oct.	X				X		
California (N/A)	Oct.							
Colorado (N/A)	Oct.							
Connecticut	Oct.	X						
Delaware	Sept.		X			X		
District of Columbia		X						
Florida	Sept.			X		X		
Georgia	Oct.							
Hawaii								
Idaho (N/A)	Oct.							
Illinois	Oct.							
Indiana (N/A)	Oct.							
Iowa (N/A)	Oct.							
Kansas (N/A)	Oct.							
Kentucky (N/A)	Oct.							
Louisiana (N/A)	Sept.							
Maine	Oct.		X		X			Revised upward for FY 2017, FY 2018 and FY 2019.
Maryland	Oct.		X			X		
Massachusetts (N/A)	Oct.							
Michigan	Oct.	X				X		
Minnesota	Sept.				X			Real estate taxes are above estimates by 4.3 percent ($2.2 million) for the first three months of FY 2017.
Mississippi (N/A)	Sept.							
Missouri (N/A)	Oct.							
Montana								
Nebraska (N/A)	Sept.							
Nevada	Sept.					X		
New Hampshire	Oct.	X			X			RET is up 10.3 percent over plan.
New Jersey	Sept.	X			X			
New Mexico (N/A)			X			X		

Table 5. Performance of Major Tax Categories in FY 2017: Real Estate Transfer								
		Revised			Performance			
Jurisdiction	**Through**	**No**	**Up**	**Down**	**Above Estimate**	**On Target**	**Below Estimate**	**Comment**
New York	Sept.	X				X		
North Carolina	Oct.	X				X		
North Dakota (N/A)	Sept.							
Ohio	Oct.							Not a state tax.
Oklahoma	Oct.	X						
Oregon (N/A)	Sept.							
Pennsylvania	Oct.	X					X	13.9 percent below estimate.
Rhode Island			X		X			
South Carolina	Oct.							
South Dakota (N/A)	Oct.							
Tennessee	Sept.	X				X		
Texas (N/A)	Oct.							
Utah (N/A)	Oct.							
Vermont	Oct.					X		
Virginia	Oct.	X			X			
Washington	Oct.		X			X		The November 2016 forecast (compared to the September 2016 forecast) for FY 2017 real estate excise tax increased by $53 million (6.0 percent).
West Virginia	Oct.	X			X			Fairly minor tax in West Virginia.
Wisconsin	Sept.	X				X		
Wyoming (N/A)	Sept.							
Total		15	6	1	7	14	1	

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

TABLE 6. PERFORMANCE OF MAJOR TAX CATEGORIES IN FY 2017: OTHER									
			Revised			**Performance**			
Jurisdiction	**Tax**	**Through**	**No**	**Up**	**Down**	**Above Estimate**	**On Target**	**Below Estimate**	**Comment**
Alabama		Sept.	X				X		
Alaska	Petroleum Tax	Sept.	X						Revenue forecast will be updated and released in December.
Arizona	Insurance Premium Tax	Oct.				X			$15 million above enacted budget forecast.
Arkansas		Oct.							
California		Oct.							
Colorado		Oct.							
Connecticut		Oct.							
Delaware		Sept.							
District of Columbia									
Florida		Sept.							
Georgia		Oct.							
Hawaii									
Idaho		Oct.							
Illinois		Oct.							
Indiana	Gaming Taxes	Oct.						X	Gaming taxes are currently 3.3 percent below target. Forecast to be updated on December 15, 2016.
Iowa	Inheritance Tax, Insurance Premium Tax, Beer/Liquor Tax, Franchise Tax, Miscellaneous Tax	Oct.		X				X	
Kansas		Oct.							
Kentucky		Oct.	X					X	All other tax categories besides those listed above are underperforming.
Louisiana		Sept.							
Maine		Oct.							
Maryland		Oct.							
Massachusetts		Oct.							
Michigan		Oct.							
Minnesota		Sept.							
Mississippi		Sept.							
Missouri		Oct.							
Montana									

TABLE 6. PERFORMANCE OF MAJOR TAX CATEGORIES IN FY 2017: OTHER									
			Revised			**Performance**			
Jurisdiction	**Tax**	**Through**	**No**	**Up**	**Down**	**Above Estimate**	**On Target**	**Below Estimate**	**Comment**
Nebraska	Misc.	Sept.			X		X		
Nevada	Gross Tax on Gaming, Commerce Tax	Sept.				X			Based on Gross Gaming Taxes collected through October 2016. Commerce tax based on collections through June 2016.
New Hampshire		Oct.	X						Total tax collections are 5.6 percent over plan. Meals and rentals tax is 3.1 percent over plan. Interest and dividends tax is 12.9 percent under plan.
New Jersey	Transfer Inheritance	Sept.	X					X	
New Mexico									
New York		Sept.							
North Carolina		Oct.							
North Dakota		Sept.							
Ohio	Commercial activity tax	Oct.			X			X	Prior forecast was made in May 2015.
Oklahoma		Oct.							
Oregon		Sept.							
Pennsylvania	Inheritance Tax	Oct.	X					X	3.1 percent below estimate.
Rhode Island									
South Carolina		Oct.							
South Dakota		Oct.							
Tennessee	Gasoline	Sept.	X			X			
Texas		Oct.							FY 2017 began on September 1, 2016. FY 2017 revenue estimates will be revised in January 2017. In FY 2016, sales tax, motor vehicle sales tax, natural gas tax, and oil production tax finished below estimates. The business franchise tax exceeded estimate in FY 2016.
Utah		Oct.							
Vermont	Meals and Rooms	Oct.				X			
Virginia		Oct.							

TABLE 6. PERFORMANCE OF MAJOR TAX CATEGORIES IN FY 2017: OTHER									
			Revised			Performance			
Jurisdiction	**Tax**	**Through**	**No**	**Up**	**Down**	**Above Estimate**	**On Target**	**Below Estimate**	**Comment**
Washington	Business and Occupation Tax	Oct.		X			X		The Nov 2016 forecast (compared to the Sept 2016 forecast) for FY 2017 Business and occupation tax increased by $13 million (0.3 percent).
West Virginia		Oct.							
Wisconsin		Sept.							
Wyoming		Sept.							
United States			7	2	2	3	3	6	

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

Table 7. 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	Revenue forecast will be updated and released in December.
Arizona			X	Minor improvement relative to enacted budget forecast.
Arkansas		X		
California		X		Estimates released on same date that survey was completed.
Colorado		X		
Connecticut				Uncertain. Much depends on January income tax estimates.
Delaware		X		
District of Columbia		X		
Florida		X		
Georgia			X	
Hawaii				
Idaho		X		Currently running 1 percent above projections
Illinois	X			Current weakness of the larger economic related sources are causing concern, particularly corporate income tax receipts.
Indiana		X		Major taxes to the general fund are currently 1.7 percent below target and all general fund revenue sources are currently 1.6 percent below target.
Iowa	X			Will likely revise the forecast again in December.
Kansas		X		The Kansas consensus revenue estimating group met November 10th and reduced the general fund estimate by $345.9 million, or 5.5 percent. Receipts are now expected to meet the revised estimates.
Kentucky		X		
Louisiana	X			Post August flood spending may boost receipts and offset some base weakness.
Maine			X	Expected to exceed in FY 2017 but revised forecast downward for FY 2018-2019 biennium.
Maryland		X		
Massachusetts		X		
Michigan		X		Forecast last made in May 2016. FY 2016 ended Sept. 30, with general fund on target. Forecast will be revised in January 2017.
Minnesota		X		Revenue collections through the first quarter of FY 2017 indicate that revenues are 2.1 percent ($97.2 million) below forecast. However, FY 2016 revenues concluded the fiscal year 1.0 percent ($220 million) above forecasted estimates. Spending forecasts will be released with the next budget forecast on December 2.
Mississippi	X			
Missouri	X			
Montana		X		
Nebraska		X		
Nevada			X	0
New Hampshire		X		October year-to-date revenue represents less than 25 percent of the total plan. Revenues are expected to meet the forecasted amount at this time.
New Jersey	X			Current trend weakness.
New Mexico		X		The new forecast was updated in December.

New York		X		Receipts were revised November 14th using receipts through September (mid-year). General fund receipts through October compared to the Enacted budget estimate (April 2016) are $251 million below estimates.
North Carolina		X		Too early to say whether target surplus trends of the first four months will continue, and April collections are typically the main driver of surpluses and shortfalls
North Dakota	X			
Ohio		X		Revenue has been below estimate, but it is still too early to conclude that forecast will not be met. Concern is mounting.
Oklahoma	X			Current collections are 1.8 percent below the estimate.
Oregon		X		
Pennsylvania	X			Year-to-date general fund revenues are $182 million below estimate. Overall revenue performance depends on a recently enacted tax package, which contained increased cigarette tax rates, new taxes on tobacco products and a tax amnesty program. General fund revenues also depend on additional profits associated with recent changes to liquor laws.
Rhode Island		X		
South Carolina		X		
South Dakota	X			A sluggish agriculture economy and lost sales tax revenue from online purchases will cause a shortfall in the FY 2017 revenue collections.
Tennessee			X	
Texas	X			Texas FY 2017 began on September 1, 2016. The current FY 2017 forecast was revised in October 2015 and will be revised again in January 2017. The overall FY 2017 general fund revenue estimate will likely be revised downward based on the lower than expected FY 2016 baseline. Additionally, September and October general fund revenue collections are below estimate.
Utah		X		
Vermont	X			Possible concern in corporate refunds.
Virginia		X		Optimistic that forecast will be met. First four months of the year look good.
Washington		X		The November 2016 forecast is the best estimate we have. The first revenue collections report to track against the November forecast will be available in mid-December.
West Virginia	X			At 93.4 percent of estimate through October. Significant improvement in October.
Wisconsin	X			
Wyoming		X		Since the forecast was recently revised (October 24, 2016), the revenues are in-line with overall expectations, though numerous risks to the forecast remain.
United States	14	29	6	
Source: NCSL survey of legislative fiscal offices, fall 2016.				

TABLE 8. SUMMARY OF STATE FISCAL SITUATIONS	
Jurisdiction	**Statement**
Alabama	Little to no growth over the last three months.
Alaska	The state's fiscal situation continues to be dire. The FY 2017 revenue of $1.2 billion is expected to cover only 27.5 percent of FY 2017 appropriations, leaving a deficit of $3.1 billion. Despite the deficit, no significant revenue enhancement legislation passed. Because no revenue enhancement legislation passed and Alaska's Permanent Fund earnings were not used to support government operations, the Governor vetoed $666 million (half) of funding of Alaskan's dividends.
Arizona	Generally stable.
Arkansas	As of the end of October Arkansas is four months into the state fiscal year and is currently $23.2 million or 1.3 percent below the forecast for FY 2017. With eight months still left in the fiscal year it is optimistic that no revisions in the official general revenue forecast will be necessary.
California	California is increasingly prepared to weather a mild recession without cutting spending or raising taxes. We estimate fiscal year FY 2017 ends with $7.5 billion in reserves. This total includes $6.7 billion in the Budget Stabilization Account, the state's constitutionally required budget reserve, which can only be accessed during a budget emergency. Given our estimates of state revenues, expenditures, and reserves, the state can generally maintain its current policies over the next five fiscal years even under somewhat more pessimistic economic scenarios.
Colorado	Although in total, nominal general fund revenue increased 1.7 percent in FY 2016, real per capita revenue decreased 2.3 percent. Meanwhile cost drivers for the majority of programs funded by the general fund, including education and Medicaid, increased at rates similar to or faster than inflation plus population. Both the legislative and executive revenue forecasts expect budget shortfalls in the current year and continued slow revenue growth in the coming budget year.
Connecticut	We are currently projecting a net deficit of $77.5 million in our general fund.
Delaware	The state's fiscal outlook for FY 2017 remains on target with current projections with revenue resources and available cash balances meeting projected expenses. However, challenges lie ahead for FY 2018. Comparing the FY 2018 appropriation limit against total FY 2017 appropriations, unadjusted for projected operating door openers, the forecasted deficit for FY 2018 stands at $167.2 million.
District of Columbia	The District of Columbia is considered to be in good fiscal health with a balanced budget and healthy reserve balances.
Florida	We have sufficient revenues to balance our budget for FY 2017-2018 but face significant deficits in the following two years due to projected growth in Medicaid spending. These future year deficits will require budget reductions in the coming fiscal year.
Georgia	Revenues are 4.8 percent above the current revenue estimate; however, mid-year adjustments for education, Medicaid and law enforcement salary initiatives are likely to absorb the collections.
Hawaii	
Idaho	The state is in a positive fiscal situation. Medicaid and Catastrophic Health Care budgets are coming in under for the year and the offender population at corrections seems to be flat so far.
Illinois	Continuing budgetary pressures mount as CY 2019 will end with over $10 billion in unpaid bills.

TABLE 8. SUMMARY OF STATE FISCAL SITUATIONS

Jurisdiction	Statement
Indiana	The overall fiscal situation is still relatively stable with total general fund revenue coming in about 1.6 percent below the December 17, 2016, forecast target. However, revenue sources are showing mixed performance. Sales tax (which produces about 48 percent of the general fund revenue) is 2.9 percent below the forecast target. Still, sales tax is improved year-over-year coming in at 3.1 percent above the prior year. In contrast to sales tax, the personal income tax (which produces about 35 percent of general fund revenue) is 2.0 percent above the forecast target and 8.1 percent above the prior year. Together, these two sources (which generate 83 percent of general fund revenue) are only about 0.9 percent below the forecast target. On the downside, gaming taxes and corporate taxes continue to underperform. Gaming taxes are 3.3 percent below the forecast target and still losing ground year-over-year showing 5.7 percent decline from last year. Corporate taxes are severely underperforming the forecast, coming in at 15.7 percent below the forecast target but are only 3.7 percent below the prior year. Other general fund revenue sources are showing mixed results as well, with alcohol and cigarette taxes below the forecast target, insurance taxes above the forecast target, and interest earnings and miscellaneous revenue coming in well above the forecast target.
Iowa	Iowa's fiscal position remains solid, but the economy does appear to be slowing. Lower corn and soybean prices have worked their way into the economy and tax revenues. Iowa witnessed a lower than anticipated FY 2016 ending balance which will impact FY 2017 budgeting. In addition, the sales tax is unexpectedly flat. Personal income tax receipts, particularly withholding receipts, are growing but not as much as expected. The combined balances in Iowa's reserve funds continue to be at the maximum of 10 percent of the general fund budget. The outlook is less optimistic than this time last year, but still cautiously optimistic, with a little more emphasis on cautious.
Kansas	The November 2016 revenue estimates reduced the current year general fund receipts by $345 million. While current expenditures are trending close to the approved amounts, there will not be sufficient revenue to fund current approved expenditures. Either additional revenue of $350 million, a corresponding expenditure reduction, or some combination of revenue and reduced expenditures will be needed.
Kentucky	The state's pensions/retirement systems have unfunded liabilities of approximately $26 billion.
Louisiana	The current year budget is balanced pending revenue forecast revisions and assessment of post-flooding event effects. The prior year deficit will be resolved within the current year.
Maine	Stable. New revenue forecast increases the FY 2017 general fund revenue forecast but decreases for the FY 2018-2019 biennium. Spending does not appear to be increasing significantly above budgeted levels based on spending through three months. As of now, appears the upcoming session will focus on specific policy issues and initiatives and not overall budget shortfalls or surpluses. A major focus will be implementing the second year of the balanced 2016-2017 Biennial Budget and enacting a balanced FY 2018-2019 biennial budget.
Maryland	Due largely to overestimated capital gains revenue, FY 2016 closeout ended below the estimate by $167 million and FY 2017 revenues were revised downward by $365 million in September 2016. The Governor withdrew $82 million in general fund spending in November 2016 but a shortfall of nearly $200 million is still estimated depending on agency deficiency spending needs. The FY 2018 forecast estimates a shortfall of between $400-$500 million which will need to be resolved when the Governor submits the next budget in January 2017.
Massachusetts	Overall, the state of the Commonwealth's fiscal situation is strong and on par with expected revenue collections and spending authorizations. We continue to monitor tax revenue and projected spending items throughout the year to address any gaps that may arise.
Michigan	Stable: both revenue and expenditures have largely been as expected.

TABLE 8. SUMMARY OF STATE FISCAL SITUATIONS

Jurisdiction	Statement
Minnesota	Minnesota's general fund budget is in a strong fiscal position. Minnesota concluded the 2016 session by leaving $728.6 million unallocated in FY 2016-17. These funds, added to a $1.9 billion in state reserves, put Minnesota in a strong position to address any potential softening of the overall budget in a future forecast.
Mississippi	Continued slow growth projected for FY 2017 and beyond.
Missouri	If things go according to plan, Missouri will revise the FY 2017 estimate, and create a FY 2018 estimate in the next two weeks. As is, the only forecast produced for FY 2017 was produced this time last year. Since FY 2016 ended significantly below the revised estimate produced at the same time, and despite the fact that we are up 3.4 percent through October, it is likely that the total dollar forecast for FY 2017 will be revised downward.
Montana	In FY 2016, revenues were 6.3 percent lower than estimate. Likewise, FY 2017 revenues are anticipated to be 6.8 percent lower than original forecast. FY 2017 revenues are anticipated to grow 3.4 percent from FY 2016.
Nebraska	General fund cash flow is projected to remain positive through the fiscal year despite lowered forecast. However, lower projected revenue in future years from a currently constrained base results in an ending balance that will not meet the estimated statutory minimum June 30, 2019. Projections, absent corrective actions, are as high as $900 million, short of meeting the minimum reserve requirement.
Nevada	The fiscal situation in Nevada is stable given that the state generated a general fund surplus in FY 2016.
New Hampshire	Through October 31st, year-to-date revenue is ahead of plan by approximately 5.6 percent. Preliminary unaudited figures show a surplus for the fiscal year ended June 30, 2016. The audited comprehensive annual financial report (CAFR) is due by December 31st under state law. The final FY 2016 surplus will be available on December 31st.
New Jersey	Cautious outlook in light of recent weak revenue trends, likely downward revision of FY 2017 opening fund balance and the pending impact of several tax changes that will both reduce and increase certain revenues.
New Mexico	In a special session of the New Mexico Legislature, the state raised revenues and cut budgets to maintain a positive projected balance in general fund reserve accounts. However, projected reserves are well below historical targets, and the state now faces significant budget and revenue challenges in light of the December revenue forecast.
New York	The FY 2017 Financial Plan remains balanced in the general fund. Projected state operating funds spending of $96.2 billion has not changed materially from the enacted budget and is within the self-imposed state operating funds spending cap of 2 percent. State funds spending projections of $105.8 billion reflect a $537 million or 51 basis point decrease from the enacted budget projection. This is driven by a reduction in the transfer of funds from the general fund for capital projects. All funds spending of $156.5 billion remains materially unchanged from the FY 2017 enacted budget. Tax revenue has been adjusted downward slightly, due to lower than expected personal income taxes.
North Carolina	Revenue growth will continue to be constrained with the continued reduction in the individual income tax.
North Dakota	The state's revenue collections continue to be less than anticipated even when compared to the most recent forecast adopted by the Legislative Assembly during its August 2016 special session. The primary causes are lower-than-anticipated oil and agriculture commodity prices which have affected the state's energy and agriculture industries significantly. The Legislative Assembly in the August 2016 special session, reduced general fund agency budgets by 6.55 percent and transferred the entire budget stabilization fund balance of $572 million to the general fund.

TABLE 8. SUMMARY OF STATE FISCAL SITUATIONS	
Jurisdiction	**Statement**
Ohio	General fund tax revenue through October was $160 million (2.2 percent) below estimate. The sales tax, our largest tax revenue source, accounted for $76 million of this variance; the personal income tax accounted for $83 million. Refunds account for somewhat less than half the negative variance for the income tax, withholding accounts for $51 million. The expenditure side is below estimate too, and may help achieve budget balance, like in FY 2016. Ohio does have a fairly healthy balance ($2.0 billion) in its rainy day fund.
Oklahoma	The 2016 Legislature was faced with a shortfall of over 18 percent. Reductions of approximately 12 percent were imposed for most agencies in FY 2017. Common Education, Medicaid, ODMHSAS and DOC were fully or partially exempted from cuts. Revenues for the current fiscal year are not meeting the estimate.
Oregon	With relatively flat revenue forecasts and few significant unexpected expenditure needs, the current fiscal situation in Oregon remains stable for the FY 2015-2017 biennium.
Pennsylvania	Underperforming revenues through the first quarter and the projected need for supplemental Medicaid appropriations (potentially reaching several hundred millions of dollars) create challenges to maintaining a balanced budget through the remainder of the fiscal year.
Rhode Island	Stable but structural problems persist.
South Carolina	The state is continuing to experience solid growth in employment and income, which is expected to continue into the coming year. Revenues are coming in very close to the forecast and will be monitored closely for any significant deviation.
South Dakota	Four months into the fiscal year, the growth rates in state sales tax continue to lag behind the legislative adopted levels.
Tennessee	Total revenues continue to meet or exceed budgeted estimates.
Texas	Texas budgets on a biennial basis. FY 2016 Texas revenue collections finished below estimate and FY 2017 revenue collections are not expected to meet estimates based on the lower FY 2016 base. The current legislature provided $1.2 billion in biennial, recurring property tax relief and $2.6 billion in biennial, recurring franchise tax relief. There have been no unusual demands on the FY 2016-17 Texas budget and there should be sufficient revenue to fund the FY 2016-17 budget. Additionally, the rainy day fund is forecasted to have a balance of $10.4 billion at the end of the FY 2016-17 biennium.
Utah	The Utah economy continues to expand. We remain hopeful revenue growth will meet estimates.
Vermont	Stable with some concern. FY 2018 gap still being determined taking longer with change in administration
Virginia	Currently, the Commonwealth is dealing with an $861 million budget shortfall, on a budget of over $18 billion. The shortfall resulted from FY 2016 revenues falling short of the forecast, with a revised forecast presented by the Governor. Through October, revenue growth looks stronger than what the revised forecast projects. However, the first half of FY 2016 was also strong, so there is caution about assuming that the strength we are seeing will continue.
Washington	Since the legislature adjourned, forecasted near general fund, plus opportunity pathways revenue (for FY 2016 and FY 2017 combined) has increased by almost $900 million. Of that amount, approximately two-thirds is expected to flow to the rainy day account. FY 2017 spending estimates are still being updated. That said, increased costs are likely in several budget areas (including mental health and K-12) which will only be partially offset by savings in other areas. The real challenge is not FY 2017, but rather FY 2018 and FY 2019 (including the outlook period of FY 2020 and FY 2021).
West Virginia	Each FY 2016 and FY 2017 have been helter skelter with already modest general fund revenue estimates standing at just 93.4 percent of estimate through October. However, October collections were at 98.08 percent of the monthly estimate, giving us cause for cautious optimism. Low energy prices are the root cause for most of this calamity.
Wisconsin	

TABLE 8. SUMMARY OF STATE FISCAL SITUATIONS	
Jurisdiction	**Statement**
Wyoming	The governor recommended 8 percent budget reductions (approximately $250 million) in June 2016, anticipating the downturn in revenue. After the most recent revenue projections, the state's traditional operating accounts (general fund and budget reserve account) continue to show a $156.6 million shortfall for the FY 2017-2018 biennium, which includes a provision for a 5 percent ($104.6 million) reserve amount.
Source: NCSL survey of legislative fiscal offices, fall 2016.	

Jurisdiction	Statement
Alabama	Stagnant growth in revenue sources dedicated to the general fund.
Alaska	Due to low oil prices, oil revenues (which have typically been responsible for 90 percent of Alaska's revenue) are no longer sufficient to fund government. Legislative agreement on the mix of spending reductions, use of Permanent Fund earnings, and revenue enhancements needed to fill the large budget deficit will be Alaska's biggest challenge.
Arizona	Monitoring revenues for a budget which is estimated to have a cash balance but a minimal structural balance in the short run.
Arkansas	Growth in Medicaid continues to rise requiring annual increases in state general revenue match. Medicaid growth along with the required additional annual funding for K-12 education accounts for approximately 70 percent of net general revenue available for distribution.
California	First, California's tax policy conforms with federal tax policy in many respects, and the recent election results suggest some changes in federal tax policy are now more likely. This suggests there may be some future uncertainty for California's revenue outlook. Second, California's progressive income tax structure results in revenue volatility from underlying volatility in tax revenues, particularly those from capital gains. (Proposition 2 [2014] shields the state budget from some of this volatility by setting aside revenues in reserves during strong economic times.)
Colorado	While Colorado population growth has been, and is expected to remain strong, revenue growth has slowed considerably over the past year and is expected to remain fairly muted in coming years due to an aging population, the nature of the state tax base, and a fairly modest economic growth outlook. When revenue growth picks up again, it will be constrained by the TABOR limit/Referendum C cap. These factors put pressure on the state budget as demand for services is increasing but revenue per capita is declining.
Connecticut	The biggest revenue challenge is slow income tax growth by historic standards. Areas of previous strength in Connecticut (such as Finance and Insurance) are not generating the same level of growth as in the past.
Delaware	Delaware continues to rely on a relatively small number of large corporate income tax payers for a significant portion of state revenue. These few corporate income tax payers have faced economic challenges over the past several years, which has created uncertainty for this large portion of the State's revenue. The challenge ahead will be relying less heavily on these few large corporations. In addition, legal issues continue to cloud the State's abandoned property collections (escheat) which represents approximately 13 percent of the state's general fund revenues.
District of Columbia	Implementation of the budget autonomy given the climate of the Federal Government
Florida	Our revenues appear to be on target or perhaps slightly below in the future two years. Growth in spending for Medicaid is the greatest challenge.
Georgia	
Hawaii	
Idaho	Revenues are continuing to grow constantly. In fact, individual tax collections are growing at a much faster-than-anticipated rate.
Illinois	At some point, conventional wisdom would say some sort of revenue enhancement will have to occur. However, what form will that take is still uncertain.
Indiana	
Iowa	Low commodity prices over the last few years continues to tug at the economy. Fortunately, the Iowa economy is well diversified with financial services, and other service industries.
Kansas	The FY 2017 general fund revenue estimate was reduced $345 million. The current growth projection from all tax sources is 1.4 percent for FY 2018 and 2.2 percent for FY 2019. These are based on the sluggish agriculture and natural resources segment and the steep decline in corporate profits.
Kentucky	Minor tax categories are declining which is offsetting growth in the major tax categories.
Louisiana	The expiration of temporary revenue measures enacted in 2015 and 2016.
Maine	From the latest forecast: "Both the CEFC and RFC forecasts reflect a national, regional and state economic environment of slow, but steady growth. However, the unprecedented number of substantive economic and budgetary state ballot measures enacted on November 8th and national election results that many experts believe will result in significant federal tax changes during the early stages of the new Congress and Trump Administration have created a significant degree of uncertainty. "
Maryland	Volatility of individual income tax revenues and slow growth in sales tax revenue.

Table 9. Biggest Revenue Challenge

TABLE 9. BIGGEST REVENUE CHALLENGE	
Jurisdiction	**Statement**
Massachusetts	Achieving consistent and adequate tax and non-revenue growth sufficient to support rising costs in health care, social services and education.
Michigan	Michigan has several newer taxes that have yet to go through a full business cycle. How they will perform as the economy varies is unclear. While no aggregate revenue challenges are currently expected, several major taxes will see significant increases in the revenue earmarked away from the general fund. The biggest challenge will be for aggregate revenue growth to compensate for the revenue redirection attributable to the earmarks.
Minnesota	Minnesota's revenue challenges are likely to be manageable during the upcoming year because of the state's healthy reserves and budgetary balance. However, if recent revenue collections compared to forecast constitute the beginning of a trend, balancing the FY 2018-2019 budget with lower than currently anticipated revenues will be a challenge.
Mississippi	Current projected revenues do not appear to be adequate to address potentially increasing funding needs.
Missouri	Corporate tax revenue has been plummeting over the last 18 months. The current most plausible theory is that a corporate apportionment change in 2015 had a far larger impact than was expected.
Montana	Increasing reliance on individual income tax in general, and capital gains income in particular, and the associated volatility risk.
Nebraska	Rates of growth projected below long-run average.
Nevada	
New Hampshire	The Business Profits Tax rate has been reduced 8.5 percent to 8.2 percent in FY 2017 and to 7.9 percent in FY 2019. The Business Enterprise Tax rate has been reduced from 0.75 percent in FY 2017, and to 0.675 percent in FY 2019. The FY 2019 reductions are contingent upon total general and education trust fund revenues totaling at least $4.64 billion for the FY 2016-2017 biennium. Despite the rate reductions, FY 2017 year-to-date business tax collections are ahead of plan.
New Jersey	Revenue adequacy relative to current service costs, as the state phases in a multi-year set of tax reductions impacting the personal income tax, the sales tax, and the estate tax that will impact the general fund, and as business tax credits awarded as economic development incentives potentially reduce corporation business tax revenue.
New Mexico	Roughly one-third of New Mexico's general fund revenues are dependent on oil and gas, either directly or indirectly.
New York	Balancing revenue growth against a multi-year, middle income 20 percent tax rate reduction, and the eventual elimination of the high income surcharge with weak personal income tax estimated payments due to a decline in capital gains. The revenue trend for estimated receipts are forecasted off a lower base and could potentially mean lower estimated payments in the following fiscal year(s).
North Carolina	Do not foresee any significant revenue challenges beyond the challenges related to a possible downturn in the economy.
North Dakota	Forecasting sales tax revenues accurately. Sales tax collections continue to be less than the lower revised projections.
Ohio	The state sales tax as applied to Medicaid managed care organizations will need to be replaced as a revenue source due to federal requirements.
Oklahoma	The state is facing a significant structural imbalance from the use of one-time money to prop up ongoing operations. The structural imbalance going into FY 2018 is more than 10 percent of the general revenue fund estimate.
Oregon	Revenue projections over the next two years roughly match the long-term trend. The biggest concern is the onset of a national recession which would drive personal income tax revenue well below estimates.
Pennsylvania	Pennsylvania has a structural deficit where recurring tax revenues do not match expenditures. This gap is expected to widen in the future as revenues grow at a modest pace compared to mandated expenditures. The use of one-time measures to balance the current FY 2017 budget exacerbates the structural problem.
Rhode Island	Sustaining growth.
South Carolina	
South Dakota	Two factors affecting our economy, low agriculture commodity prices and the inability to collect sales taxes on online purchases, could take years to rebound.
Tennessee	Transportation funding continues to lag behind needs.

Table 9. Biggest Revenue Challenge	
Jurisdiction	**Statement**
Texas	FY 2016-2017 general fund revenue collections are not anticipated to meet estimates. FY 2018-2019 general revenue fund collections are not expected to grow at traditional rates. The voters adopted a constitutional amendment shifting the deposit of $5.0 billion in sales taxes each biennia from the general fund to the state highway fund beginning in FY 2018-2019. This shift will reduce available revenue in the general fund during FY 2018-2019. Volatility of oil and gas prices (which affect oil and gas tax collections, and to a lesser extent, general sales tax collections) also remain a concern.
Utah	Revenues continue to grow with upside potential in individual income tax but downside risk in sales tax, severance tax, and corporate income tax.
Vermont	Notwithstanding federal actions, revenue growth on the current base of sources is lower than the base current services budget level.
Virginia	The biggest challenge is the disconnect between job growth and taxes generated. In Virginia, jobs are growing, but the growth is in lower-paying jobs than what we saw before sequestration. The aging workforce and retirements are also impacting this change. Sales tax is also very flat, probably due to a variety of factors, including e-commerce, demographics, etc.
Washington	In January, the legislature will begin to craft the FY 2017-2019 budget. Under the state four-year balanced budget statute, the FY 2017-2019 budget, if continued forward into the FY 2019-2021 biennium, would also need to be balanced. The budget outlook adopted by Economic and Revenue Forecast Council in November projected a significant gap between projected spending and projected resources. That gap would need to be addressed by increasing projected resources, decreasing projected spending, or by some combination of the two. Education finance issues include both spending and resource/revenue elements.
West Virginia	Adapting to an evolving energy economy has and will continue to have consequences for all major sources of state revenue, especially with respect to severance, income and sales taxes.
Wisconsin	
Wyoming	Declines in mineral tax revenue (severance taxes, ad valorem taxes, royalties, and indirectly, sales and use taxes) upon which the state's tax system relies heavily.
Source: NCSL survey of legislative fiscal offices, fall 2016.	

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