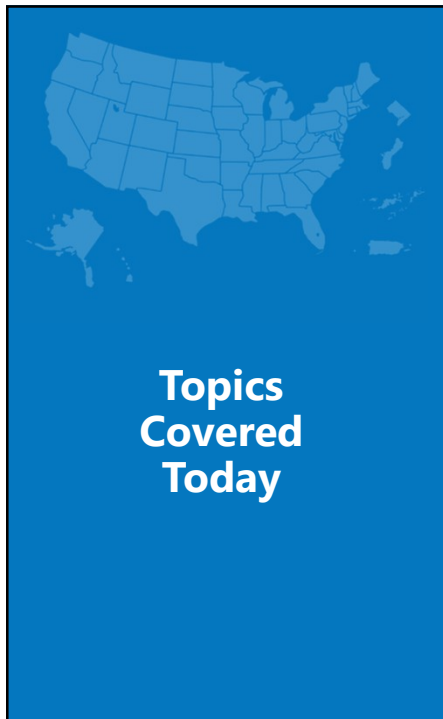


# State Fiscal Conditions & Budget Processes

June 12, 2025

**Shelby Kerns**  
Executive Director

**Kathryn Vesey White**  
Director of Budget Process Studies



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Data on Fiscal Conditions

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Federal Funds in State Budgets

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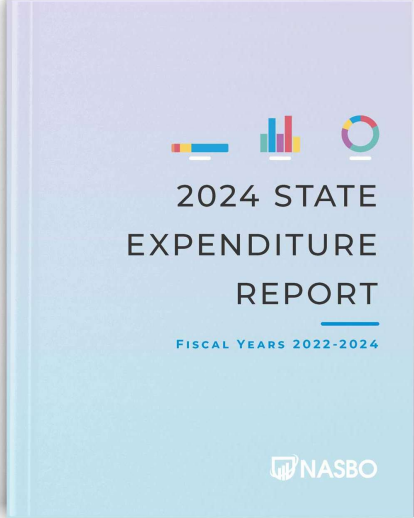
Budget Outlook

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State Budget Process Discussion





# Data on Fiscal Conditions



2024 STATE EXPENDITURE REPORT

FISCAL YEARS 2022-2024




NASBO  
NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

## Fiscal Survey of States

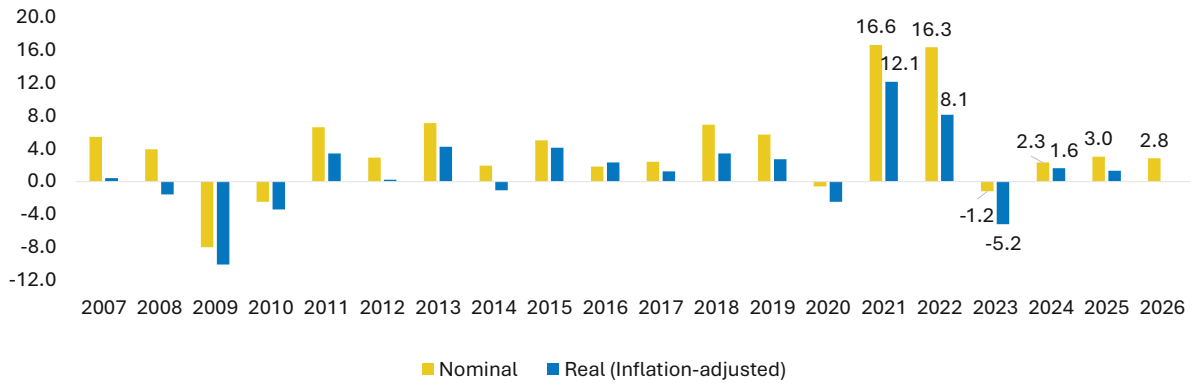
Governors' Proposed Budgets for Fiscal 2026

Data from 50 states, U.S. territories and the District of Columbia

Report Releasing Soon



## Annual General Fund Revenue Percentage Changes Fiscal 2007 to Fiscal 2026

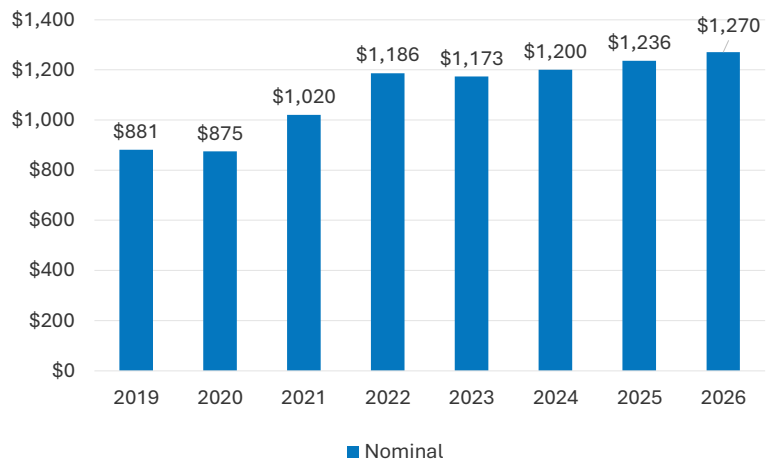


Note: Fiscal 2025 figure is estimated and fiscal 2026 figure is projected based on governors' recommended budgets.  
 NASBO Fiscal Survey of States



## Annual General Fund Revenue (in Billions)

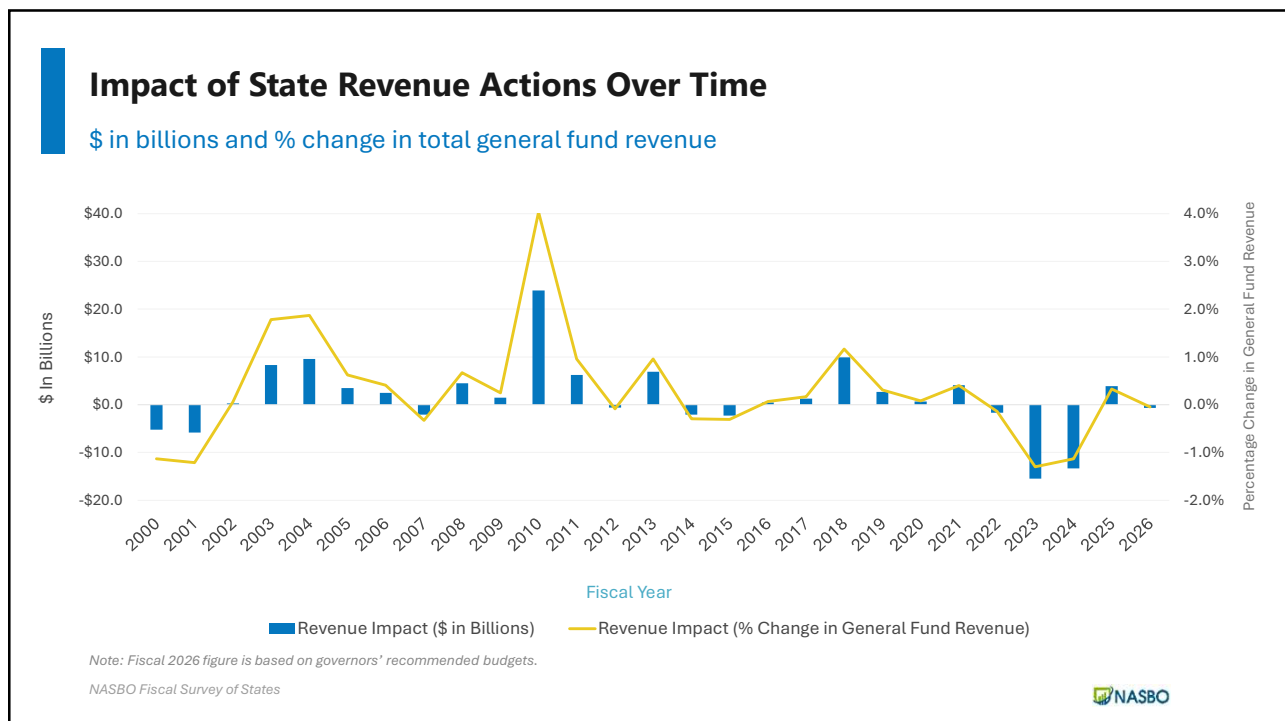
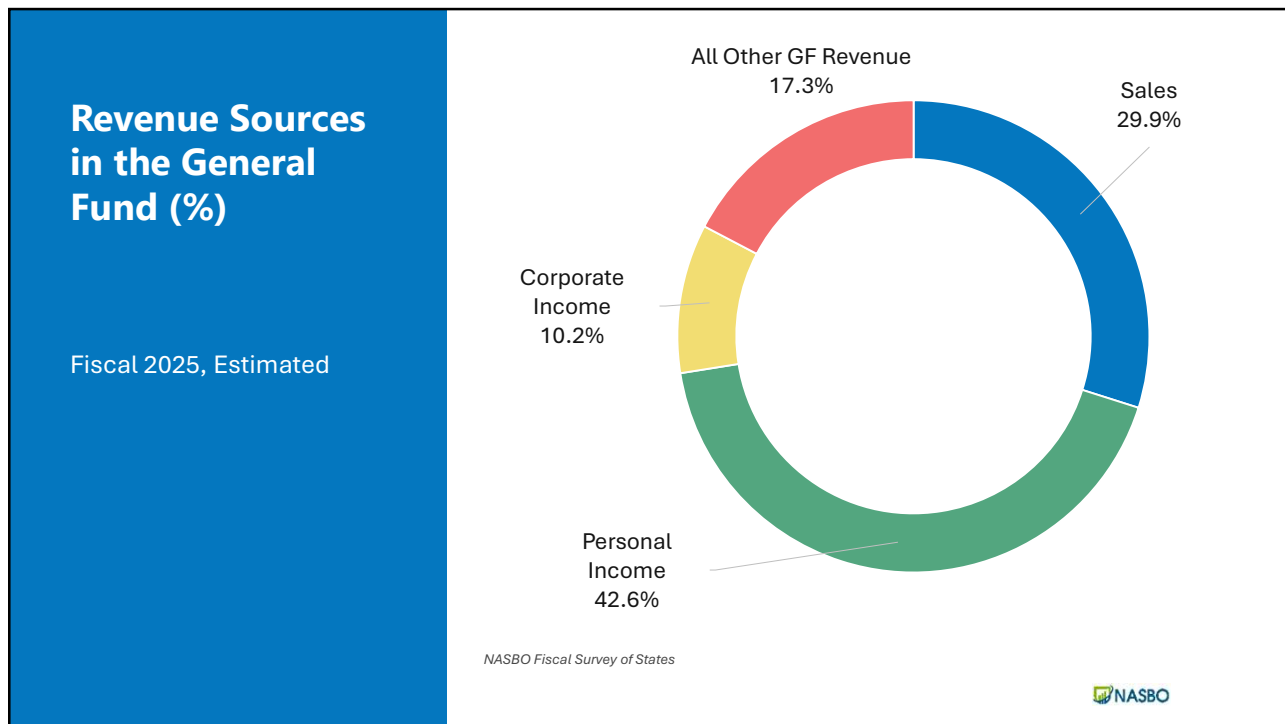
Fiscal 2019 to Fiscal 2026



Note: Fiscal 2025 is estimated and fiscal 2026 is projected based on governors' recommended budgets.

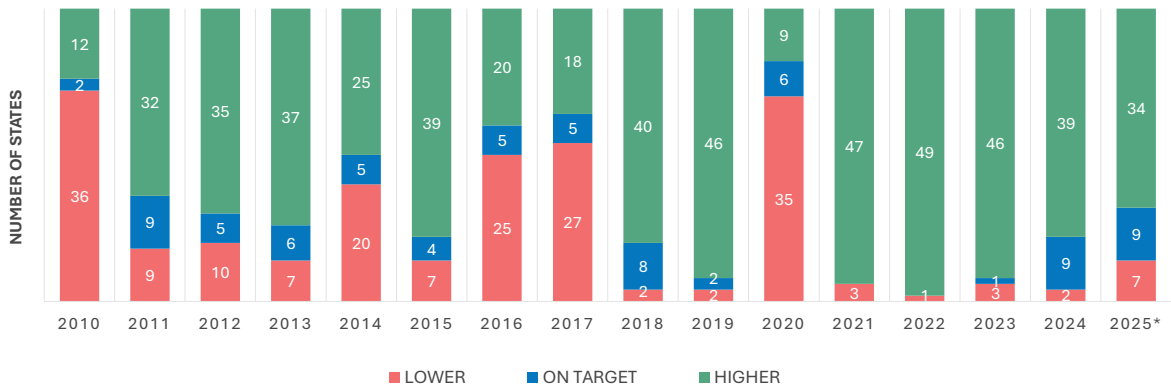
NASBO Fiscal Survey of States





## General Fund Revenue Collections

General Fund Revenue Collections Compared To Original Revenue Projections (By Fiscal Year)



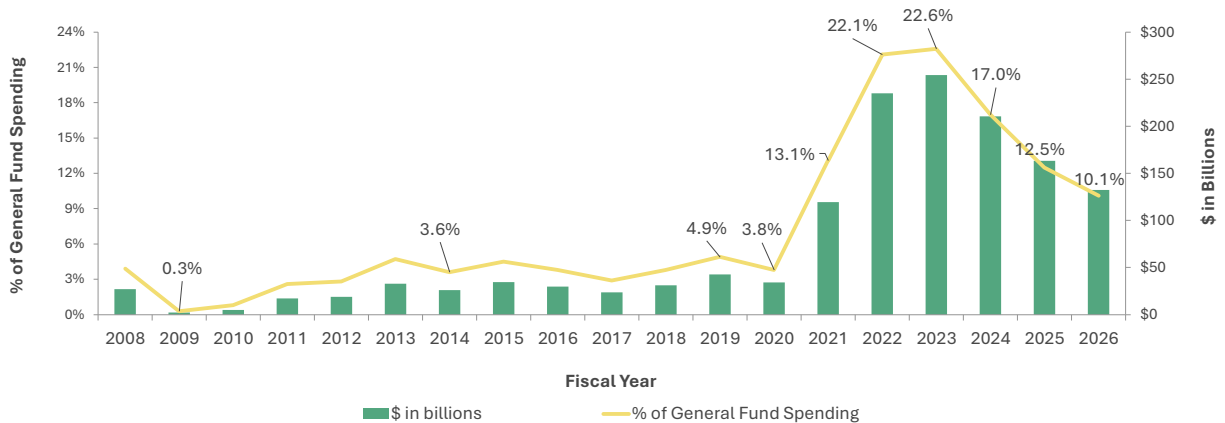
\*Fiscal 2025 is ongoing and figures are subject to change.

General Fund Revenue Collections Compared To Original Revenue Projections (By Fiscal Year)

NASBO Fiscal Survey of States

## General Fund Ending Balances Fiscal 2008 to Fiscal 2026

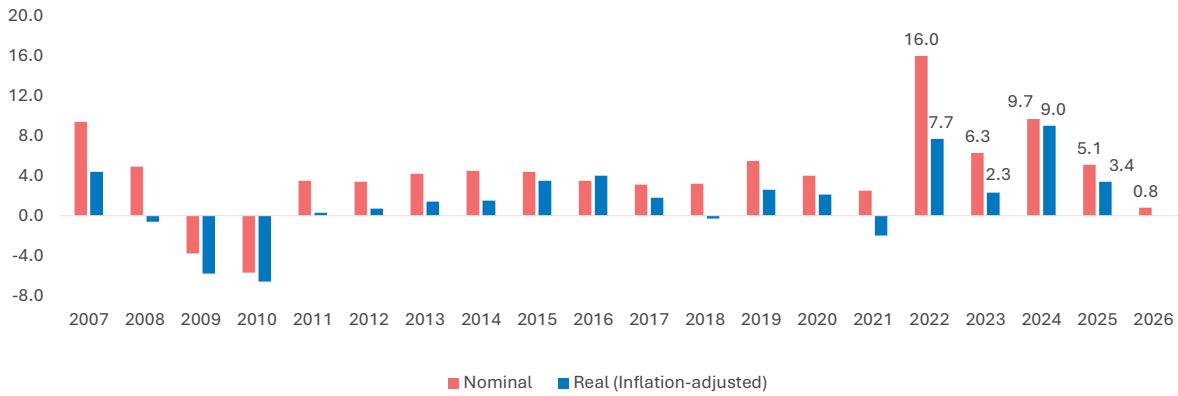
GF Ending Balances in Dollars and as a Percentage of General Fund Expenditures



Note: General fund ending balances shown here have been adjusted to exclude any designated rainy day funds held within a state's general fund. Fiscal 2025 are estimated figures and fiscal 2026 are recommended figures.

NASBO Fiscal Survey of States

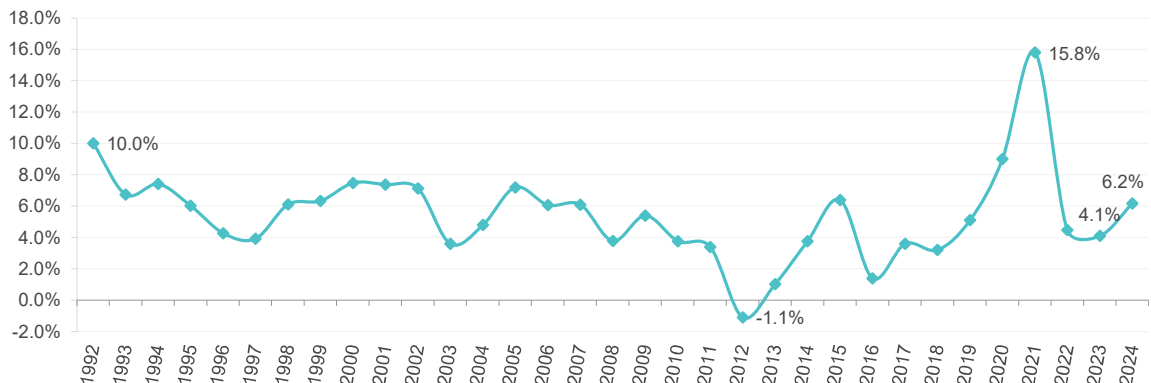
## Annual General Fund Expenditure Percentage Changes Fiscal 2007 to Fiscal 2026



Note: Fiscal 2025 figure is based on current estimates; fiscal 2026 figure is based on governors' recommended budgets.  
NASBO Fiscal Survey of States

## Increases In Total State Spending

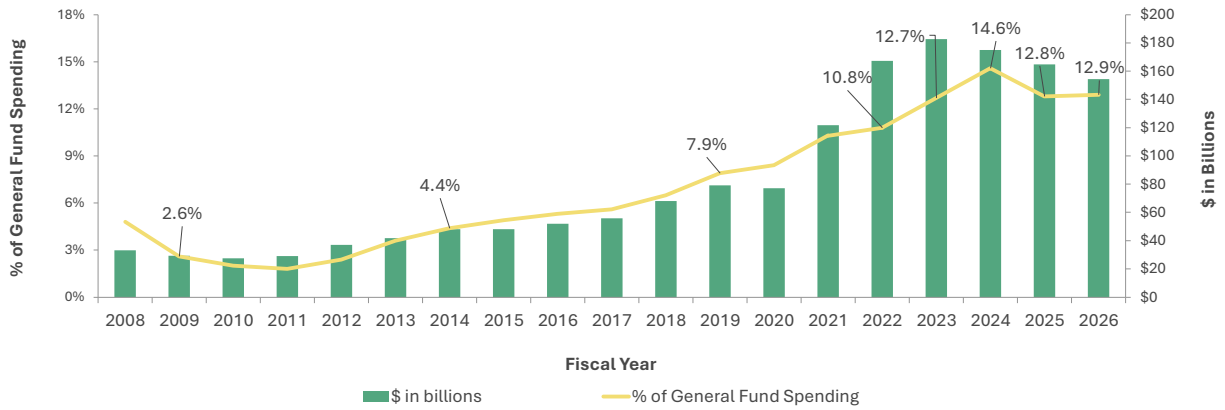
Year-Over-Year Percentage Increases in Total State Expenditures\*



\*Total state expenditures include spending from general funds, other state funds, bonds, and federal funds to states.

## State Rainy Day Funds Fiscal 2008 to Fiscal 2026

In Dollars and as a Percentage of General Fund Expenditures



Note: Fiscal 2025 are estimated figures and fiscal 2026 are recommended figures. Total dollar amounts for fiscal 2025 and fiscal 2026 are adjusted to allow for year-over-year comparisons by including most recent rainy day fund balance figure available for states that were unable to report rainy day fund balance projections for those years.

NASBO Fiscal Survey of States

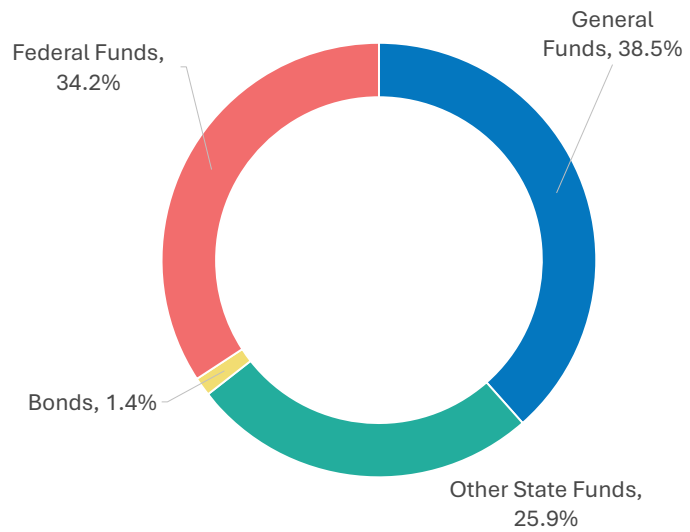


## Federal Funds in State Budgets



## Total State Expenditures By Fund Source

Estimated FY2024



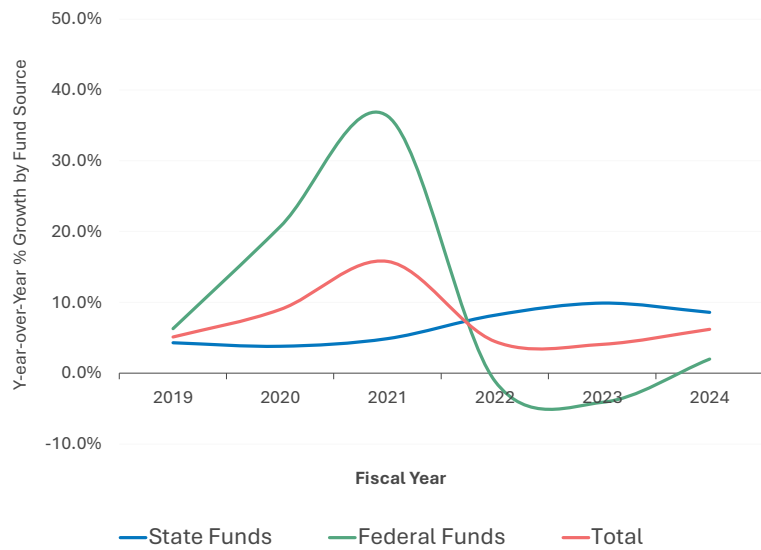
Source: NASBO State Expenditure Report



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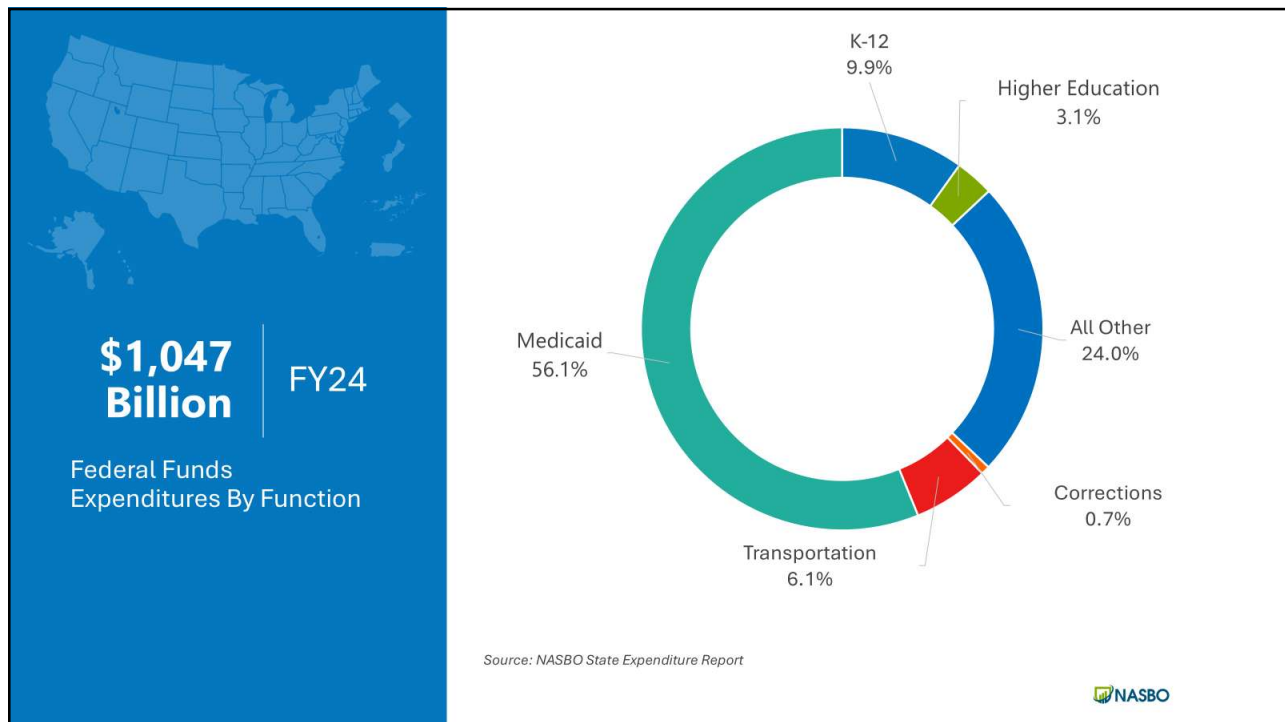
## Annual Percentage Change in Expenditures by Fund Source

Fiscal 2019 to Fiscal 2024



State Expenditure Report





## Proposed Cost Shifts

### Federal Medicaid Spending

- Federal cuts to states of \$793 billion over 10 years would represent 12% of federal spending on Medicaid over the period. (KFF Analysis)

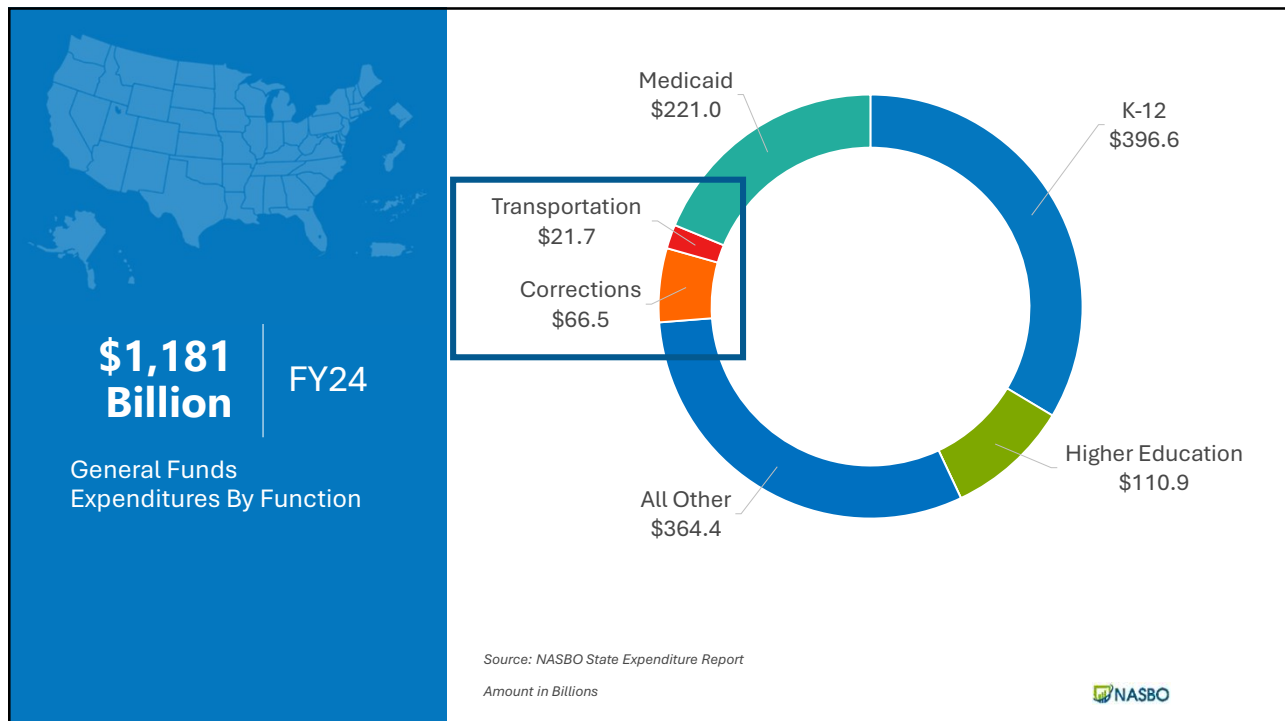
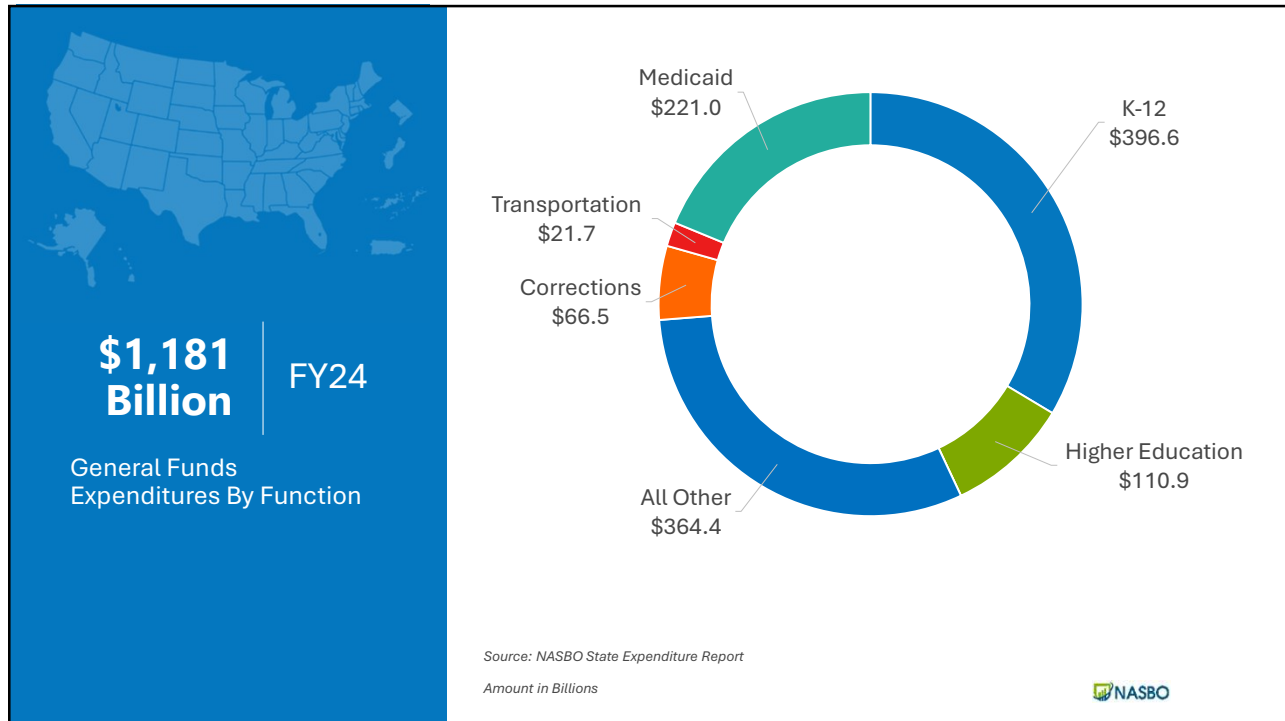
### SNAP Cost Sharing

- Shifting 5% of SNAP Expenditures (FY 2024=\$4.6 billion) to states+Admin costs
- Shifts could range up to 25% based on error rates

**These are in addition to**

- Other proposed cost shifts
- Cuts to Current Federal Grants
- Current Escalation in State Costs

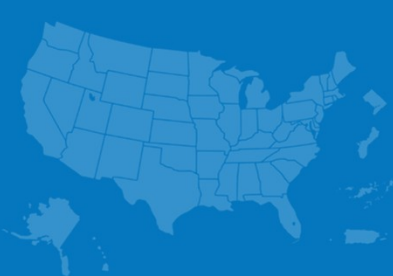
NASBO





## State Budget Outlook: Key Takeaways





### States Are Managing Expectations

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General Fund expenditures are outpacing revenues in a number of states

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Revenue projections are being adjusted downward in a growing number of states. Forecasters cite economic uncertainty; changes in federal spending and employment; tariffs; and decreased international tourism

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Medical inflation is a major budget pressure impacting both Medicaid and employee health care

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Other drivers of expenditure pressure are education including school choice and housing affordability including property tax relief

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Disasters – both preparing for and responding to – are exerting expenditure pressures (while also disrupting revenue)

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End of pandemic-era aid means less federal spending, more general fund shifts

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Proposals to reduce federal funding exacerbate these pressures



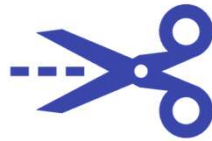
## Options States Will Have to Balance Budgets In Response to Federal Actions



Raise revenue



Program reductions



Cuts in other areas



A mix of all three

 NASBO



## Bottom Line

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Most states will close FY 2025 meeting or exceeding original revenue projections

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FY 2026 budget conditions are tightening

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States cannot absorb cuts and cost shifts from recent actions and Congressional proposals

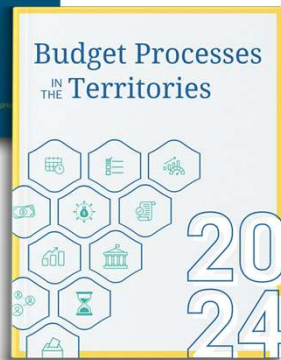
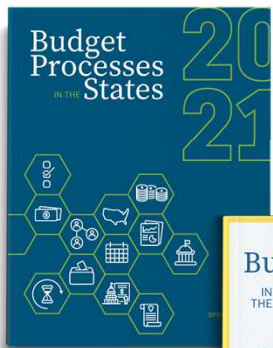
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States' underlying fiscal conditions are stable

 NASBO



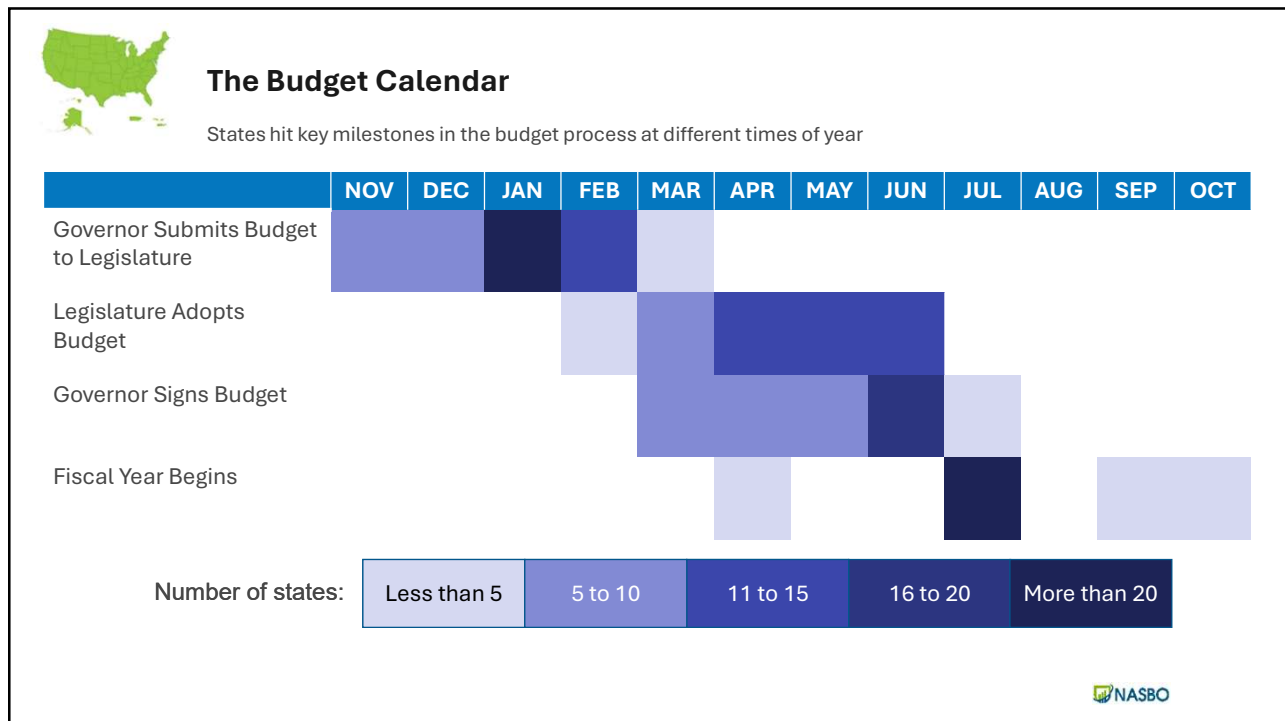
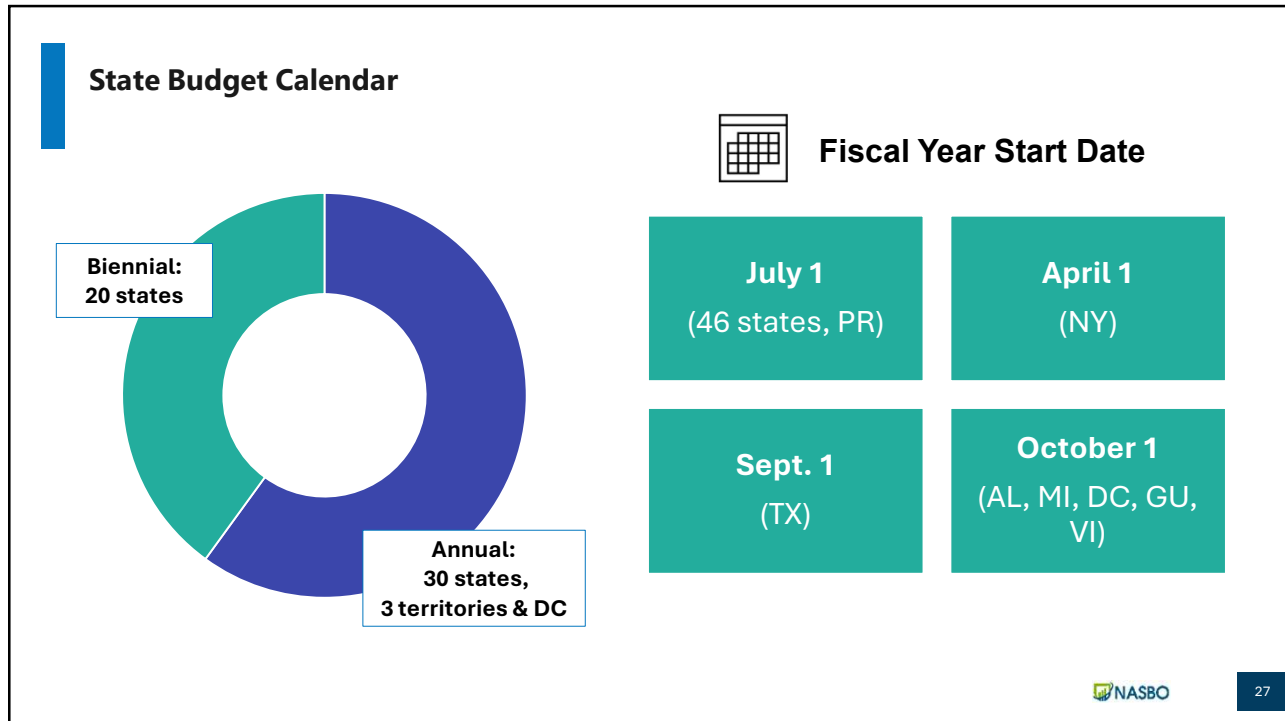
# State Budget Processes: Compare & Contrast



## Interested in the organization and operation of state government?

Check out our Budget Processes in the States report and Budget Processes in the Territories.





## Developing the Budget Proposal

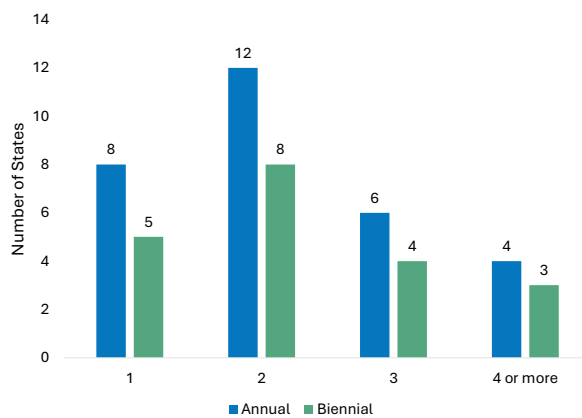
- Agencies submit budget requests to the governor, and sometimes directly to the legislature too
- Governor's budget is introduced as a bill(s) in legislature in **36 states** and **3 territories**
- Additionally, a budget proposal is developed by a joint legislative body (prior to budget votes in either legislative chamber) in **15 states** and **1 territory**



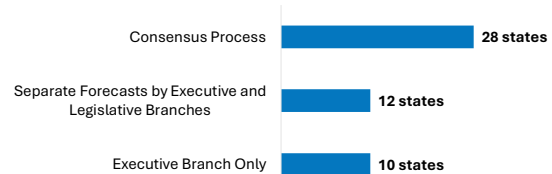
## Variations in State Revenue Forecasting Processes

Participants and frequency of forecast revisions vary by state

How Often States Release Official Revenue Estimates During Fiscal Year



How States Develop Revenue Forecasts



## Enacting the Budget

In all but 3 states, a simple majority vote is generally sufficient to pass budget

- › Tax/revenue increases sometimes require supermajority

Number of bills comprising enacted budget ranges from 1 to 150+

- › Capital appropriations are co-located with operating appropriations in just over half of states

**44 states\*, 3 territories & DC** provide for line-item veto authority over appropriation amounts

- › **38 states, 3 territories & DC** with line-item veto power have a supermajority vote requirement for legislature to override

**30 states, 2 territories & DC** grant line-item veto authority over appropriation language

*\* This number differs from what is reported in the NASBO's Budget Processes in the States (2021) due to a change in Maryland's budget process.*

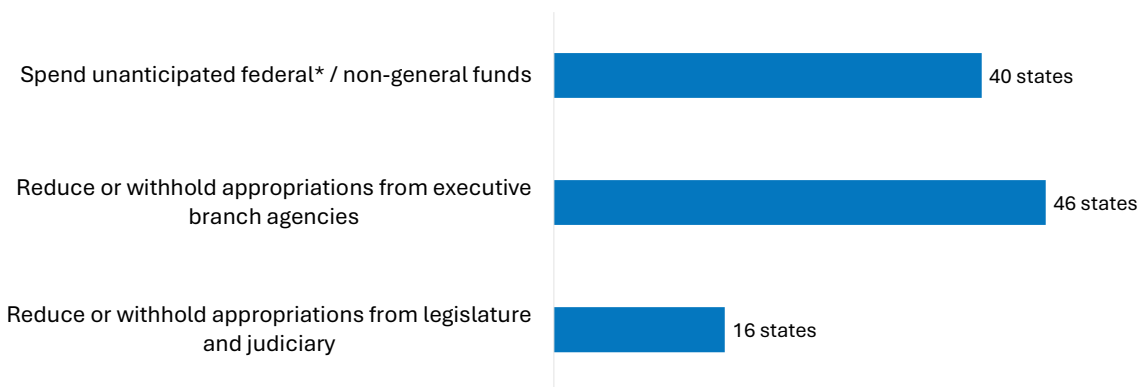


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## Gubernatorial Authority After Budget Enactment

### Executive Branch Authorities Without Legislative Approval



*\* 43 states reported separately in the survey at least some federal funds are appropriated.*





Thank  
you

80<sup>th</sup> NASBO  
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