

February 2025 Consensus General Fund Revenue Forecast

The Consensus Forecasting Group (CFG), comprised of economists at OSBM and the General Assembly’s Fiscal Research Division, has agreed upon a consensus General Fund revenue forecast for 2025-27.

February 2025 Consensus General Fund Forecast Overview				
Amounts (millions)	FY2023-24	FY2024-25	FY2025-26	FY2026-27
Actual/ Certified	\$33,694	\$34,164		
February 2025 Consensus		\$34,708	\$34,890	\$34,067
<i>YoY Change</i>		\$1,014	\$181	-\$823
<i>YoY % Change</i>		3.0%	0.5%	-2.4%

Source: OSBM-FRD consensus forecast as of February 14th, 2025

Revenue Outlook for the Remainder of FY 2024-25

The consensus forecast anticipates \$34.71B in General Fund revenues in the current fiscal year, representing overcollections of \$544M (+1.6%). The upward revision is due to more robust economic growth and financial conditions than foreseen at the time of the last consensus forecast in May 2024.

Individual income tax (+\$340M, +2.0%), corporate income tax (+\$63M, +2.6%), and investment income (+113M, +15.4%) account for most of the anticipated overcollections, due largely to continued growth in wages, profits, and consumer spending and persistently higher short-term interest rates.

Revenue Outlook for FY 2025-26 and FY 2026-27

The CFG forecasts revenue collections of \$34.89B in FY 2025-26 and \$34.07B in FY 2026-27, representing year-over-year growth rates of 0.5% and -2.4%, respectively. Economic factors exerting upward pressure on the forecast are outweighed by downward pressure from reductions in the individual and corporate income tax rates, resulting in negligible growth in FY 2025-26 and a decline in FY 2026-27.

Although inflation has decelerated from the post-pandemic peak and job and wage growth have slowed, inflation remains above the Federal Reserve’s 2% target with little sign of further cooling in recent months. The revenue forecast assumes the recent momentum of strong economic growth will continue into the beginning of the next biennium, with gradual slowing starting in late 2025.

Previously enacted reductions in income tax rates will reduce revenue collections in the coming biennium, especially in FY 2026-27. Individual income tax rates fell from 4.5% in 2024 to 4.25% in 2025 and will fall to 3.99% in 2026. The corporate income tax rate fell from 2.5% in 2024 to 2.25% in 2025 and will fall to 2% in 2026. The consensus forecast for FY 2025-26 collections is high enough to [trigger](#) a 0.5% rate reduction to 3.49% in 2027.

Risks to the Forecast

- The CFG expects that the effective tariff rate will increase in response to federal policy during the biennium, but the size, duration, and economic impact of tariff increases is uncertain.
- Following Hurricane Helene, the IRS and NCDOR postponed federal and state tax deadlines to provide relief to disaster-affected taxpayers. This shifted some income tax collections initially expected in the first half of FY 2024-25 to the second half, adding uncertainty to the forecast.
- Substantial uncertainty remains around future inflation, with recent measurements, market expectations, and economic forecasts suggesting the potential for an acceleration in price growth, particularly in the first year of the biennium.
- Although the consensus forecast for FY 2026-27 revenues is slightly below the trigger for an additional individual income tax rate reduction, revenue collections only 0.1% higher than forecast would trigger a 0.5% reduction in the individual income tax rate to 2.99% in 2028.

Highway Fund & Highway Trust Fund Consensus Forecast

- The consensus forecast anticipates total Highway Fund and Highway Trust Fund (HF/HTF) revenues at \$5.71 billion in the current fiscal year (9.2% above FY 2023-24). The total is \$33M (-0.5%) under certified revenues, due mostly to softer-than-expected collections on highway use tax revenues.
- In FY 2025-26, the consensus revenue forecast for HF/HTF anticipates \$5.79 billion (+\$86M, +1.5%). For FY 2026-27, the forecast anticipates \$5.89 billion (+\$97M, +1.7%).
- The forecast projects modest growth in revenues from DMV fee collections, motor fuel tax, short-term lease tax, and highway use tax but lower investment income.

February 2025 Consensus Highway Fund Forecast Overview				
Amounts (millions)	FY2023-24	FY2024-25	FY2025-26	FY2026-27
Actual/ Certified	\$3,038	\$3,275		
February 2025 Consensus		\$3,280	\$3,305	\$3,344
<i>YoY Change</i>		\$242	\$26	\$39
<i>YoY % Change</i>		8.0%	0.8%	1.2%

Source: OSBM-FRD consensus forecast as of February 14th, 2025

February 2025 Consensus Highway Trust Fund Forecast Overview				
Amounts (millions)	FY2023-24	FY2024-25	FY2025-26	FY2026-27
Actual/ Certified	\$2,193	\$2,468		
February 2025 Consensus		\$2,430	\$2,490	\$2,548
<i>YoY Change</i>		\$237	\$60	\$58
<i>YoY % Change</i>		10.8%	2.5%	2.3%

Source: OSBM-FRD consensus forecast as of February 14th, 2025

Consensus Lottery Revenue Forecast

- The consensus lottery forecast revises FY 2024-25 state lottery revenue projections upward from \$1.01B to \$1.10B (+9.3%), primarily driven by higher-than-expected growth in digital instant sales.
- The consensus forecasts for the next biennium are \$1.12B in FY 2025-26 and \$1.13B in FY 2026-27, representing a year-over-year growth of 2.0% and 0.6%, respectively.
- The 2% annual growth in FY 2025-26 is due to two key factors: (1) slowing growth in digital instant games, partially offset by slight declines in sales of traditional games and (2) a change in pricing for one of the major multi-state jackpot games that is likely to drive sales higher.
- The modest 0.6% growth projection for FY 2026-27 reflects slowing growth in digital instant game sales, continuing gradual declines in traditional games, and stable sales from multi-state games.

February 2025 Consensus Lottery Forecast Overview				
Amounts (millions)	FY2023-24	FY2024-25	FY2025-26	FY2026-27
Actual/ Certified	\$1,091	\$935		
February 2025 Consensus		\$1,103	\$1,125	\$1,132
<i>YoY Change</i>		\$12	\$22	\$7
<i>YoY % Change</i>		1.1%	2.0%	0.6%

Source: OSBM-FRD consensus forecast as of February 14th, 2025