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This week's Municipal Market Advisors issuer brief takes a look at which of the seven bigger budget states that have reported their annual earnings actually made their revenue projections for the 2014 fiscal year that ended on June 30. The report found that California, Massachusetts and Ohio reported actual revenues above their projections while New Jersey, Pennsylvania, Connecticut and Florida revenues came in below forecasts (even though these states still outperformed the previous fiscal year's actual performance). "The takeaway here," said MMA, "is that the estimates in these states were overly aggressive, possibly to use revenue to 'balance' the budget while spending more in the interim."

Whether a state makes its revenue target is important to investors and credit analysts. But it also sends a crucial signal to localities within a state. "Revenue performance can indicate whether shortfalls (or surpluses) are in the future, possibly meaning painful budget cuts and even rating downgrades," MMA said.

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