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New Budget Constraints

State financial forecast dropped slightly as tax rewrite impacts become clearer

Budget debates are getting tougher for Louisiana lawmakers after the state's income forecasting panel downgraded its projections for the next 13 months.

The forecast reductions aren't deep enough to threaten damaging cuts across services, but they will give lawmakers less ability to expand existing or create new programs. Senators will need to shrink the [budget the House passed](#) to match the latest, lower numbers of the taxes and fees Louisiana is expected to collect.

That's a far less pleasant budgeting situation than lawmakers have seen in the last several years, when they've largely been flush with cash and using excess money to pay for significant infrastructure and other investments.

The Public Affairs Research Council of Louisiana believes lawmakers largely have proceeded with budget caution in recent years. They should continue that approach and resist the urge to use patchwork, one-time cash to paper over the forecast reductions. Instead, the House and Senate should pare back planned expenses to match the recurring dollars they are projected to have.

The changes adopted Friday by the four-member Revenue Estimating Conference will lessen by \$104 million the state general fund money available for the 2026-27 budget year that begins July 1. General fund dollars are the flexible, unearmarked dollars that lawmakers can prioritize however they choose.

State General Fund (Projected)

Fiscal Year	Previous Forecast	New Forecast
Current FY 2025-26	\$12.51B	\$12.39B
Next FY 2026-27	\$12.62B	\$12.51B
Future FY 2027-28	\$12.35B	\$12.21B

Source: Revenue Estimating Conference

Additionally, the conference dropped its projections for dedicated dollars earmarked to specific agencies, trust funds and programs.

Personal and business income taxes are coming in lower than expected after Gov. Jeff Landry and lawmakers [enacted a sweeping tax rewrite](#) that began taking effect in 2025. Though severance taxes and other collections tied to oil and gas exploration are expected to come in higher than initially projected, those increases are small and not enough to offset the income tax forecast declines.

Economists who advise the Revenue Estimating Conference had cautioned it could take a few years to work through the full impact of the tax changes, which lowered income tax rates in exchange for higher and new sales tax charges. Further, Louisiana is impacted by national economic challenges and uncertainty.

Beyond the changes to next year's forecast, the conference also decreased the estimate of how much unspent cash remains available in the current budget year.

The House-passed budget assumed the state could spend an extra \$294 million more than had already been allocated this financial year – but senators will have to shrink that by \$113 million under the new projections.

House lawmakers proposed to use that money to fill gaps in the Department of Corrections and to pay for pet projects, IT system upgrades, roadwork, school security improvements, a new voting system and equipment to fight wildfires. Senators will have to reprioritize that list.

Meanwhile, in recent years, lawmakers have diverted some of the large deposits slated for the state's Revenue Stabilization Trust Fund into infrastructure projects and one-time investments. However, that \$2.4 billion trust fund, created to lessen Louisiana's reliance on volatile tax collections tied to corporate activity and oil and gas drilling, is seeing smaller deposits because corporate tax collections are shrinking after the tax overhaul.

Deposits that once reached hundreds of millions of dollars a year are expected to fall to \$150 million in the current budget year and an estimated \$100 million next year.

While the temptation will be strong and the list of requests long, PAR hopes the House and Senate avoid deep raids on the Revenue Stabilization Trust Fund. Such spending would be unsustainable.

Lawmakers should live within the financial constraints they face after the tax changes.