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S&P: As Budget Deadlines Approach, U.S. States Look To Manage Revenue Windfalls Without Creating Shortfalls

Key Takeaways

- With exceptional current-year tax revenue growth and extraordinary federal assistance, U.S. states have abundant resources on which to build their fiscal 2023 budgets. However, intensifying downside economic risks and the sustainability of future revenue growth could complicate budget decisions for some.
- Three states with fiscal years that end on June 30 have yet to enact their 2023 budgets; however, two are on track to cross the finish line before the start of the new fiscal year. This is below the 13 states that had not yet adopted a fiscal 2022 budget on June 30, 2021.
- Sharper focus on sustaining reserves in anticipation of stiffening economic headwinds and emphasizing structural balance will remain essential to minimize potentially significant out-year revenue cliffs and fiscal gaps.

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