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After Several Years of Rapid Growth, State Budgets are Downsizing.

For most states, 2025 represents a return to more typical economic conditions after an atypical period for their budgets.

State budgets are expected to shrink substantially in fiscal year 2025 as the post-pandemic era of surging revenue, record spending and historic tax cuts comes to a close. According to new data released by the National Association of State Budget Officers, total general fund spending is expected to decline to $1.22 trillion, a more than 6% drop from estimated levels in fiscal 2024, which ended for most states on June 30.

It's a vastly different picture from recent years, two of which were the fastest-growing years for general fund spending since NASBO first launched its fiscal survey in 1979. The final tally for fiscal 2024, for example, is expected to total $1.3 trillion—a 13% increase from fiscal 2023, even after adjusting for inflation.

Although the decline in spending is comparable to the declines in 2009 and 2010, when the economic turmoil of the Great Recession drove state spending down by 5.8% and 6.6%, respectively, the situation now is driven by very different factors. For starters, California's 2025 budget closes an eye-popping $46.8 billion budget deficit in large part by cutting or delaying spending. That one state has an outsize influence on the total 50-state picture. In fact, NASBO estimates that about half of states are still planning on spending increases in 2025.

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Route Fifty

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