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States Expect More Damaging Cuts Without More Federal Aid.

State policymakers will soon begin addressing shortfalls that have already arisen in their current budgets even as they prepare next year's budgets, and many states are bracing to make deeper, more damaging cuts than they've already imposed if they don't receive additional federal fiscal aid.

State and local tax revenues have plummeted as people have less income, shop less, and reduce their economic activity in other ways due to the coronavirus and the worst economic downturn since the Great Depression. For example, state sales tax collections in the second quarter of 2020 (April through June) dropped over 14 percent compared to the same quarter a year ago; in a typical year, they'd grow 3 to 5 percent.

Six states (Massachusetts, New Jersey, Pennsylvania, Rhode Island, South Carolina, and Vermont) have delayed adopting a full budget for fiscal year 2021 (which started on July 1 in most states), and the fiscal year hasn't started in Alabama, Michigan, and the District of Columbia. But many states that have adopted their budgets assumed much higher revenues than they now expect and didn't fully account for recent cost increases due to the pandemic. These and other states will undoubtedly revisit their budgets as COVID-19's budgetary toll and the likelihood of more federal aid become clearer. For example:

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Center on Budget and Policy Priorities

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