



Fiscal Survey of States

Governors' Proposed Budgets for Fiscal 2027

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

Spring 2026

THE NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

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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, governors in three states proposed two-year budgets covering fiscal 2027 and fiscal 2028 for consideration during 2026 legislative sessions. One state (Virginia) was unable to provide information for fiscal 2027 at the time this report was going to print.

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 February through April 2026. The surveys were completed by executive budget officers in 50 states, multiple territories, and DC.

Generally, fiscal 2025 data represent actual figures, fiscal 2026 data are estimated figures, and fiscal 2027 data reflect recommended budgets. Unless otherwise noted, all percentage calculations reported in this survey are in nominal terms and not adjusted for inflation.

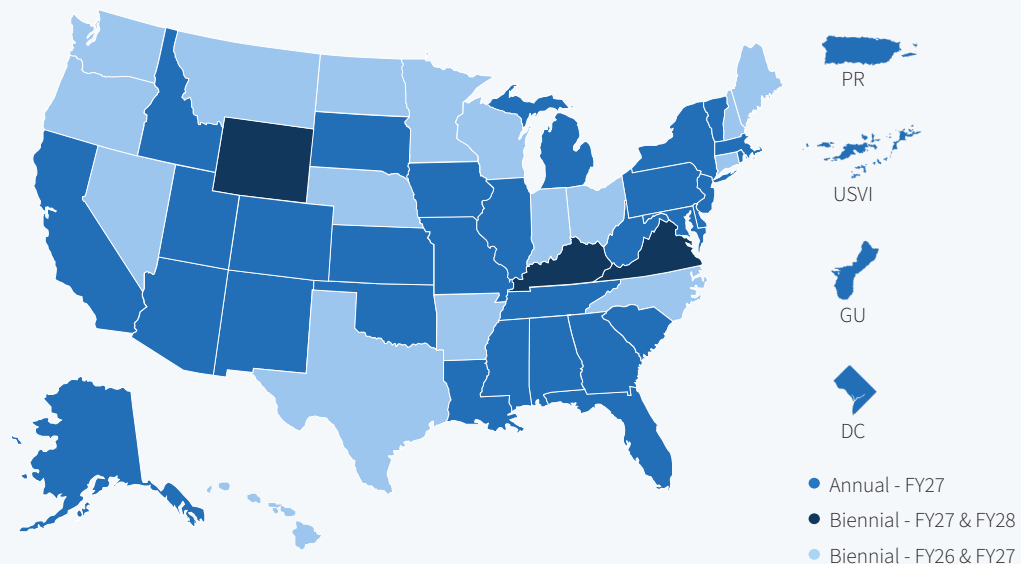
INTRODUCTION

Recommended budgets for fiscal 2027 indicate conditions remain constrained as states and territories contend with slow revenue growth, less surplus funds, federal policy changes, and ongoing spending pressures.

This edition of the *Fiscal Survey of States* generally reflects actual fiscal 2025, estimated fiscal 2026, and recommended fiscal 2027 figures for all 50 states, three territories, and the District of Columbia. Note, for some biennial budget states, fiscal 2027 figures may reflect enacted amounts, but they are included in aggregate figures characterized as recommended. 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 recommended changes to general fund revenue sources and state employee compensation. The data were collected in February through April 2026. All data are reported in nominal terms (not adjusted for inflation) unless otherwise specified.

Annual vs. Biennial Budgeting

While this survey analyzes state budgets by fiscal year, 19 states budget on a biennial (two-year) basis, and one state uses a hybrid approach. Three biennial states will enter a new biennium covering fiscal 2027 and fiscal 2028. For states entering the second year of their biennium in fiscal 2027, the state may have reported on the originally enacted budget for fiscal 2027 (with or without proposed gubernatorial revisions) or on a revised enacted budget incorporating mid-biennium adjustments or supplemental appropriations.



KEY FINDINGS



General fund spending growth is essentially flat in recommended budgets for fiscal 2027, reflecting fewer one-time expenditures from surplus funds and limited recurring spending increases.



Estimated data show general fund spending for fiscal 2026 came in higher than originally budgeted, driven in part by supplemental appropriations and one-time investments.



In recommended budgets for fiscal 2027, strategies such as targeted spending cuts, eliminating vacant positions, revenue increases and other measures were commonly used, signaling a constrained budget environment.



Modest growth in general fund revenue is projected to continue in fiscal 2027 for a fifth consecutive year, following the two fastest growing years on record in fiscal 2021 and fiscal 2022.



General fund revenue collections for fiscal 2026 are on track to exceed original estimates in most states, particularly driven by stronger-than-expected personal income tax collections.



Governors recommended a mix of tax increases and decreases in fiscal 2027, which collectively would have an estimated near-zero net impact on general fund revenue.



Most states are on track to increase or maintain the size of their rainy day funds in fiscal 2026, as measured in nominal dollars, and expect to do so again in fiscal 2027 according to recommended budgets.



General fund ending balances are expected to resume their decline in fiscal 2026 and fiscal 2027 – after plateauing in fiscal 2025 – but are still projected to remain elevated compared to historical levels.

GENERAL FUND SPENDING

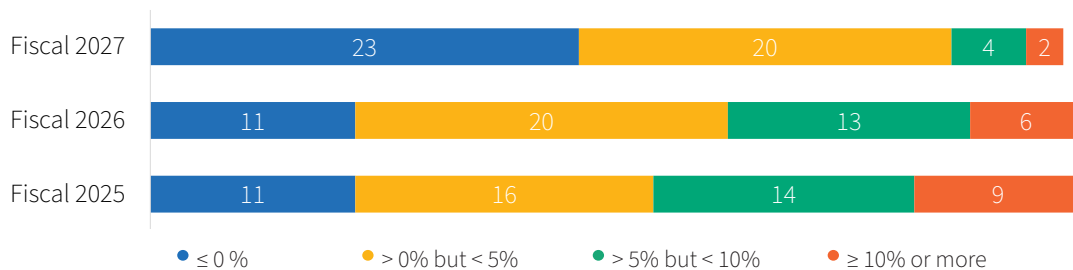
General fund spending is on track to come in above originally budgeted levels for fiscal 2026 but is projected to slow in fiscal 2027, as states plan for continued modest revenue growth and focus on structural balance. While states have fewer surplus funds available for new one-time investments, annual growth rates continue to be affected by fluctuations driven by one-time expenditures of prior-year surpluses.

Spending Growth Flattens in Recommended Budgets for Fiscal 2027

According to recommended budgets, state general fund spending in fiscal 2027 is expected to decrease in the aggregate. Proposed general fund spending totals \$1.36 trillion in fiscal 2027.¹ This would represent a 1.4 percent annual decrease compared to estimated fiscal 2026 levels. The annual decline is driven in part by significant one-time fluctuations in one large state; thus, the median annual change is likely more indicative of overall state spending trends. On a median basis, general fund spending is projected to be essentially flat, with a growth rate of 0.6 percent. Twenty-three states are forecasting general fund spending to decline or stay flat in fiscal 2027, while 20 states are expecting positive growth of less than 5 percent, four states expect growth between 5 and 10 percent, and two states are forecasting growth greater than 10 percent. (See **Figure 1**)

FIGURE 1.

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



Fiscal 2025 reflects changes from fiscal 2024 (actual) to fiscal 2025 (actual). Fiscal 2026 reflects changes from fiscal 2025 (actual) to fiscal 2026 (estimated). Fiscal 2027 reflects changes from fiscal 2026 (estimated) to fiscal 2027 (recommended). One state (Virginia) was not able to report on projected spending level for fiscal 2027.

General Fund Spending for Fiscal 2026 Higher Than Original Budgets

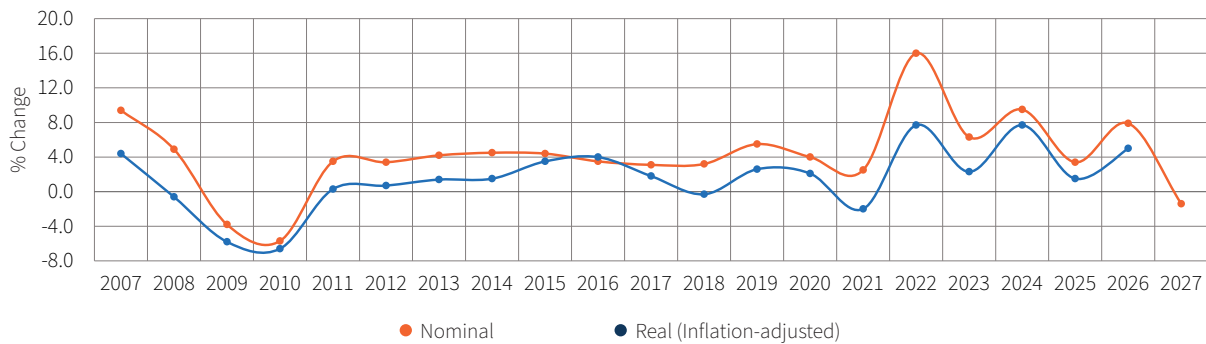
According to estimated data, state general fund spending is on track to grow 7.9 percent in fiscal 2026 on an annual basis, without adjusting for inflation. After adjusting for inflation, general fund spending is estimated to grow 5.0 percent in fiscal 2026. Several large states are estimating spending growth in fiscal 2026 significantly exceeding the national average, driven in part by one-time investments

of surplus funds, which have an outsized impact on the aggregate growth rate of general fund expenditures. On a median (nominal) basis, general fund spending is on track to see a more moderate increase of 4.0 percent. (See **Figure 2**)

General fund expenditures in fiscal 2026 are on track to exceed original appropriation levels when states first adopted their budgets. Estimated expenditures reported in this survey total \$1.38 trillion for fiscal 2026. This represents a \$51 billion (3.9 percent) increase compared to states’ originally enacted budgets for fiscal 2026, as reported on in NASBO’s *Fall 2025 Fiscal Survey*. The increase in estimated spending compared to original budgets is driven in part by supplemental appropriations. A later section of this report provides more details on mid-year spending actions for fiscal 2026.

FIGURE 2.

Annual Percentage Change in Total General Fund Spending, Fiscal 2007 To Fiscal 2027



Fiscal 2026 is estimated; fiscal 2027 is projected based on governors’ recommended 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

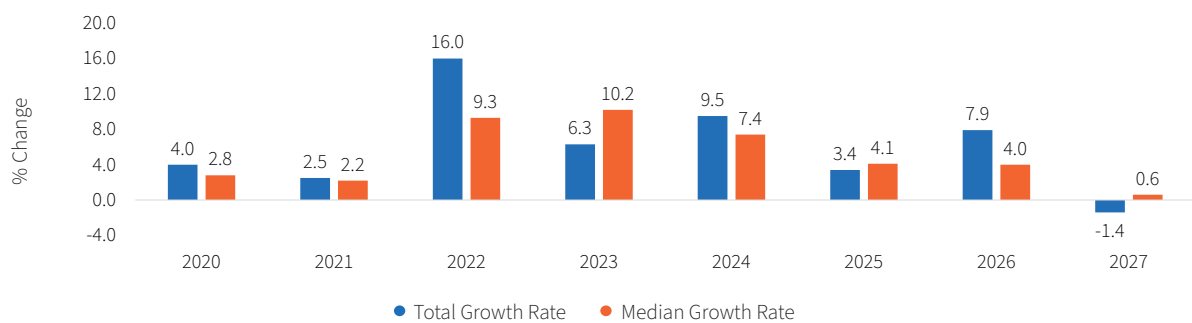
This report captures only state general fund spending. General fund spending represents the primary component of expenditures from revenue derived from taxes and other resources which have not been earmarked to other funds. According to the most recent edition of NASBO’s State Expenditure Report, general fund spending comprised 37.9 percent of total state spending in fiscal 2025, while federal funds made up 33.5 percent, other state funds made up 27.2 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	20%	30.7%
K-12 Education	33.9%	18.2%
Higher Education	9.4%	8.8%
Transportation	1.4%	7.8%
Corrections	5.6%	2.5%
All Other	29.8%	31.9%

Expenditures likely came in higher than budgeted due to the impacts of surplus funds. Some states are spending down prior-year and current-year surplus funds in fiscal 2026 that were not anticipated when original budgets were adopted. To help illustrate this, when states reported on their enacted budgets for fiscal 2026 in the Fall 2025 survey, beginning balances for that year were projected at \$221 billion. In this survey, those beginning balances were reported as significantly higher at \$278 billion, thanks to revenues coming in higher and spending coming in lower than expectations for fiscal 2025. Another possible factor driving the increase compared to original appropriations is that some states may be incurring expenditures for multi-year projects that may have been budgeted for upfront in a prior year but are showing up as estimated expenditures in the year they were used.²

FIGURE 3.

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



Fiscal 2026 is estimated; fiscal 2027 is projected based on governors' recommended budgets. Growth rates shown are in nominal terms.

General Fund Spending Saw Moderate Growth in Fiscal 2025

General fund expenditures in fiscal 2025 totaled \$1.28 trillion, 3.4 percent above spending levels in fiscal 2024, the slowest actual annual growth rate recorded since fiscal 2021. Spending growth in fiscal 2022, fiscal 2023, fiscal 2024 and fiscal 2025 was affected by an uptick in one-time investments and fluctuations, 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 4.1 percent in fiscal 2025, following median increases of 9.3 percent in fiscal 2022, 10.2 percent in fiscal 2023, and 7.4 percent in fiscal 2024. (See **Figure 3**)

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

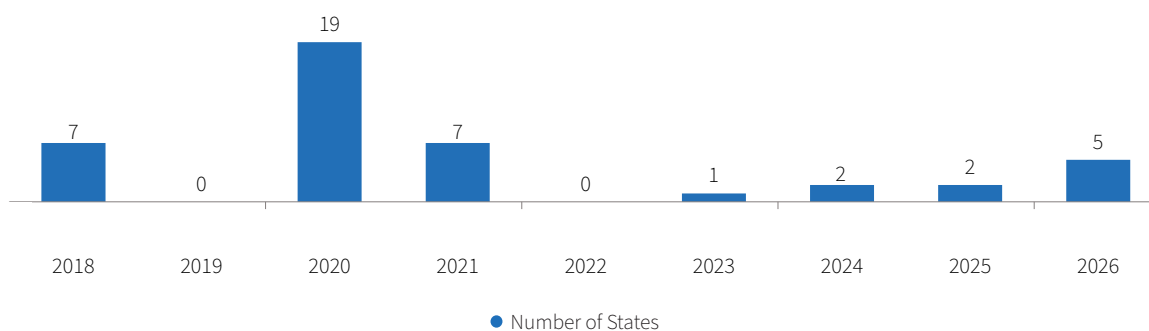
When including three reporting U.S. territories (Guam, Puerto Rico, and the U.S. Virgin Islands) and the District of Columbia, general fund spending totaled \$1.30 trillion in fiscal 2025, is estimated to total \$1.41 trillion in fiscal 2026, and is projected to total \$1.39 trillion in fiscal 2027 recommended budgets.

Mid-Year Budget Actions Lead to Higher Spending in Fiscal 2026

States reported on mid-year spending actions recommended or approved for fiscal 2026. 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 totaling \$20.3 billion, while six states reported net decreases totaling \$0.7 billion and one state reported reductions without specifying an amount. On net, states' mid-year spending actions are estimated to increase general fund expenditures by \$19.5 billion, accounting for roughly two-fifths of the net increase in estimated spending compared to original budgets for fiscal 2026. Among the seven states that reported net reductions in general fund spending, five states attributed the cuts to a revenue shortfall in fiscal 2026. While this is still a relatively small number, this is the largest number of states reporting cuts due to a shortfall since fiscal 2021. (See **Figure 4**)

FIGURE 4.

Number of States Making Budget Cuts After The Budget Passed Due to a Revenue Shortfall



Fiscal 2026 is ongoing, includes proposed actions, and is subject to change.

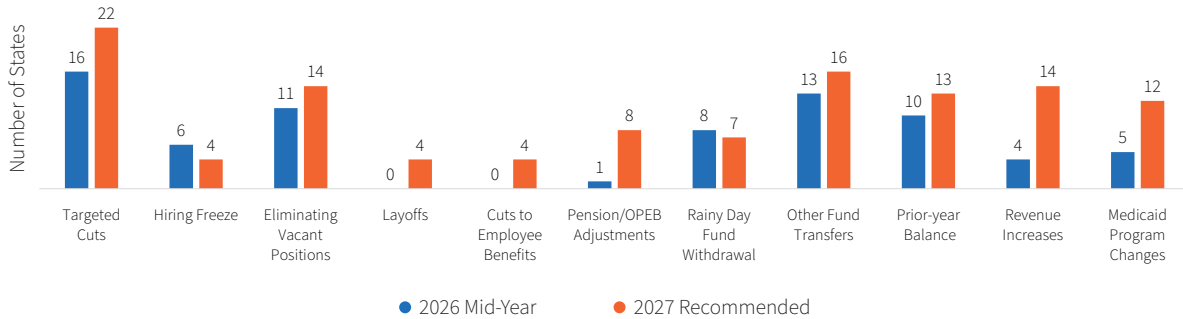
Spending Cuts and Personnel Actions Continue in Fiscal 2027

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. Similar to states' enacted budgets for fiscal 2026, governors' recommended budgets for fiscal 2027 indicate that the use of these budget management strategies is on the rise. Twenty-two states reported using targeted spending cuts in their proposed budgets for fiscal 2027, while three of those states also employed across-the-board cuts. Fourteen states reported eliminating vacant positions, four states reported hiring freezes, and eight states made pension/OPEB adjustments. Additionally, layoffs and cuts to employee benefits were each reported by four states. Fourteen states reported revenue increases were used in their budget proposals for fiscal 2027, while 12 states recommended changes to their Medicaid programs. One-time measures such as fund transfers (16 states), prior-year fund balances (13 states), and rainy day fund withdrawals (7 states) were also commonly used.

States also reported in this survey on strategies used during the course of fiscal 2026, including targeted cuts (16 states), vacancy eliminations (11 states), hiring freezes (6 states), Medicaid program changes (5 states), and revenue increases (4 states). Additionally, states reported mid-year actions such as fund transfers (13 states), prior-year fund balances (10 states), and rainy day fund withdrawals (8 states). (See **Figure 5**)

FIGURE 5.

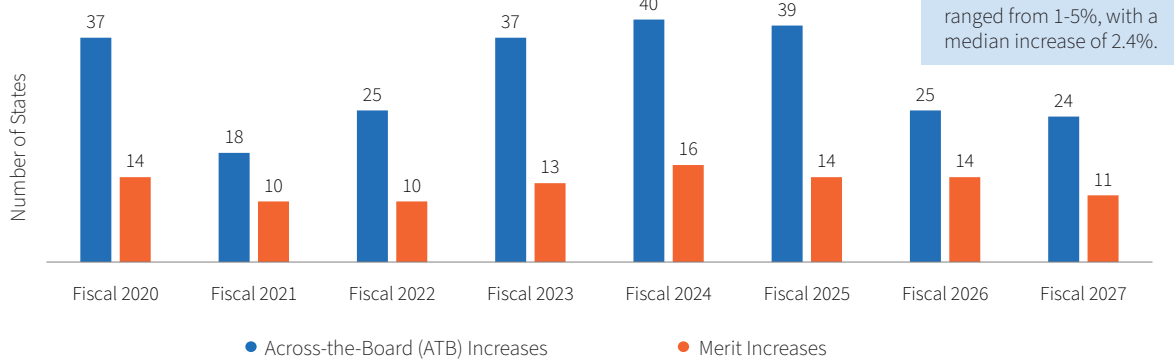
State Budget Management Strategies, Fiscal 2026 Mid-Year and Fiscal 2027 Recommended



Data shown reflect how states reported in this survey edition on strategies used in the middle of fiscal 2026 and proposed in recommended budgets for fiscal 2027.

State Employee Pay Increases Recommended for Fiscal 2027

States also reported on recommended employee compensation changes for fiscal 2027 in this survey. Twenty-four states reported across-the-board (ATB) increases proposed for fiscal 2027, similar to the 21 states that reported recommended ATB increases for fiscal 2026 in NASBO’s Spring 2025 Fiscal Survey. Among the states recommending across-the-board increases, the median increase for fiscal 2027 is 2.4 percent, a bit lower than the 3.0 percent median increase proposed this time last year and closer to the 2.8 percent median increase enacted last year for fiscal 2026. Compared to fiscal 2023-2025, the lower number of states calling for pay increases in their budgets for fiscal 2026 and fiscal 2027 is likely driven by several factors, including tighter budget conditions, slowing inflation, and more slack in the labor market. In addition, 11 states recommended merit increases in fiscal 2027, 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 be noted in some states pay increases are largely driven by collective bargaining agreements; also, not all governors make recommendations on employee pay in their budgets. (See **Figure 6**)

FIGURE 6.**State Employee Compensation Changes by Year**

Fiscal 2027 figures are based on governors' recommended budgets while figures for fiscal 2020-2026 are based on enacted/adopted compensation packages; not all governors make recommendations on employee pay in their budgets.

Projected Budget Gaps Increase in the Out-Years

Eight states reported closing general fund budget gaps in fiscal 2026 totaling \$3.0 billion and one additional state closed a gap of an unspecified amount, while two states report having \$308 million in gaps still to close for the current fiscal year. For fiscal 2027, 13 states reported projected budget gaps totaling \$26.3 billion before incorporating their governors' balanced budget recommendations. Among states that reported through fiscal 2028, eight states are forecasting budget gaps totaling \$53.4 billion while three additional states reported projected 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.³

GENERAL FUND REVENUE

Governors recommend their general fund budgets based on revenue projections. Since states are required to balance their budgets, spending levels are proposed and adjusted according to how much revenue states expect to collect as well as total resources projected to be available. State general fund revenues are expected to see modest growth in fiscal 2027 based on forecasts used in governors' budgets, with tax collections from sales, personal income and corporate income each projected to see annual growth between 2.5 and 4.0 percent. For fiscal 2026, current revenue estimates are up compared to original forecasts for most states, after states recorded moderate growth in their general fund revenues in fiscal 2025.

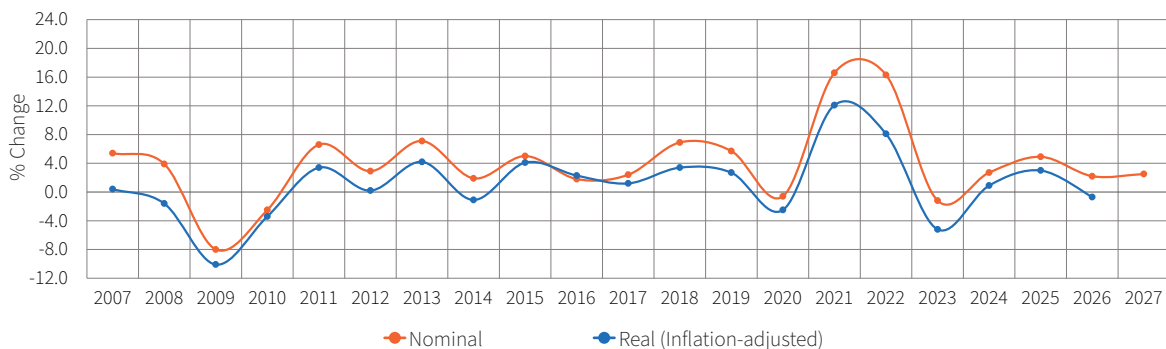
Slow Growth in General Fund Revenue Expected to Continue

After the two fastest growing years on record for general fund revenue in fiscal 2021 and fiscal 2022, revenue growth has been more 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 estimated for fiscal 2026 is even smaller, at 0.5 percent, and revenue is projected to increase on a median basis by 2.5 percent in fiscal 2027 based on governors' proposed budgets. 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 and conformity to federal tax reductions. For more discussion, see the section on revenue trends by tax source below.

In the aggregate, general fund revenue in fiscal 2027 is projected to total \$1.32 trillion, 2.5 percent above current estimates for fiscal 2026. In fiscal 2026, general fund revenue is on track to grow 2.2 percent on a nominal basis and decline 0.7 percent on a real basis, adjusting for inflation, compared to actual collections for fiscal 2025. This follows annual growth of 4.9 percent in fiscal 2025 on a nominal basis or 3.0 percent adjusted for inflation. Despite a net decline in aggregate revenue in fiscal 2023

FIGURE 7.

Annual Percentage Change in General Fund Revenue, Fiscal 2007 To Fiscal 2027



Fiscal 2026 is estimated; fiscal 2027 is projected based on governors' proposed 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.

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 \$1.29 trillion in fiscal 2025, is estimated to total \$1.32 trillion in fiscal 2026, and is projected to total \$1.35 trillion in fiscal 2027 recommended budgets.

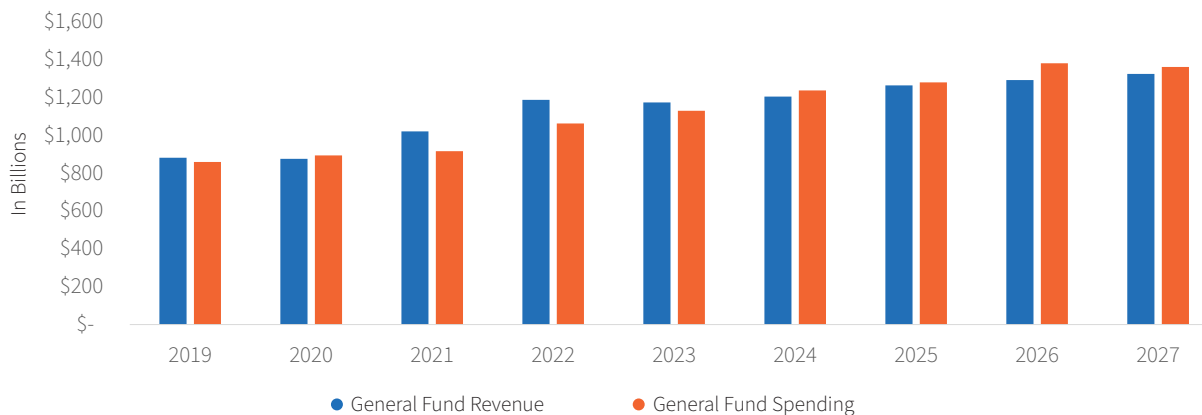
and modest revenue growth in each year since, general fund revenue in fiscal 2027 is still estimated to exceed fiscal 2019 levels by 50 percent (without adjusting for inflation). This speaks to the rapid growth state revenues experienced in fiscal 2021 and fiscal 2022, driven by employment growth, high consumer demand, high inflation, the economic impacts of federal stimulus, and strong stock market gains. (See **Figure 7**)

Total available resources in fiscal 2027 are projected at \$1.54 trillion, inclusive of annual revenue, transfers, other revenue adjustments, and beginning general fund balances. 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 2027 recommended budgets, as they have for the past several years. (See **Figure 8**)

Overall, 33 states are forecasting positive revenue growth on a nominal basis in fiscal 2027 of less than 5 percent in the forecasts used in governors' budgets. Meanwhile, five states are forecasting growth between 5 and 10 percent and two states are forecasting growth greater than 10 percent. Nine states are forecasting year-over-year revenue declines or no change in fiscal 2027. Variation in annual growth rates across states can be attributed to a range of factors, including differences across states in tax 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**)

FIGURE 8.

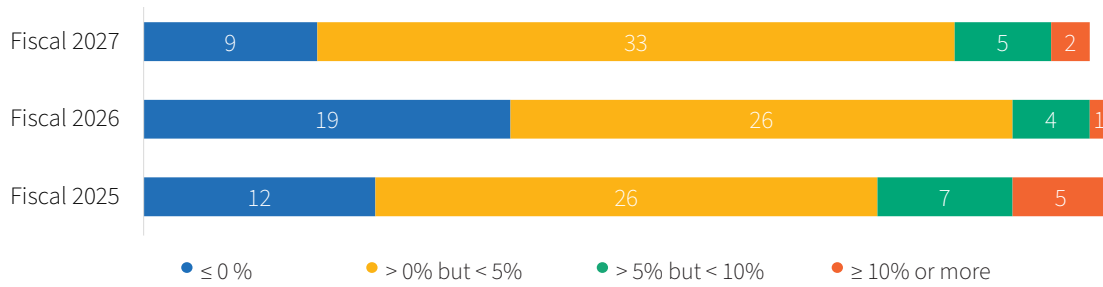
Annual General Fund Revenue, Fiscal 2019 to Fiscal 2027



Fiscal 2026 reflects current estimates. Fiscal 2027 reflects projections based on governors' recommended budgets.

FIGURE 9.

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



Fiscal 2025 reflects changes from fiscal 2024 (actual) to fiscal 2025 (actual). Fiscal 2026 reflects changes from fiscal 2025 (actual) to fiscal 2026 (estimated). Fiscal 2027 reflects changes from fiscal 2026 (estimated) to fiscal 2027 (recommended). One state (Virginia) was not able to report on revenue projection for fiscal 2027.

Revenue Trends by Source: Major Tax Types Projected to Grow Modestly in Fiscal 2027

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 governors’ recommended budgets, general fund revenues in fiscal 2027 are projected to increase 2.6 percent from sales and use taxes, 3.7 percent from personal income taxes, and 3.7 percent from corporate income taxes compared to fiscal 2026 current estimates. General fund revenues from all other sources are expected to decrease 0.6 percent on an annual basis, compared to current estimates for fiscal 2026.

Ten states reported on more current revenue projections for fiscal 2027 than those used in recommended budgets (or enacted budgets for some biennial states), which are tracking closely with

FIGURE 10.

Composition of General Fund Revenue By Source, Fiscal 2027

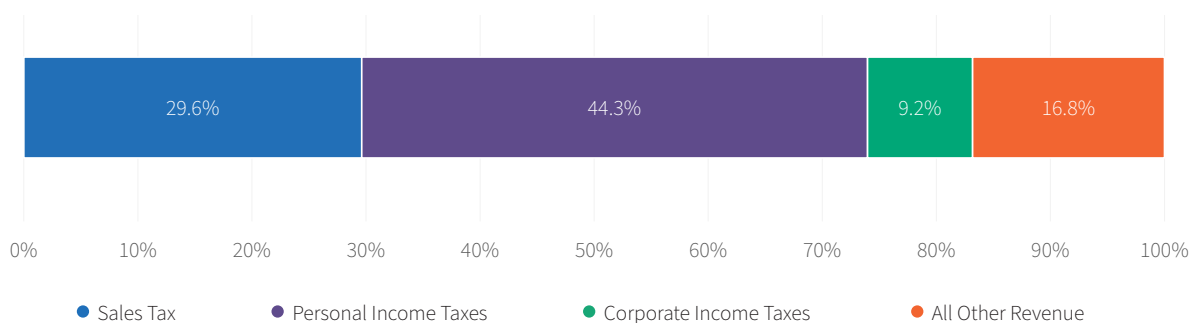
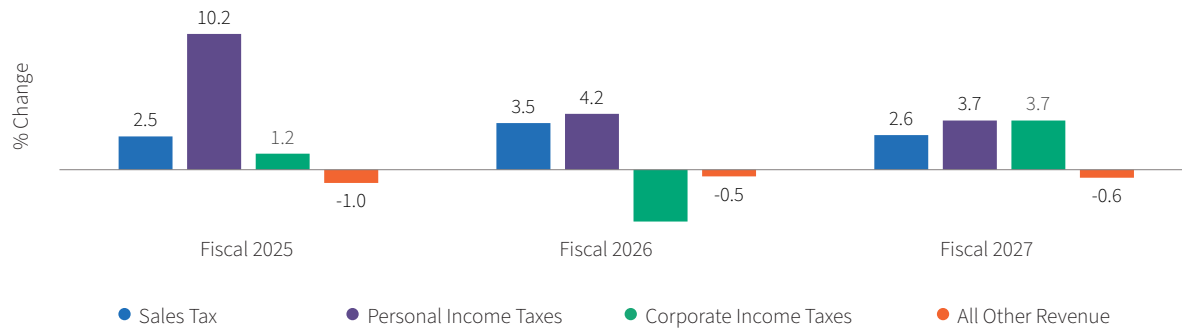


FIGURE 11.

Annual Percentage Change by General Fund Revenue Type



Fiscal 2024 reflects changes from fiscal 2023 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).

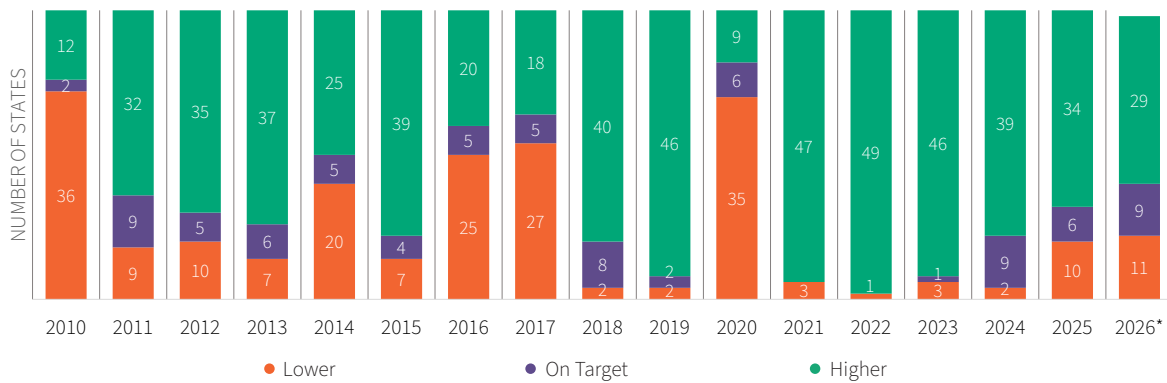
original estimates on net. Among the states reporting updated estimates for fiscal 2027, sales and use tax estimates were revised down 0.2 percent, personal income tax estimates were revised up 0.2 percent, and corporate income tax estimates were revised down 4.7 percent, while all other revenue estimates were up 1.5 percent.

Based on data reported in this survey, sales and use taxes grew 2.5 percent in fiscal 2025 and are on track to grow 3.5 percent in fiscal 2026, in line with modest consumption growth. Personal income tax collections saw robust growth in the aggregate in fiscal 2025, increasing 10.2 percent on an annual basis, and are on track for more moderate growth of 4.2 percent in fiscal 2026. Personal income tax collections continue to be supported by a solid labor market and resilient economy. In fiscal 2025, personal income taxes were also aided by a strong stock market performance in calendar year 2024 and the impact of inflation on wages, while a more mixed stock market performance, economic uncertainty, and the effects of enacted tax cuts in some states may have reduced estimated personal income tax revenues for fiscal 2026. For some states, conformity to certain provisions in the *One Big Beautiful Bill Act* (OBBBA) also put downward pressure on personal income taxes by reducing the base in fiscal 2026. Total corporate income tax revenues, which tend to be a more volatile revenue source, increased 1.2 percent in fiscal 2025 and are estimated to decrease 4.4 percent in fiscal 2026. The estimated decline in fiscal 2026 can be attributable to several factors, including weaker corporate profits, the impacts of recently enacted tax policy changes in some states, and the effects of provisions in OBBBA to which states automatically or selectively conformed. (See **Figure 11**)

All other revenues, which as noted above consist of myriad sources that vary by state, decreased 1.0 percent in fiscal 2025 and are estimated to decline another 0.5 percent in fiscal 2026. 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)



*Fiscal 2026 is ongoing and data are subject to change.

Fiscal 2026 Revenues Meeting or Exceeding Forecasts in Most States

Twenty-nine states reported general fund revenue collections at the time of data collection were coming in higher than original estimates used in enacted budgets for fiscal 2026, which for most states will end on June 30, 2026. Meanwhile, nine states reported collections were on target and 11 states said collections were coming in lower than original estimates. For the states that reported receipts coming in lower than original estimates, this can be attributed in part to the revenue impacts of conforming to OBBBA tax cuts and recently enacted state tax cuts, among other factors. Most states reported based on collections data as of February or March 2026; therefore, data in this survey do not generally reflect tax collections in April, an important month for income tax receipts given the April 15 filing deadline. According to states' own monthly revenue reports, personal income tax receipts (particularly from non-withholding sources) posted solid gains in April, while sales tax growth remained steady and corporate income tax collections were more volatile.⁴ (See **Figure 12**)

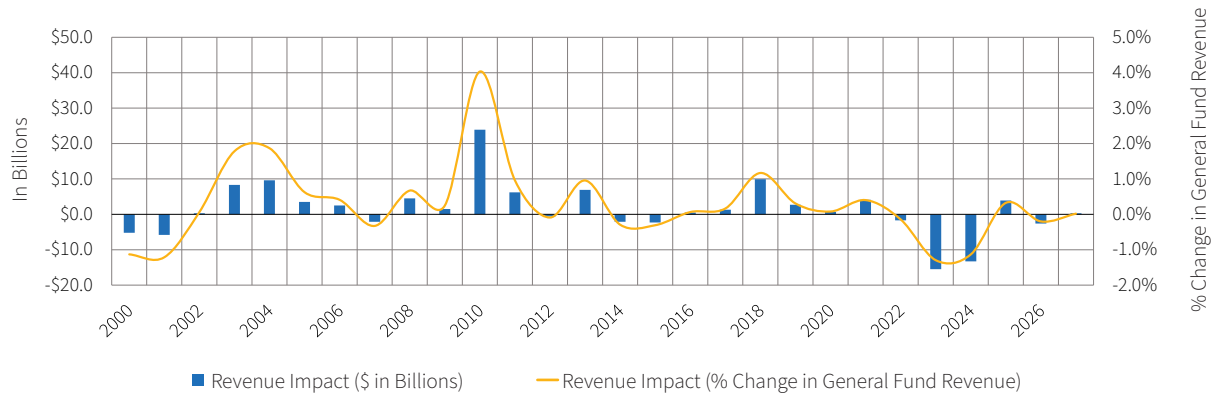
Based on states' most recent forecasts, current revenue estimates for fiscal 2026 (at the time of data collection) were revised upward by 2.6 percent compared to original estimates for all general fund sources. Broken down by revenue type, sales and use tax estimates were revised up 0.4 percent, personal income tax estimates were up 3.9 percent, corporate income tax estimates were up 0.1 percent, and all other general fund revenue were up 4.9 percent, compared to original estimates used in enacted budgets for fiscal 2026. Among states with collections data able to be compared to these most recent forecasts, 23 states reported collections were on target, 14 states reported collections were coming in higher than revised estimates, and five states said collections were underperforming against current estimates.

Proposed Budgets Include a Mix of Tax Increases and Decreases

Thirty-three states reported recommended tax policy changes that would affect general fund revenue in fiscal 2027, with governors in 14 states proposing net increases totaling an estimated \$5.6 billion and 19 states recommending net decreases in taxes and fees totaling -\$5.4 billion.⁵ This yields a net

FIGURE 13.

Revenue Impact of State Tax and Fee Policy Changes, Fiscal 2000 to Fiscal 2027



Fiscal 2000-2026 reflect enacted changes and fiscal 2027 primarily reflects governors' recommended changes.

estimated impact on general fund revenue of \$251 million compared to what would be collected absent the policy changes, with this reduction representing 0.02 percent as a share of forecasted general fund revenue in fiscal 2027. (See **Figure 13**)






The impacts of tax policy changes vary by state and territory depending on the scale and scope of recommended revenue actions. Among states proposing tax cuts, the net revenue impacts range from -0.1 percent to -5.7 percent as a percentage of total general fund revenue forecasted in fiscal 2027. Meanwhile, among states proposing tax increases, the net impacts range from +0.2 percent to +5.6 percent as a percentage of forecasted general fund revenues in fiscal 2027.

Included in these estimated revenue impacts are several non-recurring changes that would have a one-time or temporary revenue impact of -\$831 million. Excluding these one-time changes, recurring revenue actions reported in this survey would have an impact of +\$1.08 billion in fiscal 2027.

Additionally, the tax changes recommended in states and reported in this survey are estimated to reduce general fund revenue for fiscal 2026 by an additional \$1.93 billion. Tax changes reported in this survey affecting fiscal 2026 revenue mostly consist of recurring actions that were proposed for fiscal 2027 that would also affect fiscal 2026 collections due to their effective date. Most actions reported in this survey related to conformity to provisions in the *One Big Beautiful Bill Act* (OBBBA) have estimated impacts on both fiscal 2026 and fiscal 2027 revenue.

Personal income taxes, the largest source of general fund revenue in the aggregate, would see the greatest net impact in fiscal 2027 from recommended tax changes in aggregate dollars at -\$3.01 billion, with 16 states recommending decreases in personal income taxes and five states proposing increases. Sales and use taxes would also be reduced on net by recommended policy changes in fiscal 2027 with a general fund impact of -\$0.2 billion; eight governors proposed decreases and two governors proposed increases for sales and use taxes. Meanwhile, the other two tax categories would see net positive revenue impacts from tax changes in the aggregate. For corporate income taxes, governors in 11 states recommended net increases and in six states recommended net decreases with a net impact

FIGURE 14.**Summary of Enacted General Fund Revenue Changes, Fiscal 2027**

Revenue Type	 Sales & Use Taxes	 Personal Income Taxes	 Corporate Income Taxes	 All Other Sources	 Total General Fund Impact
# of States Enacting Net Increases	2	5	11	11	14
# of States Enacting Net Decreases	8	16	6	8	19
Total Impact of Increases (\$ In Millions)	\$434	\$503	\$2,541	\$2,580	\$5,653
Total Impact of Decreases (\$ in Millions)	-\$607	-\$3,515	-\$446	-\$1,238	-\$5,402
Net General Fund Revenue Impact (\$ in Millions)	-\$173	-\$3,012	\$2,095	\$1,342	-\$251

of +\$2.09 billion. For all other general fund revenue, increases were recommended in 14 states and decreases were recommended in 19 states, with a net impact of +\$1.34 billion. The more significant recommended revenue changes in the “all other” category included changes to gaming taxes, cannabis taxes and fees, cigarette taxes, and unspecified tax relief packages and one-time tax rebates. (See **Figure 14**)

A portion of the changes reported affecting personal and corporate income taxes relates to conformity to tax provisions in OBBBA. Conformity-related actions included steps to conform to certain provisions (where conformity did not happen automatically based on the state’s tax laws), steps to decouple from certain provisions (where conformity occurred automatically), and steps to delay conformity for some provisions. At least one state opted to report on the estimated impacts of tax conformity to OBBBA even if this conformity was automatic. Generally, actions to conform are reported as revenue decreases and actions to decouple (or delay implementation) are reported as revenue increases. At least one state reported on its decoupling actions as a revenue measure (defined below). While the information reported by states in this section may be helpful in understanding state-specific revenue impacts of OBBBA, its usefulness in measuring the overall effects of the law on state revenues is limited since for the most part states did not report here on the impacts of conformity that occurred automatically.

In addition to tax/fee increases and decreases, some states also reported on recommended revenue measures that would affect general fund revenue, with a total net general fund revenue impact of -\$0.45 billion in fiscal 2026 (mid-year) and -\$1.29 billion in fiscal 2027. One-time tax refunds in Georgia in fiscal 2026, redirection of education money into the general fund in Idaho for fiscal 2026 and fiscal 2027, and several adjustments and transfers in Connecticut had the largest dollar impacts among the revenue measures reported. 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.

GENERAL FUND BALANCES AND RAINY DAY FUNDS

States' total balance levels (comprised of rainy day funds and general fund ending balances) experienced tremendous growth earlier this decade, driven by revenues substantially exceeding projections that resulted in the accumulation of surplus funds over multiple years. Over the last few years, states have started 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. That said, ending balances remain elevated compared to historical norms. Rainy day fund balances in the aggregate have come down slightly from their peak, but continue to be at near all-time highs, far surpassing their highest pre-COVID-19 level.

Most States Plan to Maintain or Increase Rainy Day Funds

Rainy day fund balances totaled \$191 billion at the end of fiscal 2025, more than double their aggregate level in fiscal 2019 and reaching a new all-time high in nominal dollars. In NASBO's Fall 2025 Fiscal Survey, rainy day fund levels in the aggregate were expected to dip slightly in fiscal 2025 based on preliminary actual data. However, final revenue collections – especially in one large state – exceeded preliminary data and bolstered actual reserve levels to close out fiscal 2025.

Most states are on track to grow their rainy day funds in fiscal 2026, with 26 states estimating increases to their rainy day fund balances, 14 states estimating decreases, and eight states reporting no change (in nominal dollars). Two states were not able to report estimated balances for that year. Based on governors' budgets for fiscal 2027, 25 states are projecting increases to their rainy day funds in that year, ten states are projecting decreases, and 11 states reported no change, while four states were not able to report projected rainy day fund balance amounts.

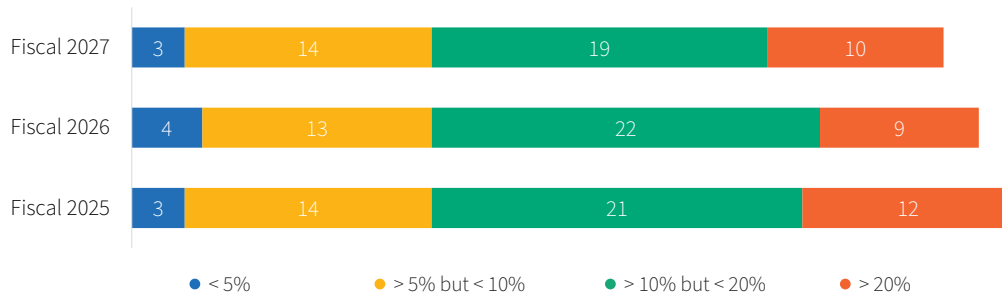
Among the 14 states reporting decreases for fiscal 2026, seven states indicated a rainy day fund withdrawal as a mid-year budget management strategy for that year. Among the ten states reporting estimated declines for fiscal 2027, four states indicated rainy day fund withdrawals as a recommended budget strategy. For the other states reporting decreases in fiscal 2026 and/or fiscal 2027, the projected reductions in reserve balances may be attributable to other factors, including policymaker decisions to direct a portion 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.

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 \$193.2 billion in fiscal 2025, are estimated to total \$177.5 billion in fiscal 2026, and are projected to total \$162.8 billion in fiscal 2027.

FIGURE 15.

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



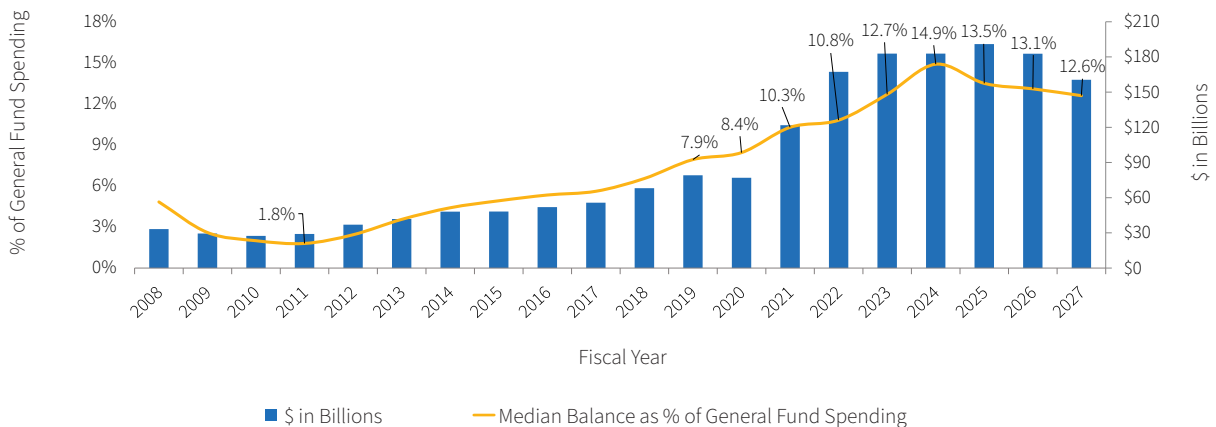
Fiscal 2026 is estimated; fiscal 2027 is projected based on governors' recommended budgets. Two states (Georgia and Wisconsin) were not able to report on rainy day fund balance projections for fiscal 2026, while four states (Georgia, Mississippi, Virginia, and Wisconsin) were not able to report for fiscal 2027.

Based on estimated data, 32 states expect to end fiscal 2026 with rainy day fund balances exceeding 10 percent as a percentage of general fund spending, with nine of those states projecting a balance of greater than 20 percent as a share of general fund spending. Thirteen states estimate holding a rainy day fund balance between 5 and 10 percent as a percentage of general fund spending, while three states estimate a balance less than 5 percent. Similar figures were reported for fiscal 2027 based on governors' proposed budgets. (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 13.5 percent in fiscal

FIGURE 16.

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



Fiscal 2026 estimated figures and fiscal 2027 are recommended figures. Total dollar amounts for fiscal 2026 and fiscal 2027 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.

2025. Current estimates for fiscal 2026 and projections for fiscal 2027 indicate the median balance is expected to further tick down in each of those years to 13.1 percent in fiscal 2026 and 12.6 percent in fiscal 2027. These small declines in the median balance as a percentage of general fund spending are mostly driven by expenditures growing faster than reserve balances, as opposed to widespread rainy day fund withdrawals. Additionally, it should be noted states vary in their methodologies for projecting future rainy day fund balances. (See **Figure 16**)

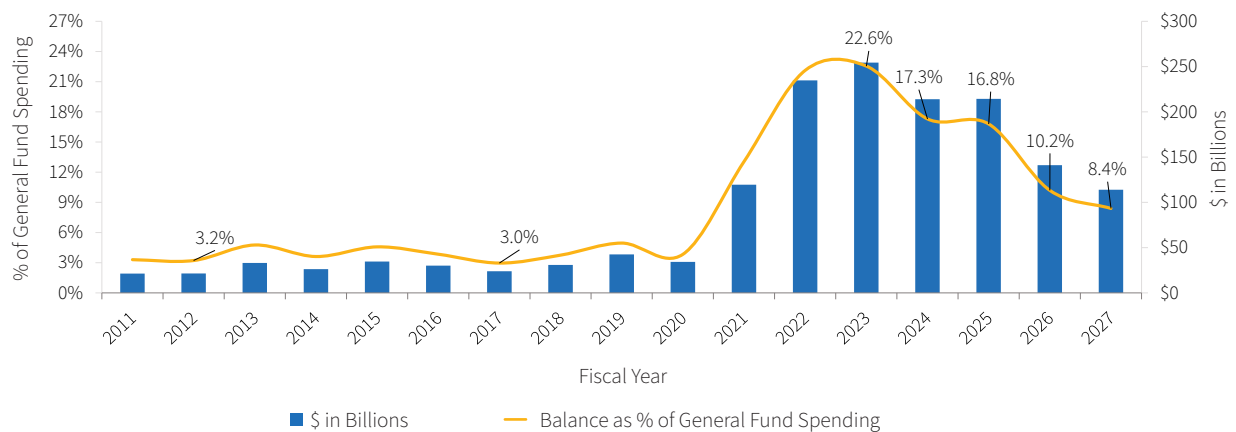
General Fund Balances Continue to Decline but Remain Elevated

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. States’ general fund ending balances swelled earlier this decade due to several consecutive years of budget surpluses that mainly resulted from revenues exceeding original forecasts. 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 in recent years, 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. While they were originally estimated to further decrease in fiscal 2025, they ended up holding steady at \$214 billion according to actual data reported in this survey. Revenue collections came in above forecast and spending came in below previously

FIGURE 17.

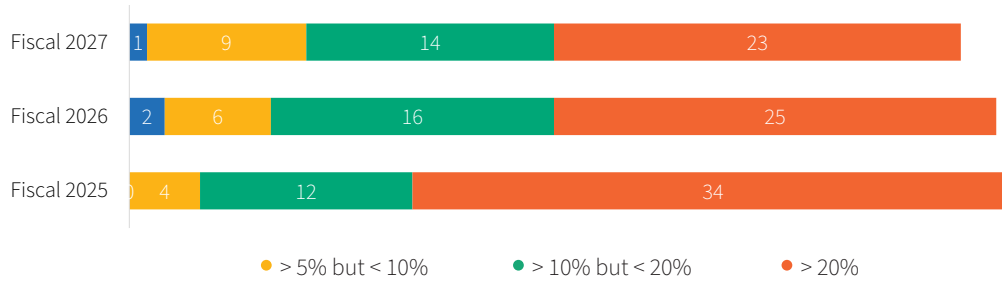
General Fund Ending Balances in Dollars and as a Percentage of General Fund Expenditures



General fund ending balances here have been adjusted to exclude any designated rainy day funds held within a state’s general fund. Fiscal 2026 are estimated figures and fiscal 2027 are projected figures based on governors’ proposed budgets.

FIGURE 18.

Total Balance as a Percentage of General Fund Spending (Number of States)



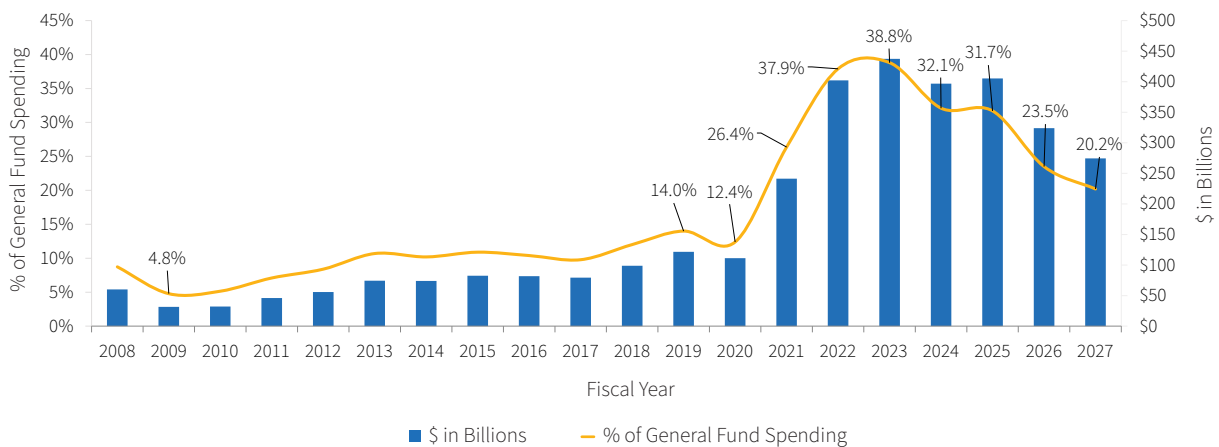
Fiscal 2026 is estimated; fiscal 2027 is projected based on governors' budgets. One state (Wisconsin) was not able to report complete balance projections for fiscal 2026, and three states (Mississippi, Virginia, and Wisconsin) were not able to report complete data for fiscal 2027.

reported preliminary data for fiscal 2025 (especially in one large state), resulting in larger ending balances than originally anticipated. In fiscal 2026 and fiscal 2027, states are projected to continue spending down prior-year surplus funds, with ending balances estimated to fall to \$141 billion in fiscal 2026 and \$114 billion in fiscal 2027. Despite these declines, general fund balances in the aggregate are still projected to be equivalent to 8.4 percent as a share of total state general fund expenditures, far exceeding historical norms. (See **Figure 18**)

NASBO defines a state's total balance as the sum of the general fund ending balance and rainy day fund balance. Recent declines in states' total balances are mostly attributable to the spending down of surplus funds held in their general fund balances. In line with trends in ending balances, total balances reached their all-time peak level of \$437 billion in fiscal 2023 (38.8 percent as a percentage of total general fund expenditures) and declined in the subsequent year to \$397 billion (32.1 percent as

FIGURE 19.

Total Balances in Dollars and as a Percentage of General Fund Expenditures



Fiscal 2026 are estimated figures and fiscal 2027 are projected figures based on governors' proposed budgets. Total dollar amounts for fiscal 2026 and fiscal 2027 are 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 those years.

a percentage of general fund spending). In fiscal 2025, total balances increased slightly to \$405 billion and are on track to resume a downward trend in fiscal 2026, when they are estimated to total \$324 billion or 23.5 percent as a percentage of general fund spending. According to governors' budgets for fiscal 2027, total balances are projected to decline further to \$274 billion, representing 20.2 percent of general fund expenditures. Despite recent declines, total balance levels in fiscal 2027 are still projected to exceed their pre-recession peak of 14.0 percent reached in fiscal 2019. (See **Figure 19**)

It should be noted that 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 in NASBO's calculations of total balances to avoid double counting; ending balance amounts cited in this section have also been adjusted to exclude any rainy day funds held within states' general funds. 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.



BUDGET OUTLOOK

State fiscal conditions, based on the data reported in this survey, reflect a continued transition away from the extraordinary revenue growth and surplus-driven spending patterns experienced earlier this decade toward a more constrained budget environment. Recommended budgets for fiscal 2027 point to essentially flat spending growth in the aggregate, with many states forecasting little or no annual expenditure growth as governors seek to maintain structural balance as they contend with modest revenue gains, federal policy changes, and ongoing spending pressures. While aggregate fiscal 2026 spending growth remains elevated due in part to one-time expenditures and fluctuations in a handful of large states, underlying trends indicate that budget growth continues to moderate. Similar to what states reported in the Fall 2025 Fiscal Survey, data in this survey indicate states are increasingly relying on targeted spending reductions, personnel actions, fund transfers, prior-year balances, and other budget management strategies to address fiscal pressures and prepare for tighter conditions in the out-years.

At the same time, state revenues are on track for slow growth. General fund revenues are projected to increase modestly in fiscal 2027, with sales, personal income, and corporate income taxes all expected to record moderate gains. However, revenue performance varies considerably across states based on economic conditions, tax structures, demographic trends, and recent policy changes. Governors' recommended budgets for fiscal 2027 include a mix of tax increases and decreases that collectively have a near-zero net impact on general fund revenues. Although revenue growth has slowed significantly compared with the post-pandemic surge years, collections in most states are meeting or exceeding original forecasts for fiscal 2026.

Even as budget conditions tighten, states remain in a relatively strong fiscal position overall with substantial reserves. Rainy day fund balances reached another record high in fiscal 2025, and total balances (rainy day funds plus general fund ending balances) remain well above historical norms despite projected declines through fiscal 2027 as states spend down surplus funds on one-time purposes and other priorities. Most states continue to hold reserves exceeding pre-pandemic levels, providing an important cushion against economic or fiscal disruptions. Looking ahead, however, projected out-year budget gaps are expected to grow, reflecting the structural challenge of ongoing spending demands rising faster than forecasted revenue growth. As states move further beyond the post-pandemic fiscal expansion period, budget decisions are likely to remain focused on preserving flexibility, maintaining reserves, and aligning ongoing spending commitments with a more modest long-term revenue outlook.

ENDNOTES

¹ Recommended general fund amounts for fiscal 2027 were not available for Virginia at the time this report went to print. To allow for year-over-year comparisons, the aggregate general fund spending, revenue, and balance amounts cited in this report were calculated using fiscal 2027 recommended figures for 49 states plus Virginia’s fiscal 2026 estimated amounts.

² 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>.

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

⁴ For more discussion, see NASBO “Most States Post Positive April Revenue Totals” (May 29, 2026), available at <https://budgetblog.nasbo.org/budgetblogs/blogs/brian-sigritz/2026/05/29/most-states-post-positive-april-revenue-totals>

⁵ Note, in some cases – particularly for biennial budget states – the tax changes reported in this survey may represent enacted changes, but for the purposes of this narrative, all changes are collectively reported as recommended by governors.