
NASBO: Despite Slow Growth, FY25 Revenue Mostly Exceeded Forecasts

Newly released end-of-year revenue totals indicate states largely saw a third consecutive year of slow growth in tax collections in fiscal 2025. Despite modest gains in revenue collections, most states ended the year above both their original and revised revenue forecasts. 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. While most states are reporting revenue surpluses, the surplus amounts are relatively small, especially when compared to the substantial surpluses experienced by states in fiscal 2021 and fiscal 2022. A number of states indicated their revenue totals were above forecast by less than one percent, with some also seeing revenues come in slightly below forecast.

As NASBO's Spring 2025 Fiscal Survey of States highlighted, after the two fastest growing years on record for general fund revenue in fiscal 2021 and fiscal 2022, growth in revenue collections has been modest in each year since. In fiscal 2023 through estimated fiscal 2025, annual general fund revenue growth on a median basis has been between 1 and 2 percent. Preliminary year-over-year totals for fiscal 2025 were largely in-line with recent trends, with most states seeing slow growth in tax collections compared to fiscal 2024, and other states recording modest declines. When examining individual revenue sources, initial data shows that the growth in personal income taxes was slightly higher than the growth in sales tax collections, while most states reported declines in corporate tax collections. Factors impacting year-over-year growth levels included recently enacted tax cuts, strong stock market performance in calendar year 2024, low unemployment levels, slower growth in consumption, and lower inflation.

Similar to recent years, states are anticipating modest revenue gains in fiscal 2026. Recommended budgets for fiscal 2026 are based on general fund revenues increasing 2.4 percent on a median basis. In discussing their end-of-year fiscal 2025 revenue totals and outlooks for fiscal 2026, states noted heightened economic uncertainty, the potential impact of tariffs and federal policy changes, increased spending demands, and the overall resilience of the state economy.

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National Association of State Budget Officers

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