Bond Case Briefs

Municipal Finance Law Since 1971

GAO State and Local Governments' Fiscal Outlook.

A new federal report on state and local fiscal health contains an astonishing prediction: that total tax revenues for the sector — as a percentage of gross domestic product (GDP) — won't return to their 2007 historical high until 2047. A big reason, according to the Government Accountability Office (GAO), is that property and income tax revenues spiked as a percentage of GDP leading up to the recession. But because of less growth in those two areas now — and because sales tax revenues continue to have less impact as the economy shifts from one based on goods to one based on services — it will take decades for total revenues to hit that 2007 peak again.

The GAO report also predicts that state and local governments will continue to face a gap between revenue and spending during the next 50 years — in other words, they'll keep spending more than they make. The gap is largely being driven by pension and health-care costs. "State and local governments would need to make substantial policy changes to avoid these fiscal imbalances in the future," according to the report.

GOVERNING.COM

BY LIZ FARMER | DECEMBER 18, 2015

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com