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NASBO: The Impact of Surplus Funds on State Budgets in Recent Years

The COVID-19 pandemic ushered in an atypical period for state and territory budgets marked by record-breaking revenue growth, unprecedented levels of surplus funds, and a sharp uptick in one-time expenditures. Recently, state fiscal conditions began to “normalize” as revenue growth slowed, collections came in closer to forecast, and states had less new recurring and one-time money to spend, bringing the recent era of substantial, widespread surpluses to a close.

In examining state expenditures and budget conditions, it can be helpful to understand the impacts of states’ unique revenue performance of recent years. Drawing on data from NASBO’s Fiscal Survey of States, this analysis seeks to illustrate the scale of the general fund revenue surpluses states experienced during the years following the onset of the COVID-19 pandemic, as well as their impacts on state expenditures and balance levels. Note that this analysis focuses only on state general funds, and does not consider the role of federal funds – including enhanced federal aid related to COVID-19 – in state budgets, aside from the indirect impacts federal stimulus had on general fund revenue collections.

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