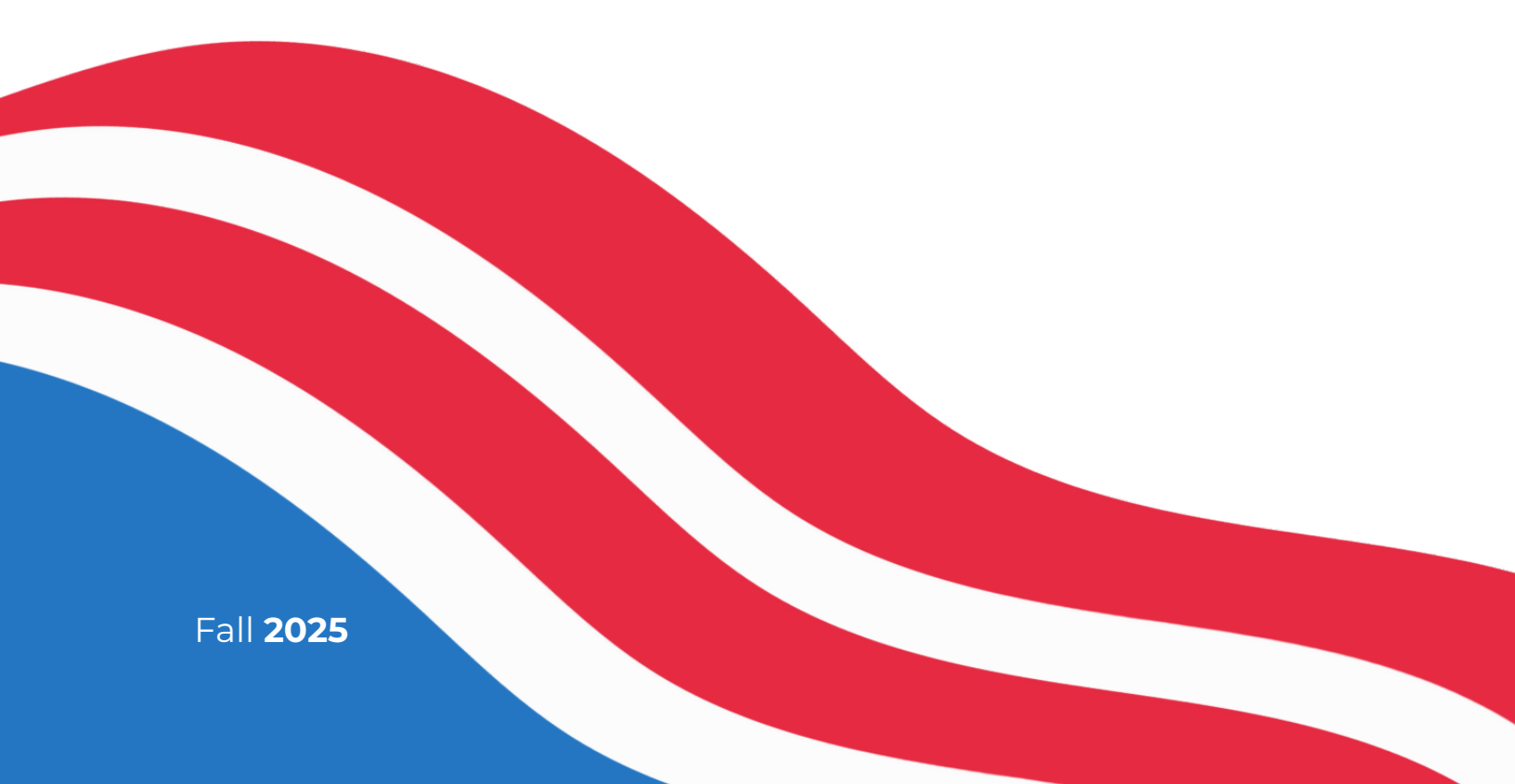


# Fiscal Survey of States

Enacted Budgets for Fiscal 2026

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



Fall 2025

# THE NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

Founded in 1945, NASBO is the instrument through which the states collectively advance state budget practices. The major functions of the organization consist of research, policy development, education, training, and technical assistance. These are achieved primarily through NASBO's publications, membership meetings, and training sessions. Association membership is composed of the heads of state finance departments, the states' chief budget officers, and their deputies. All other state budget office staff are associate members. NASBO is an independent professional and education association.

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# ACKNOWLEDGMENTS

Kathryn Vesey White collected, compiled, and analyzed the data for this survey and authored the report, with assistance from NASBO staff. Brukie Gashaw designed and laid out the report. In addition, the report represents substantial work by budget office staff throughout the United States. NASBO thanks these individuals for their assistance in providing data for this report:

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# PREFACE

The *Fiscal Survey of States* is published twice annually by the National Association of State Budget Officers (NASBO). The series began in 1979. The survey presents aggregate and individual data on the states' general fund expenditures and revenues, annual tax and revenue changes, and balances. The survey also includes several U.S. territories and the District of Columbia.

Although not the totality of state spending, general funds are raised from states' own taxes and fees, such as state income and sales taxes. These general funds are used to finance most broad-based state services and are the most important elements in determining the fiscal health of the states. A separate survey that includes total state spending from all fund sources, NASBO's *State Expenditure Report*, is conducted annually.

Thirty states operate on an annual budget cycle, while 20 states operate primarily on a biennial (two-year) budget cycle. Additionally, the District of Columbia (DC), Guam, Puerto Rico, and Virgin Islands operate on an annual budget cycle.

Among the biennial budget states, 17 states considered two-year budgets during 2025 legislative sessions covering fiscal 2026 and fiscal 2027.

One state (Pennsylvania) was unable to provide final information on its enacted budget for fiscal 2026 at the time this report was going to print. Another state (North Carolina) provided information on a partial budget for fiscal 2026 while still awaiting enactment of a full budget for the fiscal 2026-2027 biennium.

Forty-six states and Puerto Rico begin their fiscal years in July and end them in June. New York starts its fiscal year on April 1; Texas starts on September 1; and Alabama, Michigan, DC, Guam, and the Virgin Islands start their fiscal years on October 1.

The field survey on which this report is based was conducted by NASBO from August through October 2025. The surveys were completed by executive budget officers in 50 states, multiple territories, and DC.

Generally, fiscal 2024 data represent actual figures, fiscal 2025 data are preliminary actual figures, and fiscal 2026 data reflect enacted budgets. Unless otherwise noted, all percentage calculations reported in this survey are in nominal terms and not adjusted for inflation.

NASBO staff member Kathryn Vesey White compiled the data and prepared the text for the report.

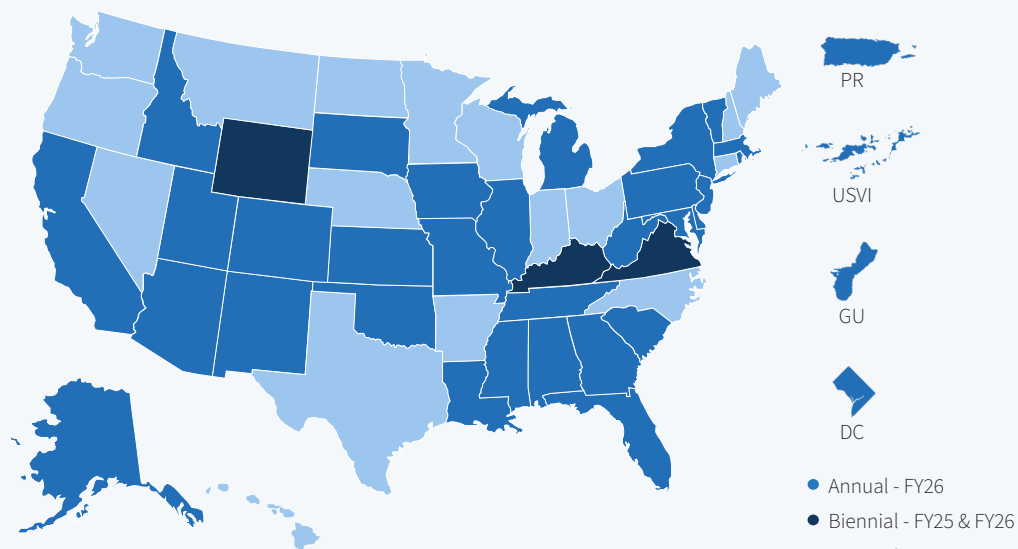
# INTRODUCTION

Enacted budgets for fiscal 2026 indicate states are in a positive fiscal position but face tighter budget conditions going forward amidst continued slow revenue growth and growing spending pressures.

This edition of the Fiscal Survey of States generally reflects actual fiscal 2024, preliminary actual fiscal 2025, and enacted fiscal 2026 figures for all 50 states, three territories, and the District of Columbia. Unless otherwise noted, aggregate figures and calculations in this report include data from the 50 states only. The report includes data on general fund spending, revenue, rainy day funds and total balances, as well as information on enacted changes to general fund revenue sources and state employee compensation. The data were collected in August through October 2025. All data are reported in nominal terms (not adjusted for inflation) unless otherwise specified.

## Annual vs. Biennial Budget Cycles in the States & Territories

While this survey analyzes state budgets by fiscal year, 20 states primarily budget on a biennial (two-year) basis. For biennial states entering a new biennium in fiscal 2026, some of these states provided data on enacted budgets for fiscal 2027. For states entering the second year of their biennium in fiscal 2026, the state may have reported on the originally enacted budget for fiscal 2026 or on a revised budget incorporating mid-biennium adjustments or supplemental appropriations considered during 2025 legislative sessions.



## KEY FINDINGS



General fund spending growth is nearly flat in enacted budgets for fiscal 2026, reflecting fewer one-time expenditures from surplus funds and limited recurring spending increases.



Preliminary actual data show general fund spending for fiscal 2025 came in higher than originally budgeted, driven in part by mid-year budget actions.



In enacted budgets for fiscal 2026, use of budget management strategies like targeted cuts and hiring freezes was higher compared to recent years, while fewer states adopted employee pay increases.



Slow growth in general fund revenue is projected to continue in fiscal 2026 for a fourth consecutive year, following the two fastest growing years on record in fiscal 2021 and fiscal 2022.



General fund revenue collections for fiscal 2025 exceeded original estimates in most states, while revenue performance compared to estimates in fiscal 2026 so far has been more mixed.



States enacted a mix of tax increases and decreases in fiscal 2026, which will have a minimal estimated net impact on general fund revenue.



Most states increased the size of their rainy day funds in fiscal 2025, as measured in nominal dollars, and expect to do so again in fiscal 2026 according to enacted budgets.



General fund ending balances are expected to continue declining for a third consecutive year in fiscal 2026 but are still projected to remain elevated compared to historical levels.

# GENERAL FUND SPENDING

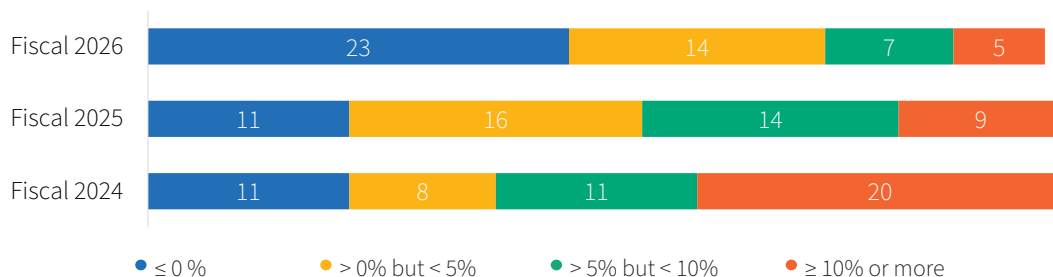
General fund spending growth continues to decelerate based on states' enacted budgets for fiscal 2026, with limited new revenue expected and fewer one-time expenditures planned. This follows multiple years of elevated spending levels driven by widespread revenue surpluses resulting in an increase in one-time investments.

## Expenditure Growth Slows in Enacted Budgets for Fiscal 2026

According to enacted budgets, state general fund spending in fiscal 2026 is expected to see a slight increase in the aggregate. Budgeted general fund spending totals \$1.33 trillion in fiscal 2026.<sup>1</sup> This would represent an annual increase of 1.3 percent compared to preliminary actual fiscal 2025 levels, with a median growth rate of 0.2 percent. Twenty-three states are forecasting general fund spending to decline or stay flat in fiscal 2026, while 14 states are expecting positive growth of less than 5 percent, seven states expect growth between 5 and 10 percent, and five states are forecasting growth greater than 10 percent. (See **Figure 1**)

**FIGURE 1.**

Annual Percentage Change in General Fund Spending (Number of States)



*Fiscal 2024 reflects changes from fiscal 2023 (actual) to fiscal 2024 (actual). Fiscal 2025 reflects changes from fiscal 2024 (actual) to fiscal 2025 (preliminary actual). Fiscal 2026 reflects changes from fiscal 2025 (preliminary actual) to fiscal 2026 (enacted). One state (Pennsylvania) was not able to report on enacted spending level for fiscal 2026.*

## General Fund Spending for Fiscal 2025 Higher Than Originally Budgeted

According to preliminary actual data, state general fund spending grew 6.0 percent in fiscal 2025 on an annual basis, without adjusting for inflation. After adjusting for inflation, general fund spending grew 4.1 percent in fiscal 2025. On a median (nominal) basis, general fund spending grew 4.5 percent in fiscal 2025. (See **Figure 2**)

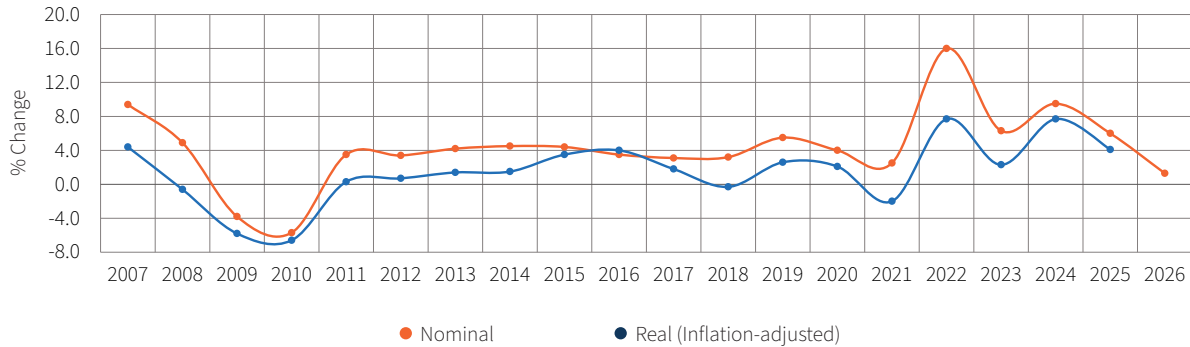
General fund expenditures in fiscal 2025 considerably exceeded original appropriation levels when states first adopted their budgets. Preliminary actual expenditures reported in this survey total \$1.31

trillion for fiscal 2025. This represents a \$52 billion (4.2 percent) increase compared to states’ originally enacted budgets for fiscal 2025, as reported on in NASBO’s *Fall 2024 Fiscal Survey*.

The increase in preliminary actual spending compared to original budgets is driven in part by enacted supplemental appropriations. A later section in this report provides more details on mid-year spending actions for fiscal 2025. Additionally, expenditures likely came in higher than budgeted due to the impacts of surplus funds. Some states may be spending down prior-year and current-year surplus funds in fiscal 2025 that were not anticipated when original budgets were adopted, while some may be incurring expenditures for multi-year projects that may have been budgeted for upfront in a prior year but are showing up as actual or estimated expenditures in the year they were used.<sup>2</sup>

**FIGURE 2.**

**Annual Percentage Change in Total General Fund Spending, Fiscal 2007 To Fiscal 2026**



*Fiscal 2025 is preliminary actual; fiscal 2026 is projected based on states’ enacted budgets. The state and local government implicit price deflator quarterly data provided by the Bureau of Economic Analysis National Income and Product Account Tables, Table 3.9.4., Line 33, is used to determine real changes in spending.*

### State Spending from All Sources

This report captures only state general fund spending. General fund spending represents the primary component of expenditures from revenue derived from taxes and other resources which have not been earmarked to other funds. According to the most recent edition of NASBO’s *State Expenditure Report*, general fund spending comprised 38.5 percent of total state spending in fiscal 2024, while federal funds made up 34.2 percent, other state funds made up 25.9 percent, and bonds made up the remaining 1.4 percent.

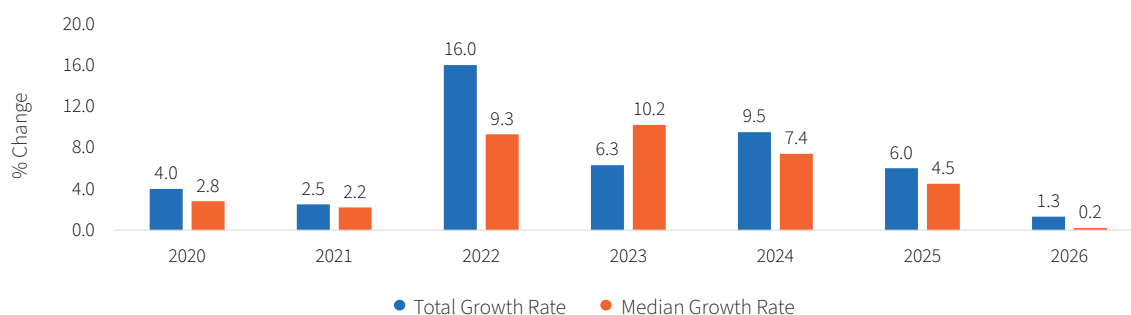
| Program Area      | Share of General Fund Expenditures by Function | Share of Total State Expenditures by Function |
|-------------------|------------------------------------------------|-----------------------------------------------|
| Medicaid          | 18.7%                                          | 29.8%                                         |
| K-12 Education    | 33.6%                                          | 18.9%                                         |
| Higher Education  | 9.4%                                           | 8.7%                                          |
| Transportation    | 1.8%                                           | 8%                                            |
| Corrections       | 5.6%                                           | 2.7%                                          |
| Public Assistance | 0.9%                                           | 1%                                            |
| All Other         | 29.9%                                          | 30.8%                                         |

## General Fund Spending Saw Robust Growth in Fiscal 2024

General fund spending in fiscal 2024 totaled \$1.24 trillion, 9.5 percent above spending levels in fiscal 2023. This followed growth of 16.0 percent in fiscal 2022 and 6.3 percent in fiscal 2023. Spending growth in fiscal 2022, fiscal 2023, fiscal 2024, and fiscal 2025 was driven by one-time investments, as states spent down a portion of revenue surpluses accumulated over multiple years beginning in fiscal 2021. On a median basis, general fund spending grew 7.4 percent in fiscal 2024, following median increases of 9.3 percent in fiscal 2022 and 10.2 percent in fiscal 2023. Significant spending fluctuations, particularly in large states, can have an outsized impact on total growth rates; therefore, the median annual change is typically more indicative of overall state spending trends. (See **Figure 3**)

**FIGURE 3.**

Annual Percentage Change in General Fund Spending, Total vs. Median



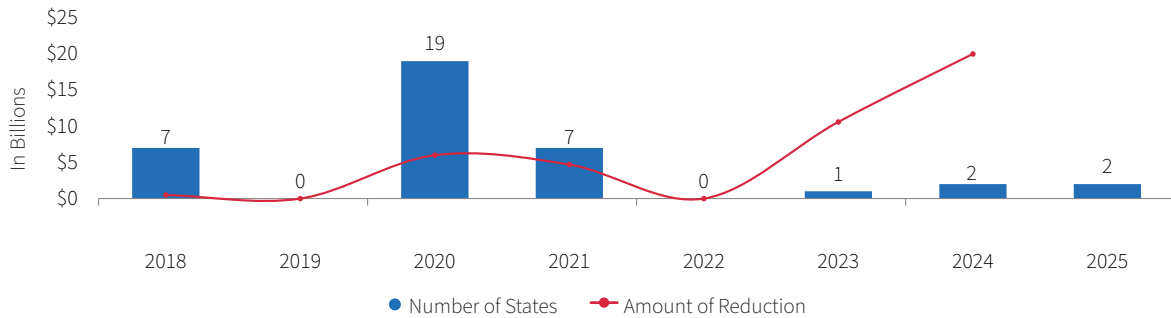
*Fiscal 2025 is preliminary actual; fiscal 2026 is projected based on states' enacted budgets. Growth rates shown are in nominal terms.*

## Mid-Year Budget Actions Lead to Higher Spending in Fiscal 2025

States reported on mid-year spending actions enacted or approved for fiscal 2025. These reflect formal actions through executive authority or legislation to revise spending levels upward or downward compared to originally enacted budgets. Overall, 24 states reported net increases in general fund spending from mid-year budget actions, while four states reported net decreases and two states reported reductions without specifying amounts. On net, states' mid-year spending actions increased general fund expenditures by an estimated \$26.1 billion, accounting for roughly half of the net increase in preliminary actual spending compared to original budgets for fiscal 2025. Among the six states that reported net reductions in general fund spending, only two states attributed these cuts to a revenue shortfall in fiscal 2025. (See **Figure 4**)

## General Fund Spending in U.S. Territories and District of Columbia

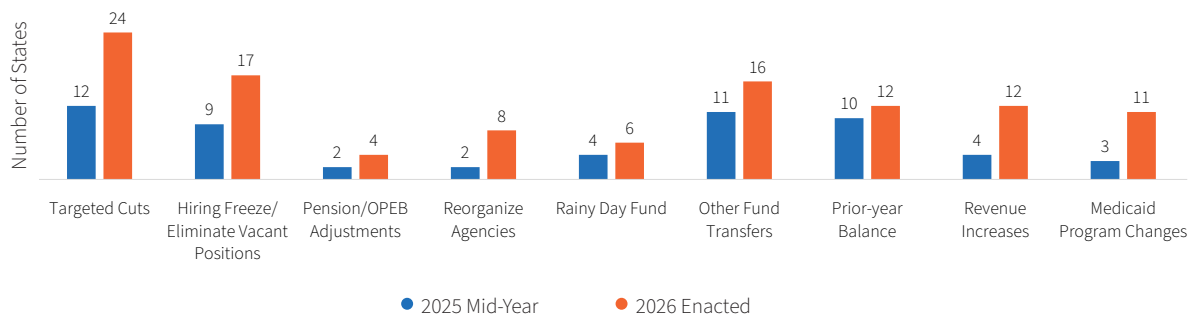
When including three reporting U.S. territories (Guam, Puerto Rico, and the U.S. Virgin Islands) and the District of Columbia, general fund spending totaled \$1.26 trillion in fiscal 2024 and \$1.34 trillion in fiscal 2025, and is projected to total \$1.36 trillion in fiscal 2026.

**FIGURE 4.****Budget Cuts Made After The Budget Passed Due to a Revenue Shortfall, Fiscal 2018 to Fiscal 2025**

For fiscal 2025, two states reported mid-year budget cuts due to a revenue shortfall without specifying reduction amounts.

## More Targeted Cuts and Hiring Freezes Enacted in Fiscal 2026

In order to manage their budgets, particularly in an economic downturn, states employ a variety of strategies and tools, including spending reductions, personnel actions, efficiency savings, and one-time measures, along with revenue changes. Given stable fiscal conditions in most states, reported use of most budget management strategies continues to be limited in fiscal 2026. However, there was an uptick in the number of states implementing targeted spending cuts and hiring freezes /eliminating vacant positions compared to recent years, signaling tighter budget conditions ahead as states also exercise caution while they face fiscal and economic uncertainty. In their enacted budgets for fiscal 2026, 24 states reported enacting targeted cuts and 17 states eliminated vacant positions and/or imposed hiring freezes. By comparison, in their enacted budgets for fiscal 2025 one year prior, 12 states enacted targeted cuts and six states reported eliminating vacant positions and/or implementing hiring freezes. Additional common strategies used in enacted budgets for fiscal 2026 include other fund transfers (16 states), prior-year fund balances (12 states), revenue increases (12 states), and Medicaid program changes (11 states).

**FIGURE 5.****State Budget Management Strategies, Fiscal 2025 Mid-Year and Fiscal 2026 Enacted**

Data shown reflect how states reported in this survey edition on strategies used in the middle of fiscal 2025 and in enacted budgets for fiscal 2026.

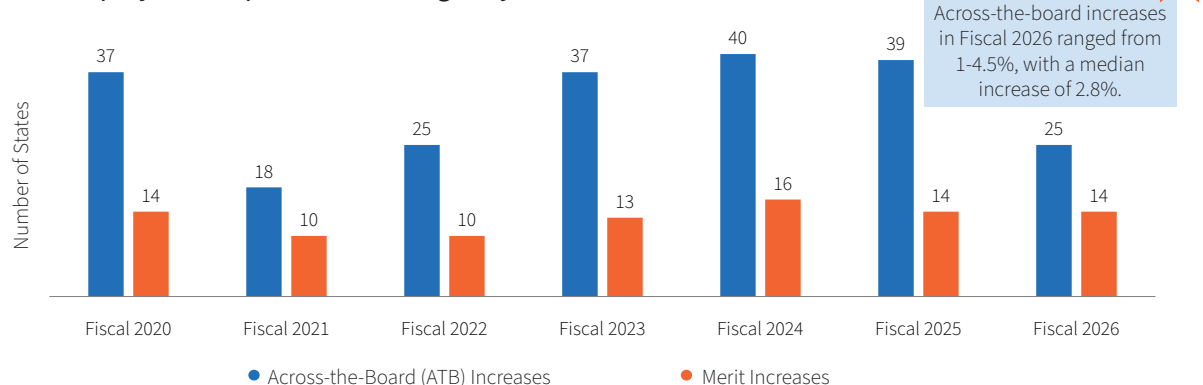
States also reported on mid-year strategies for fiscal 2025, with the most common including targeted cuts (12 states), other fund transfers (11 states), and prior-year fund balances (10 states). (See **Figure 5**)

## Fewer State Employee Pay Increases Adopted for Fiscal 2026

States also reported on adopted employee compensation changes for fiscal 2026 in this survey. Twenty-five states reported across-the-board (ATB) increases adopted for fiscal 2026, a smaller number than last year when 39 states approved ATB increases. Among the states adopting across-the-board increases, the median increase for fiscal 2026 is 2.8 percent, similar to the 3.0 percent median increase last year. The decline in the number of states adopting pay increases in their budgets for fiscal 2026 may be driven by several factors, including tighter budget conditions, slowing inflation, and more slack in the labor market. In addition, 14 states reported merit increases in fiscal 2026, while several states reported other changes to employee compensation such as targeted increases for certain positions and step increases contingent on years of service. It should also be noted in some states pay increases are largely driven by collective bargaining agreements. (See **Figure 6**)

**FIGURE 6.**

### State Employee Compensation Changes by Year



## Projected Budget Gaps Expected to Increase in the Out-Years

Six states reported closing general fund budget gaps in fiscal 2025 totaling \$7.1 billion. For fiscal 2026, eight states reported closing \$7.2 billion in budget gaps, while five states reported \$1.5 billion in gaps and one additional state reported a gap of an unspecified amount still to close for fiscal 2026. Among states that reported through fiscal 2027, 12 states indicated they are forecasting budget gaps totaling a combined \$25.3 billion for that year, while two more states reported gaps without specifying amounts.

It is common for states to report projected budget gaps in the years beyond the current budget cycle (sometimes referred to as the “out-years” or “planning years”), as anticipated growth in expenditure demands frequently outpaces forecasted revenue growth. States use these budget gap projections to plan and adjust spending and/or revenue to achieve structural balance over time. When interpreting NASBO data on budget gaps, it is important to note that states vary greatly in how they define and measure budget gaps, and not all states have a formal process to identify and report gaps. Moreover, budget gap projections are moving targets and frequently change over the course of the fiscal year.<sup>3</sup>

# GENERAL FUND REVENUE

States adopt their general fund budgets based on revenue projections. Since states are required to balance budgets, spending levels are set and adjusted according to how much revenue states expect to collect as well as total resources projected to be available. State revenues are expected to see slightly positive growth in fiscal 2026 based on forecasts used in enacted budgets, aligned with the small growth in general fund spending projected. Moreover, preliminary data shows general fund tax receipts exceeded original revenue estimates for fiscal 2025, while early collections data for fiscal 2026 indicates more mixed revenue performance compared to forecast.

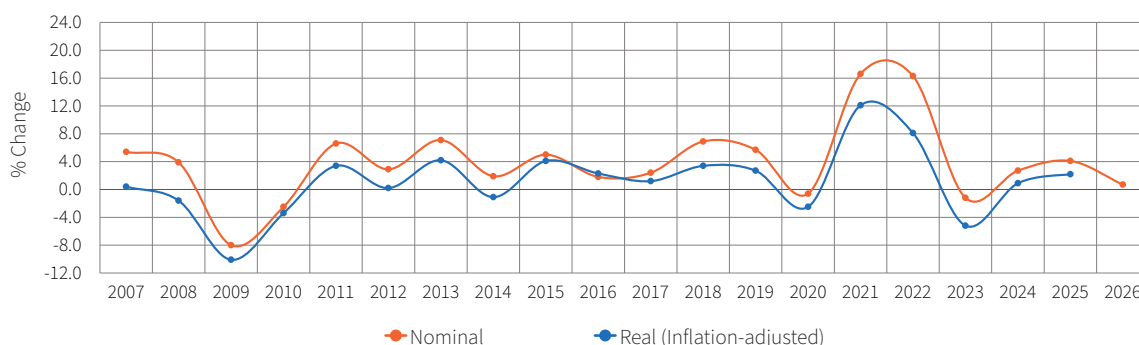
## Slow Growth in General Fund Revenue Expected to Continue

After the two fastest growing years on record for general fund revenue in fiscal 2021 and fiscal 2022, growth in revenue collections has been modest in each year since. In fiscal 2023 through fiscal 2025, annual general fund revenue growth on a median basis has been between 1 and 3 percent. The median increase projected for fiscal 2026 is even smaller, at 0.3 percent. Slower revenue growth in recent years can be attributed to slower economic growth and lower inflation, coupled with the impacts of recently adopted tax cuts at the state level. For more discussion, see the section on revenue trends by tax source below.

In the aggregate, general fund revenue in fiscal 2026 is projected to total \$1.26 trillion, 0.7 percent above preliminary actual revenue collections for fiscal 2025. When compared to original revenue estimates in enacted budgets for fiscal 2025 (as reported in NASBO's *Fall 2024 Fiscal Survey*), general fund revenues for fiscal 2026 are projected to increase 3.9 percent. The projected annual growth rate for fiscal 2026 is higher when comparing to original estimates for fiscal 2025 as opposed to preliminary actual figures for fiscal 2025, since actual tax collections came in above original forecasts used in enacted budgets. (See **Figure 7**)

**FIGURE 7.**

**Annual Percentage Change in General Fund Revenue, Fiscal 2007 To Fiscal 2026**



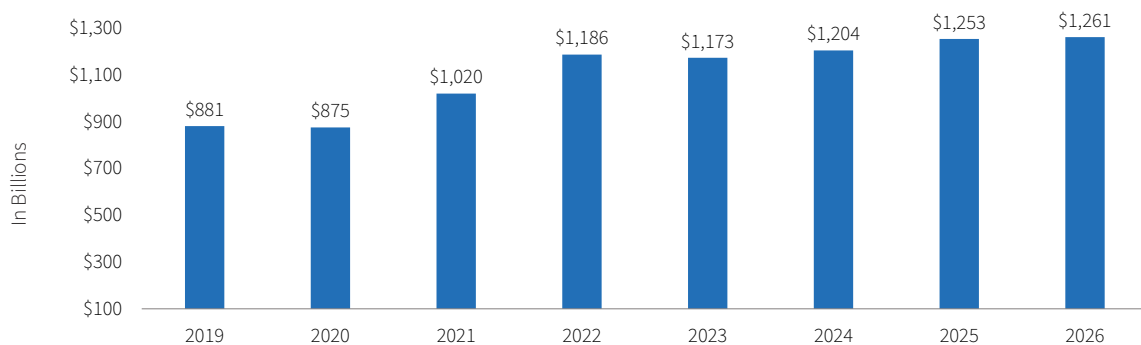
*Fiscal 2025 is preliminary actual; fiscal 2026 is projected based on states' enacted budgets. The state and local government implicit price deflator quarterly data provided by the Bureau of Economic Analysis National Income and Product Account Tables, Table 3.9.4., Line 33, is used to determine real changes in revenue.*

Total available resources, inclusive of annual revenue, beginning general fund balances, transfers, and other revenue adjustments, are projected at \$1.52 trillion. As will be discussed later in this report, states' general fund balances continue to be elevated after accumulating multiple years of substantial surpluses. State actions to spend down a portion of these funds on largely one-time uses are expected to continue, which helps to explain why annual general fund expenditure totals continue to exceed annual total revenue in fiscal 2026 enacted budgets, as they have for the past couple of years.

In fiscal 2025, general fund revenue grew 4.1 percent on a nominal basis, and 2.2 percent after adjusting for inflation, compared to actual collections for fiscal 2024. This follows annual growth of 2.7 percent in fiscal 2024 on a nominal basis or 0.9 percent adjusted for inflation. Despite a net decline in aggregate revenue in fiscal 2023, modest revenue growth in fiscal 2024 and fiscal 2025, and near flat growth projected for fiscal 2026, general fund revenue in fiscal 2026 is still estimated to exceed fiscal 2019 levels by 43 percent. This speaks to the rapid growth state revenues experienced in fiscal 2021 and fiscal 2022, driven by employment growth, high consumer demand, high inflation, the economic impacts of federal stimulus, and strong stock market gains. (See **Figure 8**)

**FIGURE 8.**

#### Annual General Fund Revenue, Fiscal 2019 to Fiscal 2026

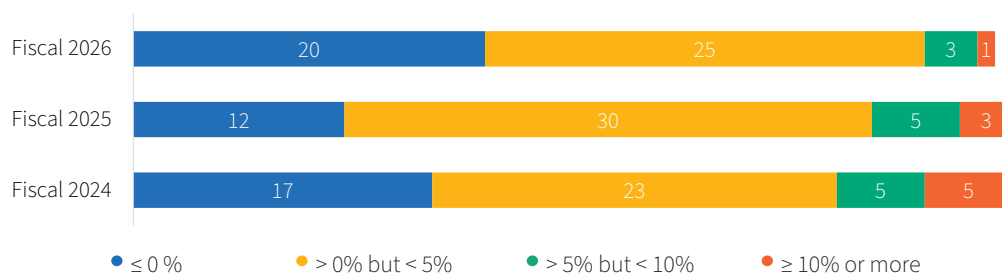


*Fiscal 2025 is preliminary actual; fiscal 2026 is projected based on states' enacted budgets.*

Overall, 25 states are forecasting positive revenue growth in fiscal 2026 of less than 5 percent on a nominal basis in the forecasts used in enacted budgets. Meanwhile, three states are forecasting growth between 5 and 10 percent and one state is forecasting growth greater than 10 percent. Twenty states are forecasting year-over-year revenue declines or no change in fiscal 2026. Variation in annual growth rates across states can be attributed to a range of factors, including differences across states in tax

#### General Fund Revenue in U.S. Territories and District of Columbia

When including three reporting U.S. territories (Guam, Puerto Rico, and the U.S. Virgin Islands) and the District of Columbia, general fund revenue totaled \$1.23 trillion in fiscal 2024 and \$1.28 trillion in fiscal 2025, and is projected to total \$1.29 trillion in fiscal 2026.

**FIGURE 9.****Annual Percentage Change in General Fund Revenue (Number of States)**

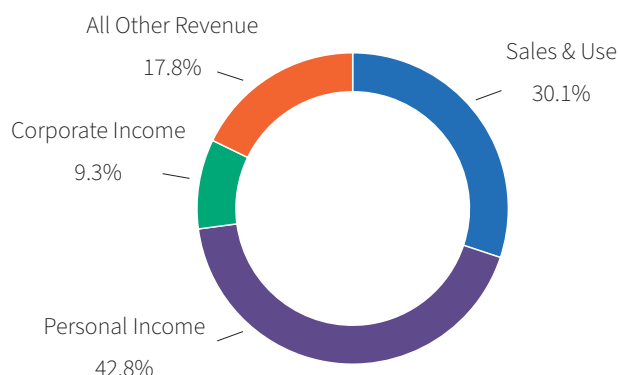
*Fiscal 2024 reflects changes from fiscal 2023 (actual) to fiscal 2024 (actual). Fiscal 2025 reflects changes from fiscal 2024 (actual) to fiscal 2025 (preliminary actual). Fiscal 2026 reflects changes from fiscal 2025 (preliminary actual) to fiscal 2026 (enacted). One state (Pennsylvania) was not able to report on enacted revenue projection for fiscal 2026.*

structures, prevalent industries, demographic shifts, recently enacted or proposed tax policy changes, and other factors. How and when some states account for one-time receipts and/or transfers can also have an impact on annual revenue growth. (See **Figure 9**)

## Revenue Trends by Source: Sales Taxes Growing Slowly While Income Tax Collections Seeing More Fluctuations

In the aggregate, states collect most of their general fund revenue (greater than 80 percent) from three sources: sales and use taxes, personal income taxes, and corporate income taxes. The remaining share of general fund revenue comes from “all other” sources, which may include cigarette and tobacco taxes, alcoholic beverage taxes, insurance premium taxes, severance taxes, franchise taxes, gaming taxes and lottery revenue, interest income, licenses and fees for permits, inheritances taxes, and charges for state-provided services. (See **Figure 10**)

According to forecasts used in enacted budgets, general fund revenues in fiscal 2026 are projected to increase 2.9 percent from sales and use taxes and 1.3 percent from personal income taxes compared to fiscal 2025 preliminary actual collections. Meanwhile, corporate income tax collections for fiscal

**FIGURE 10.****General Fund Revenue Sources, Fiscal 2026 Enacted Estimates**

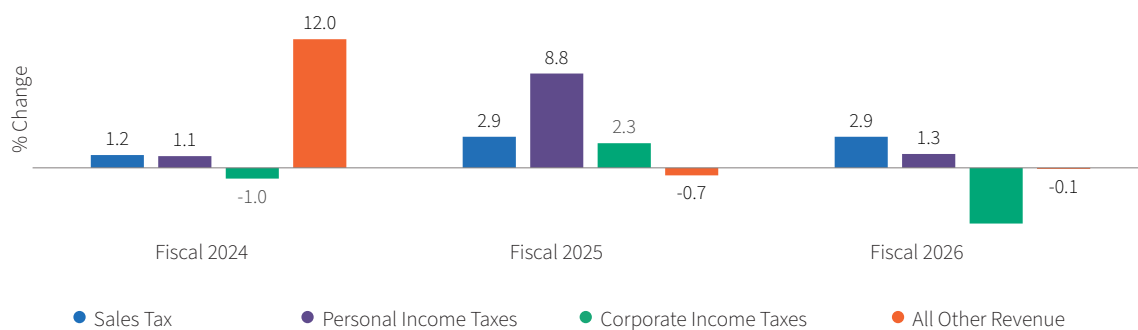
2026 are projected to decrease 5.2 percent and general fund revenues from all other sources are expected to decrease 0.1 percent on an annual basis, compared to preliminary actual figures for fiscal 2025. Revenue estimates used in enacted budgets for fiscal 2026 were mostly released in spring/summer 2025, while some predate that timeframe.

Eight states reported on more current revenue projections for fiscal 2026 than those used in enacted budgets, and these revised estimates show revenue performance has been mixed across different tax sources so far this year. Among the states reporting updated estimates, sales and use tax estimates were revised down 1.8 percent, personal income tax estimates were revised down 0.1 percent, and corporate income tax estimates were revised down 3.1 percent, while all other revenue estimates were up 4.6 percent. The original and revised revenue estimates reported in this survey for fiscal 2026 generally do not incorporate impacts of conforming to tax provisions in the One Big Beautiful Bill Act, which will tend to put downward pressure on state revenues.

Sales and use taxes grew 1.2 percent in fiscal 2024 and 2.9 percent in fiscal 2025, with these lower growth rates reflecting slower consumption growth and the impacts of lower inflation. Personal income tax collections, meanwhile, have seen more fluctuations, increasing 1.1 percent in fiscal 2024 and 8.8 percent in fiscal 2025. The slower growth rate in fiscal 2024 is likely attributable in part to the impacts of tax cuts that went into effect that year in some states, as well as one-time tax relief actions reported by states. Meanwhile, personal income tax collections from capital gains were likely aided in both fiscal 2024 and fiscal 2025 by a strong stock market performance in calendar years 2023 and 2024. Total corporate income tax revenues, which tend to be a more volatile revenue source, decreased 1.0 percent in fiscal 2024 and increased 2.3 percent in fiscal 2025. (See **Figure 11**)

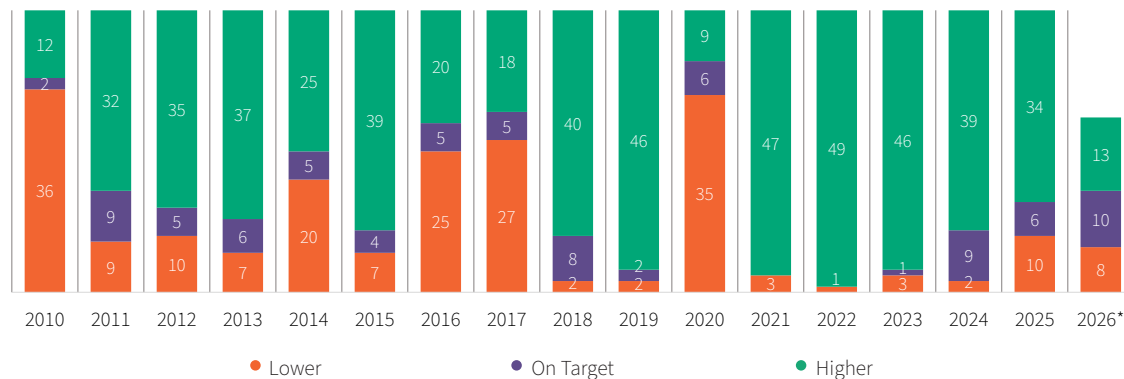
**FIGURE 11.**

### Annual Percentage Change by General Fund Revenue Type



*Fiscal 2024 reflects changes from fiscal 2023 (actual) to fiscal 2024 (actual). Fiscal 2025 reflects changes from fiscal 2024 (actual) to fiscal 2025 (preliminary actual). Fiscal 2026 reflects changes from fiscal 2025 (preliminary actual) to fiscal 2026 (enacted).*

All other revenues, which as noted above consist of myriad sources that vary by state, grew 12.0 percent in fiscal 2024 and are estimated to decline 0.7 percent in fiscal 2025. Many states use this category to record transfers to/from the general fund and other adjustments, which explains why the figures can often fluctuate significantly year-to-year and occasionally appear as negative.

**FIGURE 12.****General Fund Revenue Collections Compared To Original Revenue Estimates (By Fiscal Year)**

*For fiscal 2026, data were collected early in the fiscal year and data are subject to change. Also, not all states had enough data to report on how collections were performing compared to estimates.*

## Fiscal 2025 Revenue Collections Exceeded Original Forecasts

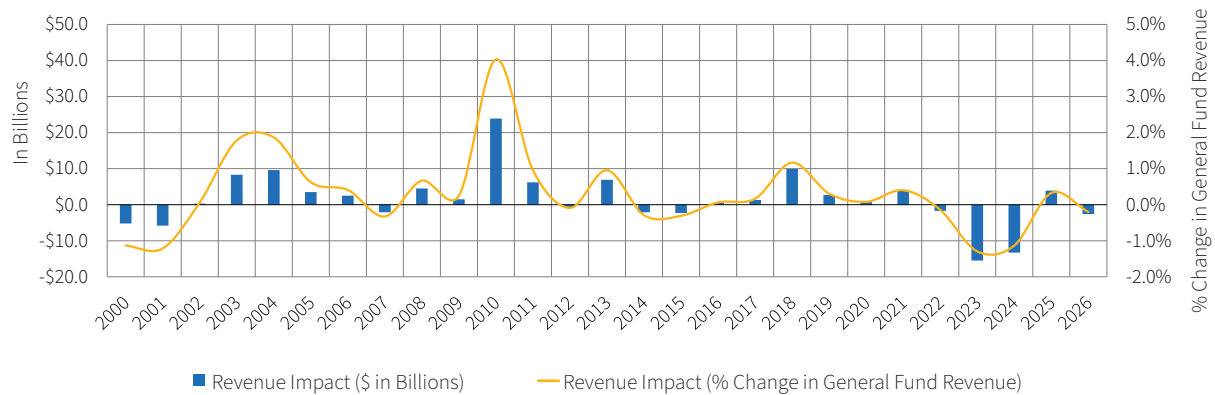
Thirty-four states reported general fund revenue collections based on preliminary actual data came in higher than original estimates used in enacted budgets for fiscal 2025, which for most states ended on June 30, 2025. Meanwhile, six states reported collections were on target and 10 states saw collections come in lower than original estimates. Meanwhile, revenue collections for fiscal 2026 so far are on target with estimates in 10 states, lower than estimates in eight states, and higher in 10 states. Since data were collected early in the fiscal year, many states did not have sufficient revenue data available to report. (See **Figure 12**)

Overall, preliminary general fund revenue collections came in 3.7 percent above original estimates for fiscal 2025. This revenue surplus can be largely attributed to personal income taxes exceeding projections by 5.0 percent in the aggregate. Corporate income tax collections came in 1.0 percent above, while sales and use taxes came in close to target, 0.1 percent below original estimates in states' enacted budgets for fiscal 2025. All other general fund revenue sources also contributed to the revenue surplus in fiscal 2025, coming in 8.6 percent above estimates.<sup>4</sup>

## Enacted Budgets for Fiscal 2026 Include a Mix of Tax Increases and Decreases

Thirty-eight states reported enacted tax policy changes that will affect general fund revenue in fiscal 2026, with 15 states enacting net increases totaling an estimated \$5.2 billion and 23 states enacting net decreases in taxes and fees totaling -\$7.8 billion. This yields a net estimated impact on general fund revenue of -\$2.6 billion compared to what would be collected absent the policy changes, with this reduction representing 0.2 percent as a share of forecasted general fund revenue in fiscal 2026. (See **Figure 13**)

The impacts of tax policy changes vary considerably by state and territory depending on the scale and scope of enacted revenue actions. Among states enacting tax cuts, the net revenue impacts range

**FIGURE 13.****Revenue Impact of State Tax and Fee Policy Changes, Fiscal 2000 to Fiscal 2026**

*Fiscal 2000-2026 reflect enacted changes*

from -0.1 percent to -5.8 percent as a percentage of total general fund revenue forecasted in fiscal 2026. Meanwhile, among states enacting tax increases, the net impacts range from +0.1 percent to +4.6 percent as a percentage of forecasted general fund revenues in fiscal 2026.

Included in these estimated revenue impacts are several non-recurring changes that would have a one-time or temporary revenue impact of -\$445 million. Excluding these one-time changes, recurring revenue actions reported in this survey would have an impact of -\$1.4 billion in fiscal 2026.

Additionally, the tax changes enacted by states and reported in this survey are estimated to have reduced general fund revenue for fiscal 2025 by an additional \$1.12 billion. Tax changes reported in this survey affecting fiscal 2025 revenue mostly consist of recurring actions that were adopted for fiscal 2026 that would also affect fiscal 2025 collections due to their effective date.

Personal income taxes, the largest source of general fund revenue in the aggregate, saw the greatest reduction in aggregate dollars at -\$4.83 billion, with 22 states enacting decreases in personal income taxes and four states approving increases for fiscal 2026. Sales and use taxes are also expected to be reduced by enacted policy changes in fiscal 2026 with an impact of -\$1.85 billion; 16 states enacted decreases and nine states enacted increases for sales and use taxes. Meanwhile, the other two tax categories saw net positive revenue impacts from tax changes in the aggregate. For corporate income taxes, nine states enacted net increases and nine states enacted net decreases with a net impact of +\$2.09 billion. For all other general fund revenue, 14 states enacted increases and seven states enacted decreases with a net impact of +\$1.99 billion. The more significant enacted revenue increases in the “all other” category included changes to gaming taxes, cannabis taxes and fees, cigarette taxes, and real estate assessments. (See **Figure 14**)

In addition to tax/fee increases and decreases, some states also reported on enacted revenue measures that will affect general fund revenue, with a total net general fund revenue impact of -\$375 million in fiscal 2025 (mid-year) and -\$371 million in fiscal 2026. One-time tax rebates reported by New York had the largest dollar impact. Revenue measures, as defined in this survey, generally do not

affect taxpayer liability and include actions to enforce existing laws, tax amnesties, additional audits and compliance efforts, and changes in how certain tax revenues are diverted to dedicated uses. Additionally, some states report on transfers to or from the general fund, as well as one-time tax relief measures, in this section.

**FIGURE 14.**

**Summary of Enacted General Fund Revenue Changes, Fiscal 2026**

| Revenue Type                               |  Sales & Use Taxes |  Personal Income Taxes |  Corporate Income Taxes |  All Other Sources |  Total General Fund Impact |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| # of States Enacting Net Increases         | 9                                                                                                   | 4                                                                                                       | 9                                                                                                         | 14                                                                                                    | 15                                                                                                            |
| # of States Enacting Net Decreases         | 16                                                                                                  | 22                                                                                                      | 9                                                                                                         | 7                                                                                                     | 23                                                                                                            |
| Total Impact of Increases (\$ In Millions) | \$737                                                                                               | \$599                                                                                                   | \$2,515                                                                                                   | \$2,301                                                                                               | \$5,231                                                                                                       |
| Total Impact of Decreases (\$ in Millions) | -\$2,591                                                                                            | -\$5,431                                                                                                | -\$428                                                                                                    | -\$315                                                                                                | -\$7,845                                                                                                      |
| Net General Fund Revenue Impact            | -\$1,854                                                                                            | -\$4,832                                                                                                | \$2,087                                                                                                   | \$1,986                                                                                               | -\$2,614                                                                                                      |

# GENERAL FUND BALANCES AND RAINY DAY FUNDS

States' total balance levels (comprised of rainy day funds and general fund ending balances) have swelled in recent years, driven by revenues substantially exceeding projections that resulted in the accumulation of surplus funds over multiple years. While states continue to spend down a portion of those surplus funds held in their general fund balances, largely for one-time purposes and in line with standard budget practices, ending balances remain elevated compared to historical norms and rainy day fund balances are at near-all-time highs.

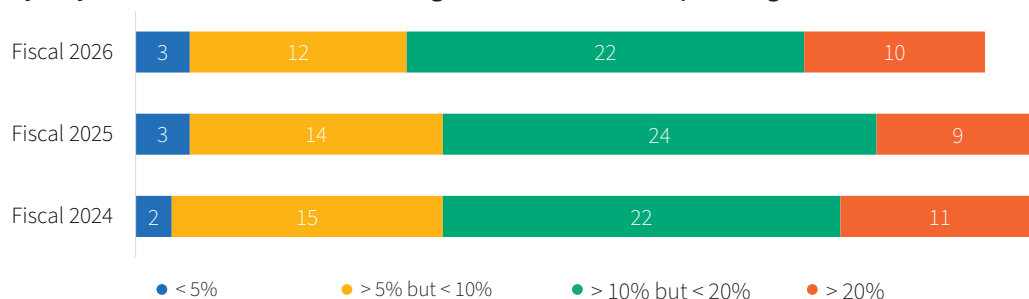
## Most States Plan to Maintain or Add to Rainy Day Funds in Enacted Budgets

Rainy day fund balances totaled \$183 billion at the end of fiscal 2024, more than double their aggregate level in fiscal 2019 and matching the all-time high in nominal dollars reached the year before. Rainy day fund levels in the aggregate declined slightly in fiscal 2025, based on preliminary actual figures. However, the majority of states are expecting to maintain or further grow their rainy day funds in each of those years, at least in nominal dollars. In fiscal 2025, 33 states reported increases to their rainy day funds, 14 states recorded decreases, and three states reported no change. In fiscal 2026 enacted budgets, 31 states are projecting further increases to their rainy day fund balances, six states are projecting declines, and nine states reported no change to their reserve levels in nominal dollars.

Among the states that recorded decreases to their rainy day fund balances in fiscal 2025 and/or are projecting declines for fiscal 2026, several indicated rainy day fund withdrawals as a strategy to help manage their budgets in this survey. However, in other instances, the projected reductions in reserve balances may be attributable to other factors, including policymaker decisions to direct a portion

**FIGURE 15.**

**Rainy Day Fund Balance as a Percentage of General Fund Spending (Number of States)**



*Fiscal 2025 is preliminary actual; fiscal 2026 is projected based on states' enacted budgets. Three states (Georgia, Pennsylvania, and Wisconsin) were not able to report on rainy day fund balance projections for fiscal 2026.*

## Rainy Day Funds in U.S. Territories and District of Columbia

When including three reporting U.S. territories (Guam, Puerto Rico, and the U.S. Virgin Islands) and the District of Columbia, rainy day fund balances totaled \$184.7 billion in fiscal 2024 and \$176.5 billion in fiscal 2025, and is projected to total \$165.0 billion in fiscal 2026.

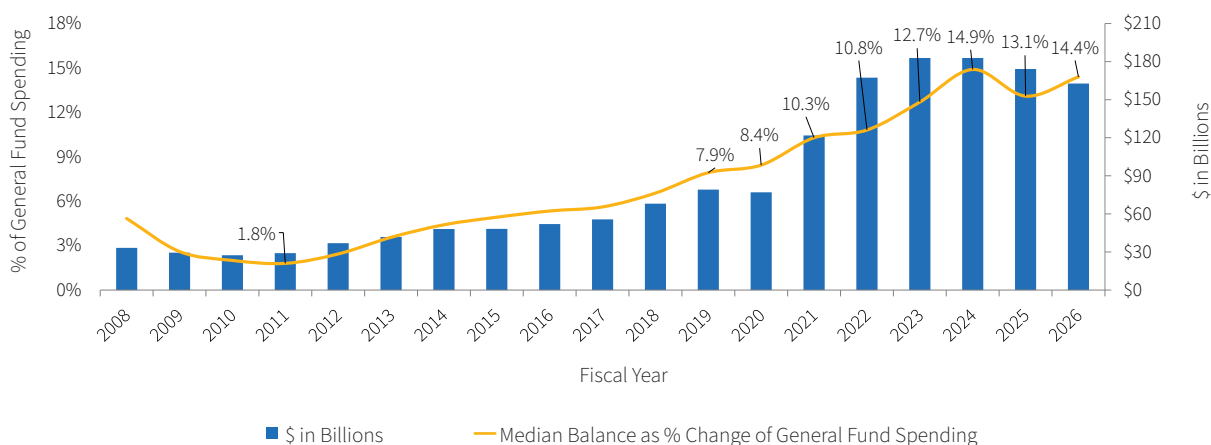
of the rainy day fund to one-time uses, the inclusion of temporary reserves in prior-year figures, and adjustments to comply with legal maximum limits.

As a percentage of general fund spending, 32 states are expecting to maintain a rainy day fund balance exceeding 10 percent of their general fund expenditures in fiscal 2026, with 10 states projecting a balance of greater than 20 percent as a share of general fund spending. (See **Figure 15**)

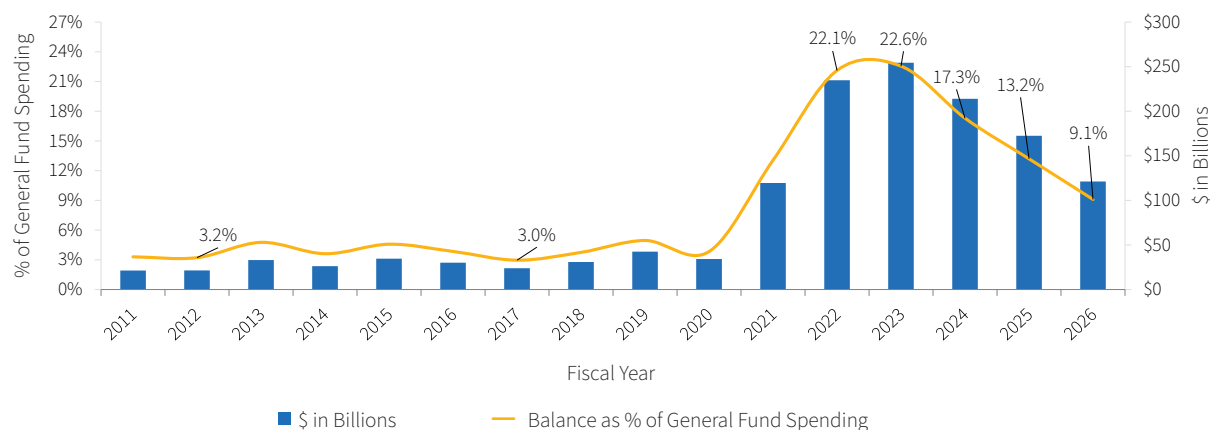
Despite the number of states increasing their reserve balances, the median rainy day fund balance as a percentage of general fund expenditures declined in fiscal 2025 for the first time since the Great Recession, dropping from an all-time high of 14.9 percent in fiscal 2024 to 13.1 percent in fiscal 2025 based on preliminary actual data. Even while most states reported increased rainy day fund balances measured in nominal dollars, a slight majority of states recorded declines in their balance as a percentage of general fund spending due to increases in spending for fiscal 2025. In other words, the decline in the median rainy day fund balance in fiscal 2025 is the result of expenditures growing faster than reserve balances for the average state. Since spending in fiscal 2025 was still affected by one-time expenditures, the median rainy day fund balance would be greater as a percentage of ongoing expenditures. Based on enacted budgets for fiscal 2026, the median rainy day fund balance as a

**FIGURE 16.**

### Rainy Day Fund Balances in Dollars and Median Balance as a Percentage of General Fund Expenditures



*Fiscal 2025 are preliminary actual figures and fiscal 2026 are enacted figures. Total dollar amount for fiscal 2026 is 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 enacted rainy day fund balance projections for that year.*

**FIGURE 17.****General Fund Ending Balances in Dollars and as a Percentage of General Fund Expenditures**

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 preliminary actual figures and fiscal 2026 are enacted figures.

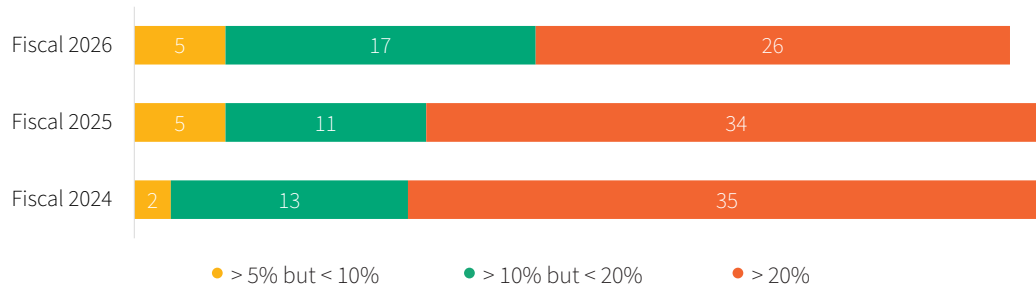
percentage of spending is expected to tick back up to 14.4 percent. Additionally, it should be noted states vary in their methodologies for projecting future rainy day fund balances. (See **Figure 16**)

## General Fund Balances Continue to Decline but Remain Elevated

States' general fund ending balances swelled in recent years due to several consecutive years of budget surpluses that mainly resulted from revenues exceeding original forecasts. If the rainy day fund is a state's "savings account," the general fund balance may be viewed as more analogous to a "checking account." General fund ending balances typically have fewer restrictions on how and when they may be used and are expected to fluctuate more year-to-year compared with states' rainy day fund balances. From fiscal 2020 to fiscal 2023, states accumulated unanticipated revenue surplus funds totaling \$416 billion during that period. Much of those funds accumulated in states' ending balances, causing those balances to increase from \$43 billion in fiscal 2019 to an amount nearly six times that level of \$254 billion by the end of fiscal 2023. States holding this amount of funds in their general fund ending balances is extraordinary by historical standards. (See **Figure 17**)

In line with routine budgeting practices, states have spent down a portion of these surplus funds largely on one-time investments, rainy day fund deposits, and transfers to other funds for specific purposes. As a result, general fund ending balances declined from their all-time high of \$254 billion in fiscal 2023 to \$214 billion in fiscal 2024 and \$173 billion in fiscal 2025. They are expected to decrease further in fiscal 2026 based on enacted budgets. This dynamic is the main driver behind the recent declines states have recorded in total balances (the sum of states' general fund ending balances and rainy day fund balances). Despite these declines, the vast majority of states still hold total balances representing 10 percent or more as a percentage of general fund expenditures. (See **Figure 18**)

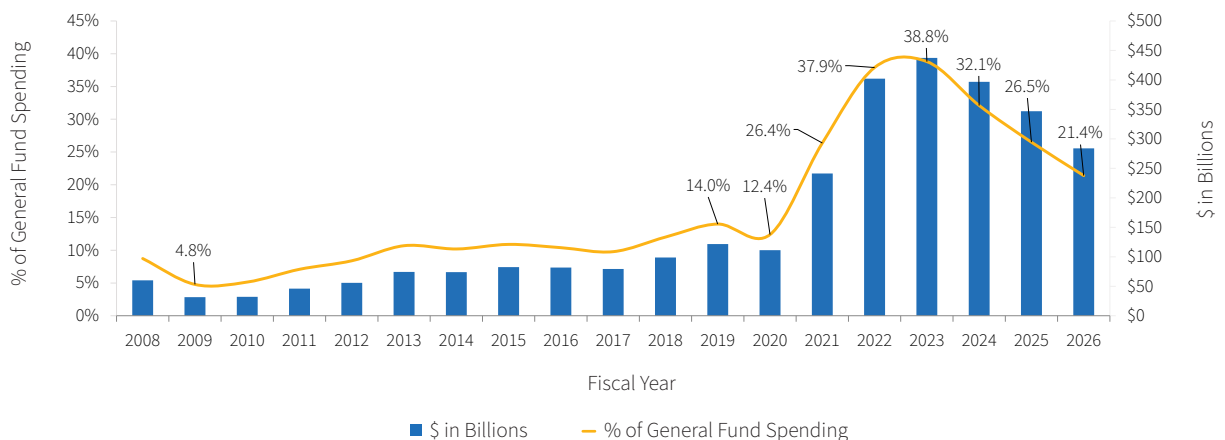
For some states, the rainy day fund balance is a discrete account within the general fund and therefore shows up in a state's reported general fund ending balance in the Fiscal Survey. This is accounted for

**FIGURE 18.****Total Balance as a Percentage of General Fund Spending (Number of States)**

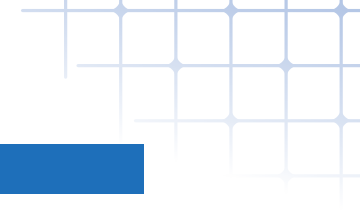
*Fiscal 2025 is preliminary actual; fiscal 2026 is projected based on states' enacted budgets. Two states (Pennsylvania and Wisconsin) were not able to report complete balance projections for fiscal 2026.*

in NASBO's calculations of total balances to avoid double counting; ending balance amounts cited have also been adjusted to exclude rainy day funds held within states' general funds. Total balances have declined from their peak level in fiscal 2023 but remain significantly elevated compared to the pre-COVID landscape, reported at 26.5 percent as a percentage of general fund expenditures in fiscal 2025 and projected at 21.4 percent in fiscal 2026 enacted budgets. (See **Figure 19**)

It is also worth noting that "total balances" only include rainy day funds and general fund ending balances. States hold additional balances in a range of other special purpose funds not included in these figures. In fact, a number of states directed one-time surplus funds in recent years to special purpose funds (for example, a capital projects fund or environmental/conservation fund). Those transfers may or may not show up in their expenditure figures depending on states' Fiscal Survey reporting practices.

**FIGURE 19.****Total Balances in Dollars and as a Percentage of General Fund Expenditures**

*Fiscal 2025 are preliminary actual figures and fiscal 2026 are enacted figures. Total dollar amount for fiscal 2026 is adjusted to allow for year-over-year comparisons by including most recent balance figures available for states that were unable to report complete balance projections for that year.*



## BUDGET OUTLOOK

The data collected in this survey show overall fiscal conditions in states and territories were stable in fiscal 2025. Revenue collections exceeded enacted revenue forecasts in most states in fiscal 2025, and many states in turn approved mid-year spending increases beyond original appropriations. Meanwhile, only two states reported mid-year budget cuts in fiscal 2025 attributable to a revenue shortfall. Additionally, most states maintained or further increased their rainy day fund balances, which ended the year at or near all-time high levels.

For fiscal 2026 and beyond, the survey indicates a tightening budget environment. Revenue performance compared to forecasts so far in fiscal 2026 has been mixed and an increasing number of states reported using strategies such as targeted cuts and eliminating vacant positions and/or hiring freezes to control spending and manage their enacted budgets for fiscal 2026. For many states, ongoing general fund spending demands exceed forecasted revenue growth, especially in the out-years. Budget pressures include (but are not limited to) medical inflation, housing, natural disasters, the impacts of school choice, and decreasing federal funds.

As this report releases, most states are preparing governors' budget recommendations for fiscal 2027 (and fiscal 2028 for three states that budget on a biennial basis). During this process, states and territories are having to manage expectations with limited new money available to support new initiatives, an uncertain economic outlook, and significant changes in the federal-state fiscal relationship. Most of the major expenditure impacts of the One Big Beautiful Bill Act (OBBBA), passed in July 2025, will begin in fiscal 2027 and phase in over the next decade. However, the revenue provisions will reduce growth in tax collections – substantially in some states – for those that conform to the changes beginning immediately in fiscal 2026.

Given these factors, states and territories can be expected to exercise caution as they develop their spending plans for the next budget cycle by limiting new ongoing commitments, adjusting their budgets and seeking cost savings to align spending with expected revenue growth, and maintaining reserve levels to guard against uncertainty.

## ENDNOTES

<sup>1</sup> Enacted general fund amounts for fiscal 2026 were not available as Pennsylvania had not enacted a budget when data for this report were collected. (Pennsylvania has since enacted a budget for fiscal 2026 on November 12, 2025.) To allow for year-over-year comparisons, the aggregate general fund spending and revenue amounts cited in this report were calculated using fiscal 2026 enacted figures for 49 states plus Pennsylvania’s proposed budget amounts for fiscal 2026 as reported in the *Spring 2025 Fiscal Survey*.

<sup>2</sup> For more discussion on surplus funds, see NASBO, “The Impact of Surplus Funds on State Budget Budgets in Recent Years” (March 11, 2025), available at <https://budgetblog.nasbo.org/budgetblogs/blogs/kathryn-white/2025/03/11/impact-of-surplus-budget-in-recent-years>.

<sup>3</sup> For more discussion on interpreting state budget gaps, see NASBO, “Understanding State Budget Gaps” (November 14, 2025), available at <https://budgetblog.nasbo.org/blogs/kathryn-white/2025/11/14/understanding-state-budget-gaps>

<sup>4</sup> For more discussion on revenue performance in fiscal 2025, see NASBO, “Despite Slow Growth, FY25 Revenue Mostly Exceeded Forecasts” (August 5, 2025), available at <https://budgetblog.nasbo.org/budgetblogs/blogs/brian-sigritz/2025/08/05/despite-slow-growth-fy25-revenue-mostly-exceeds-fo>.