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[A Range of Emerging Fiscal Risks Could Disrupt State Budgets.](#)

Tomorrow's demographic, environmental, and technological trends require planning and action today.

Crafting a state budget is a delicate balancing act in the best of times. Policymakers must estimate spending needs, predict revenue trends, and balance countless competing urgent priorities, all while maintaining a structurally balanced budget.

These demands can make it difficult for fiscal leaders to look beyond the needs of the immediate budget cycle and consider how major shifts in the status quo could disrupt their states' fiscal future. But with major demographic, environmental, and technological changes on the horizon, states must find ways to look ahead and consider the potential fiscal impact of these new and emerging risks to ensure that they have time to plan for and manage these future budget challenges.

Demographic Shifts Pose Risks to State Budgets

States are likely to face significant demographic pressures in the coming decades. Baby Boomers continue to age out of the workforce, and the scale of this exit is unlikely to be matched with new workers because of declines in fertility and international migration. Still, some regions have seen significant recent population growth, driven by remote work flexibilities, refugee resettlement, or simply changes in people's living preferences. The exact nature of these trends will vary from state to state, but policymakers need to understand how these shifts can affect their states' economic and fiscal future, both in terms of revenue and expenditures.

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