



Balancing the Books: State Budget Trends and Pressures

Shelby Kerns, Executive Director, National Association of State Budget Officers



The Who in Our Why



THE NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

NASBO is an independent, nonpartisan, nonprofit research and educational organization. For more than 80 years, NASBO has been the professional membership organization for budget and finance officers across all states, territories, and DC.





Fiscal Survey of States

Enacted Budgets for Fiscal 2026

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

Fall 2025

Fiscal Survey of States

With data gathered from all 50 state budget offices, multiple U.S. territories, and DC, this semi-annual report provides a narrative analysis of the fiscal condition of the states and data summaries of state general fund revenues, expenditures, and balances. The spring edition details governors' proposed budgets; the fall edition details enacted budgets.





2025 STATE EXPENDITURE REPORT

FISCAL YEARS 2023-2025



State Expenditure Report

The latest edition includes data from estimated fiscal 2025, actual fiscal 2024, and actual fiscal 2023. The annual report includes 50-state data broken down by fund source and program area, as well as data from three U.S. territories and the District of Columbia.





**Topics
Covered
Today**

State Fiscal Outlook

State Spending Trends

Impacts of OBBBA on State Budgets

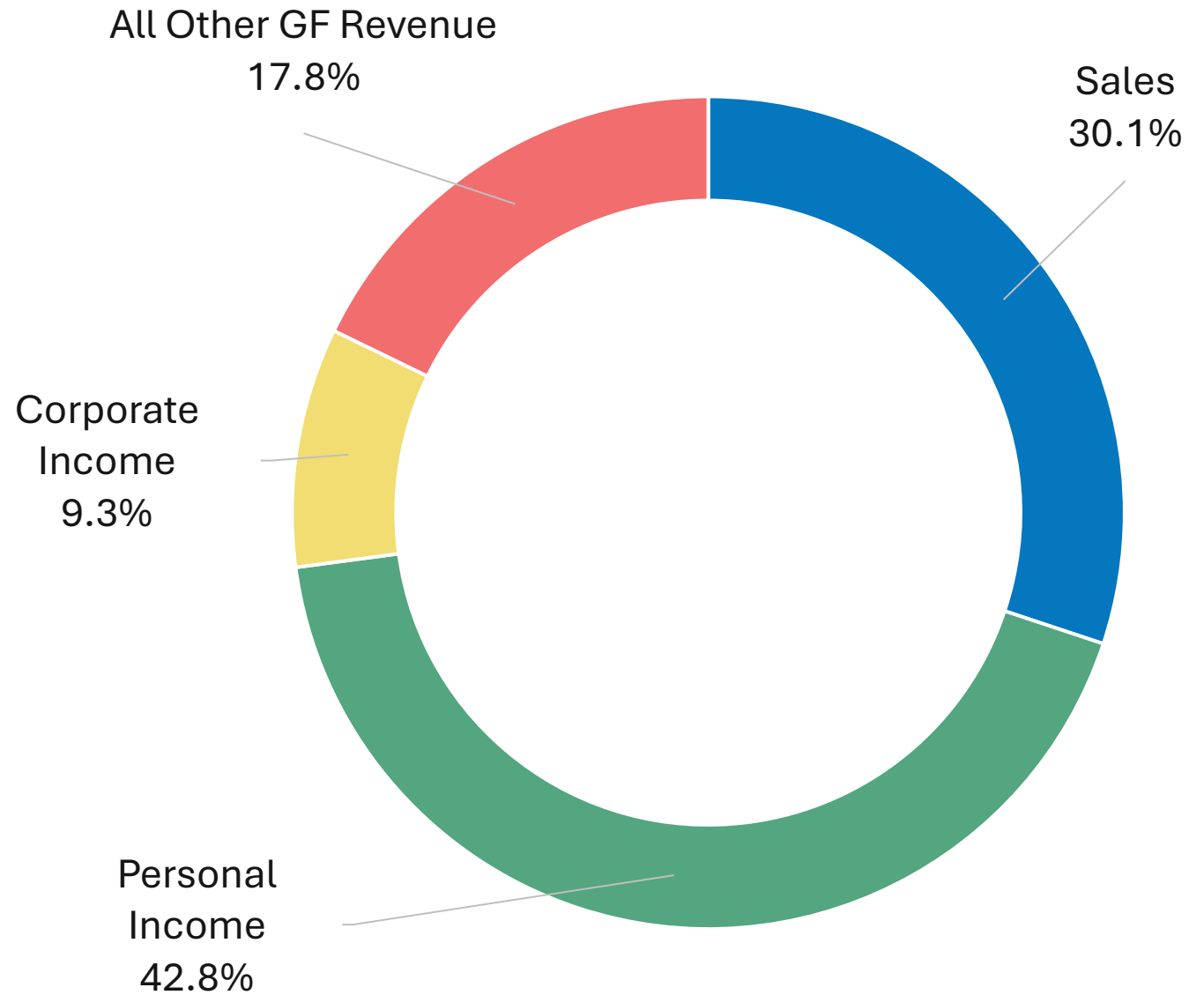
NASBO Resources



Fiscal Outlook: Budgets Are Tightening

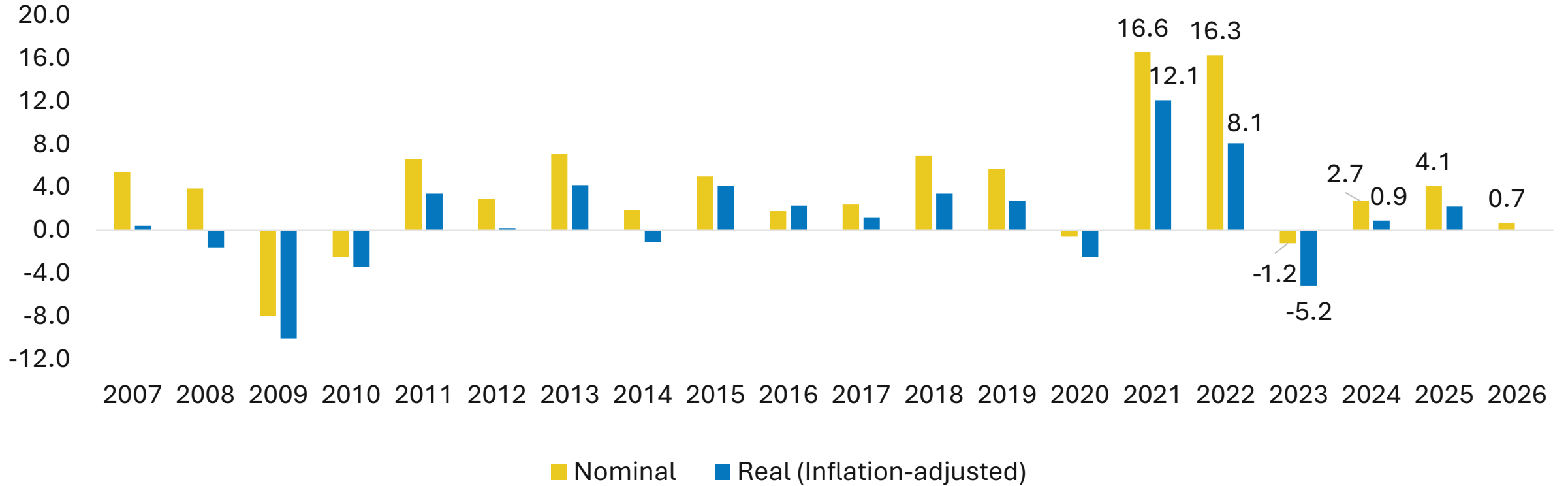
Revenue Sources in the General Fund (%)

Fiscal 2026, Enacted



NASBO Fiscal Survey of States

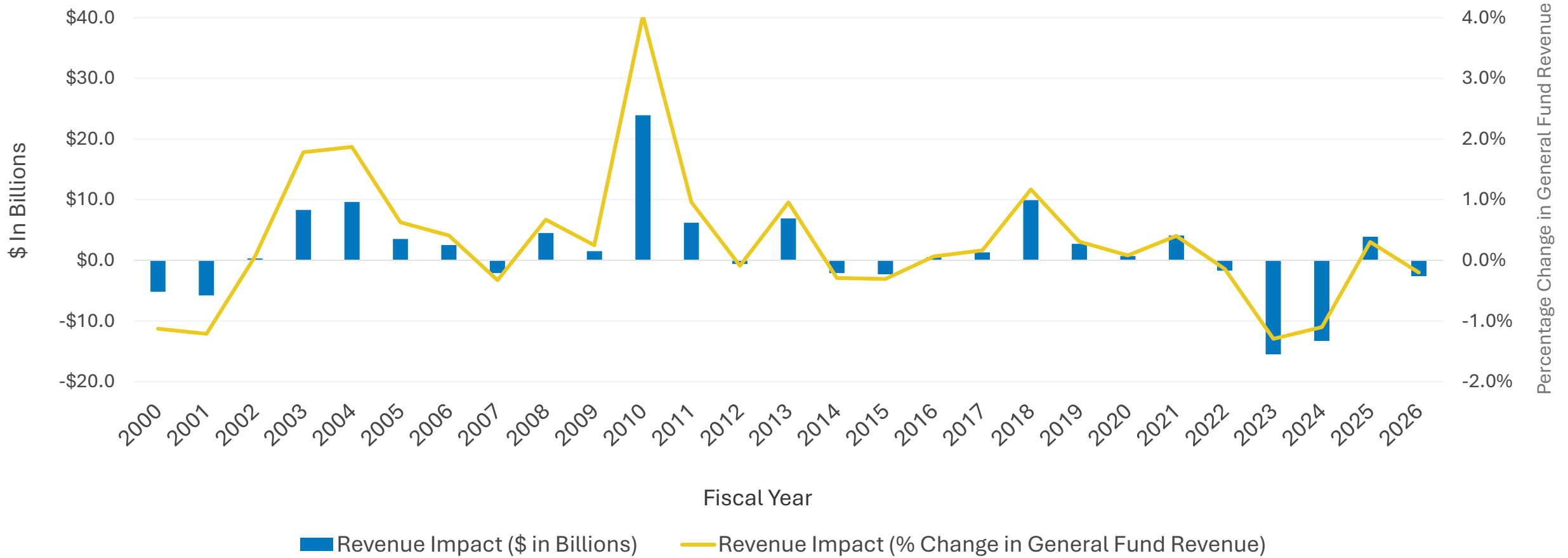
Annual General Fund Revenue Percentage Changes Fiscal 2007 to Fiscal 2026



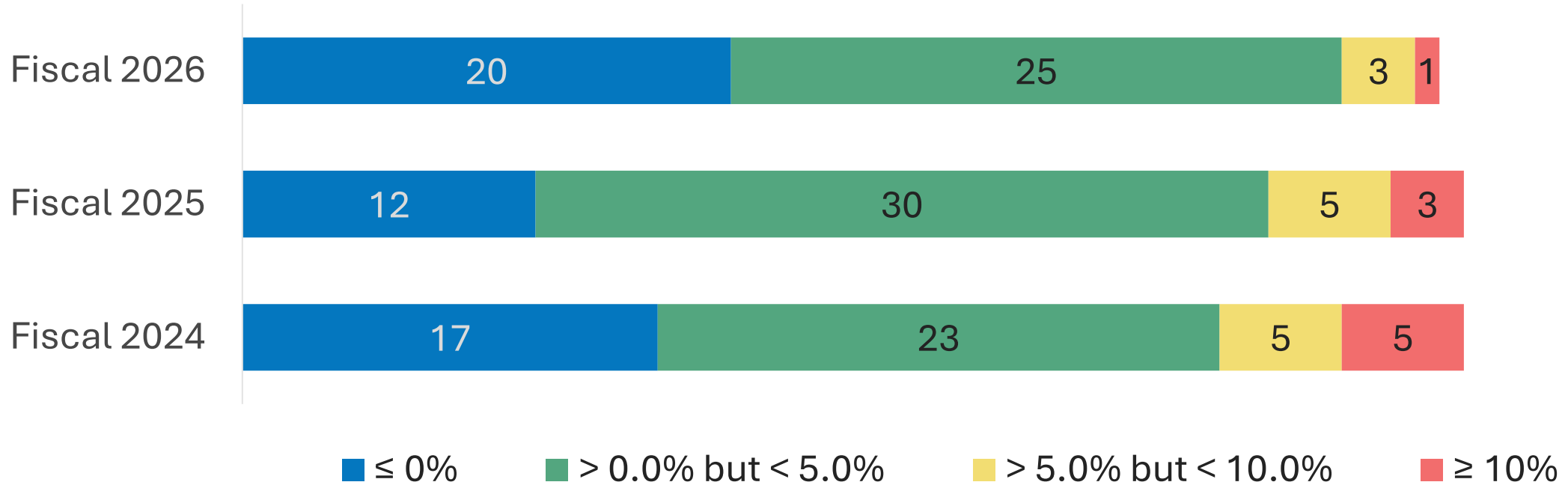
Note: Fiscal 2025 figure is preliminary actual and fiscal 2026 figure is projected based on states' enacted budgets.

Impact of State Revenue Actions Over Time

\$ in billions and % change in total general fund revenue

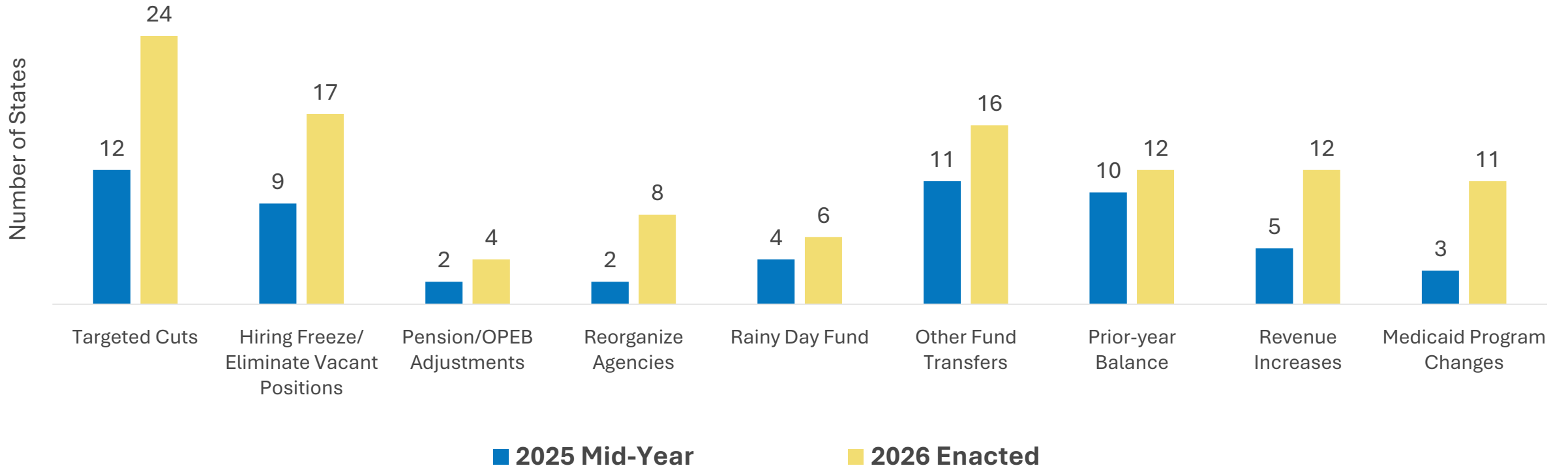


Annual Percentage Change in General Fund Revenue (Number of States)

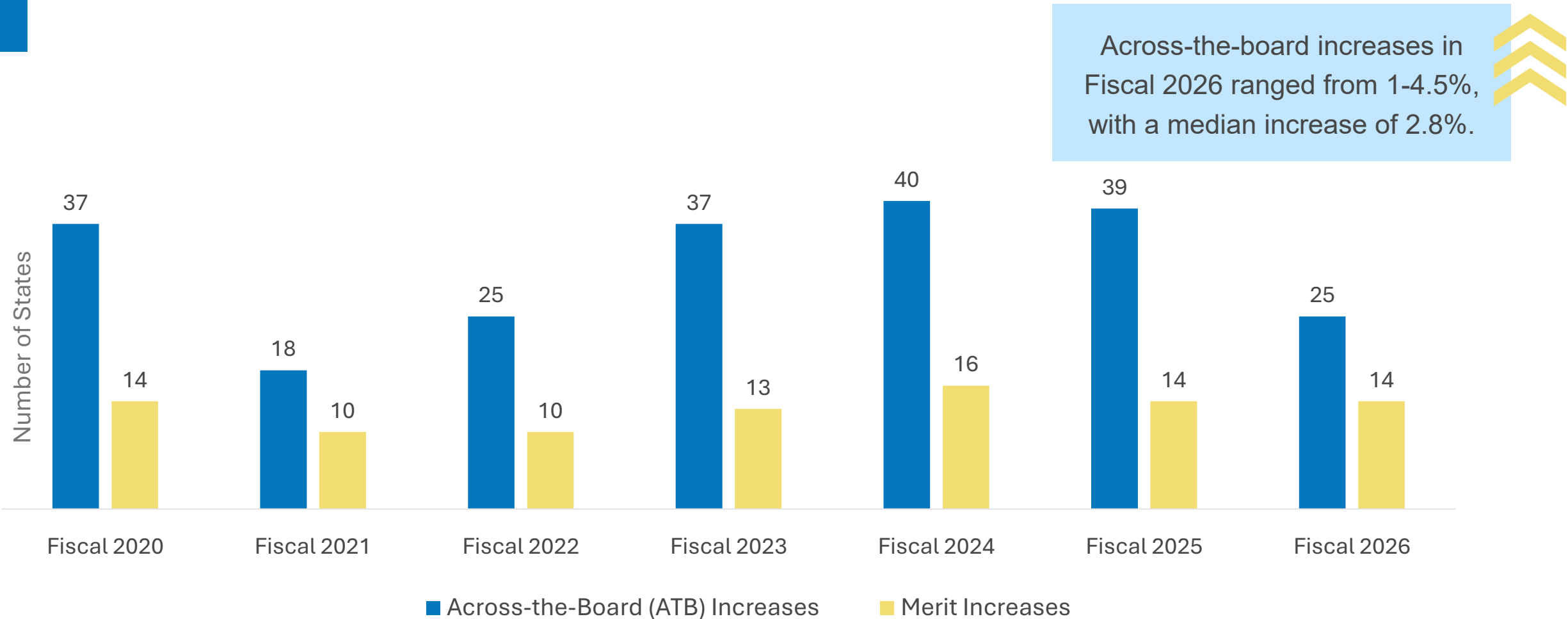


Note: Fiscal 2025 figure is preliminary actual; fiscal 2026 figure is projected based on states' enacted budgets. One state (Pennsylvania) was not able to report on enacted revenue projection for fiscal 2026.

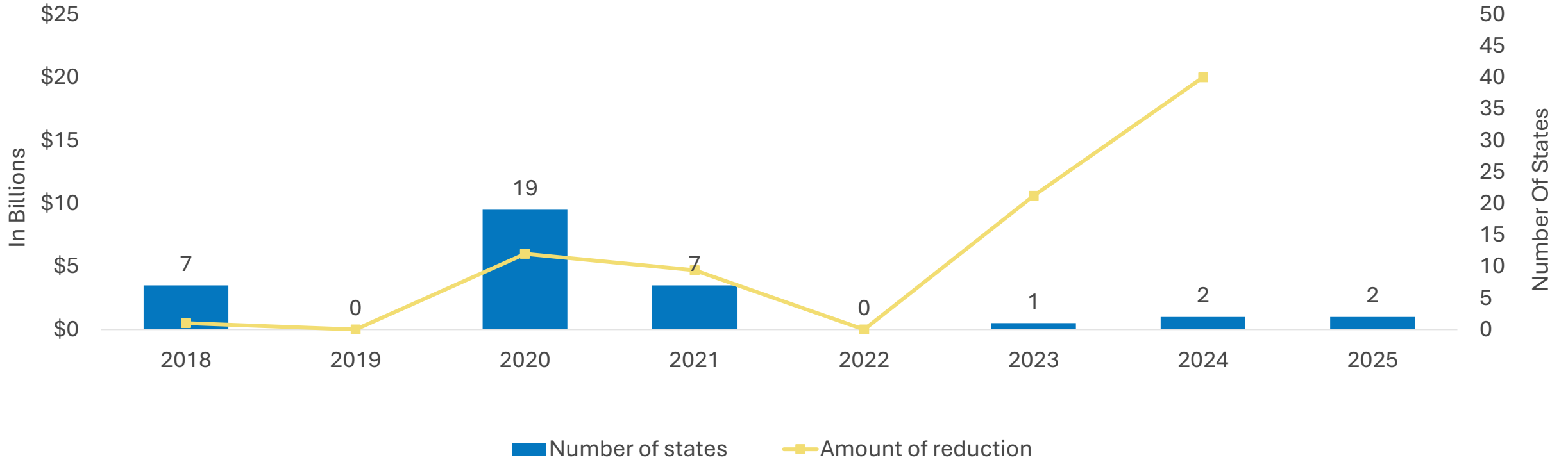
Use of Budget Management Strategies



State Employee Compensation Changes



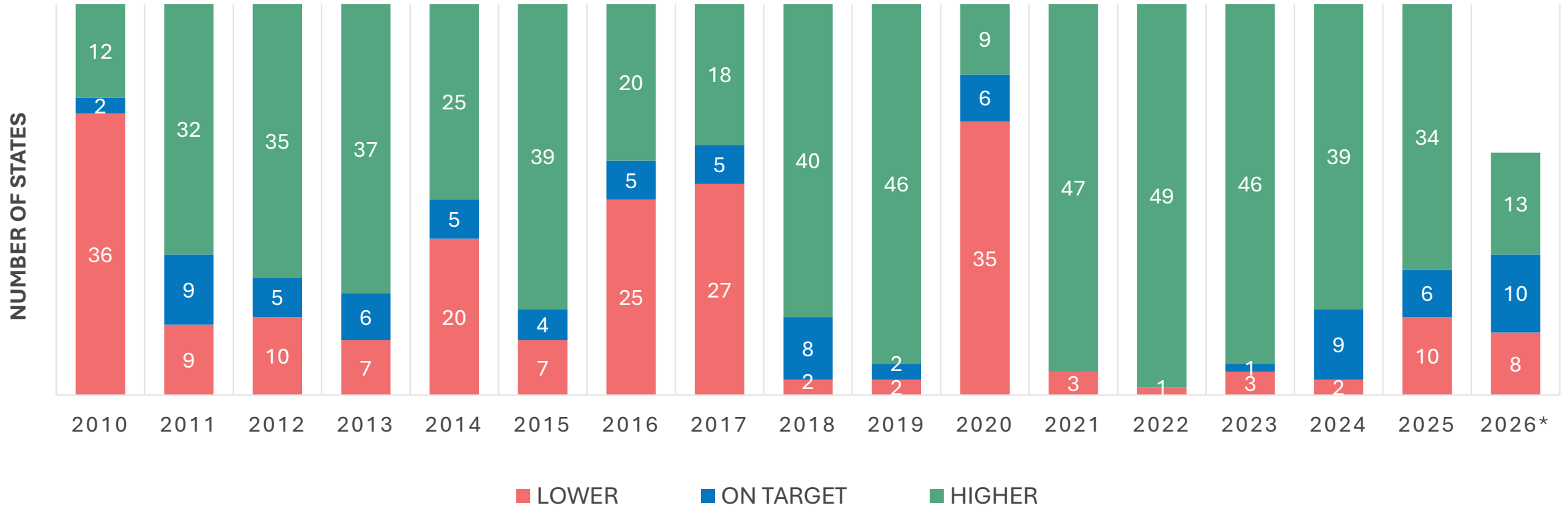
Mid-Year Budget Reductions Due to a Shortfall



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

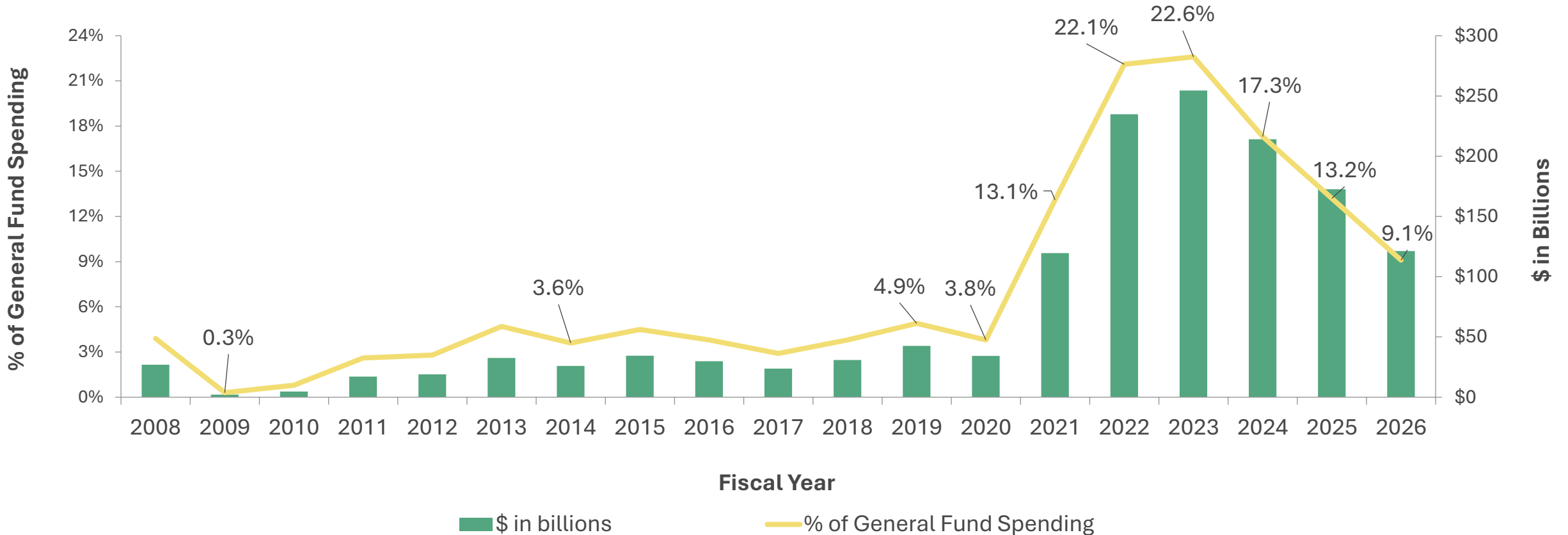
General Fund Revenue Collections

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



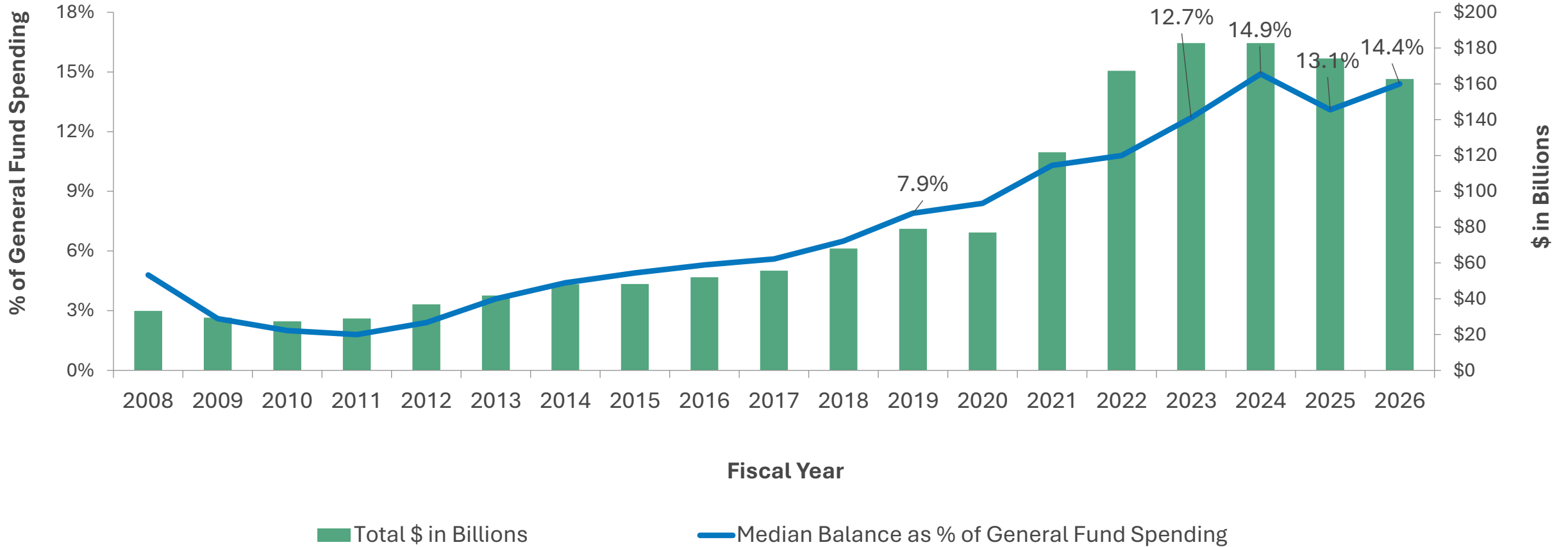
*Fiscal 2026 figures were reported early in the fiscal year and are subject to change; not all states were able to report for fiscal 2026 at the time of data collection.

General Fund Ending Balances Fiscal 2008 to Fiscal 2026



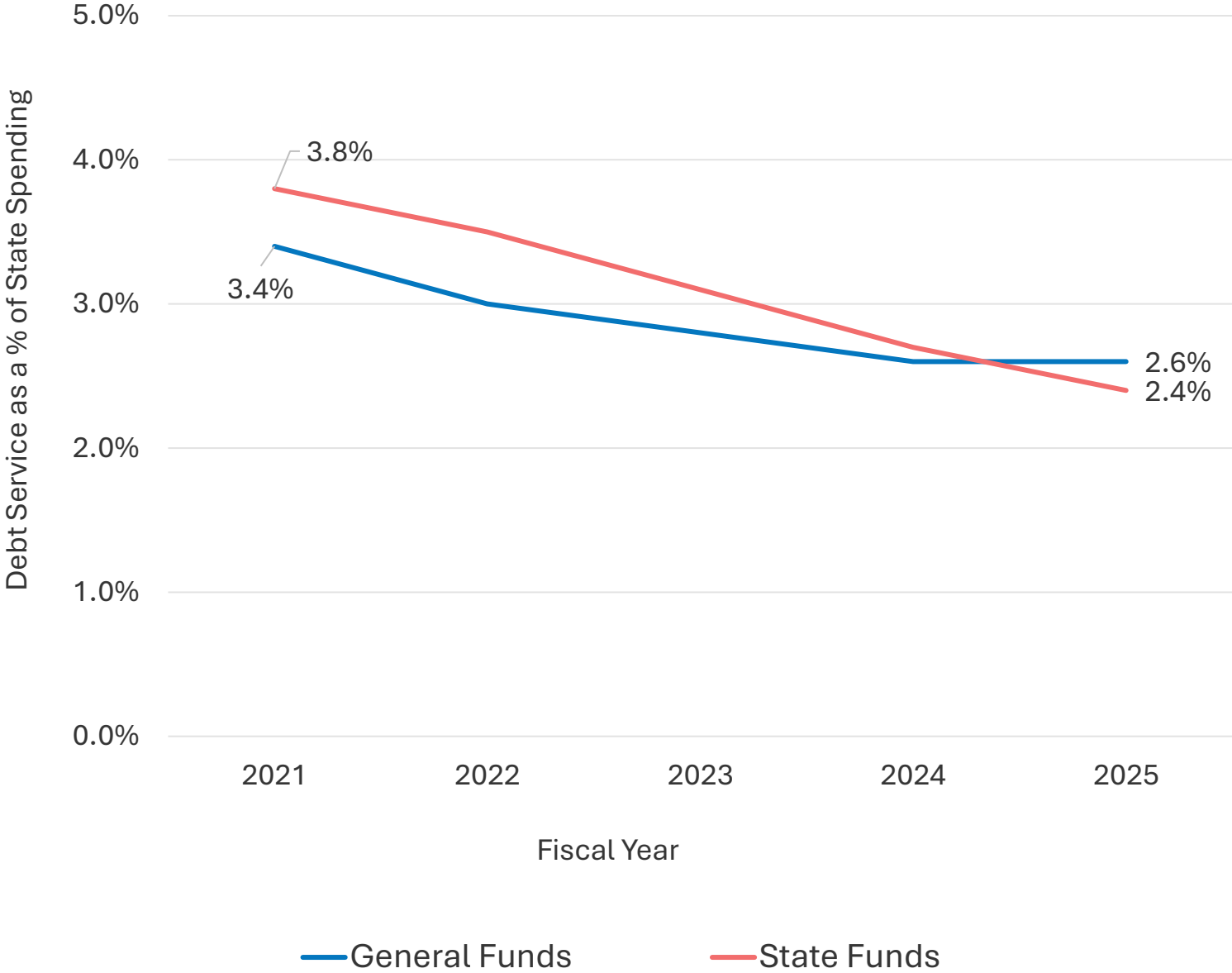
Note: Fiscal 2025 figure is based on preliminary actual data; fiscal 2026 figure is based on states' enacted budgets. General fund ending balances shown here have been adjusted to exclude any designated rainy day funds held within a state's general fund.

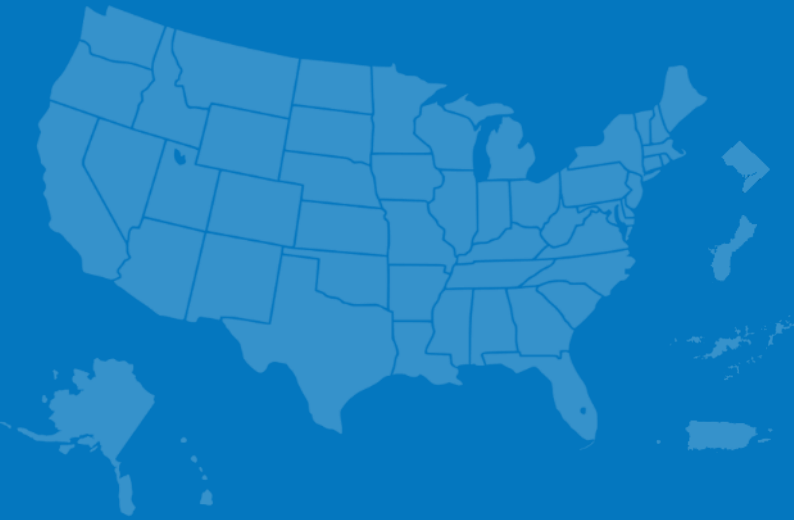
State Rainy Day Funds Fiscal 2008 to Fiscal 2026



Note: Fiscal 2025 figure is based on preliminary actual data; fiscal 2026 figure is based on states' enacted budgets. 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.

Debt Service Declines as a Percentage of State Spending





States Are Managing Expectations In A Tighter Environment

State general fund revenue growth is projected to be moderate. Forecasters cited economic uncertainty; changes in federal spending and employment; tariffs; and decreased international tourism.

Expenditure growth is outpacing revenue growth. Pressures include medical inflation, school choice, housing, natural disasters, and declining federal funds.

Declining federal funds include the end of pandemic-era federal funding and cancellation of federal grant funding, BEFORE major OBBBA expenditure impacts hit budgets.

OBBBA impacts for most states in Fiscal 2027 include tax conformity, increased SNAP administrative costs, staffing, and IT investments.

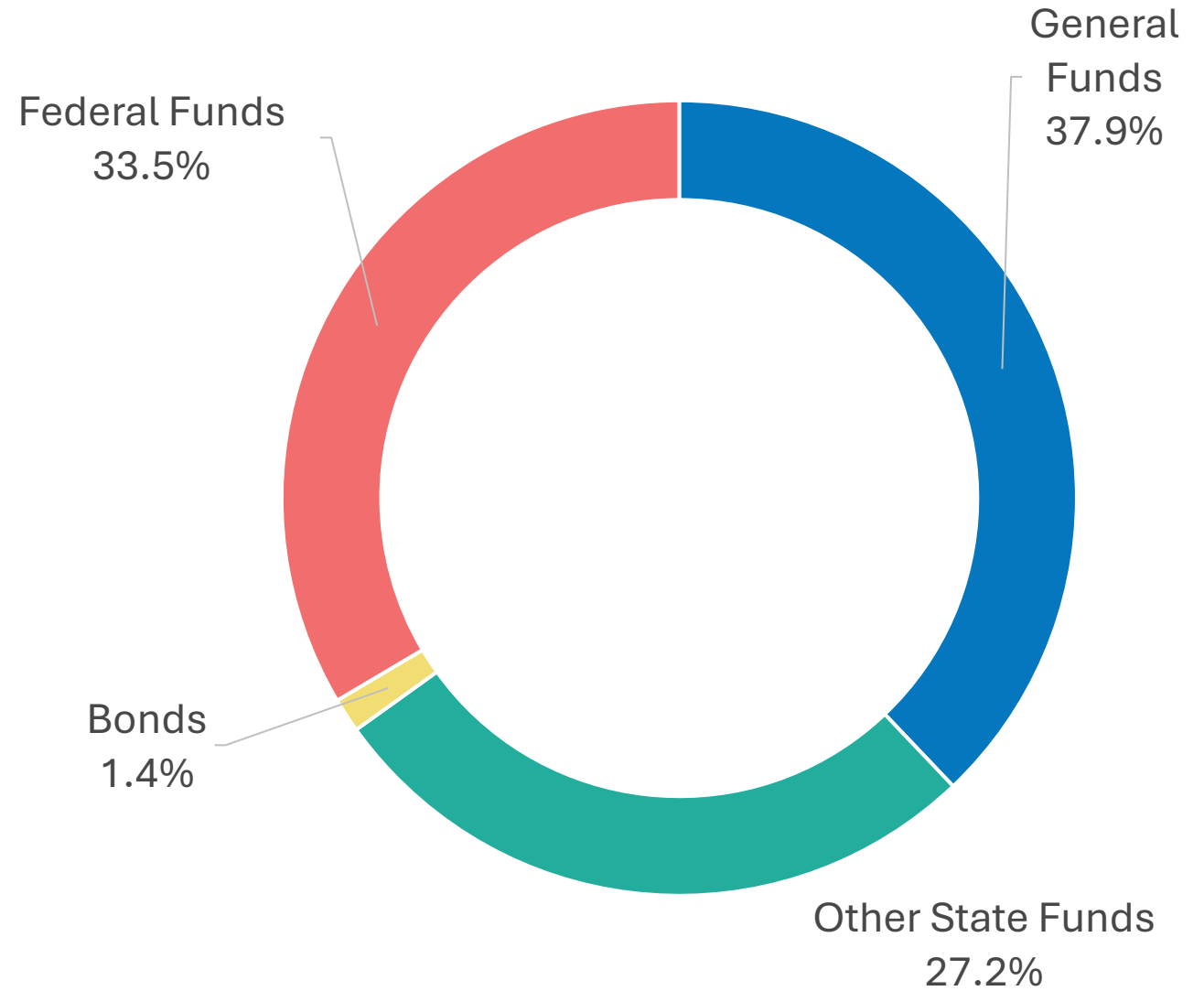
While states are facing budget pressures, underlying fiscal conditions remain positive and we are still seeing state highlight strategic investments, with a particular focus on improving affordability.



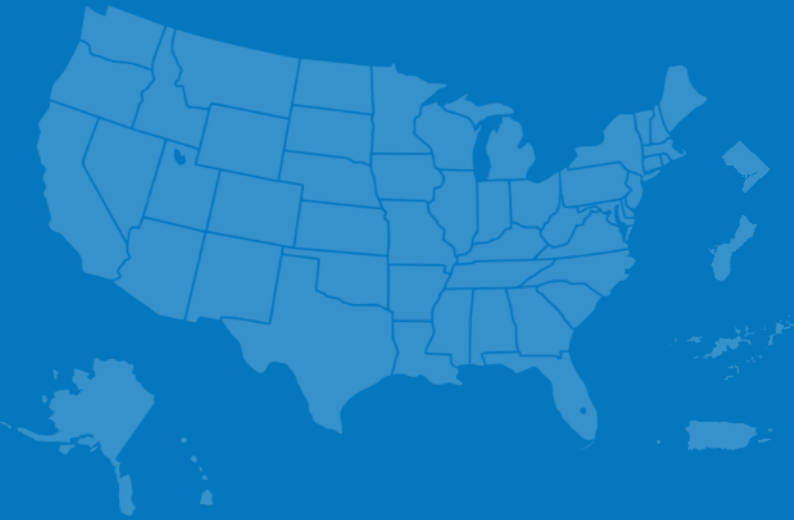
State Spending Trends

Total State Expenditures By Fund Source

Estimated FY2025



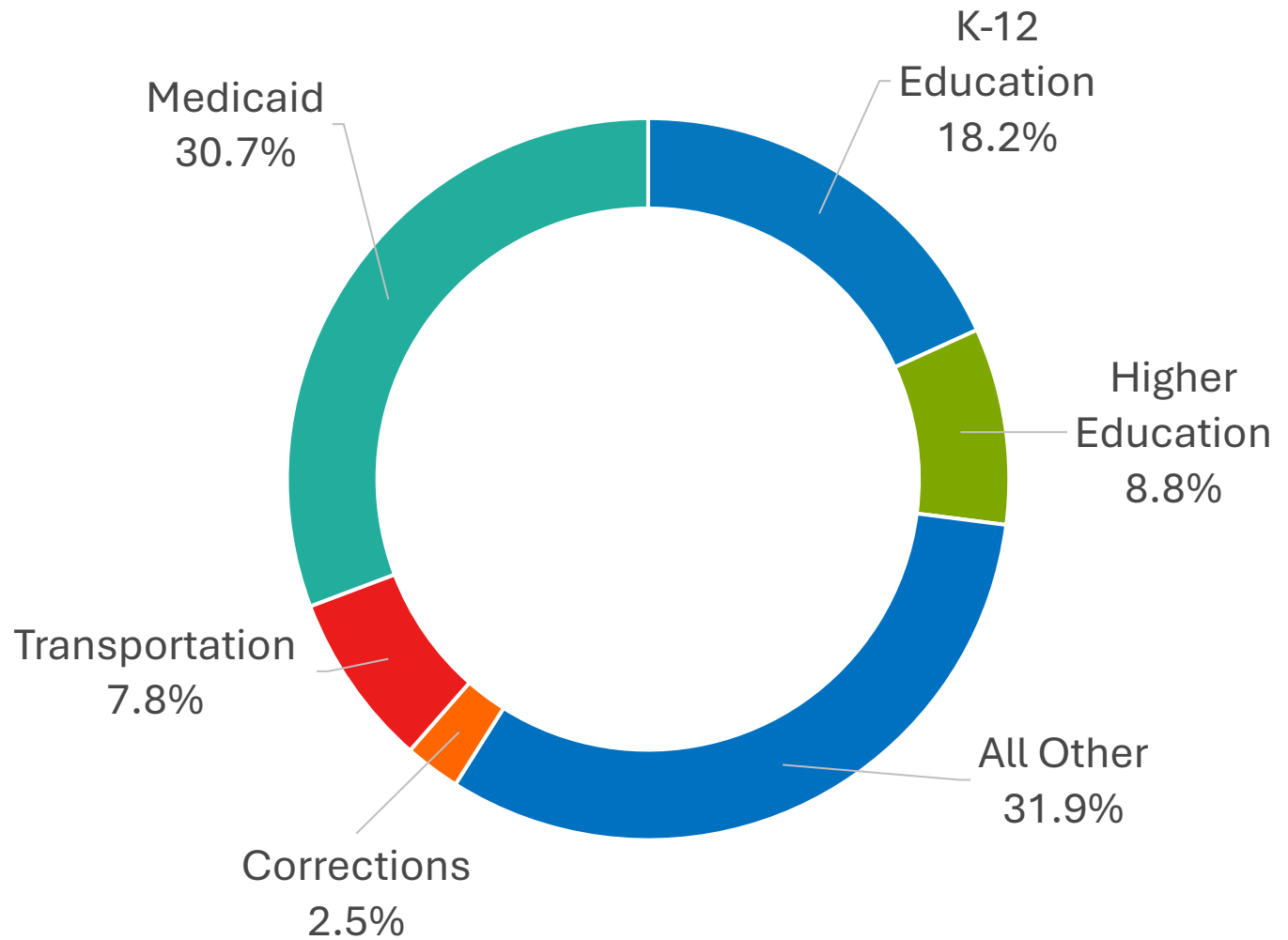
Source: NASBO State Expenditure Report



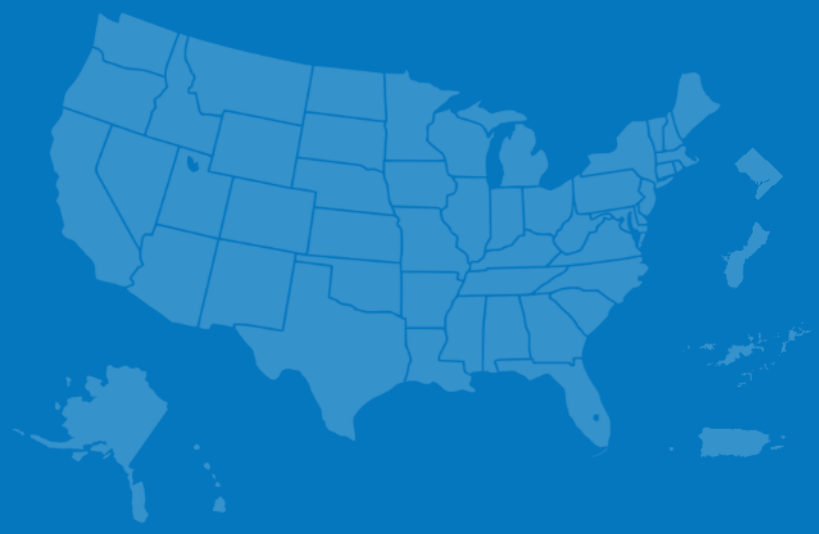
**\$3,212
Billion**

FY25

Total State Expenditures
By Function



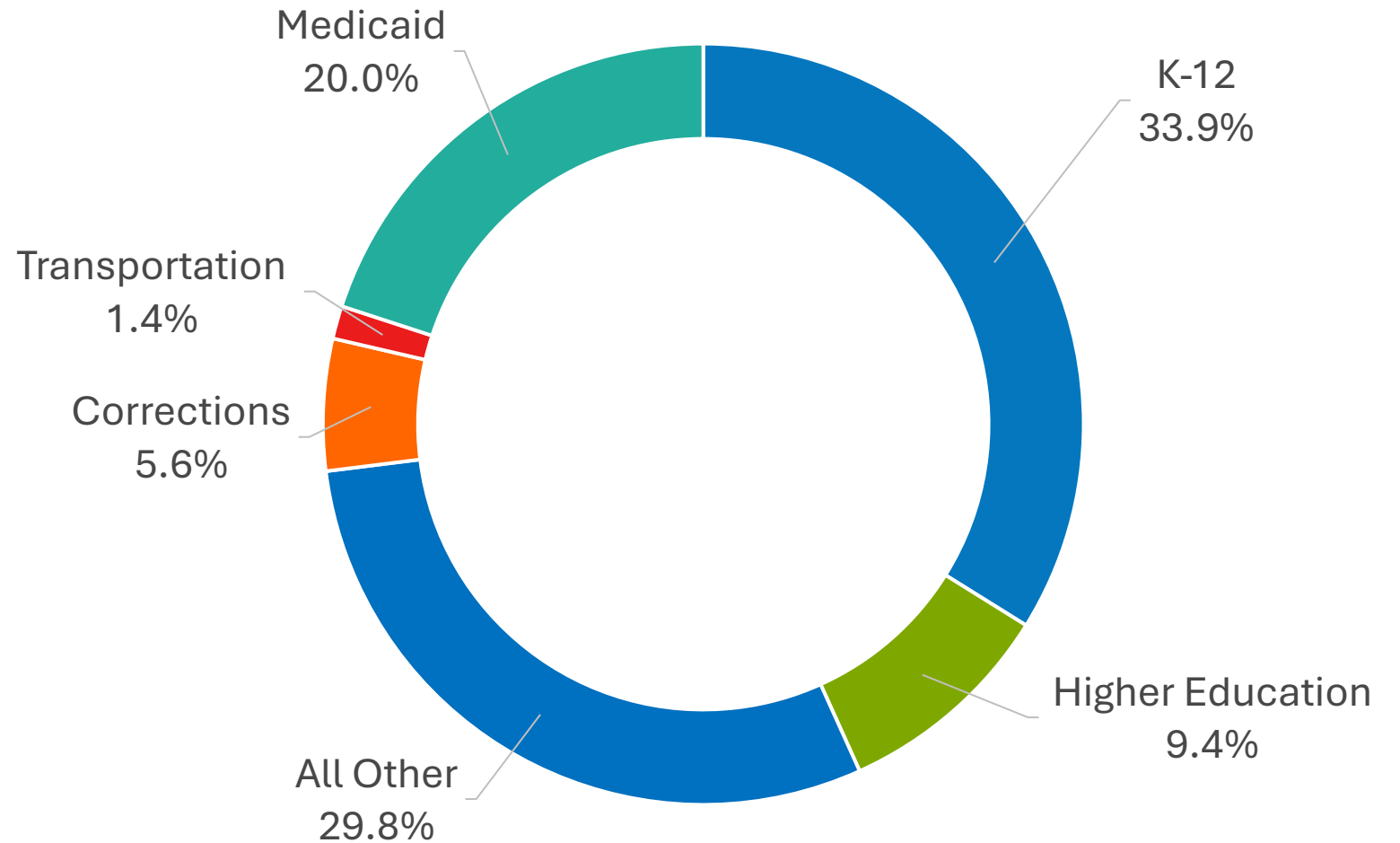
Source: NASBO State Expenditure Report



**\$1,216
Billion**

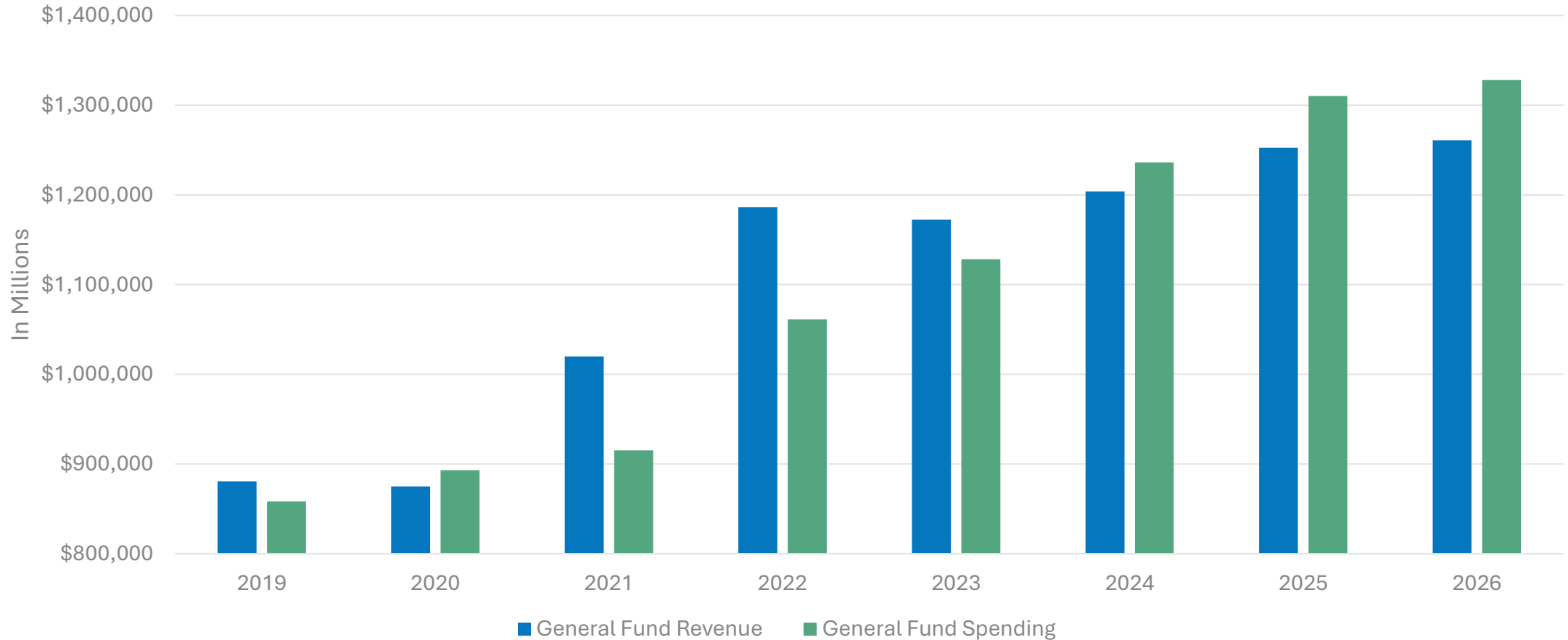
FY25

General Funds
Expenditures By Function

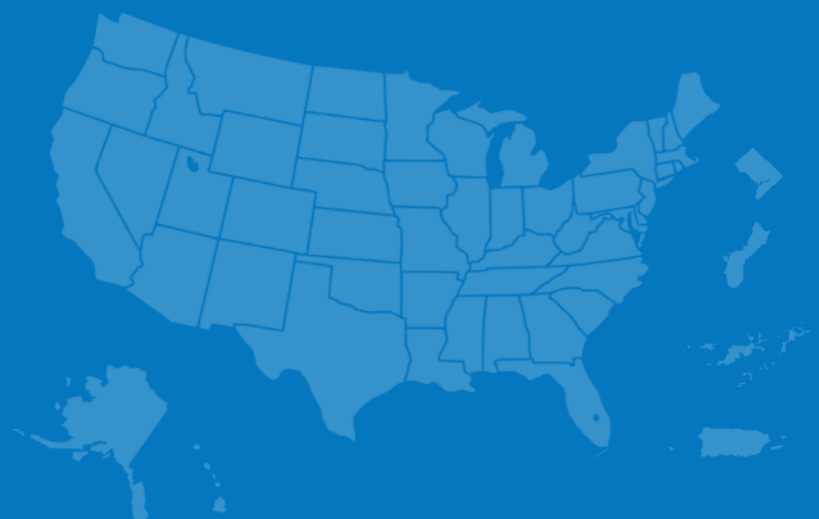


Source: NASBO State Expenditure Report

Annual General Fund Spending and Revenue, Fiscal 2019 to Fiscal 2026



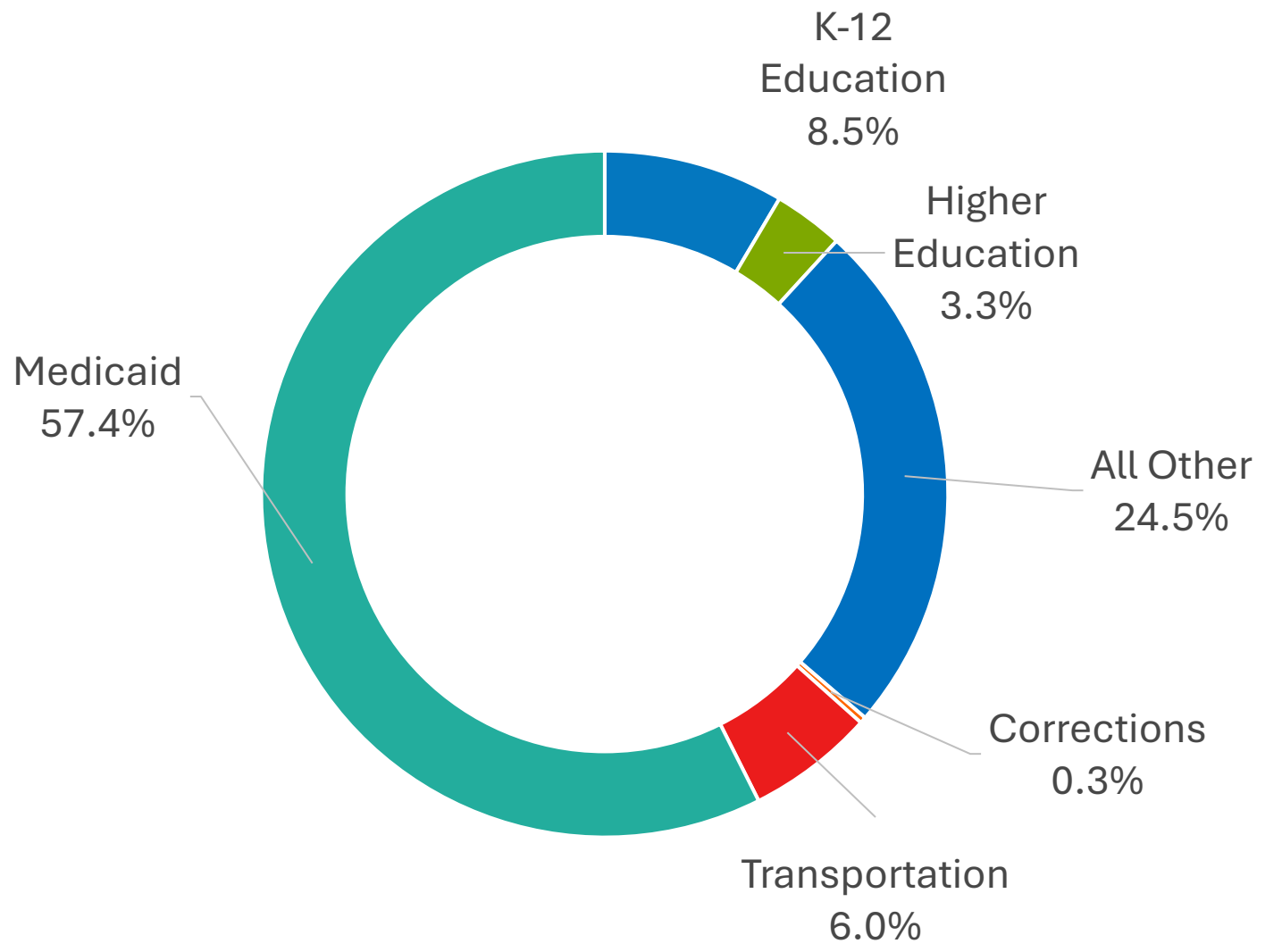
Note: Fiscal 2025 figures are based on preliminary actual data; fiscal 2026 figures are based on states' enacted budgets.



**\$1,077
Billion**

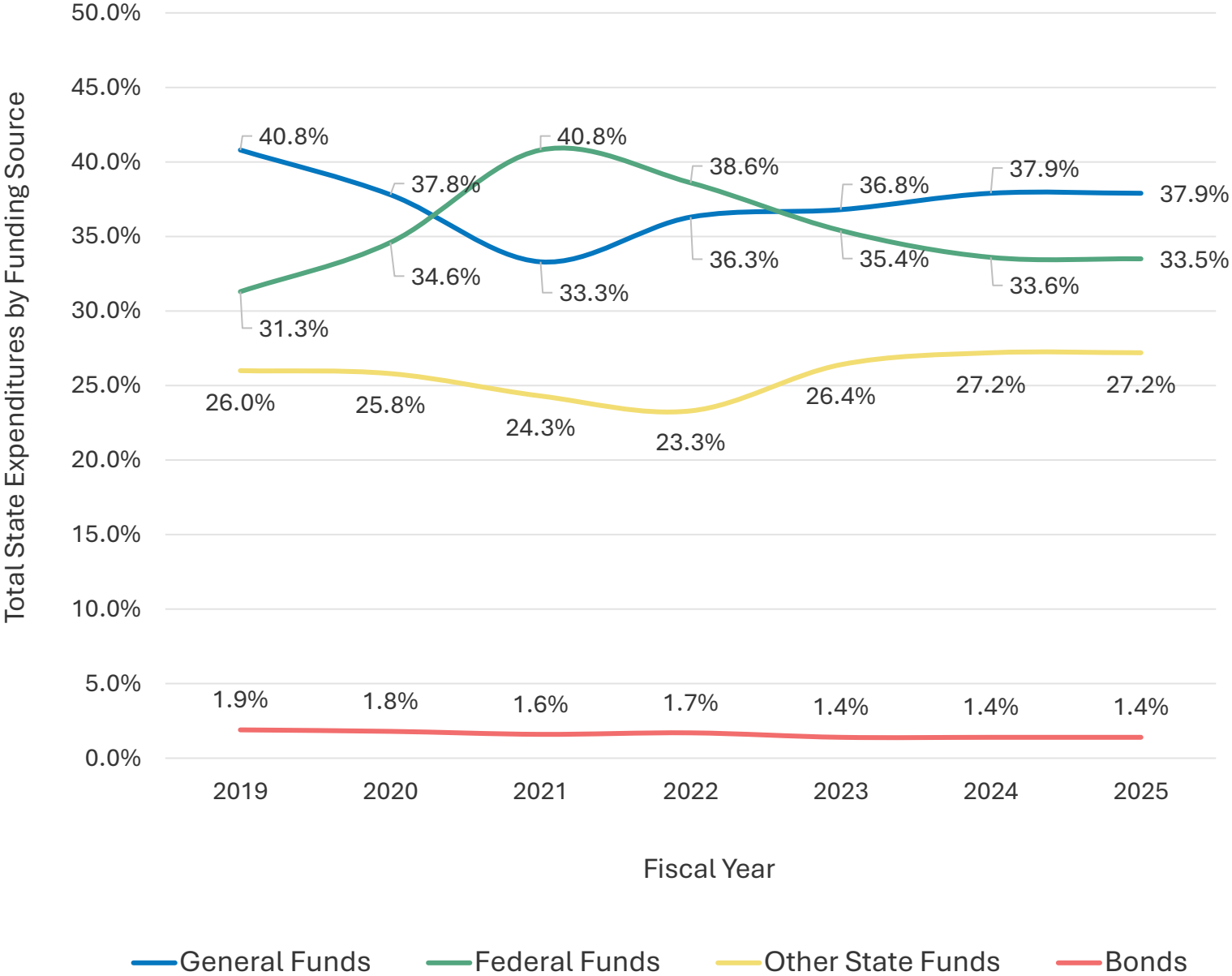
FY25

Federal Fund Expenditures
By Function



Source: NASBO State Expenditure Report

Federal Expenditures Are Returning to Normal Levels





What Everyone Is Talking About: OBBBA



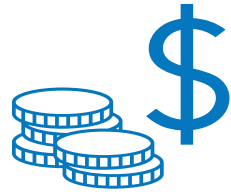
Select OBBBA Provisions Affecting State Budgets

Fiscal Year 2026 - Conforming to the federal tax changes will reduce revenues in the majority of states, some significantly.

Fiscal Year 2027 - Increased state share of SNAP administrative costs from 50% to 75% (October 1, 2026); More frequent Medicaid eligibility checks and Medicaid work requirements (December 31, 2026)

Fiscal Year 2028 – Medicaid Provider taxes phase-down in expansion states (October 1, 2027); SNAP benefit state match begins (October 1, 2027); Grandfathered state directed payments phase-down begins (January 1, 2028)

Estimated Expenditure Impacts



Federal Medicaid Spending

- Federal cuts to states over 10 years would represent 14% of federal spending on Medicaid over the period. (KFF Analysis) (On an annual basis, 14% of FY 2024 federal Medicaid expenditures by states = \$82.2 billion.)



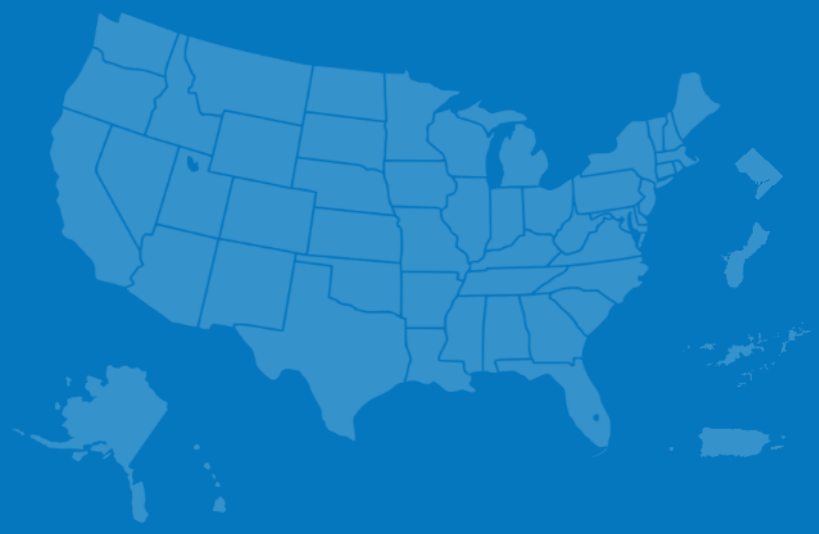
SNAP Cost Sharing

- Shifting a share of SNAP Expenditures to states based on error rates (FY 2024=\$11.6 billion) + increasing admin costs (\$3.5 billion) (FFIS Analysis)

These are in addition to

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

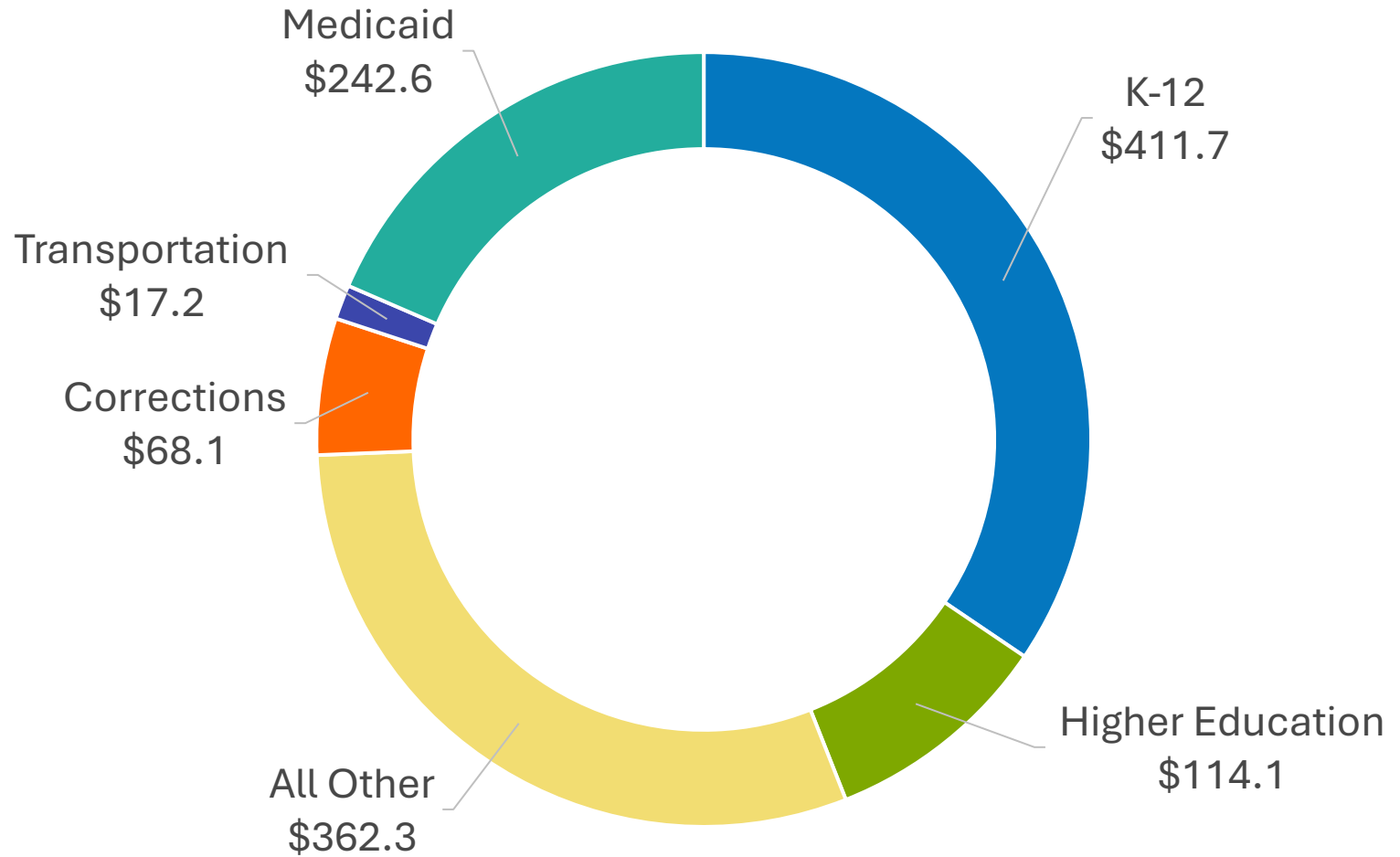




**\$1,216
Billion**

FY25

General Funds
Expenditures By Function



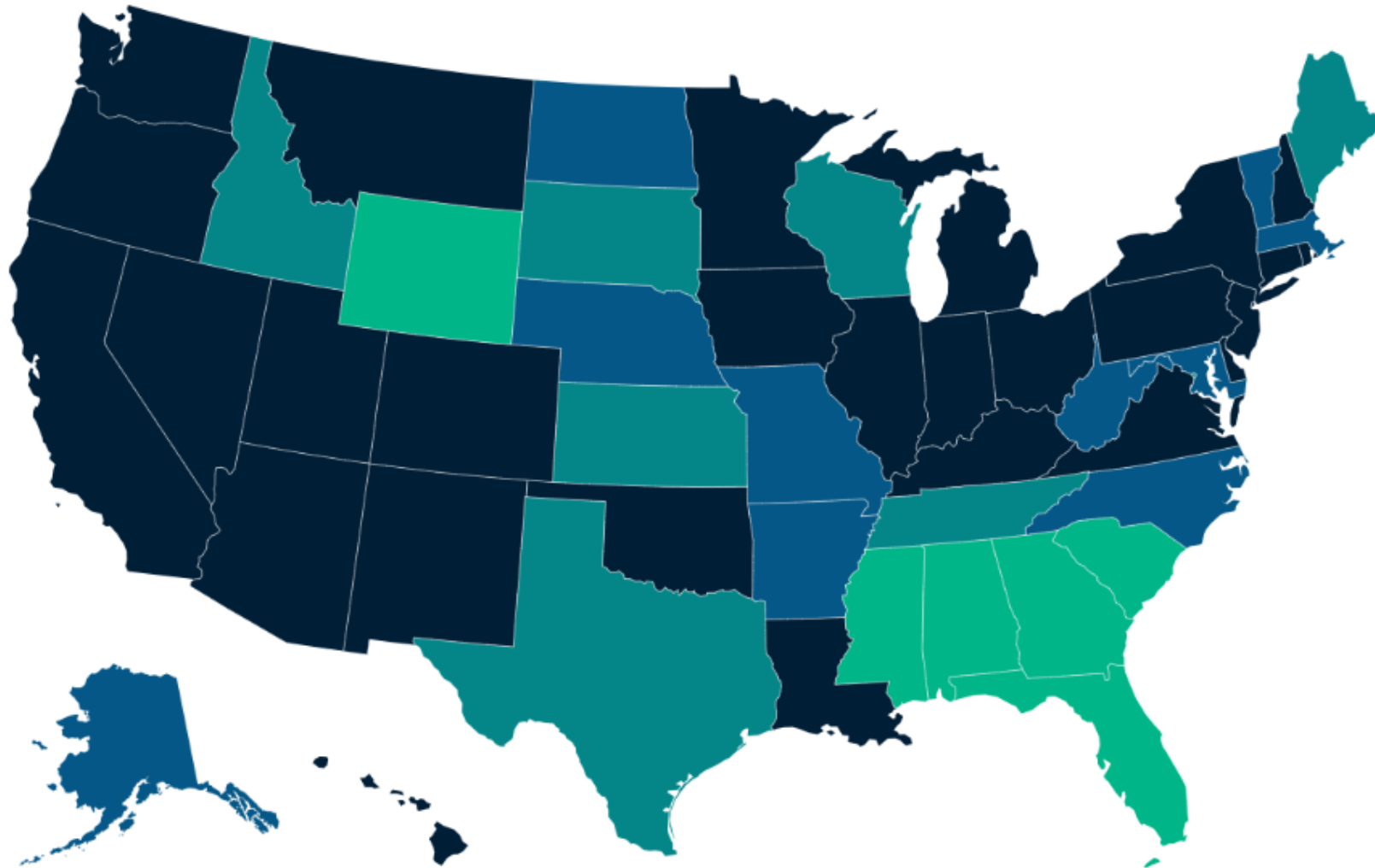
Source: NASBO State Expenditure Report

Amount in Billions

Federal Medicaid Cuts in the Enacted Reconciliation Package, By State

As a % of 10-year baseline federal spending (2025-2034)

■ < 7% ■ 7%–10% ■ 10%–13% ■ ≥ 13%



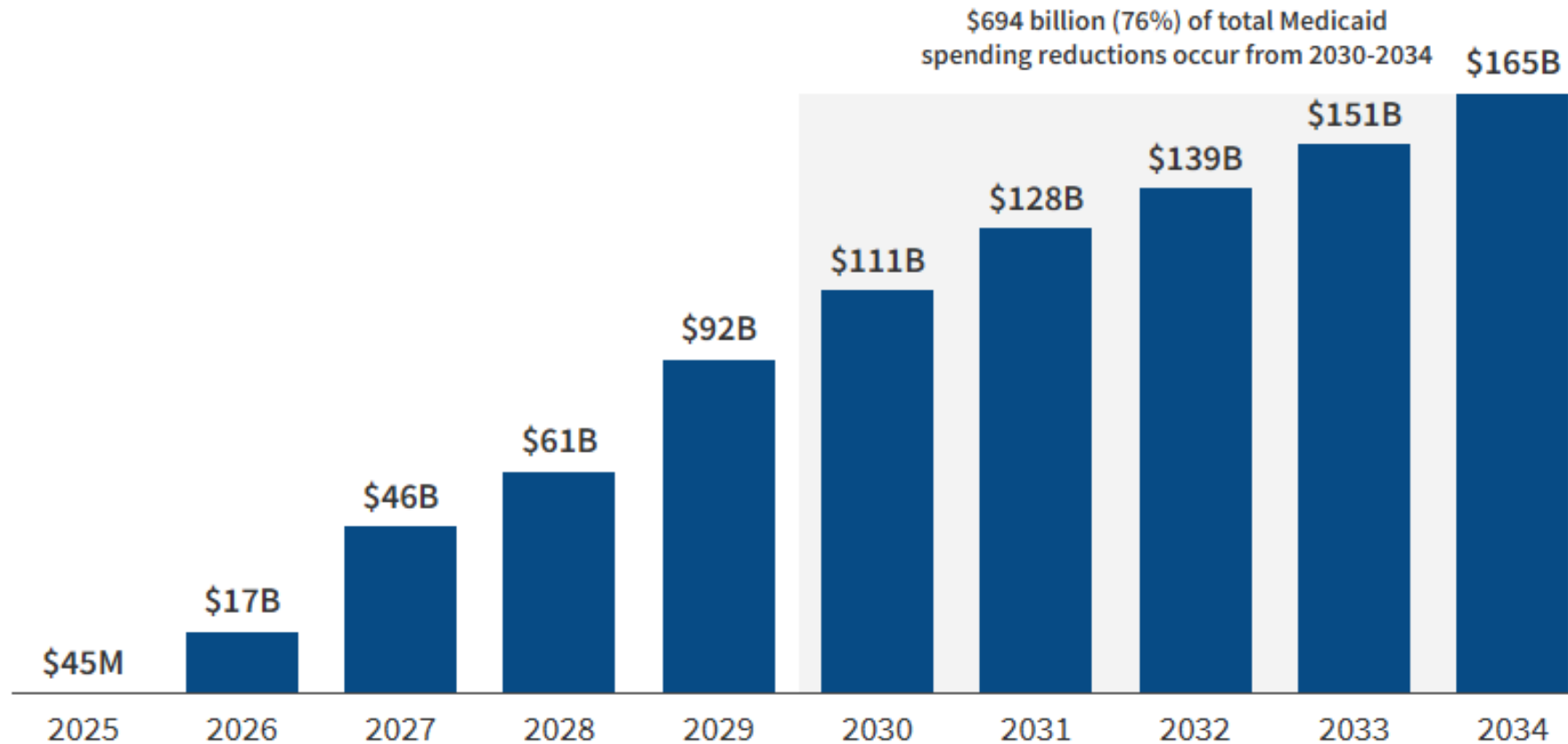
| KFF Data

Note: \$911 billion in federal Medicaid spending cuts over the 10-year period is allocated across states, including \$79B in estimated Medicaid spending interactions. See Methods in "Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Enacted Reconciliation Package" for more details.

Source: [KFF analysis of CBO estimates of the enacted reconciliation package](#) • [Get the data](#) • [Download PNG](#)

Federal Medicaid Cuts in the Enacted Reconciliation Package, By Year

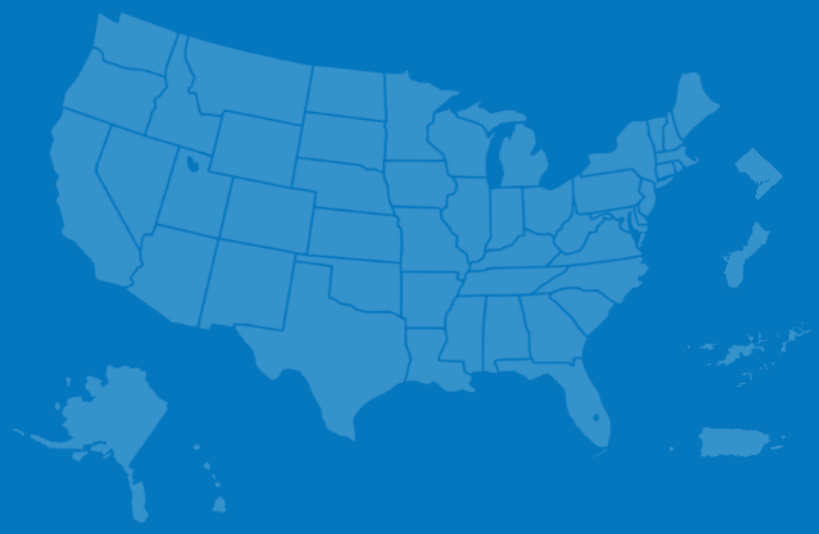
| KFF Data



Note: Estimated interaction effects are included each year. Over the 10-year period, the Medicaid spending reductions total \$911B, including \$79B in estimated Medicaid spending interactions. Without accounting for interactions, the total is \$990B. See Methods in "Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Enacted Reconciliation Package" for more details.

Source: [KFF analysis of CBO estimates of the enacted reconciliation package](#) • [Get the data](#) • [Download PNG](#)

KFF



OBBBA Impacts on States: Takeaways

Revenue impacts from OBBBA tax provisions will reduce general fund revenue growth, substantially in some states.

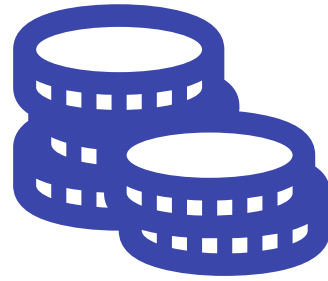
States are preparing but major expenditure impacts will occur in out years.

Impacts are not uniform across states, and state responses to the changes will also vary.

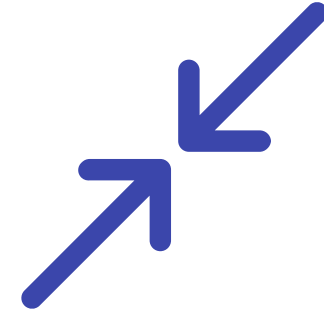
OBBBA changes will be part of state budgeting discussions and decisions for the coming decade.

States will see many changes in leadership before the OBBBA impacts are fully phased-in (in some cases, even before they begin).

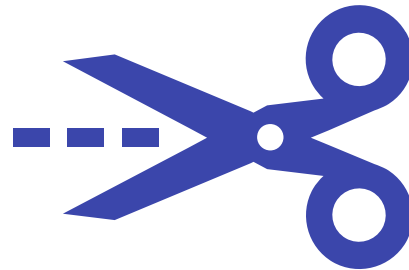
Options States Will Have to Balance Budgets In Response to Federal Actions



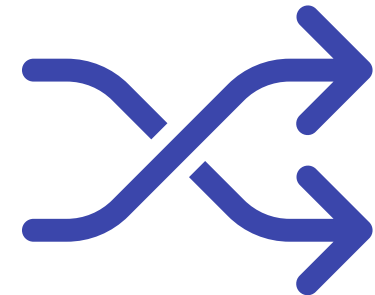
Raise revenue



Program reductions



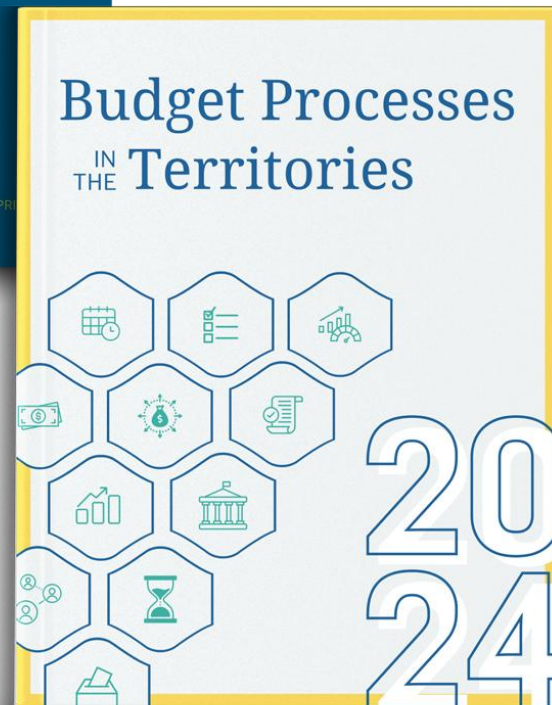
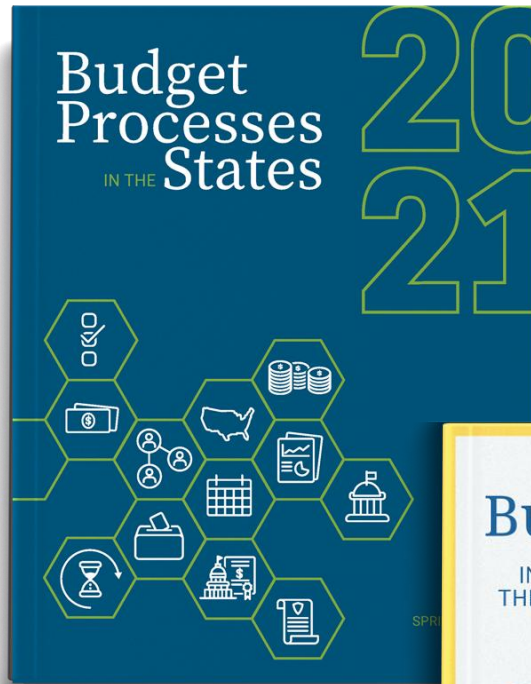
Cuts in other areas



A mix of all three



NASBO Resources



Budget Processes in the States and Territories

Since the first edition of Budget Processes in the States was published in 1975, the report has become a significant reference for state budget officers and others interested in the organization and operation of state government. In this report, NASBO compiles state-by-state comparative information on state budgeting practices, organized into six sections.

NASBO recently collected comparable information from budget offices in three U.S. territories

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Governors' Proposed Budgets



We're tracking & summarizing governors' proposed budgets for Fiscal 2027.

Check out our state pages, which include budget summaries, links to budget documents & details about states' budget processes.

www.nasbo.org/resources/proposed-enacted-budgets



Questions?



Thank you

