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## **Despite Improved State Fiscal Conditions, Serious Challenges Remain, Including for Localities, Tribal Nations, and Territories.**

State fiscal conditions have improved since last fall but states still face unprecedented costs to address the immediate crisis, limit the long-term harm caused by the pandemic, and address longstanding inequities that greatly worsened the pandemic's impact. Further, many cities and counties continue to face especially serious fiscal challenges, with revenues down even as costs have soared, and most localities have received no federal aid to date. Tribal nations and U.S. territories also face particularly difficult fiscal conditions. Hence, even though state revenues have improved, additional federal aid for states, localities, tribal nations, and territories is needed.

Over the last few weeks, governors have begun releasing their budget proposals for fiscal year 2022, which include updated revenue forecasts for the current, 2021 fiscal year. In many cases these are the first official forecast updates for several months, giving us the first comprehensive look at how forecasts have changed since the early days of the pandemic, when the fiscal situation appeared much more dire.

Most states (34) still project lower revenues for the current fiscal year than they expected before the pandemic struck, our analysis of these data indicates. In some cases, the forecasts are much lower. In four states — Alaska, Nevada, New York, and Texas — forecasts are more than 10 percent below pre-COVID-19 projections. In 20 states they are more than 4 percent below. (See Table 1.)

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CENTER ON BUDGET AND POLICY PRIORITIES

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