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Higher state tax collections

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Several states report higher tax collections, but budget gaps remain.

Editor's note: *The following is the third of a six-part series on government budgets and government spending that comprise the [Keating Report mid-year 2011 forecast](#). The topics we are covering include: [federal budgets](#), [transportation projects](#), [state tax revenue](#), [local government budget trends](#), [ARRA-funded construction](#) and [government spending](#).*

Recent state tax collection reports looked positive. The New York Times reported that Michigan, New Jersey, Pennsylvania, Rhode Island and Texas all reported higher tax collections than expected, and that tax collectors in California reported that the state was on track to collect \$6.6 billion more this year and next year than had been projected.

"State governments should continue to see a rebound in revenues," says Tad DeHaven, a budget analyst at the [Cato Institute](#), a Washington-based libertarian think tank. He cautions, however: "State and local government will continue to have to make choices because of the rising price tag for government employee compensation."



**Tad
DeHaven**

State fiscal affairs are still troubling, says Sujit CanagaRetna, senior fiscal analyst for the Lexington, Ky.-based [Council of State Governments](#) (CSG). "In the four-year period covering fiscal years 2009 through 2012, states closed or will close nearly \$550 billion in shortfalls, a staggering number," he says. "In the upcoming fiscal year 2012 alone, 44 states anticipate a budget shortfall that is expected to reach \$112 billion cumulatively."

CanagaRetna notes that, "Even though the nascent national economic recovery currently in progress has resulted in positive revenue flows at the state level, overall state revenues still remain far below what they were pre-Great Recession." He adds that, "state revenues notoriously lag a robust national economic recovery by 12 to 18 months, so states anticipate challenges going forward along with considerable expenditure categories (pensions, unemployment insurance, healthcare, education, transportation, infrastructure, emergency management) looming on the horizon."



**Sujit
CanagaRetna**

As many as 44 states face deficits as they start work on next year's budgets, estimates Elizabeth McNichol, a senior fellow at the Washington-based [Center on Budget and Policy Priorities](#) (CBPP). □ "One positive in the gloom is the fact that in the past two years, states came to the middle of their budget year, and the revenue surprises that they had were that revenues weren't coming in at the level that

they had expected. I do think that things have stabilized, so the differences won't be as big between what they built into their budget and what's actually collected," McNichol told Government Product News. "I think the surprises are as likely to be on the upside as on the downside." The CBPP is a Washington-based non-partisan research and policy institute.



**Elizabeth
McNichol**

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