
Pandemic's Impact on State Revenues Less Than Earlier Expected But Still Severe.

The pandemic's impact on state revenues this spring was smaller than the historical record predicted. Nevertheless, states, localities, tribal nations, and U.S. territories like Puerto Rico still face large shortfalls for this fiscal year and the next in funding schools, health care, and other basic public services. They desperately need more federal aid to avoid more layoffs and other cuts that would further weaken the economy, increase hardship, and worsen racial and class inequities.

State and local revenues have fallen as the pandemic has forced businesses to close or scale back, costing millions of jobs. Sales taxes, a major revenue source for states and, to a lesser extent, localities, have fallen especially sharply. Income taxes — states' other primary revenue source — are also down, as are revenues from gasoline taxes and other lesser sources.

As a result, states and localities have furloughed or laid off 1.2 million workers to date, far more than the 750,000 that lost their jobs during the Great Recession.[1] They've also imposed spending cuts that diminish the reach and quality of public services. Georgia, for example, cut K-12 funding by nearly $1 billion,[2] and California cut higher education by roughly the same amount.[3] Because many states are operating under budgets they know are unrealistic, more cuts — likely leading to more layoffs, tuition hikes, and reductions in public services — are coming unless the federal government steps up.[4]

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