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**STATEMENT BY NICHOLAS JOHNSON,
DIRECTOR OF THE STATE FISCAL PROJECT,
CENTER ON BUDGET AND POLICY PRIORITIES
ON THE NATIONAL CONFERENCE OF STATE LEGISLATURES'
SURVEY OF FISCAL CONDITIONS**

Today's NCSL budget update should serve as a yellow flag to any states considering new tax cuts, which a number of states have enacted in recent months. State tax revenues aren't keeping pace with the cost of providing services. Instead, many states are relying on past years' surplus funds to balance their budgets, a sign of an ongoing imbalance between revenues and spending.

While revenues are weakening, state spending has moderated and nationwide is no bigger as a share of the economy than it was eight years ago. In many states, spending remains below pre-recession levels by that measure.

The new data suggest that next year, many states will have to choose between tax cuts and addressing needs in areas like transportation, education, health care, and public safety. States also need to strengthen their budget reserves to prepare for future economic downturns.

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A related analysis of state budgets can be found on the Center's web site:

State Expenditure Growth Slowing

By Elizabeth C. McNichol, Nicholas Johnson and Sarah Farkas

<http://www.cbpp.org/7-31-07sfp.htm>

<http://www.cbpp.org/7-31-07sfp.pdf> 5pp.

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