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NASBO Annual State Spending Survey.

Almost half the states cut their budgets this year, and that trend is likely to continue into 2017.

Weak revenues are causing the most state budget shortfalls since the Great Recession.

According to the National Association of State Budget Officers' (NASBO) annual state spending survey, half of all states saw revenues come in lower than budgeted in fiscal 2016 and nearly as many (24) are seeing those weak revenue conditions carry into fiscal 2017, which ends in summer 2017 for most states. It marks the highest number of states falling short since 36 budgets missed their mark in 2010.

As a result, 19 states made mid-year budget cuts in 2016, totaling $2.8 billion. That number of states "is historically high outside of a recessionary period," according to the report.

The revenue slowdown is caused mainly by slow income tax growth, even slower sales tax growth and an outright decline in corporate tax revenue.

Overall, state spending totaled $786 billion last fiscal year, a 3.7 percent annual increase. Although it marks the seventh straight year of spending growth, it represents a slowdown from fiscal 2015 when spending increased by 4.4 percent. When accounting for inflation, 32 states are still spending less than they did before the Great Recession and total state spending also has yet to surpass pre-recession levels.

States reached at least one positive recession-related milestone this year: They're now saving more of their revenue in rainy day funds than they did before the recession hit in 2008. On average, states' rainy day savings represent more than 5 percent of their spending, compared to 4.9 percent in 2008.

They might need that money in the coming years.

State revenues have significantly weakened, increasing just 1.8 percent to $781 billion in fiscal 2016, compared with the previous year's growth of 5 percent. For fiscal 2017, states are projecting to make 3.6 percent more in revenue, to total $809 billion, but NASBO President-elect Michael Cohen said he expects that figure to come down.

He stopped short, however, of predicting a national downturn.

"Certainly a recession is coming sometime soon," said Cohen, who is also California's finance director. "But I think economists in all of the state offices would tell you that's a really hard economic forecasting [task] of predicting when that's going to happen."

NASBO had previously predicted that fiscal 2016 would mark the full recovery of state budgets from the recession, but the cutbacks and increased inflation has delayed that at least another year.

On the spending side, states budgeted to spend a total of $820 billion in fiscal 2017 — roughly $34 billion, or 4.3 percent, more than the previous year. But that's likely to be trimmed in the event of slower revenues. As in recent years, K-12 education and Medicaid are the main targets of spending increases.

Not all states budgeted for increased spending, though. Eight (including energy-producing states like Alaska, North Dakota and Oklahoma) planned to spend less in 2017.

On the other side of the spectrum, 11 states planned to up their spending by 6 percent or more next year. The reason they can do that? In some places, sales tax increases have boosted their revenue.

Louisiana, for example, expects a 17 percent increase in revenue, driven by an expected $800 million increase in sales tax collections.

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