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‘Double Whammy’: Oil Crash Adds to Virus Budget Woes in Some States

Alaska is dealing with some especially tough financial issues. In Louisiana, one lawmaker says: “It’s just kind of the perfect storm with the coronavirus and the collapse of oil and gas.”

As the drastic economic downturn driven by the coronavirus stresses state budgets, those with sizable gas and oil industries are dealing with the added pressure of the recent oil price crash.

When the oil and gas sector falters in states where it makes up a large chunk of the economy, tax collections tied directly to the amount of crude and gas pumped from the ground tend to deteriorate. But so do other sources of revenue, like sales and income taxes, as energy companies spend less on equipment and supplies and lay off workers.

These cycles have played out before. But the current one is happening as widespread business closures and stay-at-home orders meant to help stop the spread of the highly contagious virus are also blowing holes in state tax collections. Meanwhile, states are contending with the costs of the public health response and soaring unemployment.

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Route Fifty

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