



Assessments of Emerging Risks Can Ease Budget Pressures

By evaluating the fiscal effects of demographic, climate, and technology trends, states can manage growing challenges

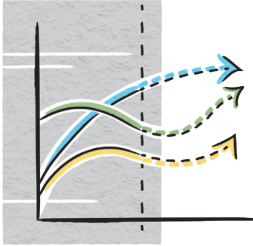
Overview

Underlying economic and societal conditions, such as a community's size and characteristics or labor supply and demand, inform state budgeting. And despite occasional shocks, they have historically been stable enough to support long-term decisions about how to raise revenue and prioritize spending.

But with major demographic shifts, environmental changes, and technological advancements increasing uncertainty about the future, decision-makers may find themselves unable to rely on the conventional factors that have long grounded fiscal policy. New research from The Pew Charitable Trusts explores how states assess these growing trends and presents guidelines for using evaluations to promote long-term budget sustainability.

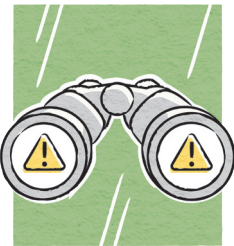
Complex risks call for well-rounded analysis

Five key assessment elements can help states understand and prepare for the fiscal pressures associated with demographic, climate, and technological changes. Pew's research found 142 practices in 43 states that analyze, to varying degrees, the potential fiscal impacts of growing trends. Although including all five of the identified elements is a tall order, each one adds value on its own, as these examples demonstrate:



Consideration of key trends with widespread and lasting budgetary implications, based on evidence of a state's particular circumstances and risk exposure.

In practice: The Nebraska Legislature's Planning Committee, in partnership with the University of Nebraska at Omaha, identifies and analyzes growing trends that affect the state's long-term welfare, such as outmigration of educated young people and vulnerability to cyberattacks.¹



Forward-looking analysis that includes at least five years of potential effects to enable proactive planning.

In practice: Louisiana's Coastal Master Plan Data Viewer visualizes 50-year projected coastal change and the potential effects of projects to reduce land loss and flood risk.²



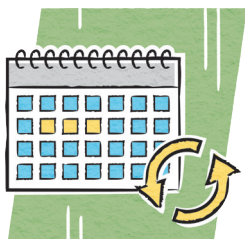
Primary focus on trends' revenue and spending implications to provide specific, meaningful budget guidance.

In practice: In Oregon, quarterly forecasts consider the economic and tax revenue implications of challenges such as artificial intelligence, the age and growth rate of the population, and increasing natural hazards.³



Integration of risk assessment within the budget process to actively inform key fiscal decision-makers, bridging the gap between long-term policy analysis and short-term budget cycles.

In practice: The New Mexico Legislative Finance Committee stays active year-round to inform key decision-makers who propose a comprehensive budget to the full Legislature about rising issues and their potential fiscal impacts.⁴



Routine identification and assessment of emerging and potential fiscal risks, rather than ad hoc analyses of single topics.

In practice: California's state auditor is charged with identifying program areas that pose a substantial risk to the state and produces an updated report of high-risk issues at least every two years.⁵

Adapting to long-term change starts with assessing risks

Evidence suggests that—unlike temporary disruptions such as recessions and disasters—population, climate, and technology trends may result in lasting state revenue declines, increased demand for public services, and new spending categories. And because the scope and outcomes of these changes will unfold gradually, understanding their effects on state finances requires dedicated analysis.

Because state budget processes provide few opportunities to consider future challenges, policymakers will need to carve out time for long-term thinking as the first step toward making the sustainable investments and policy changes necessary to adapt to new and growing risks.

Endnotes

- 1 Nebraska Legislature, For an Act Relating to the Legislature; to Create the Legislature’s Planning Committee; to State Findings; to Provide Powers and Duties; and to Declare an Emergency, L.B. 653 (2009), <https://nebraskalegislature.gov/FloorDocs/101/PDF/Slip/LB653.pdf>. Nebraska Legislature’s Planning Committee, “2025 Planning Committee Report,” 2025, https://nebraskalegislature.gov/pdf/reports/committee/select_special/lpc/lpc2025.pdf.
- 2 “Data Tools,” Louisiana Coastal Protection and Restoration Authority, 2023, <https://coastal.la.gov/our-plan/2023-coastal-master-plan/data-tools/>.
- 3 Oregon Office of Economic Analysis, “Oregon Economic and Revenue Forecast: May 2025,” 2025, <https://www.oregon.gov/das/oea/Documents/OEA-Forecast-0525.pdf>. Oregon Office of Economic Analysis, “Oregon Economic and Revenue Forecast: March 2025,” 2025, <https://www.oregon.gov/das/oea/Documents/OEA-Forecast-0325.pdf>.
- 4 “Legislative Finance Committee,” New Mexico Legislature, <https://www.nmlegis.gov/Entity/LFC/Default>.
- 5 California State Auditor, “State High-Risk Audit Program: The California State Auditor’s Updated Assessment of Issues and Agencies That Pose a High Risk to the State,” 2025, <https://www.auditor.ca.gov/reports/2025-601/>. California Legislature, Article 2: Powers and Duties, CA Govt Code 8546.5 (1993), https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV§ionNum=8546.5.

For more information, please visit: pew.org/emergingrisksreport

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