PAR LOUISIANA | COMMENTARY

Dec. 12, 2025

# No Budget Grinches This Year

*State's financial forecast grows as implications of recent tax overhaul shake out*

Louisiana's governor and lawmakers are getting a little something extra in their holiday stockings this year, courtesy of the state income forecasting panel.

The Revenue Estimating Conference increased its tax and fee collection projections for the budget year that ends June 30 and the 2026-27 financial year that begins July 1. The adjustments adopted Thursday eliminate concerns about a possible budget gap next year and give lawmakers more money to spend before they close the books on this year.

Economists continue to sift through the impacts of the massive tax rewrite passed by lawmakers in a November 2024 special session and rolled out over the last year. Portions of the tax changes still are being phased in, including the corporate franchise tax repeal that takes effect next year.

The forecast modifications account for the latest information on how those tax changes are impacting collections and for further tax and fee tweaks made by state lawmakers this year.

**State General Fund (Projected)**

| Fiscal Year | Previous Forecast | New Forecast |
|---|---|---|
| Current FY 2025-26 | $12.29B | $12.51B |
| Next FY 2026-27 | $12.40B | $12.62B |
| Future FY 2027-28 | $12.27B | $12.35B |

Source: Revenue Estimating Conference

Next year's state general fund forecast grew $214 million to $12.6 billion, under the Revenue Estimating Conference revisions. State general fund dollars are flexible, undedicated cash that the Legislature can spend on any priorities it chooses.

The bottom line of Thursday's action? Gov. Jeff Landry and lawmakers are projected to have more than enough money next year to continue paying for all the programs and services they provide today, even with an inflation factor added, according to financial information provided to the joint House and Senate budget committee.

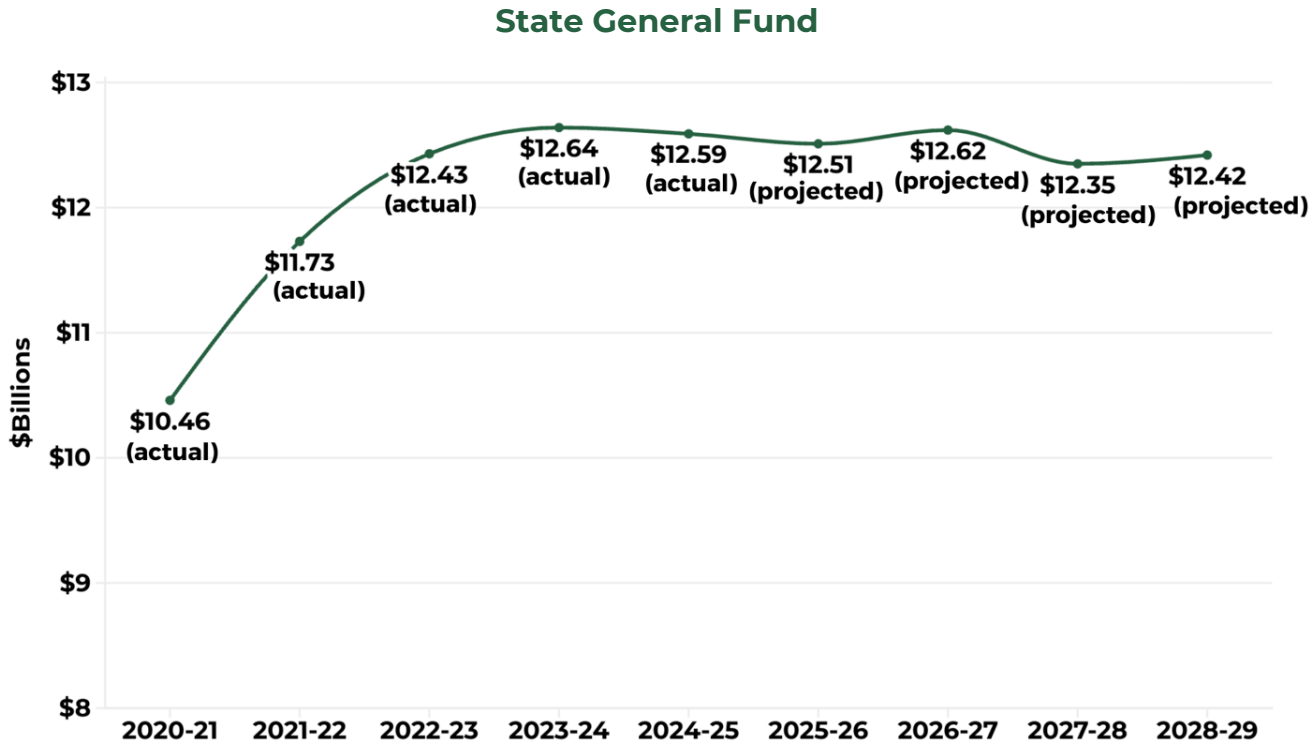
In addition, lawmakers will have an extra $217 million in general fund money to spend in the current budget year – on top of a $577 million surplus they already knew they had from last year.

Economists said personal income tax collections and severance taxes paid by the oil and gas industry were on track to be higher than expected, while corporate tax payments were expected to be lower. The money projected from sales taxes was largely on track with prior estimates.

Personal income and sales taxes account for about 63% of Louisiana's state tax collections, according to Greg Albrecht, an economist who advises the Legislature. Corporate taxes make up about 8% of collections, while gambling taxes provide another 6%, and taxes on the oil and gas industry account for 2%.

The four-member Revenue Estimating Conference includes the governor's chief budget adviser, the Senate president, the House speaker and an independent economist who are advised by state economists tracking tax and fee collections and data.

The latest forecast will be used to build Louisiana's budget.




Source: Revenue Estimating Conference

Landry must present his recommendations for next year's spending plans to the Legislature by Jan. 23. The House and Senate will construct the 2026-27 budget and decide what they want to do with the extra cash from this year and last year in the regular session that begins in March.

Amid all the good financial news, long-term uncertainty remains. The national economy faces headwinds that could impact Louisiana, while Congress approved cuts on federal financing to states that will be enacted and deepen over time. The true implications of those federal funding reductions haven't yet become clear.

The Public Affairs Research Council of Louisiana hopes the governor and lawmakers take a cautious approach to creating new programs or expanding existing ones; continue their focus on paying down debts and making key one-time infrastructure investments; and keep a wary eye on the future.

*Research provided by the Public Affairs Research Council of Louisiana. For more information, please call 225-926-8414 or visit www.parlouisiana.org.*