Emerging Risks to State Budgets

Assessing the long-term fiscal impacts of demographic, environmental, and technology trends

September 23, 2026

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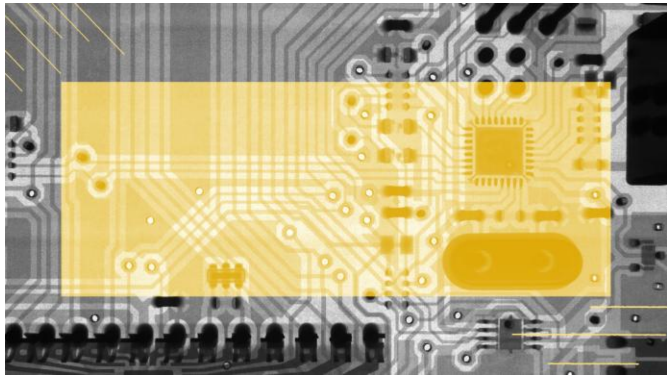
Emerging trends present risks to state budgets

Demographic Risks

- Slowing population growth
- Growing role of net migration
- Changing fertility patterns
- Aging of existing cohorts

Environmental Risks

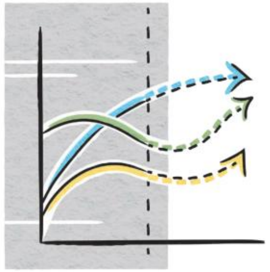
- Damaged or vulnerable infrastructure
- Public health hazards
- Disruptions to agriculture industry
- More frequent and severe disasters



Technology Risks

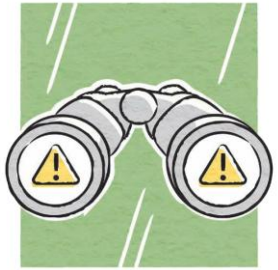
- Increasingly sophisticated cybersecurity attacks
- Widespread use of artificial intelligence and related data center demand

Elements of an emerging risk assessment



Consideration of key trends

Economic and social shifts with widespread, lasting budgetary effects



Forward-looking analysis

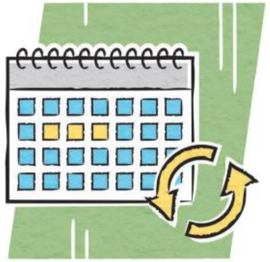
5+ years of potential impacts to enable long-term planning

Fiscal focus

Specific revenue and spending implications to provide budget guidance

Budget process integration

Active involvement of key fiscal decision-makers



Routine risk identification

Proactive thinking about potential, not just current, challenges

Well-developed state practices

Legislative committees:

- **Montana** Modernization & Risk Analysis Committee
- **New Mexico** Legislative Finance Committee

Special convenings:

- **Utah** Legislative Long-Term Planning Conference
- **Virginia** Senate Finance and Appropriations Committee annual meeting

Required long-term budget planning:

- **Colorado** long-range financial plans
- **Florida** consensus estimating conferences

How New Mexico leads in assessing fiscal risks

LFC provides a structure for analysis and discussion of emerging trends that increases opportunities for proactive long-term planning

- Full-time staff have the policy and budget expertise to identify emerging risks and associated fiscal impacts
- Interim meetings give legislators time to absorb big-picture trends without the urgency and constraints of session
- Fiscal decision-makers stay informed about future needs and bring forward-thinking awareness into budget considerations

How shifting demographics impact state finances

Revenue Collection
Working-age population growth → economic activity → increased tax revenue
Older adult population growth → lower income and spending → reduced tax revenue

Costs of Service Delivery
More people → more spending needs (infrastructure, transportation, public safety…)
Fewer teen births → reduced spending on Medicaid and other assistance programs
Aging residents → higher health and long-term services costs

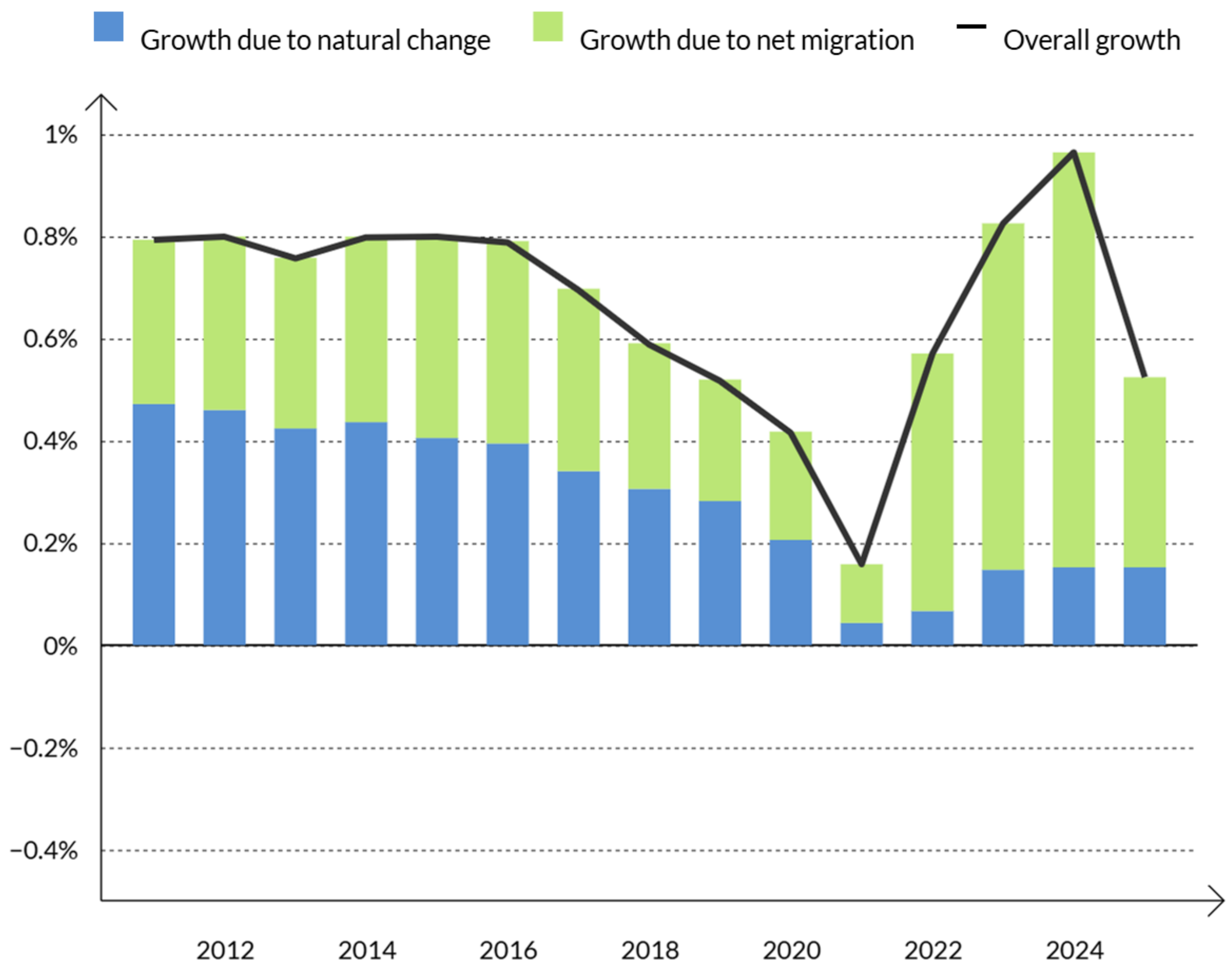
Long-Term Liabilities
Population shrinking → difficulty covering state pensions, retiree health care, and debt

Education
Fewer children and young adults → challenges tied to enrollment-based K-12 funding formulas and growing enrollment pressure for higher ed institutions

Drivers of Population Change, 50 States

Annual growth rates, 2011-2025

15-year growth rate:
0.5%



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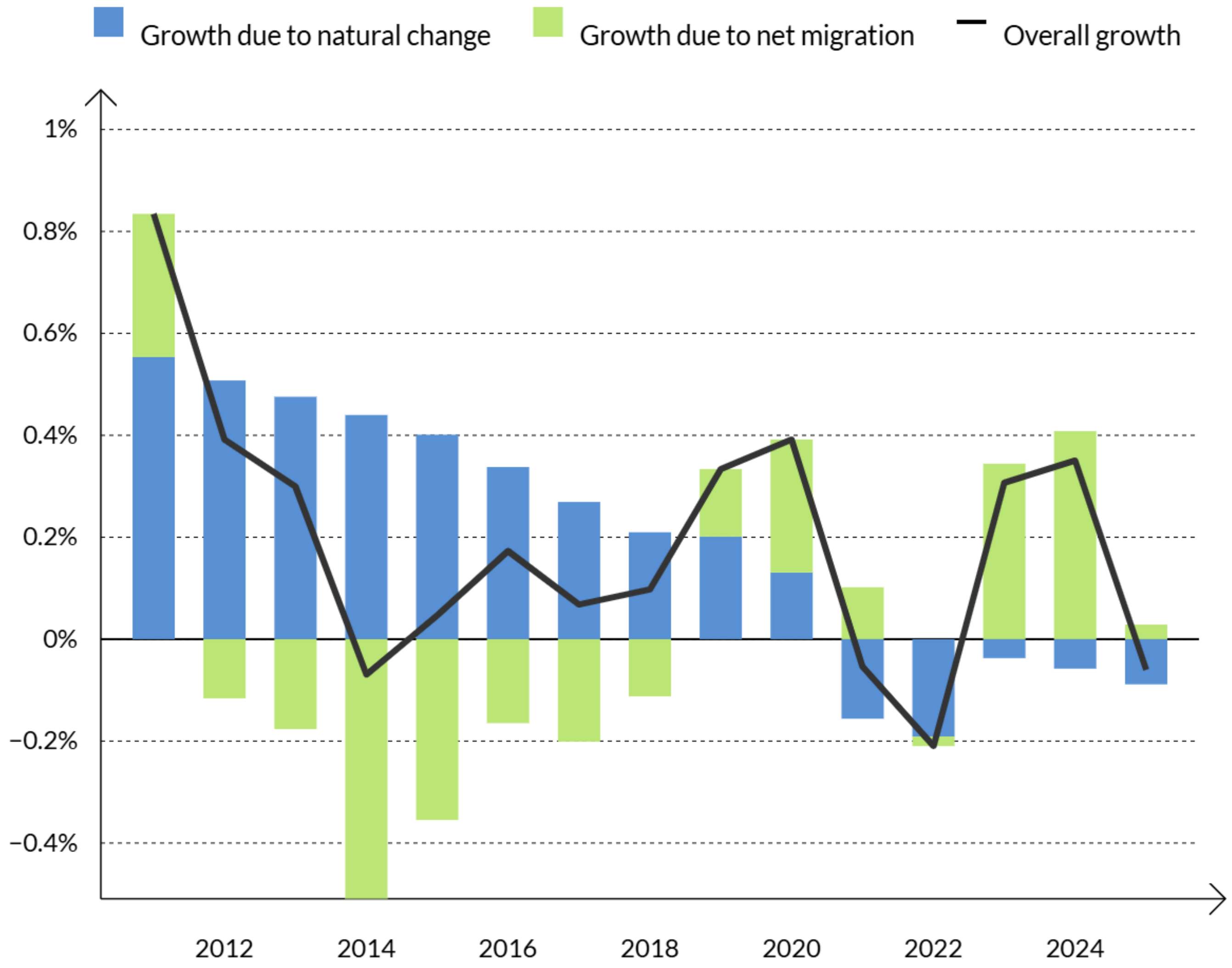
Drivers of Population Change, New Mexico

Annual growth rates, 2011-2025

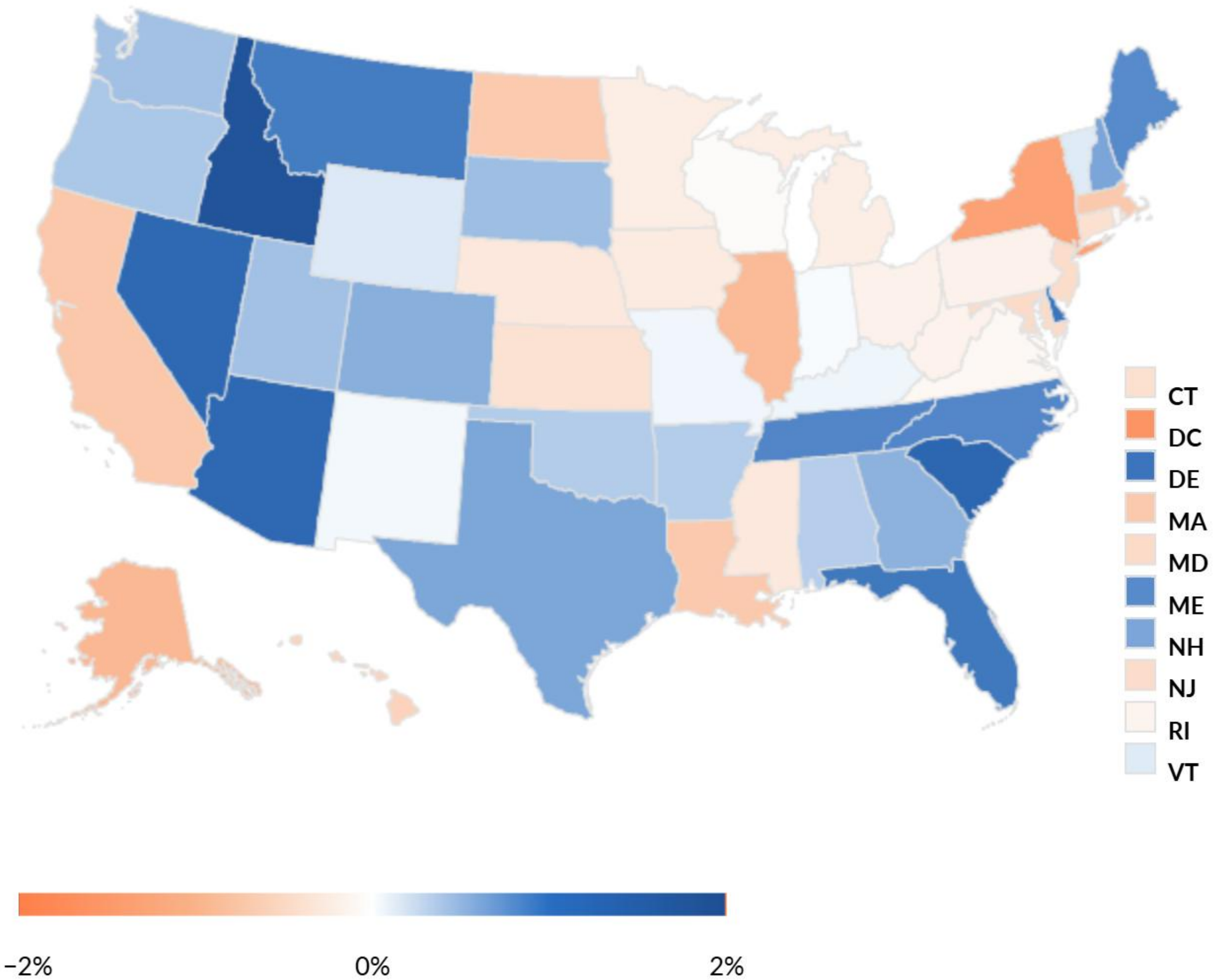
15-year growth rate:
0.19%



Recent migration trends provide revenue insight

Change in tax-filing populations due to net domestic migration, 2017-2022

- NM was one of the states least affected by interstate moves, meaning inflows and outflows were nearly equal
- Although the trend shifted from largely consistent losses to slight gains, the growth was temporary

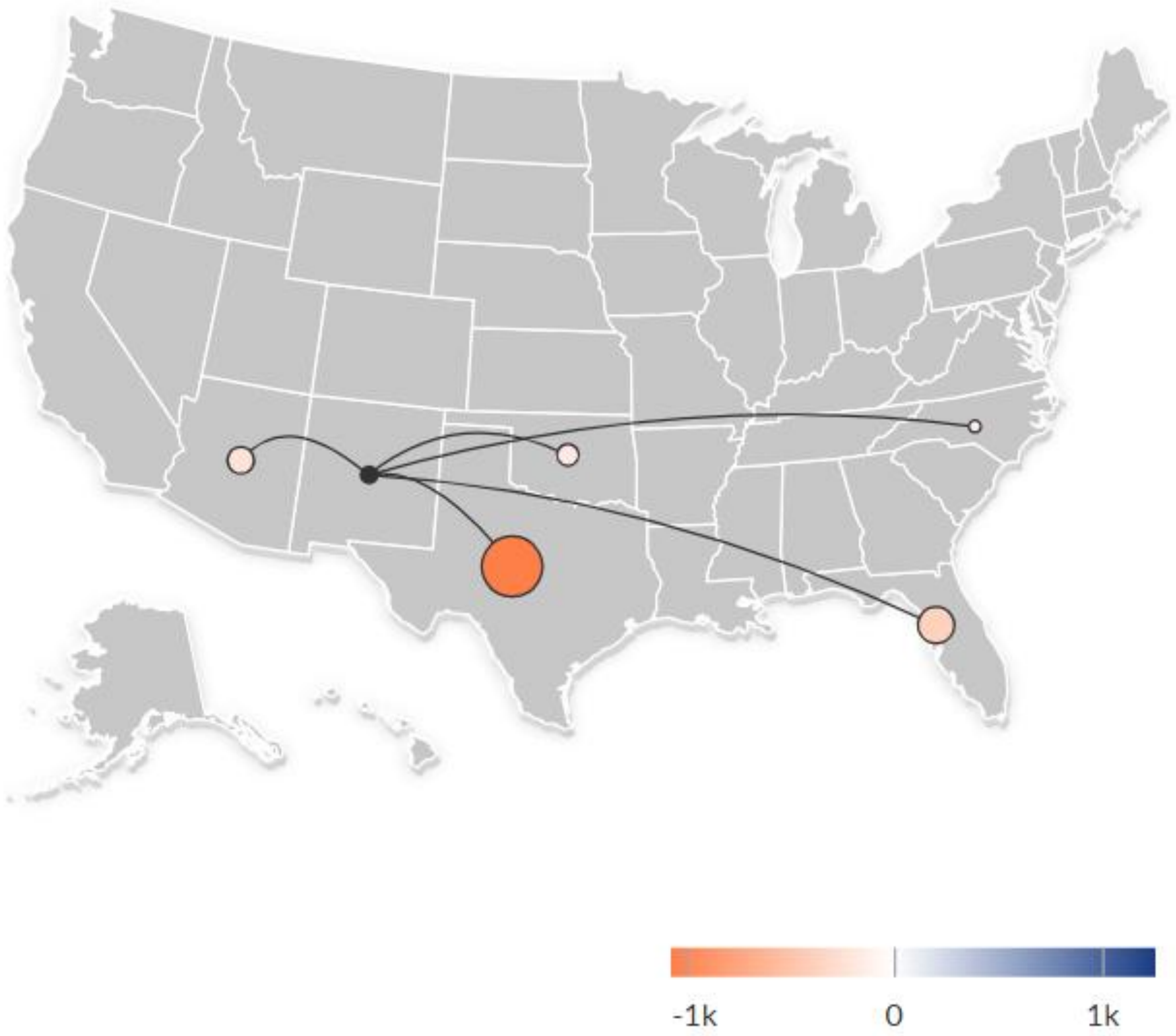


Where are people moving?

Top migration outflows from New Mexico, as a share of its tax-filing population, 2021-2022

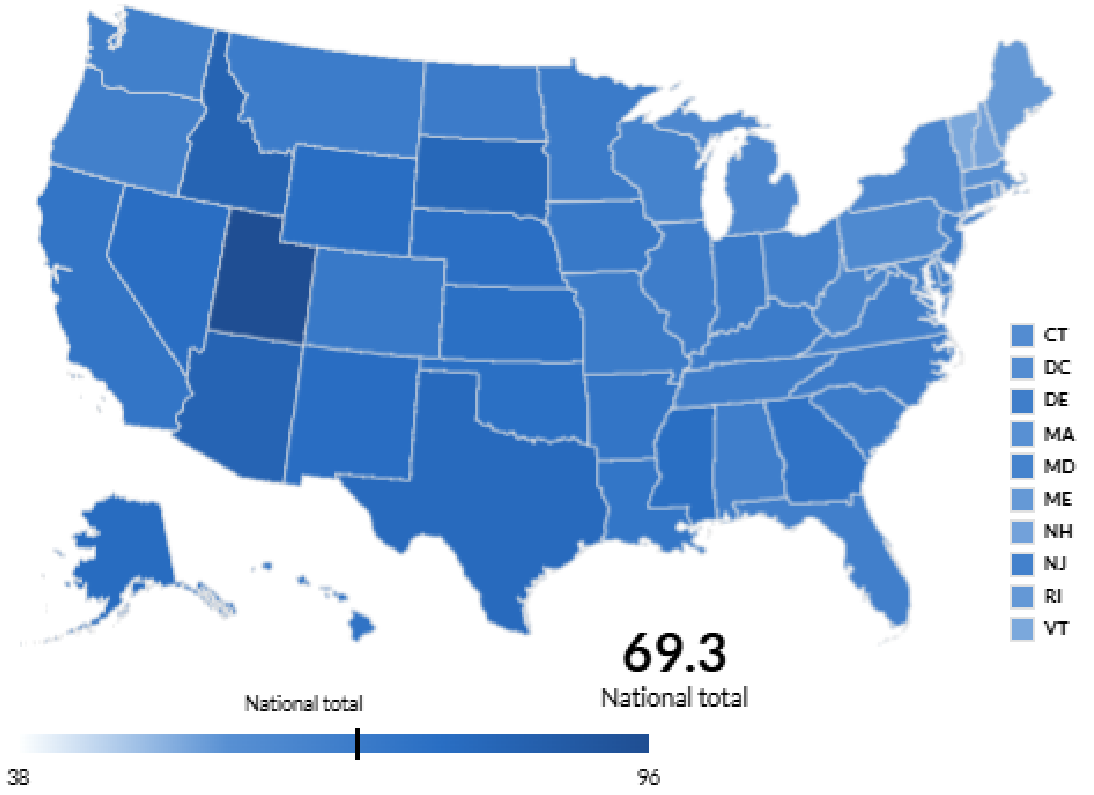
In 2022, New Mexico:

- Lost 1,070 filers to Texas, decreasing its tax-filing population by 0.13%
- Gained 1,253 filers from California, increasing its tax-filing population by 0.15%

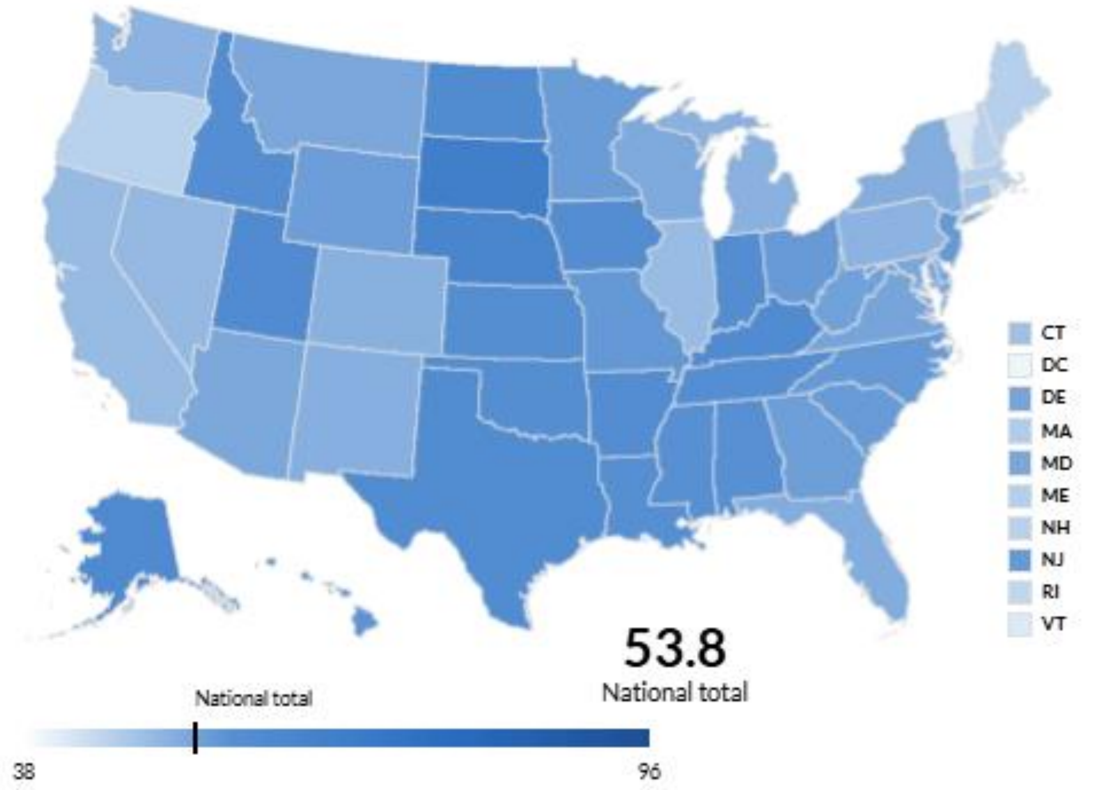


General fertility rates decline across states

2007



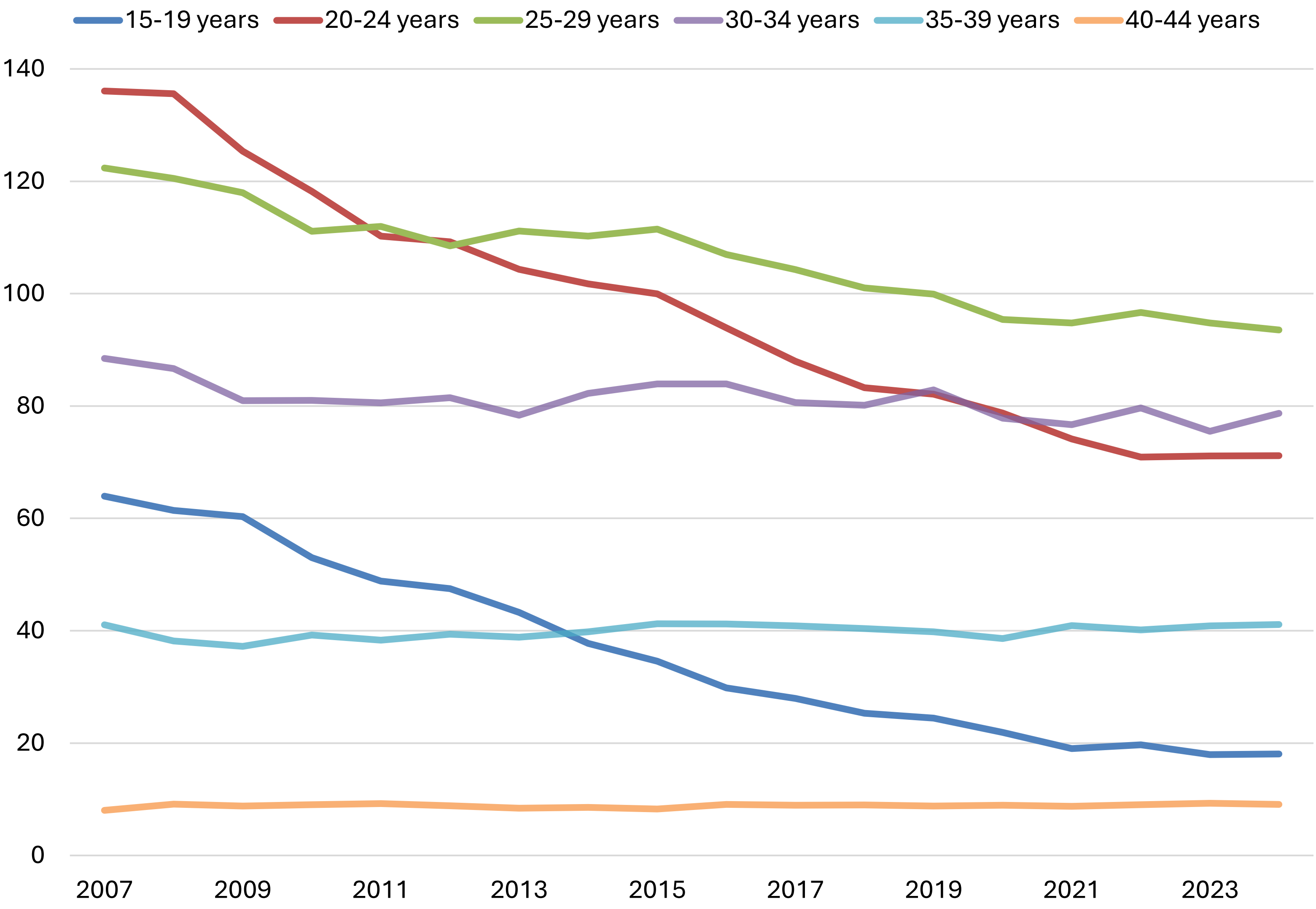
2024



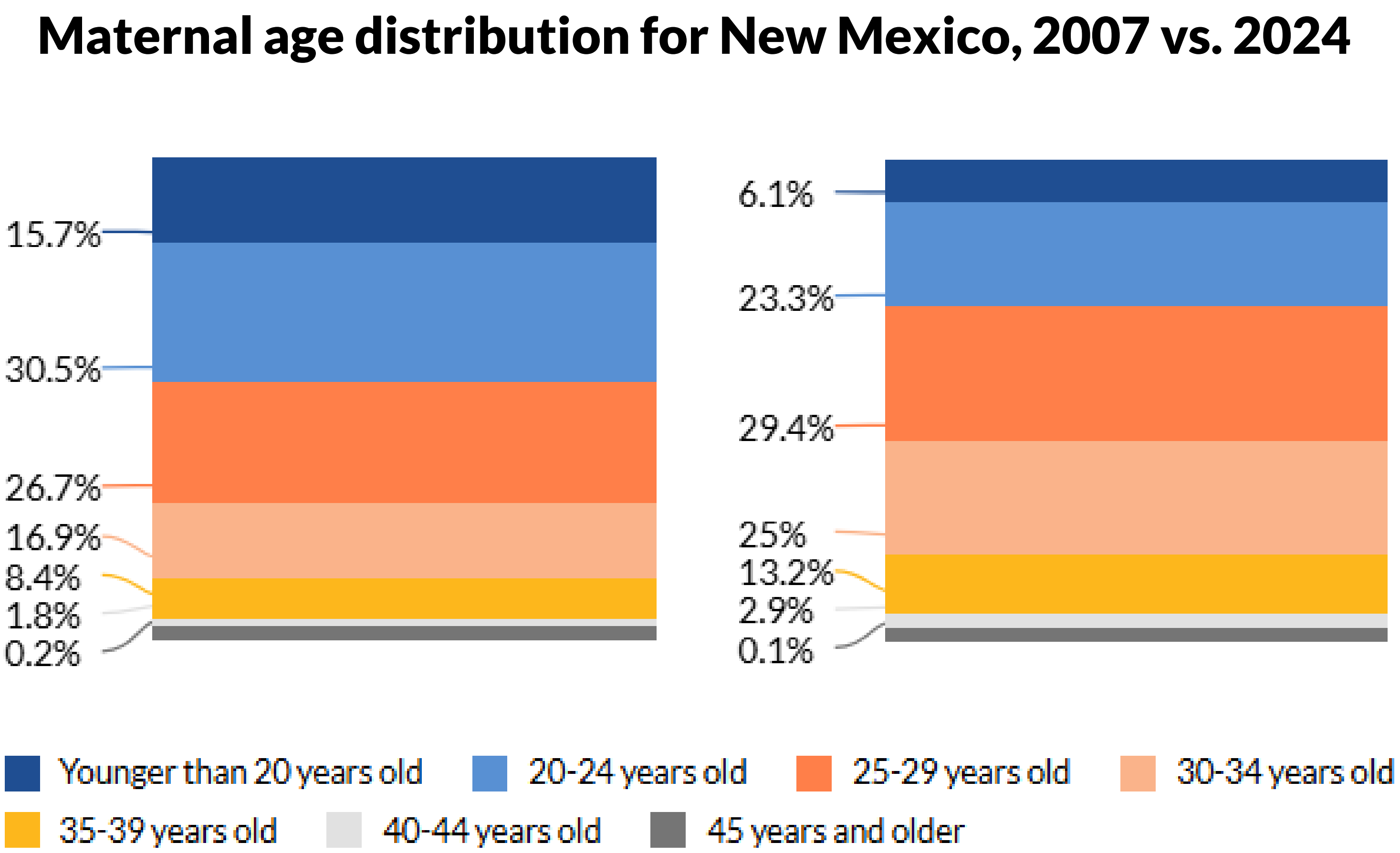
New Mexico Birth Rates by Age Group

Births per 1,000 women, 2007-2024

- Births to women under 30 have dropped significantly while remaining mostly flat for women 30+

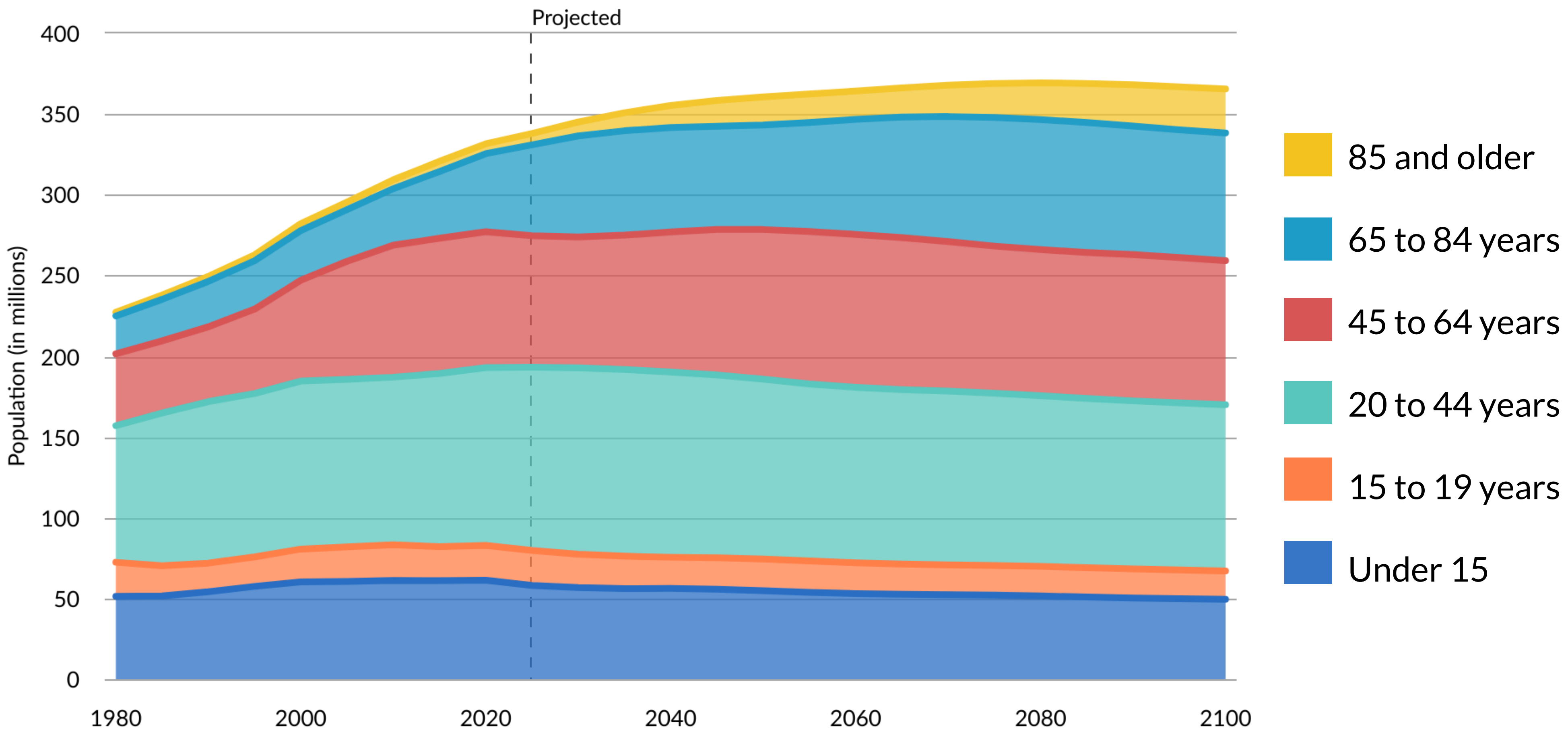


Age of women giving birth shifts upward



U.S. population over time by age group, 1980 to 2100

The older adult population (65+) has been increasing and will continue to grow through 2100



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Older adults to exceed 20% of state population in four years

From 2030 onward, New Mexico is expected be in the top 10 states with the largest shares of adults age 65+

Year	Total Population	Share of Adults 65+
2020	2,117,522	18%
2030	2,139,653	23%
2040	2,089,220	23%
2050	2,002,492	24%

Key takeaways

- Emerging trends will have lasting, structural impacts on state budgets, but the magnitude will be highly variable among states and unclear without targeted analysis.

- The goal of assessing emerging risks is not precise long-term expenditure and revenue projections, but rather an understanding of the direction and scope of fiscal risks on the horizon.

Contact and Additional Resources

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States Are Thinking Long Term to Prepare for Emerging Budget Risks (full report)

Fiscal 50 Data Visualization: State Trends and Analysis