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Slowing US State Revenues Put Spotlight on Record Rainy Day Funds.

- **Tax receipts ease as states post best credit quality in years**
- **Post-pandemic rebound, federal aid helped states' finances**

Record reserve funds built by US states in the past two years are likely to be needed as tax receipts slow, federal pandemic aid dwindles and the economy heads toward a recession.

California already is projecting a massive deficit for next year and Illinois posted a "stunning" $1.84 billion drop in April receipts from a year ago. The National Association of State Budget Officers says most states are planning for softer revenue growth or slight declines for fiscal 2023 and 2024, after double-digit percentage increases for two consecutive years.

Overall states' tax revenue growth is poised to decrease to between 0% and 5% from as high as 20% in each of the last two years, Nicholas Samuels, a senior vice president for Moody's Investors Service, said in an emailed statement Wednesday.

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