SPECIAL SERIES STATE BUDGET WATCH

States Grappling With Hit to Tax Collections

Center on Budget and Policy Priorities

Updated August 24, 2020

COVID-19 has triggered a severe state budget crisis. While the full magnitude of this crisis is not yet clear, state revenues are declining precipitously and costs are rising sharply with many businesses closed and tens of millions of people newly unemployed. Due to the economy's rapid decline, official state revenue projections generally do not yet fully reflect the unprecedented fiscal impact of the coronavirus pandemic. In many cases, states do not even know how much their revenues have *already* fallen, in part because they've extended deadlines for filing sales and income tax payments that otherwise would have been due in recent months. Executive and legislative fiscal offices in many states are analyzing new economic projections and producing initial estimates of the damage before state legislatures meet in regular or special sessions to address shortfalls. Most states have released initial or preliminary estimates. (See Table 1.)

Early Estimates Show Substantial Shortfalls for 2020, 2021

CBPP estimates that state budget shortfalls will ultimately reach almost 10 percent in the 2020 fiscal year (which ended on June 30 in most states) and over 20 percent in the current fiscal year (2021) based on recent economic projections.

States' initial revenue projections give a first look at some of the damage the pandemic-induced downturn could cause to state budgets, though they do not show states' increased costs from fighting the virus and from rising demand for state services. The wide range of projected revenue impacts reflects the uncertainty that states face, and the variety of methods states are using to begin to assess the damage. (In some cases, states are still relying on data available *before* the crisis.)

Most states have just begun a new fiscal year that will extend through June 2021. State revenue estimators are likely proceeding cautiously with these initial estimates, because of the consequences the revenue declines will have as states work to balance their budgets. Policymakers will want to be more certain about the scale of expected revenue drops before making large and harmful budget cuts. Current economic forecasts strongly suggest, however, that as the full scale of the downturn becomes clearer, revenue projections will fall further. In addition, gas taxes, vehicle registration fees, and other revenues that are deposited into separate funds (like transportation funds) are also declining.

States faced an immediate crisis in fiscal year 2020. The full extent of the 2020 shortfalls won't be known for a few weeks but the pandemic took a toll on revenues. To balance their budgets — as required — states made cuts, tapped reserves, or found enough revenue to close these shortfalls in just three months, an extremely short period to find such large amounts of revenue. For example, for the fiscal year that just ended:

- Kansas estimated an $816 million drop in revenues.
- Arizona expected revenues to drop by $864 million.
- Arkansas expected $353 million less in revenue, with $193 million due to the income tax filing extension to July 15 and the remainder due to lower collections.

State estimates show that revenues for the current fiscal year, which began on July 1 for most states, could fall as much as or more than they did in the worst year of the Great Recession and remain depressed in following years. New York and Colorado, for example, project revenue drops of 17 percent or more if the recession is deep.

- California expects revenues to decline by $32 billion in 2021 alone, according to the Department of Finance. The revenue declines in fiscal years 2020 and 2021, combined with COVID-19 costs and increased need for other state services, far outstripped the balance in the state's substantial rainy day fund.

- New York's tax revenues will fall by $13 billion in 2021 and by $16 billion in 2022, according to the state's Division of Budget.
- Colorado's revenues could drop by as much as $2.6 billion in 2021 and $1.7 billion in 2022, according to the Legislative Council.

Another group of states face a double threat. States with a high concentration of oil-related industries are seeing a decline in economic activity and tax collections due to plunging oil prices on top of COVID-19-related effects and the recession. For example, Alaska is projecting an $882 million decline in revenues in the current fiscal year, and New Mexico could see a $2 billion drop.

States are drawing on their rainy day funds and other budget reserves to address these shortfalls but, as in the last recession, those reserves will be far from adequate. And states will worsen the recession if they respond to this fiscal crisis by laying off employees, scaling back government contracts for businesses, and cutting public services and other forms of spending.

Damaging cuts have already begun. In Georgia, policymakers approved a 10 percent cut for 2021, including a nearly $1 billion cut for K-12 public schools and cuts to programs for children and adults with developmental disabilities, among others. Maryland's governor has proposed nearly $1.5 billion in cuts; some have already taken effect, including large cuts to colleges and universities. Florida's governor vetoed $1 billion in spending that lawmakers approved before the crisis and ordered agencies to look for 8.5 percent more in possible cuts. The state also cut money for community colleges and services related to behavioral health, including opioid and other substance use treatment services, crisis intervention services, and services for people experiencing homelessness.

Given the economy's rapid decline and the extraordinary damage being done to state, tribal, and local budgets, federal policymakers will need to provide more help to states and families affected by the crisis.

Tracking Estimated State Revenue Shortfalls

We've collected the preliminary estimated revenue declines we're aware of in the table below. We'll update this list as states continue to revise their revenue estimates for the upcoming fiscal year. In all cases these are ***preliminary*** estimates that will be updated as more is known about the impact of the COVID-19 pandemic on the economy and tax collections.

TABLE 1

COVID-19 Pandemic Expected to Cause Sharp Revenue Drops in States

Preliminary Estimates of Declines in General Fund Tax Revenues

State	Fiscal Year	Decline	Decline as percent of pre-COVID-19 revenue projections
Alaska	2020	$612 million	10 percent
Alaska	2021	$882 million	15 percent
Alaska	2022	$797 million	14 percent
Arizona	2020	$864 million	8 percent
Arizona	2021	$873 million	7 percent
Arizona	2022	$663 million	5 percent
Arkansas	2020	$113 million	2 percent
Arkansas	2021	$206 million	3 percent

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California	2020	$9.7 billion	7 percent
California	2021	$26 billion–$32.2 billion	17–21 percent
Colorado	2020	$968 million	7 percent
Colorado	2021	$2.6 billion	20 percent
Colorado	2022	$1.7 billion	12 percent
Connecticut	2020	$361 million	2 percent
Connecticut*	2021	$2.6 billion	13 percent
Connecticut	2022	$2.3 billion	12 percent
Delaware	2020	$246 million	5 percent
Delaware	2021	$283 million	6 percent
Delaware	2022	$396 million	8 percent
Florida	2020	$1.9 billion	6 percent
Florida	2021	$3.4 billion	10 percent
Florida	2022	$2 billion	6 percent
Georgia*	2021	$2.5 billion	9 percent
Hawai‘i	2020	$792 million	11 percent
Hawai‘i	2021	$1.9 billion	24 percent
Hawai‘i	2022	$1.4 billion	18 percent
Idaho	2021	$37 million	1 percent
Illinois	2020	$2.7 billion	7 percent
Illinois	2021	$4.6 billion	12 percent
Indiana	2020	$1.4 billion	8 percent
Indiana*	2021	$2.0 billion	12 percent
Iowa	2020	$150 million	2 percent
Iowa	2021	$360 million	4 percent
Kansas	2020	$816 million	11 percent
Kansas	2021	$549 million	7 percent
Kentucky	2020	$585 million	5 percent
Kentucky half year*	2021	$718 million–$1.1 billion	12–19 percent
Louisiana	2020	$293 million	3 percent

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State	Fiscal Year	Decline	Decline as percent of pre-COVID-19 revenue projections
Louisiana	2021	$970 million	10 percent
Maine	2020	$28 million	1 percent
Maine	2021	$528 million	13 percent
Maine	2022	$434 million	10 percent
Maryland	2020	$925 million–$1.1 billion	5–6 percent
Maryland	2021	$2.1–$2.6 billion	11–14 percent
Maryland	2022	$2.6–$4.0 billion	13–20 percent
Massachusetts	2020	$2.4–$3 billion	8–10 percent
Massachusetts	2021	$2.8–$9.6 billion	9- 31 percent
Michigan	2020	$3.2 billion	13 percent
Michigan	2021	$3 billion	12 percent
Michigan	2022	$2.1 billion	8 percent
Minnesota	2020	$610 million	3 percent
Minnesota	2021	$3 billion	12 percent
Minnesota	2022	$2.5 billion	10 percent
Mississippi	2020	$344 million	6 percent
Mississippi	2021	$275 million	5 percent
Missouri	2020	$864 million	9 percent
Missouri	2021	$1 billion	10 percent
Montana*	2021	$380 million	15 percent
Nevada	2020	$509 million	12 percent
Nevada	2021	$1.2 billion	26 percent
New Hampshire	2020	$125–$199 million	5–8 percent
New Hampshire	2021	$229–$395 million	9–15 percent
New Jersey	2020	$2.8 billion	7 percent
New Jersey	2021	$7.3 billion	18 percent
New Mexico	2020	$439 million	6 percent
New Mexico	2021	$2 billion	25 percent
New Mexico	2022	$1.7 billion	22 percent
New York*	2021	$13.3 billion	15 percent

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New York*	2022	$16 billion	17 percent
North Carolina	2020	$1.6 billion	7 percent
North Carolina	2021	$2.6 billion	10 percent
Ohio	2021	$2.3 billion	9 percent
Oklahoma	2020	$447 million	7 percent
Oklahoma	2021	$1.4 billion	16 percent
Oregon	2020	$630 million	6 percent
Oregon	2021	$1.3 billion	12 percent
Oregon	2022	$1.7 billion	14 percent
Pennsylvania	2020	$3.5 billion	10 percent
Pennsylvania	2021	$1.2 billion	3 percent
Puerto Rico	2020	$800 million–$1.1 billion	8–11 percent
Rhode Island	2020	$281 million	7 percent
Rhode Island	2021	$516 million	12 percent
South Carolina	2020	$507 million	5 percent
South Carolina	2021	$702 million	7 percent
Tennessee	2020	$654 million	5 percent
Tennessee	2021	$1.4 billion	10 percent
Texas	2020	$4.4 billion	8 percent
Texas	2021	$8.8 billion	15 percent
Utah	2020	$93 million	1 percent
Utah	2021	$757 million	9 percent
Vermont	2021	$182 million	11 percent
Vermont	2022	$104 million	6 percent
Virginia	2020	$234 million	1 percent
Virginia	2021	$1.3 billion	6 percent
Virginia	2022	$1.4 billion	6 percent
Washington	2020	$1.1 billion	4 percent
Washington	2021	$3.4 billion	13 percent
Washington	2022	$2.3 billion	8 percent

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Washington, D.C.	2020	$722 million	9 percent
Washington, D.C.	2021	$774 million	9 percent
Washington, D.C.	2022	$606 million	7 percent
West Virginia	2020	$500 million	11 percent
Wisconsin*	2021	$2 billion	10 percent
Wyoming	2020	$109 million	9 percent
Wyoming	2021	$236 million	21 percent
Wyoming	2022	$213 million	19 percent

* See Notes in Table 2

TABLE 2

Sources and Notes

State	Source	Date and Source	Notes
Alaska	Department of Revenue	April 6	
Arizona	Joint Legislative Budget Committee	June 19	
Arkansas	Department of Finance and Administration	April 2 & July 2	
California	Department of Finance	May 7	
Colorado	Legislative Council	May 12	
Connecticut	Office of Policy and Management	August 17	OPM presentation to the Appropriation Committee informational hearing. FY21 estimate is preliminary
Delaware	Economic and Financial Advisory Council	June 20	
Florida	Office of Economic & Demographic Analysis/Revenue Estimating Conference	July / August 14	
Georgia	Office of Planning	June 30	Based on (unposted) communication with

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State	Source	Date and Source	Notes
			Governor's Budget Office
Hawaiʻi	Council on Revenues	May 29	
Illinois	Office of Management and Budget	April 15	
Idaho	Division of Financial Management	August 1	
Indiana	State Budget Committee	June 19 and July 1	FY21 based on news report
Iowa	Revenue Estimating Conference	May 29	
Kansas	Consensus Revenue Estimating Group	April 20	
Kentucky	Governor's Office of Economic Analysis	May 27	FY21 is estimate for just first two quarters
Louisiana	Revenue Estimating Conference	May 11	
Maine	Revenue Forecasting Committee	August 1	
Maryland	Board of Revenue Estimates	May 14	
Massachusetts	Federal Reserve Bank of Boston	July 9	
Michigan	Consensus Revenue Agreement	May 15	
Minnesota	Management and Budget	August 3	
Mississippi	State Economist	June 15	
Missouri	Office of Administration/Governor, press report	July 3 /April 18	
Montana	Legislative Fiscal Division	June 23	FY20 estimate is unchanged from pre-COVID estimate
Nevada	Economic Forum/Governor	June 10/July 6	
New Hampshire	House Ways and Means Committee	June 1	
New Jersey	Treasury	May 14	
New Mexico	Consensus Revenue Estimating Group	June 10	
New York	Division of Budget	April 7	Estimate for all funds (general fund plus other state funds)
North Carolina	Fiscal Research Division	May 22	
Ohio	Office of Budget and Management	June 10	

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Oklahoma	Board of Equalization	April 20	
Oregon	Office of Economic Analysis	May 20	
Pennsylvania	Independent Fiscal Office	June 22	
Puerto Rico	Financial Oversight and Management Board	August 5	The two FY20 figures reflect reporting discrepancies between the Treasury Department and the federally-mandated Oversight Board. (Details in linked document.)
Rhode Island	Revenue Estimating Conference	May 8	
South Carolina	Board of Economic Advisors	May 8	
Tennessee	Department of Finance and Administration	June 3	
Texas	Comptroller	July 20	
Utah	Appropriations Committee	June 17	
Vermont	Joint Fiscal Office	August 12	
Virginia	Secretary of Finance	August 18	
Washington	Economic and Revenue Forecast Council	June 17	
Washington, D.C.	Chief Financial Officer	April 24	
West Virginia	Revenue Secretary	April 13	
Wisconsin	Governor	April 15	Based on (unposted) April 15 letter from Gov. Tony Evers to President Trump
Wyoming	Consensus Revenue Estimating Group	May 26	