

## U.S. State Fiscal Health: State Reserves Remain Near Record Levels, State and Local Employment Still Rising

Here is more evidence that the Golden Age of Public Finance endures. The fiscal status of U.S. state governments remains very healthy. State total balances peaked at \$399 billion (37% of expenditures) in FY2022, have since fallen to \$274 billion (23% of expenditures), but remain well above \$66 billion (9% of expenditures) which was the average between 2009 and 2018. Almost all states continue to possess a comfortable cushion against potential macro-economic weakness. Former Fed Chair Ben Bernanke warned Congress should, "Save the States" in July 2020. Congress allocated \$350 billion of Coronavirus State and Local Fiscal Recovery Funds in 2021. Treasury Secretary Janet Yellen indicated this relief helped correct the policy error of insufficient aid after the Great Recession. State governments reported spending \$88 billion, or 45% of the fiscal relief awarded to them as of March 2023, according to the GAO. We have seen a handful of state ratings and outlooks improve in 2023, one received a "Negative" outlook in May.

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