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NASBO Fiscal Survey of States - Spring, 2023

Overview - Spring 2023

This edition of the report provides state-by-state information on general fund spending, revenue, ending balances, and rainy day funds for fiscal 2022 (actual), fiscal 2023 (estimated) and fiscal 2024 (recommended). It also contains information on recommended changes to taxes and fees and employee compensation.

Highlights of the Spring 2023 Fiscal Survey include:

General Fund Spending

- Recommended budgets for fiscal 2024 call for general fund spending of \$1.23 trillion, a 2.5 percent increase over a high baseline established in fiscal 2023.
- General fund spending is on track to grow 12.6 percent in fiscal 2023, following a record annual increase of 16.8 percent in fiscal 2022; spending growth in both years was affected in part by an uptick in one-time expenditures. Adjusted for inflation, spending grew 8.1 percent in fiscal 2022 and an estimated 4.4 percent in fiscal 2023.
- Twenty-three states reported net mid-year spending increases in fiscal 2023, including one-time expenditures from surplus funds, while five states reported net mid-year cuts; only one of the five states attributed the cuts to a revenue shortfall.

General Fund Revenue

- After two consecutive years of double-digit percentage growth, general fund revenue in the aggregate is estimated to decrease 0.3 percent in fiscal 2023 from the high baseline established in fiscal 2022 and decline by another 0.7 percent in fiscal 2024 proposed budget forecasts.
- 45 states reported fiscal 2023 general fund revenues were exceeding enacted revenue forecasts; at the time of data collection, current estimates for fiscal 2023 were up 6.5 percent compared to original revenue projections used in enacted budgets.
- States recommended net tax reductions in fiscal 2024 with a general fund revenue impact of -\$13.8 billion (1.2 percent as a share of forecasted revenue for fiscal 2024); more than half of this total impact (-\$7.3 billion) is attributable to one-time/temporary tax cuts.

State Balances

- 39 states are on track to further increase the size of their rainy day fund balances in fiscal 2023. The median rainy day fund balance as a share of spending is expected to increase from 11.5 percent in fiscal 2022 to 12.0 percent in fiscal 2023 and 13.5 percent in recommended budgets for fiscal 2024. In nominal dollars, rainy day fund balances in the aggregate rose to \$164.3 billion in fiscal 2022 and are expected to drop slightly in fiscal 2023.
- Total balances (rainy day funds + general fund ending balances) by the end of fiscal 2022 were more than 3.5 times their aggregate level in nominal dollars at the end of fiscal 2020, and represented 37.3 percent as a share of total general fund expenditures. As states begin to draw

down their elevated general fund balances, total balances are projected at 22.8 percent of general fund expenditures by the end of fiscal 2024, according to governors' budgets.

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