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NASBO: Most States End Fiscal 2024 Near Revenue Forecast

Despite minimal growth in tax collections in fiscal 2024, most states ended the year near their revenue forecast based on newly released end-of-year revenue totals. Comparing actual collections to forecasts is a better indicator of state revenue performance than year-over-year growth figures which, in many states, have been considerably impacted by recently enacted tax cuts. Early indications are that the majority of states closed fiscal 2024 with revenues above original forecasts, with many also seeing revenues come in above revised forecasts. Most states that saw revenues come in lower than revised forecasts were below projections by less than one percent. Some states with revenues below forecast in fiscal 2024 noted spending was below forecast as well, resulting in an end-of-year budget surplus. While most states are reporting a fourth consecutive year of surpluses, their size in nearly all cases is smaller than the substantial surpluses experienced in fiscal 2021 and fiscal 2022. Similar to fiscal 2023, states are directing these smaller surpluses to a variety of purposes including further strengthening rainy day funds and other reserve funds, fulfilling previously identified spending priorities, and avoiding debt. For some states, this stronger-tha--expected growth will trigger phased-in tax cuts or may be directed toward tax reduction proposals.

Based on NASBO's Fall 2023 Fiscal Survey of States, enacted budgets for fiscal 2024 forecasted a 1.8 percent decline in general fund revenue compared to preliminary fiscal 2023 levels. This decline was from a high baseline after three consecutive years in which the vast majority of states recorded revenue surpluses and most states enacted tax reductions. Updated data from NASBO's Spring 2024 Fiscal Survey of States reported fiscal 2024 general fund revenues were on track to increase 0.6 percent compared to actual fiscal 2023 collections; on a median basis, general fund revenues were estimated to decline 1.1 percent in fiscal 2024.

Newly released end-of-year revenue data reveal most states ended fiscal 2024 above their revenue forecasts, while year-over-year growth was more mixed, with some states seeing slow growth in tax collections compared to fiscal 2023, and other states recording modest declines. The reasons for the slow growth or modest declines in tax collections varied but included the impact of previously enacted tax cuts, slower growth in consumption, lower inflation, and higher tax refunds. On a positive note, several states highlighted in their revenue reports increased investment income resulting from higher interest rates.

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