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Spring 2021 Fiscal Survey of States

An Update on State Fiscal Conditions



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COVID-ERA State Fiscal Environment

States saw revenue decline in fiscal 2020 after nine consecutive years of growth, with modest growth estimated for fiscal 2021

State revenue forecasts have improved considerably since this time last year, strengthened by federal stimulus and other factors

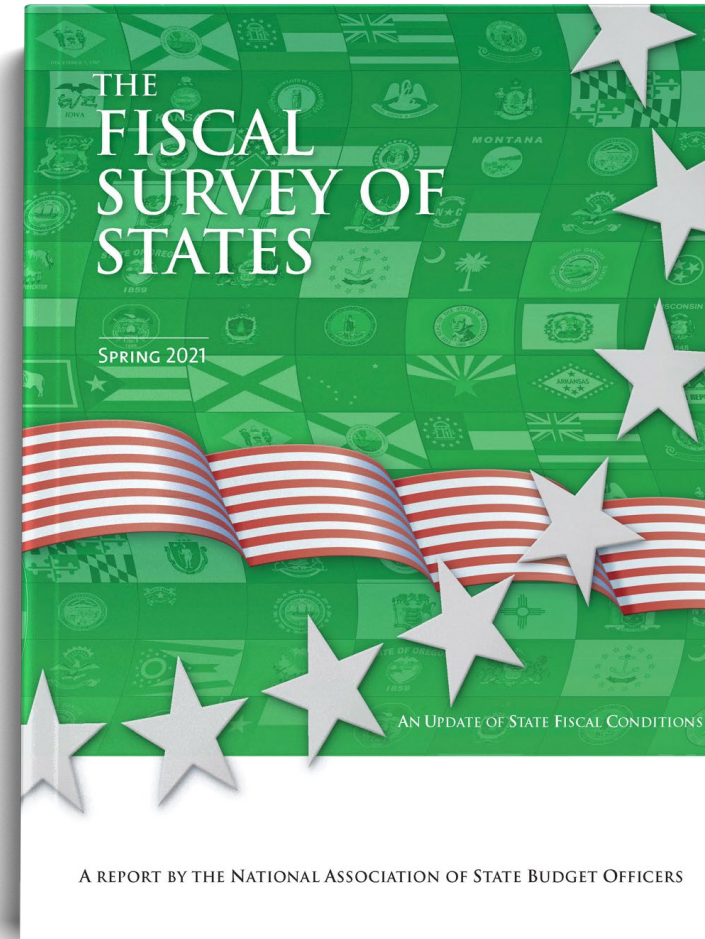
Pandemic's impact has been uneven, hitting all states but in different ways and magnitudes depending on economies, tax structures, virus transmission, etc.

Rapidly evolving economic and public health conditions have presented extraordinary challenges and uncertainties for state budgeting

Despite recent improvements, state general fund spending and revenue levels remain below pre-pandemic projections

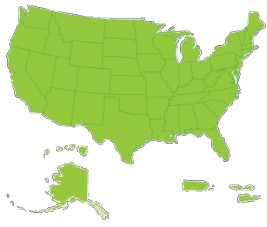
NASBO Publication: Fiscal Survey

- Published twice annually
- The spring survey details governors' proposed budgets
- The fall survey details enacted budgets



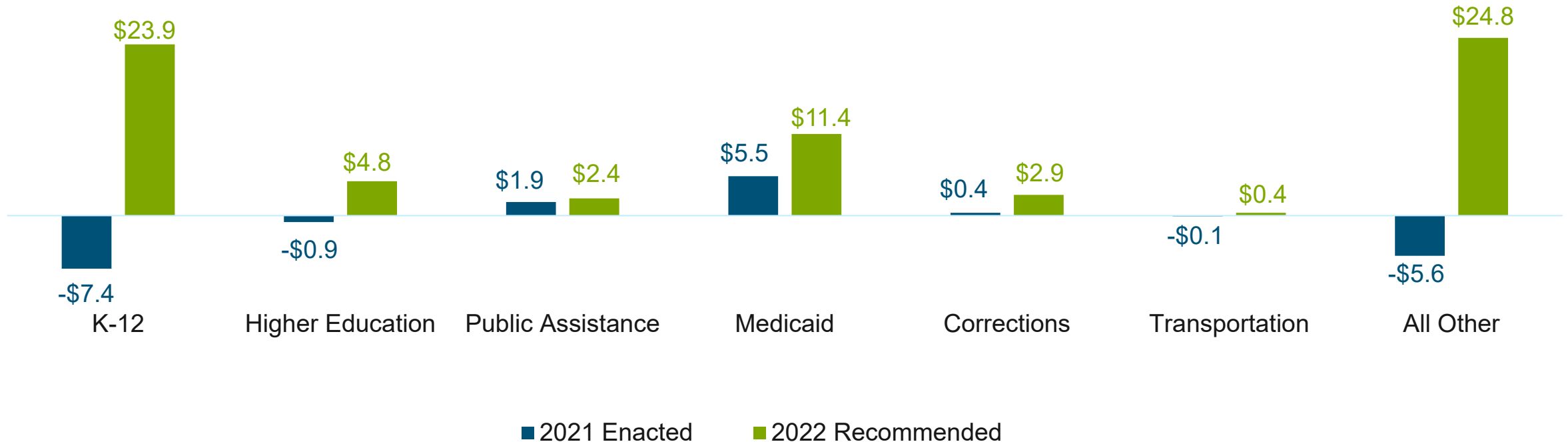


General Fund Spending Trends & Recommended Appropriation Changes



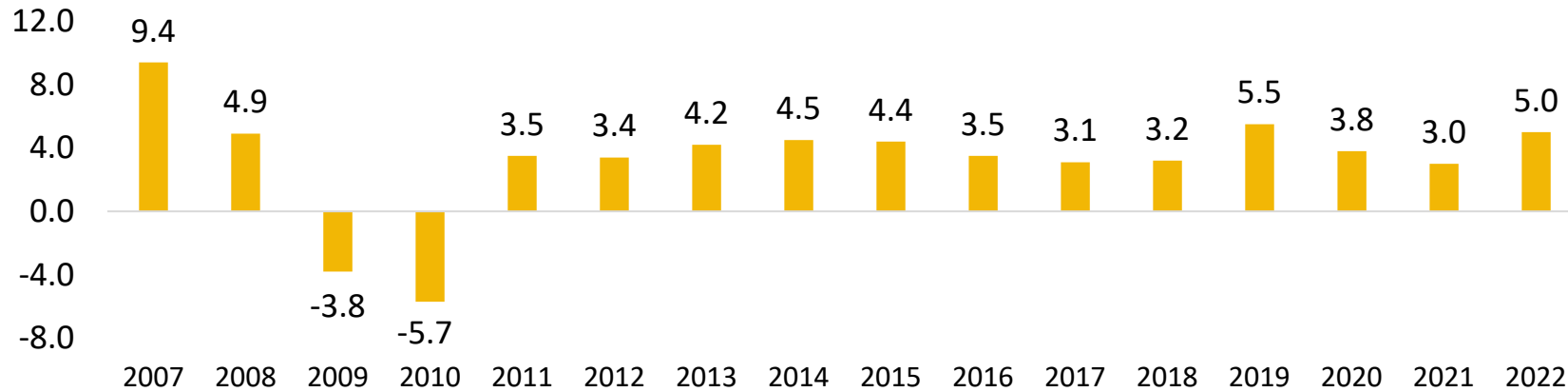
New Report on FY 2022 Budget Proposals Reflects Improvement in State Fiscal Conditions Compared to When States Adopted FY 2021 Budgets

General Fund Appropriation Changes By Program Area (In Billions)*

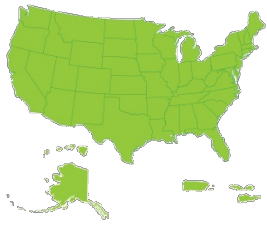


**Fiscal 2022 recommended spending changes are compared to enacted appropriation levels for fiscal 2021. Spending changes for fiscal 2021 are compared to enacted levels for fiscal 2020.

Annual General Fund Spending Changes, Fiscal 2008 To Fiscal 2022 (Percentage Change)

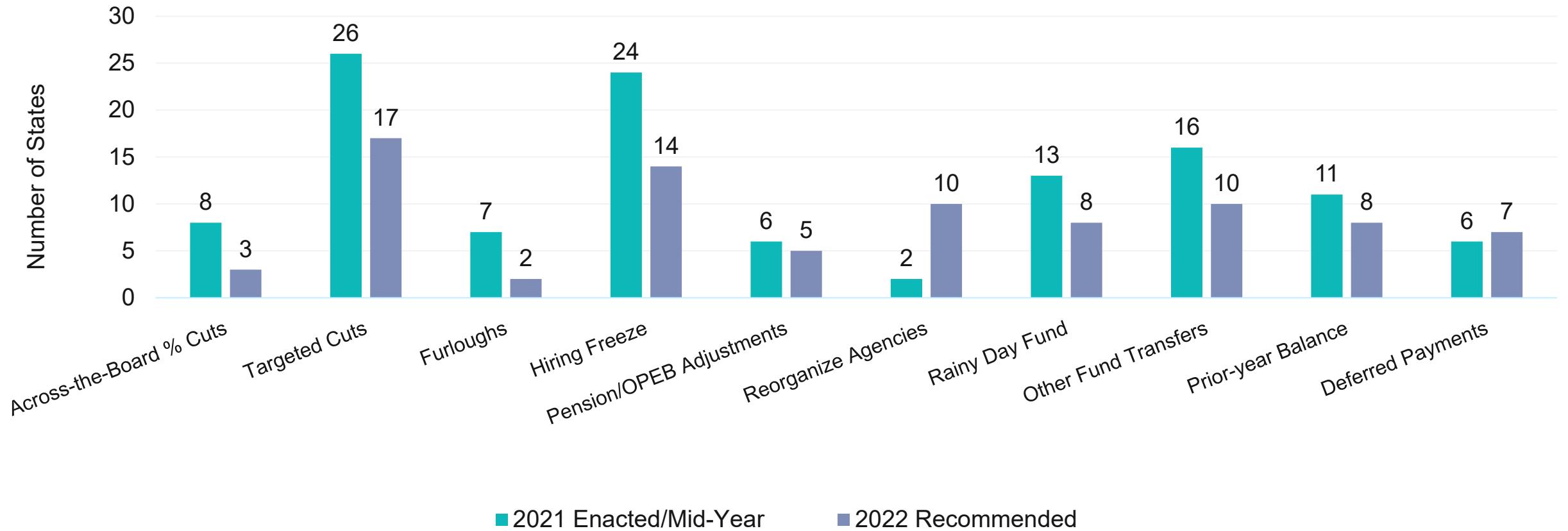


General Fund Spending Experienced Modest Growth During Pandemic

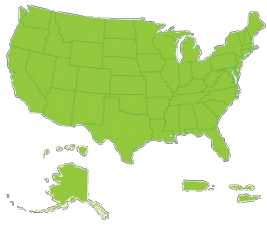


Governors Took Strategic Approach to Managing Budgets

State Budget Management Strategies, Fiscal 2021 and Fiscal 2022

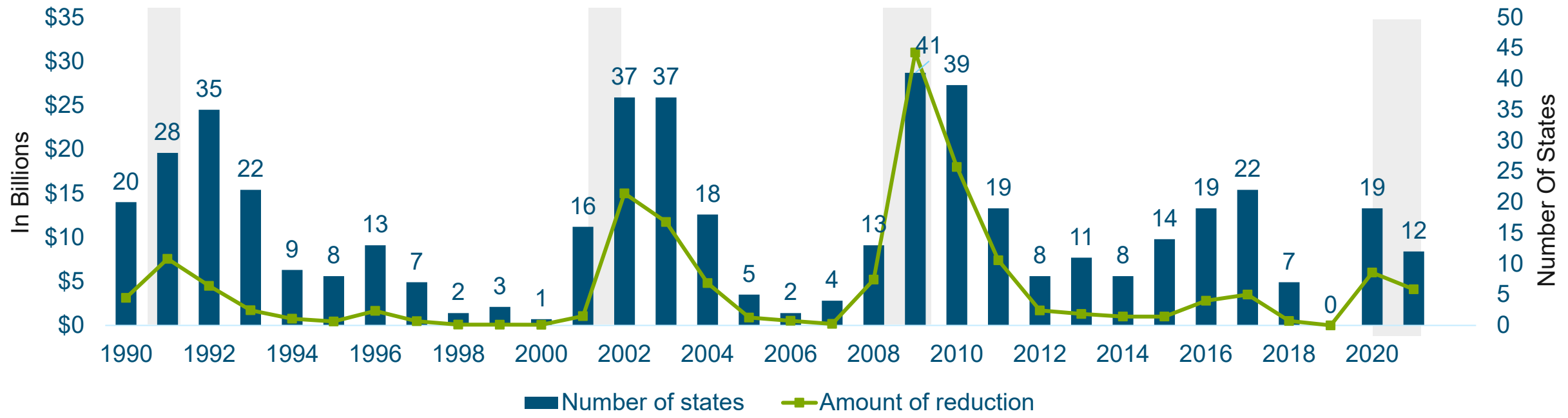


*Data for 2021 Enacted budget management strategies is from NASBO's Fall 2020 Fiscal Survey of States and combined with fiscal 2021 Mid-Year actions reported in NASBO's Spring 2021 Fiscal Survey of States. States that reported the same action for fiscal 2021 in both surveys are only counted once.



12 States Made Mid-Year Budget Reductions in Fiscal 2021 Due to a Shortfall

Budget Cuts Made After The Budget Passed

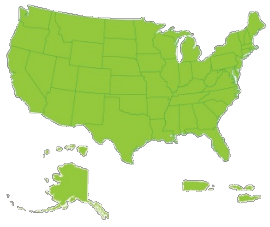


Gray boxes denote recessionary periods, based on a July-June fiscal year calendar that most states follow. Recession dates are as follows: Early 1990s recession (July 1990 to March 1991); Early 2000s recession (March 2001 to November 2001); Great Recession (December 2007 to June 2009); COVID-19 Recession (February 2020 - present).

Note: Beginning in Fiscal 2018, NASBO asked states reporting net mid-year budget reductions whether the reductions were made due, at least in part, to a revenue shortfall. Effective in FY2018 going forward, only states reporting mid-year budget cuts due to a revenue shortfall are included in the totals reported in this figure. Prior to FY2018, particularly in non-recessionary periods, states that reported mid-year cuts that were due to other reasons, such as a reduction in caseload, would have been included in the counts above.

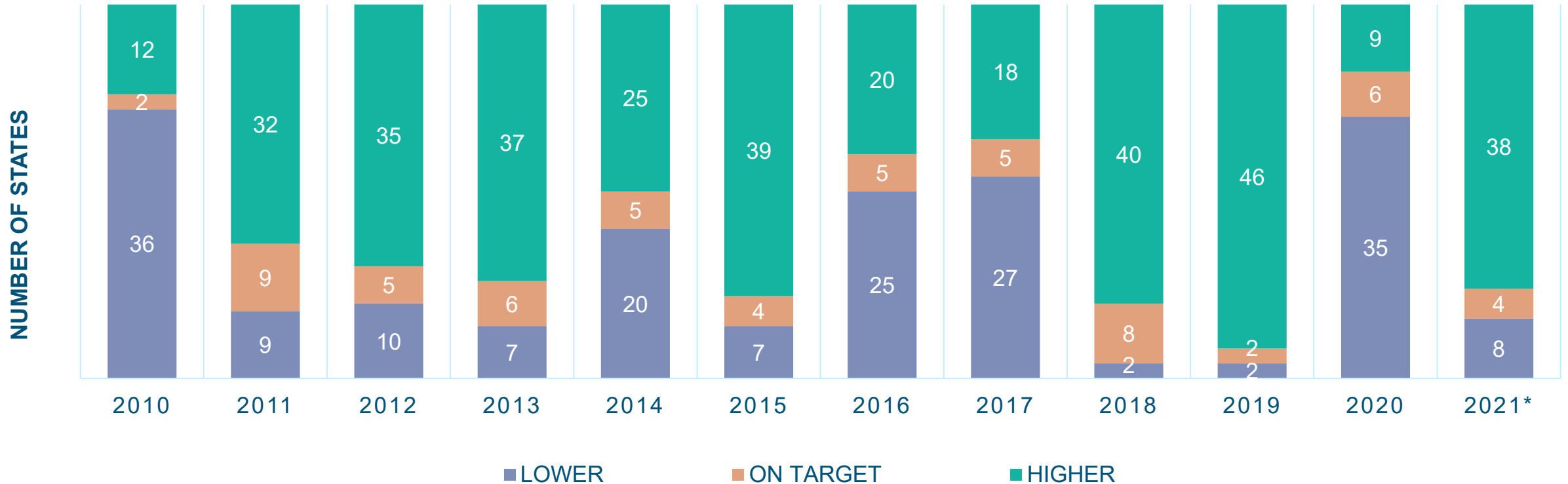
General Fund Revenue Collections & Enacted Tax Policy Changes



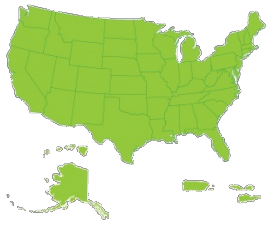


38 States Report Fiscal 2021 Tax Collections Exceeding Projections, as Revenue Conditions Improve

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

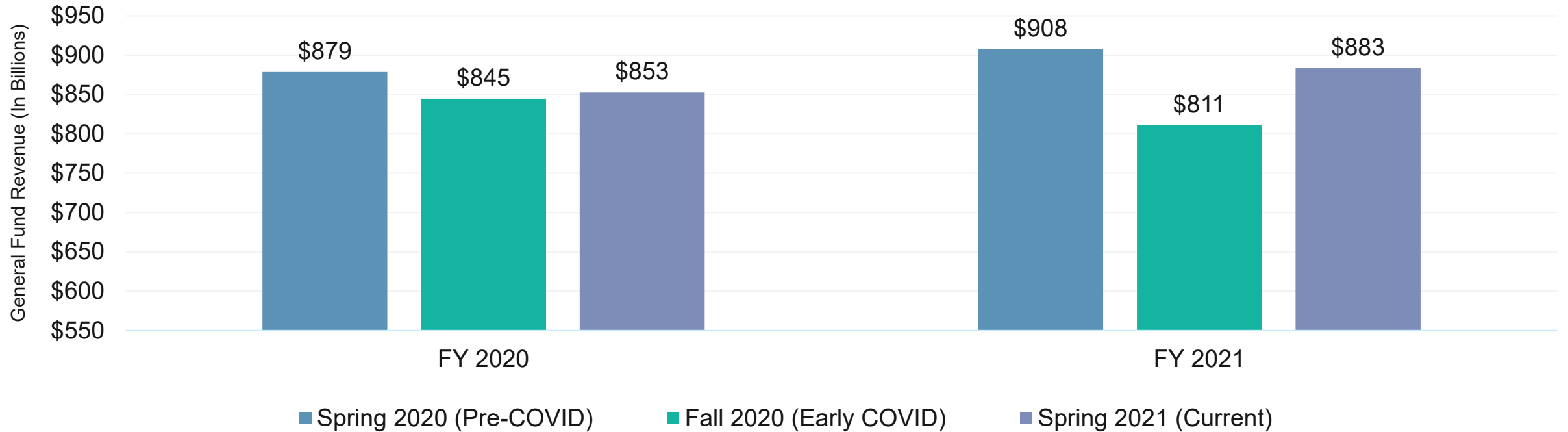


*Fiscal 2021 is ongoing and figures are subject to change. Some states' fiscal 2021 enacted budget projections pre-date COVID-19.



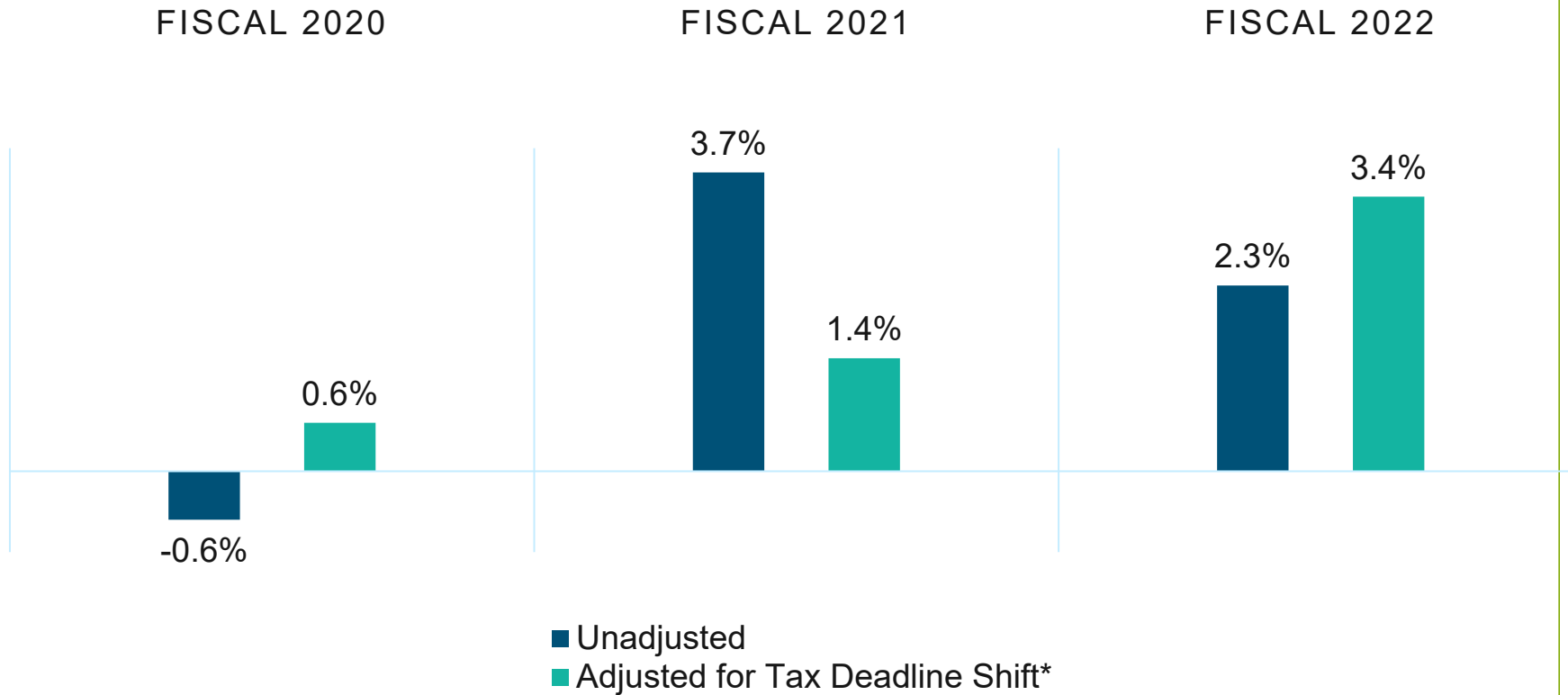
General Fund Revenue Estimates Remain Below Pre-Pandemic Projections, Despite Recent Improvements

General Fund Revenue Estimates Evolved Over the Course of the Pandemic



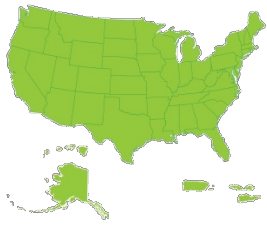
*Figures here represent data for 49 states. Comparisons between the figures in this survey edition and prior Fiscal Surveys are adjusted to exclude Ohio, as the state revised its reporting methodology in this survey to exclude federal Medicaid reimbursements from its general fund reporting, which were previously included.

Annual General Fund Revenue Percentage Change












General Fund Revenue Expected to See Modest Growth in Fiscal 2022

*In NASBO's Fall 2020 Fiscal Survey of States (Table 21), 19 states reported deferring revenue from fiscal 2020 to fiscal 2021 due to the tax deadline shift, with estimated deferred revenues totaling \$10.15 billion. Two states were not able to report the impact of deferrals, so this amount is only adjusted for 17 out of the 19 states that deferred revenue to fiscal 2021. Adjustments for the tax deadline shift are derived by subtracting this aggregate deferred amount from fiscal 2021 and adding it to fiscal 2020 revenue totals. Adjusted figures are only approximate estimations of annual general fund revenue growth absent the tax deadline, as they do not account for all 19 states that deferred and rely on estimates reported in fall 2020.



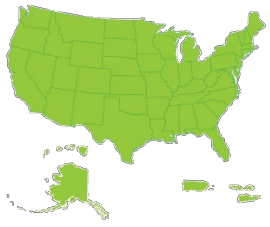
Proposed Tax and Fee Changes Would Yield Revenue Increase in FY 2022

Summary of Recommended State Revenue Changes, Fiscal 2022

Revenue Type	 Sales Tax	 Personal Income Tax	 Corporate Income Tax	 Cigarette/ Tobacco Tax	 Motor Fuel Tax	 Alcohol Tax	 Gaming/ Lottery Revenue	 Other Tax	 Fees	All Revenue Changes
# of States Proposing Increases	6	8	7	1	0	1	5	6	7	15
# of States Proposing Decreases	7	16	7	1	1	0	1	8	0	19
Net Change (\$ In Millions)	+\$232	+\$3,982	+\$1,978	+\$1	-\$3	+\$20	+\$60	-\$284	+\$475	+\$6,462
Net Change – General Fund Only (\$ in Millions)	+\$215	+\$3,982	+\$1,978	+\$1	-\$1	+\$20	+\$38	-\$451	+\$197	+\$5,980

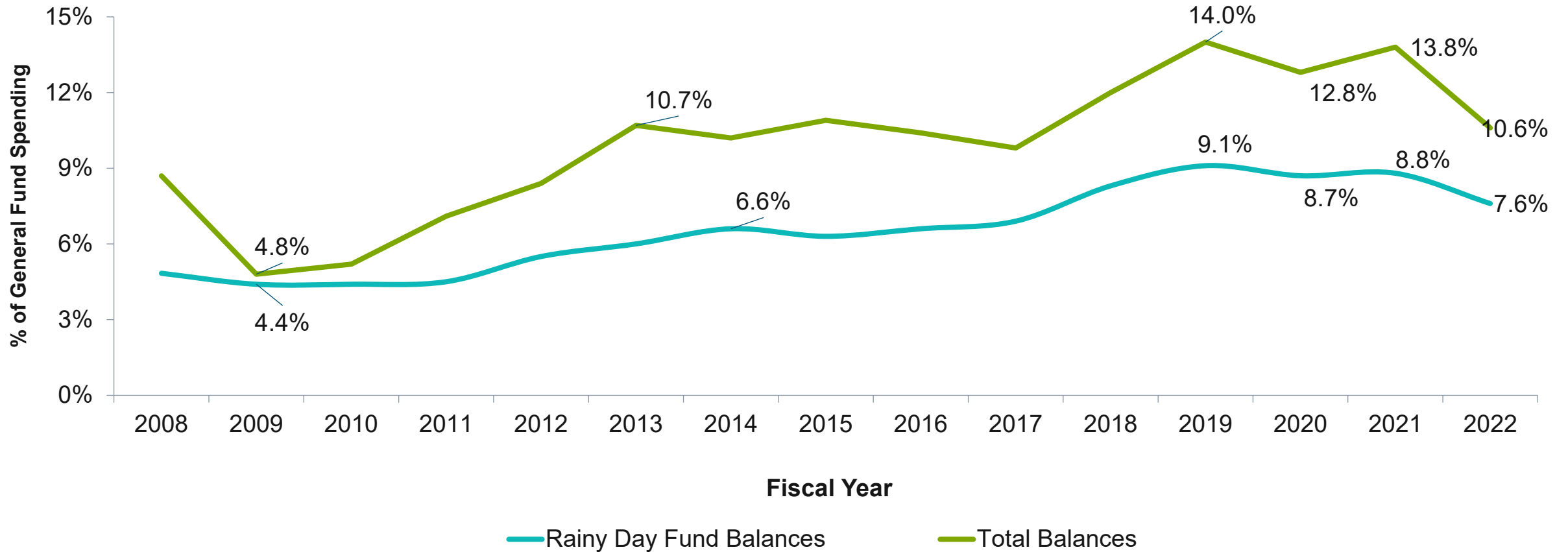
State Rainy Day Funds & Total Balances





Overall State Balances See Small Reductions During Pandemic

Rainy Day Fund Balances and Total Balances as a Percentage of General Fund Expenditures

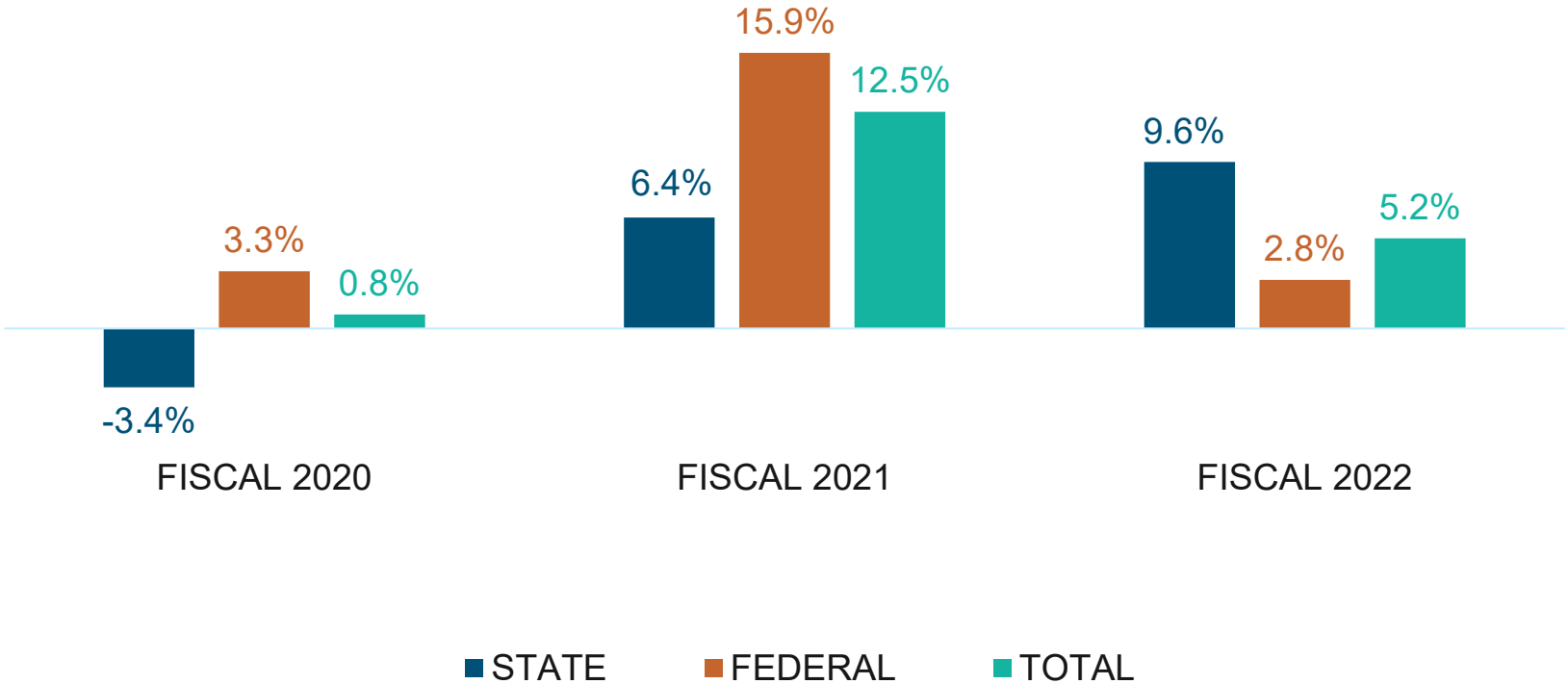


*Fiscal 2022 total balance and rainy day fund balance figures exclude Texas and Wisconsin. Fiscal 2021 and fiscal 2022 rainy day fund balance figures exclude Georgia.

State Medicaid Outlook



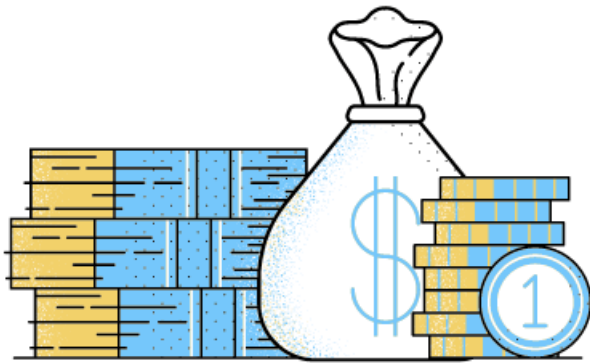
Percentage Change In Medicaid Spending (By Fund Source)



Medicaid Spending to Grow Moderately in FY 2022 After Large Increase in FY 2021

Looking Ahead





Fiscal 2022 Budget Proposals

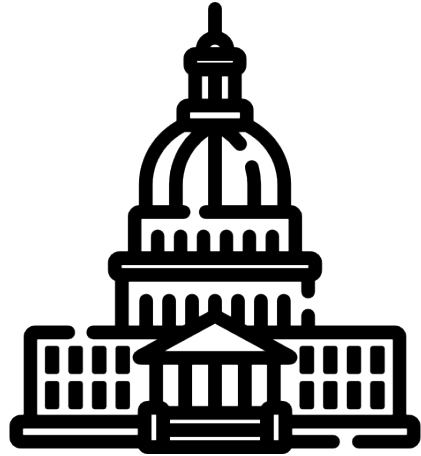
Governors' budget proposals for Fiscal 2022 call for total state spending to be flat, with general fund spending growing 3-4 percent and federal funds declining.

Nearly all budget proposals were released before the passage of the American Rescue Plan, partly explaining the anticipated decline in federal funds.

Budget proposals forecasted positive revenue growth for Fiscal 2022, typically ranging from 2-3 percent. Year-over-year growth levels impacted by tax deadline shift.

After the release of budget proposals, many states revised revenue forecasts upwards. Some governors released supplemental recommendations.

Tax and revenue proposals to help individuals and businesses impacted by pandemic, targeted tax relief, PIT reductions, increased taxes on the wealthy, and new streams of revenue.



American Rescue Plan Act (ARPA)



The American Rescue Plan Act included direct aid to states, including to cover lost revenues.



Funding to respond to the pandemic, and prepare for future pandemics



Infrastructure Investments: broadband, water, wastewater



Premium Pay for workers



Prohibits using funds for transfers to pensions or savings, or for tax cuts



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