

May 22, 2025

## A Brightened Forecast ... With Caution

*State income forecasting panel boosts estimates, giving legislators more to spend*

An uptick in Louisiana's income projections will give lawmakers more wiggle room to build their budget, as they continue to learn the implications of a sweeping tax rewrite they passed six months ago.

Economists cautioned, however, that it could take a year or longer to determine how the package of [tax changes adopted in a November special session](#) will affect the state treasury. The uncertainty increases with questions about the impact of Washington decision-making on the economy and on federal financing to states.

Still, for now, the Louisiana Legislature has enough money to not only continue the current programs and services on which residents rely, but also to finance initiatives beyond that.

Louisiana's income forecasting panel, the Revenue Estimating Conference, bumped up its predictions for state tax and fee collections for the budget year that ends June 30 and the 2025-26 financial year that starts July 1.

### Revenue Forecasts

Fiscal Year	Previous Forecast	New Forecast
Current FY 2024-25	\$12.11B	\$12.24B
Next FY 2025-26	\$12.15B	\$12.29B
Future FY 2026-27	\$12.30B	\$12.40B

Source: Revenue Estimating Conference

The adjustments will give legislators \$130 million more in state general fund money to spend this year and another \$139 million in the upcoming fiscal year. The general fund contains unearmarked dollars that lawmakers can prioritize however they'd like.

The Public Affairs Research Council of Louisiana hopes senators, who currently have control of the budget bills, will use the new dollars available to continue an intensive \$30 million tutoring program for young students that was [targeted by the House](#) for elimination. Other priorities should include debt payments that could put the state on a stronger financial footing and investments in needed infrastructure projects, such as road and bridge work and coastal restoration.

Amid all the financial uncertainty, PAR urges a cautious legislative approach that doesn't greatly expand ongoing programs or involve deep, new tax cuts. Both could quickly become unaffordable if Congress or the White House slash more federal spending or if the state tax structure overhaul doesn't generate the money anticipated.

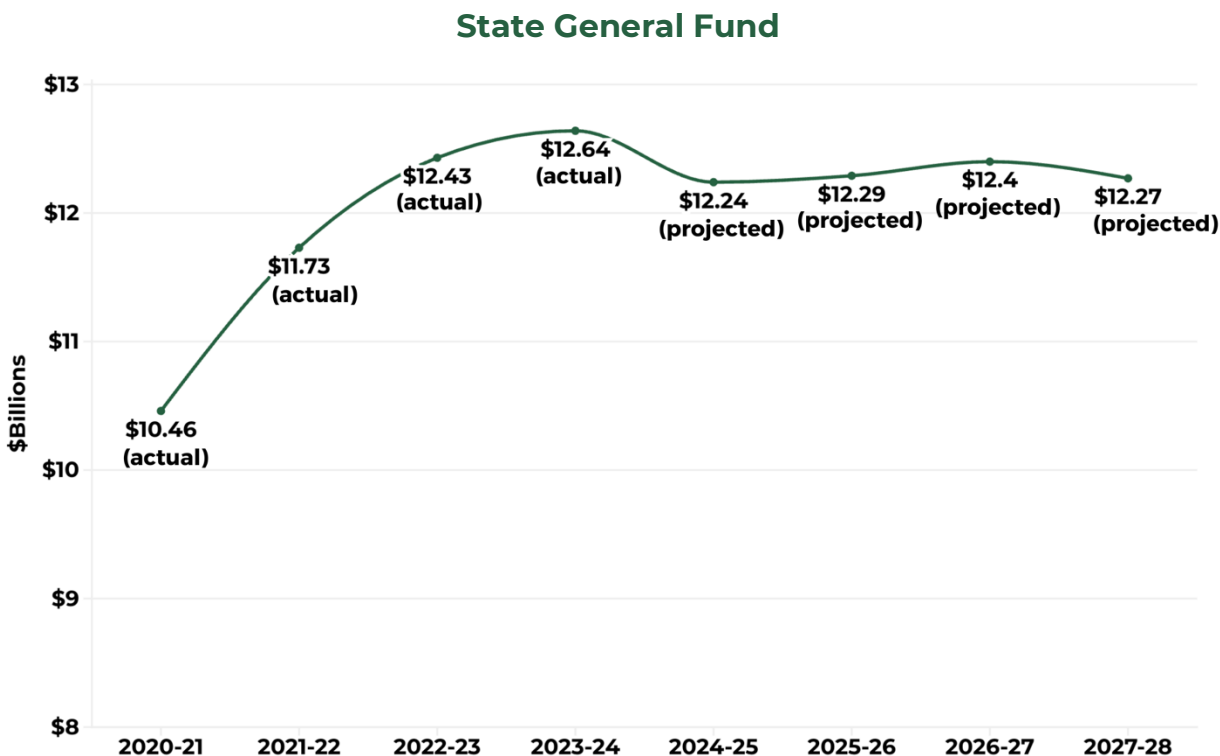
While the bulk of Louisiana's tax changes took effect in January, the elimination of the corporate franchise tax does not begin until 2026 – and the impact of an array of tax break adjustments and a new tax on digital services could take awhile to become clear.

Already, the House and Senate are working to clean up some mistakes they made in the flurry of tax changes they passed in the fall. For example, they seem likely to rededicate a portion of the state sales tax to tourism promotion efforts that had been in place for years. The dedication was unintentionally removed in November.

Economists told the Revenue Estimating Conference that such [giant changes to the tax system](#) as Louisiana made, which included lowering income taxes and raising sales tax, simply will take time to forecast with confidence. In addition, the Legislature's economist noted that corporate tax collections are extremely volatile and, while surging now, could crater quickly depending on national economic conditions.

Making other, larger tax shifts this session could create further unpredictability.

With Wednesday's forecasting action, legislators have \$1.1 billion in short-term cash they can spend on infrastructure projects, debt payments or other items – or deposit into savings accounts for use in later years. That includes surplus money from last year, previous forecast adjustments and state general fund dollars that agencies won't need because they found other funding sources or had fewer expenses than expected.



Source: Revenue Estimating Conference

Research provided by the Public Affairs Research Council of Louisiana. For more information, please call 225-926-8414 or visit [www.parlouisiana.org](http://www.parlouisiana.org).

In addition, dollars available for crafting next year's budget have grown slightly larger.

The four-member estimating conference increased the forecasts because the state is collecting more than expected from corporate, personal income and sales taxes and from interest earnings on sizable sums Louisiana has locked up in savings accounts.

The gains, however, were offset somewhat because severance taxes and other collections tied to oil and gas exploration decreased.

The conference bumped up its projections by even larger amounts than the state general fund numbers suggest, but much of the money is earmarked to trust funds and dedications.

The \$3.4 billion Revenue Stabilization Trust Fund, created to lessen Louisiana's reliance on volatile tax collections tied to corporate activity and oil and gas drilling, is projected to get another \$1.2 billion in deposits over the next 13 months. Lawmakers are considering diverting some of these trust fund deposits for spending and may ask voters next year to eliminate the fund entirely, sending the dollars elsewhere.

PAR recognizes the temptations will be great, and the list of wants and needs always outnumber the available dollars at the Louisiana Capitol. Proposals moving through the legislative process would cost millions of dollars for new or expanded programs – and, in some instances, seek tens of millions or hundreds of millions of dollars in tax cuts.

Despite the requests, lawmakers should proceed carefully until they see how the financial picture looks over time.