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As States Plan for Next Year's Budget, the Economy Flashes Mixed Signals.

Even with rising inflation and worries about a looming recession, most state budgets are doing better than expected. But there are signs that the slowdown policymakers keep planning for is getting closer.

Welcome back to Route Fifty's Public Finance Update! I'm Liz Farmer, back from vacation, and this week I'm doing a state budgets update.

With just a few months left in most states' fiscal year and a looming deadline to pass next year's budget, the spring months can be a bit of a juggling act for lawmakers if the current year's revenues aren't lining up with expectations.

The key word here is expectations. And many states have dialed them down compared with what they experienced in fiscal 2022.

"These last few years have been very unique—it's unprecedented to see double-digit revenue growth for two straight years," said Brian Sigritz, director of state fiscal studies for the National Association of State Budget Officers (NASBO). "Some of that was economic strength, and some of it was due to the federal funding flowing to states and households. States weren't assuming that level of growth would continue."

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Route Fifty

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APRIL 4, 2023

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