

Fiscal Survey of the States

August 1986

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EXECUTIVE SUMMARY

The economic schism that exists between states with thriving economies and those with deteriorating economies, continues to be reflected in their fiscal outlooks. Exceptionally good state fiscal conditions are predominant in the New England and Mid-Atlantic regions, while energy-reliant state economies are devastated by the plunge in oil prices. Farm states and states dependent on the timber and textile industries also continue to be battered by poor economic times. These regional recessions forced eighteen states to cut enacted budgets in fiscal 1986, and only weeks into fiscal 1987, nine states have already taken the scalpel to their budgets to head-off impending deficits. This amount of budget slashing is rare during non-recession years.

Major findings of this survey include:

- Fiscal 1986 general fund budgets grew from the prior year by 9.5 percent, representing 4.3 percent real growth in spending. Fiscal 1987 budget growth is projected to be only 5.5 percent, or 1.5 percent real growth.
- Revenue growth for fiscal 1986 is estimated to be 5.5 percent, which is considerably lower than estimated expenditures. Fiscal 1987 revenue growth is projected to be 5.9 percent.
- Year-end general fund balances for fiscal 1986 and fiscal 1987 are projected to be \$5 billion and \$3.3 billion, respectively. This represents 2.5 percent of expenditures for fiscal 1986 and 1.6 percent for fiscal 1987. These ending balances are razor thin and will not cushion any potential errors in estimating revenue or expenditures or any cutbacks in federal programs.
- Twenty-nine states currently have budget stabilization funds. Excluding those states that merge budget stabilization funds with their ending balances, the amount contained in these funds totals \$1.5 billion for fiscal 1986 and \$1.7 billion for fiscal 1987. This represents 0.8 percent of expenditures, for each year.
- Sixteen states raised taxes in 1986, while five states decreased them. The net change in aggregate tax revenue will be negligible.
- The majority of states passed along the Gramm-Rudman-Hollings cut of 4.3 percent onto their agencies without supplementing state dollars for lost federal dollars. Those few states that did supplement the cuts did so for human resource programs.

I. STATE EXPENDITURE TRENDS

Annual Growth Rate. Fiscal 1986 expenditures are estimated to be 9.5 percent above the previous fiscal year. The real annual expenditure increase is 4.3 percent (adjusted for inflation). Expenditures for fiscal 1987 are projected to increase only 5.5 percent, which translates into 1.5 percent of real budget growth.

Growth for fiscal 1987 is very modest, reflecting the projected slow growth in the national economy. Since fiscal 1979, the average annual real growth rate in state spending has been 1.5 percent, with the peak occurring in fiscal 1981 at 6.1 percent and the trough coming in fiscal 1983 when spending actually decreased 6.3 percent. Table 1 compares state government spending with federal spending. Nominal federal expenditures are projected to increase 3.6 percent and 1.5 percent in fiscal 1986 and 1987, respectively, although these projections may change. The long-term real spending growth rate between fiscal 1979 and 1987 is 2.7 percent, significantly higher than that of the fifty states. States are balancing budgets in spite of reduced grants-in-aid from the federal government.

However, expenditure growth rates vary significantly from state to state (see Table 2). In fiscal 1986, five states—Alaska, Montana, Nevada, Oregon and Wyoming—have spending levels lower than the previous year's budget while in fiscal 1987 eight states—Alabama, Alaska, Louisiana, Mississippi, Nebraska, Oklahoma, Texas, and West Virginia—have proposed spending less than nominal 1986 levels. Several of these reductions are substantial, which indicates severe fiscal stress. For example, proposed fiscal 1987 spending is 16 percent lower in Oklahoma and 6.2 percent lower in Alabama. In fiscal 1986, eighteen states recorded expenditure increases of more than 10 percent, but that number is projected to fall to eight in fiscal 1987.

If inflation is taken into account, seventeen states have lower spending levels in fiscal 1986 than in fiscal 1985, and that number rises to twenty-two states where fiscal 1987 spending is lower than fiscal 1986.

Table 3 reflects state spending patterns on a regional basis. Most states that have lower-than-average growth rates are located in the Southeast and Southwest. Those regions with higher-than-average rates are in New England, the Mideast, and the Southeast. The Southeastern region is split into both groups. Generally, Southeastern states located on the Atlantic coast have higher spending rates than the other states in that region, where rates are low.

Budget Cuts and Expenditure Delays. One of the most important budget developments last fiscal year was the extraordinarily high number of states that cut budgets.

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Table 1
COMPARISON OF STATE AND FEDERAL NOMINAL AND REAL
ANNUAL BUDGET INCREASES
FISCAL YEARS, 1979-1987

<i>Fiscal Year</i>	<i>State</i>		<i>Federal</i>	
	<i>Nominal Increase</i>	<i>Real Increase</i>	<i>Nominal Increase</i>	<i>Real Increase</i>
1987	5.5% est.	1.5% est.	1.5%	-1.6%
1986	9.5 est.	4.3 est.	3.6	1.2
1985	10.2	4.6	11.1	7.4
1984	8.0	3.3	5.4	2.3
1983	-0.7	-6.3	8.4	4.7
1982	6.4	-1.1	10.0	1.5
1981	16.3	6.1	14.8	2.6
1980	10.1	-0.5	17.4	4.6
1979	10.1	1.5	9.8	1.9
1979-87 average	8.4%	1.5%	9.1%	2.7%

NOTE: The state and local government implicit price deflator was used for state expenditures in determining real changes, and the federal government implicit price deflator was used for federal expenditures. Real increase figures do not take into account population growth.

Table 2
ANNUAL GENERAL FUND EXPENDITURE INCREASES

<i>Budget Growth Rate</i>	<i>Nominal Change</i>		<i>Real Change</i>	
	<i>Fiscal 1986 (budgeted)</i>	<i>Fiscal 1987 (appropriated)</i>	<i>Fiscal 1986 (budgeted)</i>	<i>Fiscal 1987 (appropriated)</i>
Less than 0%	5	8	17	22
0-5%	12	17	17	19
5-10%	15	17	11	8
Over 10%	18	8	5	1
Average Growth Rate*	9.5%	5.5%	4.3%	1.5%

*Excludes Alaska.

NOTE: The state and local government implicit price deflator was used to change nominal dollars into real dollars. Real increase figures do not take into account population growth.

Table 3
PROJECTED ANNUAL GENERAL FUND EXPENDITURE INCREASES,
BY REGION, FISCAL 1987
(in nominal dollars)

Region	Percent Annual Growth			
	Less than 0%	0%—5%	5%—10%	Over 10%
New England		1	4	1
Mideast		2	3	
Great Lakes		3	1	1
Plains		4	3	
Southeast	4	1	2	5
Southwest	2	1	1	
Rocky Mountain	1	3	1	
Far West	1	2	2	1

During fiscal 1986, eighteen states cut their operating budgets that had been approved by their legislatures to avoid ending the year in deficit. It is very unusual for so many states to cut budgets in a non-recession year. For comparison purposes, only three states cut their fiscal 1985 budgets; during the most recent recession, twenty-three states cut budgets in fiscal 1982 and thirty-nine states in fiscal 1983.

All but five states that cut budgets last year lay west of the Mississippi. The smallest cut occurred in Vermont where the Governor cut 0.6 percent to save \$2.5 million. The largest cut occurred in Texas where the Governor asked agencies to hold back expenditures 13 percent for both years of the biennium, for a total cut of \$1.3 billion. Mississippi and Utah were forced to cut their expenditures twice during the year, while Arkansas enacted four budget reductions during fiscal 1986.

Eight of these states either exempted education budgets from the cutbacks or reduced education less than other budget functions. Other budget areas protected partially from the scalpel are welfare, corrections, and mental health. Table 4 summarizes fiscal 1986 budget reductions.

Although fiscal 1987 has just begun for most states, already nine states—Alaska, Arizona, Minnesota, Montana, New Mexico, North Dakota, Texas, Wisconsin, and Wyoming—have cut their budgets since the legislature passed, and the Governor signed, the appropriations act into law. Four of these states have biennial budgets, whereby fiscal 1986 expenditures were also cut at the same time. In Wyoming's case, the Governor restricted spending authority for fiscal 1987 and 1988 by 8 percent, but funds may be reinstated if the price of oil rises and increases state revenues. Both New Mexico and Montana held emergency special sessions in June to head-off impending deficits, and each cut the budget and raised taxes to resolve the problem. Table 5 provides details on fiscal 1987 budget cuts.

Another way to reduce current year expenditures is to postpone spending for future years where feasible. Six states deferred fiscal 1986 expenditures into later years. These are:

Idaho	An \$11 million payment to public schools was transferred in July rather than in May.
Iowa	Payment dates were changed so that goods had to be received prior to June 30, 1986, to be paid from fiscal year funds.
Louisiana	Equipment purchases and minor repairs were postponed.

Table 4
STATE BUDGET CUTS ADOPTED IN THE FISCAL 1986 BUDGET

(biennium)

S W M E

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STATE EXPENDITURE TRENDS

Table 4 (continued)
STATE BUDGET CUTS ADOPTED IN THE FISCAL 1986 BUDGET

State	Amount (in millions)	Cut as % of General Fund Expenditure	Action Taken by	Selective or Across-the-Board	Date Enacted	Program/Notes
Utah	13.2 5.3	1.0 .4	Legislature Governor	Selective Selective	2'86 5.86	Schools exempted in second cut.
Vermont	2.5	0.6	Governor	Selective	11'86	Schools, debt service, welfare benefits, retirement benefits, and emergency funds.
Wisconsin	230.0* (biennium)	2.3	Legislature	Selective	2'86	State operations were cut about 5.8% for FY87 and aid to local governments and individuals cut less or exempted.

*These figures are for both fiscal years 1986 and 1987.

Oklahoma	Some agencies may postpone expenditures as a short-term funding solution.
Oregon	Human resource agencies are delaying some planned expenditures as a part of a department-wide rebalancing of the budget.
Utah	Delayed construction of a women's prison and performing arts building at the University of Utah.

State Employees. The growth rate of the state workforce and the annual compensation package for state employees are often key indicators in determining the fiscal health of the states. Clearly, many services provided by state government are labor intensive and represent a significant share of total state costs.

For the entire fiscal 1986, the forty-four states that responded to this question reported that state workforces grew an average of 0.9 percent. These states reported that total full-time equivalent employees increased from 1,771,137 to 1,787,870, excluding elementary, secondary, and higher education employees. The Census Bureau estimates annual population growth at 0.9 percent, which means that the growth in aggregate state workforces matches population increases.

This aggregate growth rate masks the differences existing between states. For example, there are eleven states in which actual declines occurred. These states are: California, Louisiana, Minnesota, Mississippi, Nebraska, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, and Utah. Taking into consideration population growth, another six states lost ground in the per capita state employee ratio since their growth rate was less than 0.9 percent. (See Appendix Table A-8 for state-specific information.)

Despite severe fiscal stress in some states, particularly in the Southwest, Governors have thus far averted large state employee layoffs. However, some states may have to lay off employees as the year progresses. Only two states reported minor layoffs. In Pennsylvania, the Department of Transportation laid off 371 highway maintenance workers (but most were offered other jobs) and the Department of Public Welfare furloughed 183 employees in state mental hospitals due to lower patient loads. Due to a budget cut in Wisconsin, approximately 400 state positions were eliminated and about

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Table 5
STATE BUDGET CUTS ADOPTED IN THE FISCAL 1987 BUDGET

State	Amount (in millions)	Cut as % of General Fund Expenditure	Action Taken by	Selective or Across-the-Board	Date Enacted	Exempted Program/Notes
Alaska	\$ 550.0	13.0%	Governor	Across-the-Board	7/86	Cash assistance to individual exempted; aid to local government and school districts cut 10%; \$300 million cut from capital budget.
Arizona	81.0	6.0	Governor	Both	7/86	Includes \$8 million in delayed capital expenditures. Excludes elected offices, some health and income maintenance programs, and education K-12. Total general fund was cut 3.2%.
Minnesota	115.5	2.2	Both	Both	4/86	Debt service; welfare programs; education cut less.
Montana	45.0	5.0	Legislature	Both	7/86	Includes 3% cut for education foundation aid and elimination of state employee COLAs.
New Mexico	26.1	2.0	Legislature	Across-the-Board	6/86	
North Dakota	45.0* (biennium)	4.0	Governor	Across-the-Board	3/86	
Texas	1300.0* (biennium)	13.0	Governor	Selective	2/86	K-12 education, highways, and retirement systems. Much smaller cuts in corrections and mental health and mental retardation.
Wisconsin	230.0* (biennium)	2.3	Legislature	Selective	2/86	State operations were cut about 5.8% and aid to local governments and individuals cut less or exempted.
Wyoming	63.0* (biennium)	8.0	Governor	Both	5/86	Restricted budget authority to spend; governor cannot cut appropriations.
Kansas	60.0	4.0				

*These figures are for two fiscal years.

Kentucky 53 cut
 Iowa 25 BSF
 Arkansas 31.5 2.1
 Alabama 79.0 5.0 Education Trust
 Utah 31.5
 8 70.0 4.0
 2 20.0 4.0

S	W	M	E
III	III	II	
I	III		
6	8	2	

STATE EXPENDITURE TRENDS

fifty people were laid off during fiscal 1987. Several states have reported some layoffs due to federal fund cuts. These will be discussed in Section V of this report.

Rather than choosing layoffs, state lawmakers have opted for hiring freezes. Eleven states are relying on this method to trim the size of the state workforce. They are:

Arkansas	There is an indefinite freeze on hiring for positions that are non-essential.
Illinois	A hiring freeze went into effect in November 1985 and has no specific expiration date.
Iowa	Since 1981, any position filled must have approval of the Department of Management.
Louisiana	Between July 1985 and June 1986, the state ended 4,000 positions through attrition. Agencies were allowed, with the approval of the commissioner of administration, to fill one out of four vacant positions.
Michigan	Between October 1985 and September 1986, the Governor issued employment targets for all agencies. Four agencies were not making sufficient progress in meeting the target, so a hiring freeze was established for the remainder of the fiscal year for these agencies.
New Mexico	As of June 1986, the state is hiring only for critical positions with the joint review of all requests by the central budget and personnel offices.
North Carolina	Effective January 1986, each agency request to fill a position is being reviewed by the Office of the State Budget.
Pennsylvania	Since December 1982, all agency positions filled must be reviewed.
Rhode Island	Effective February 1985, all vacancies and new positions require the approval of a special personnel committee. Fiscal 1986 and 1987 budget plans call for a state workforce reduction of 10 percent without layoffs.
Texas	Beginning in February 1986, a hiring freeze is in force, but it excludes court-ordered programs and most essential programs.
Wyoming	A hiring freeze is in effect from July 1985 to July 1988.

In addition to cost savings attributed to restricted hiring practices, New Mexico and Texas have also instituted travel freezes for state employees.

Oklahoma, a state that is particularly hard-hit due to the fall in oil prices, has begun furloughing employees. Human service agency employees making \$30,000 or more will have to take twenty-one days off with no pay over the next fourteen months. Those making less will be required to take fourteen days off during that time. Alaska, which has been devastated by the fall of oil prices, has asked state employees to take a 10 percent cut in pay. Negotiations are in progress and options such as a shortened workweek or lay-offs are being pursued, but budgeted personnel services must find the necessary savings. Montana has asked employees to renegotiate a pay raise or face a lay-off of 600 positions.

Salary compensation packages (excluding employees of schools and educational institutions) for fiscal 1987 are very modest, which would be expected since lower

inflation has significantly dampened price increases. Virtually, all across-the-board state employee salary increases, excluding any merit, step, fringe benefit, or equity adjustment, are 5 percent or lower. The major exception is in Ohio, where employees are likely to receive a 7.6 percent increase. However, the raise will be the first increase since March 1984. Thirty-seven states authorized across-the-board salary adjustments of 3 percent to 5 percent. However, seven states—Alabama, Alaska, Idaho, Louisiana, Mississippi, Oklahoma, and Utah—are not awarding increases for fiscal 1987, and three states—Colorado, North Dakota, and Wyoming—are considering delaying the salary increase implementation date to accrue cost savings. Texas will allow salary increases only if agencies have lapsed funds from the prior year. Some states could not provide the requested information since employee negotiations are still pending. (See Appendix Table A-9 for more state information.)

State Tax and Expenditure Limitations. The tax revolt sparked by passage of California's Proposition 13 in 1978 led eighteen states to adopt state tax or expenditure limitations. In addition, forty-nine states have balanced budget requirements. Typically, these limitations operate by constraining the annual spending increase allowed for state government budgets. The spending ceilings are usually determined by such factors as the annual increase in the consumer price index, the increase in state personal income, and the change in population.

Thus far, few of these limitations have affected the spending habits of state government, especially since the recession had depressed state spending several years ago. Now, however, several states are approaching their spending limits. These are:

California	Appropriations are estimated to be \$95 million lower than the fiscal 1987 limit.
Idaho	The state is close to the limit of 5.33 percent of state personal income.
Rhode Island	The budget grew 5.9 percent, and the limit is 5.5 percent (the limit in Rhode Island is non-binding).

Several states have tax and expenditure limitations pending—reminding lawmakers that the tax revolt is still very much alive.

Currently, these states are:

Alaska	The current limit, which is tied to population and inflation, expires this year and must be approved again by popular vote in November. The Governor is proposing an amended constitutional version of the limit, which would place the ceiling at 115 percent of the prior year's appropriation.
Arizona	A citizen's initiative would cap residential property taxes at one-half of 1 percent of assessed value and roll-back property taxes to 1984 levels.
California	There is an initiative to "correct" a Proposition 13 court decision that now does not require a two-thirds vote of the people for a tax increase if the revenue goes for specific government purposes. This measure has been certified for the November ballot.
Colorado	A citizens' initiative is pending that would require all state and local government tax increases to be approved by the voters.

STATE EXPENDITURE TRENDS

Massachusetts	A revenue limitation based on growth in annual wages in the state is currently pending in the legislature and is likely to pass.
Montana	Two citizen initiatives will be on the November ballot. One would limit property taxes to 1985 rates. The other would eliminate all real and personal property taxes without allowing state government to enact a sales tax or increase the income tax.
Nevada	The state has a non-binding limit and a legislative interim committee is currently studying a possible revision.

Aid to Local Governments. At the time of publication, Congress was considering and was expected to pass substantial reductions in grants-in-aid to local governments in the fiscal 1987 budget. Mass transit programs, community development block grants, urban development action grants, Economic Development Administration grants, housing programs, and others are expected to be cut from last year's level. General revenue sharing for local governments, funded at \$4 billion in fiscal 1986, likely will be terminated. These federal budget cuts will increase greatly the pressure for states to assist the fiscal needs of local government. They can do that in two ways: appropriate more state dollars for local governments to spend or empower them with greater taxing authority.

On the expenditure side, seven states have reported new appropriations to local governments in fiscal 1987. Connecticut appropriated \$41 million as an unrestricted grant to offset federal reductions, while North Carolina will appropriate \$60 million for fiscal 1986 and 1987 for local governments to use for water and sewer projects. Hawaii and Maryland increased aid by \$12 million and \$23 million, respectively. In 1985, Rhode Island increased general state aid, and provided for a five-year phase-in of increased school aid, partly in anticipation of federal cuts. Pennsylvania authorized \$38.6 million in supplemental aid to local school districts and a \$10.9 million increase in state aid for the Human Services Development Fund, a block grant administered by counties. Massachusetts appropriated \$60 million of the expected loss of \$73 million in general revenue sharing for cities and towns.

On the revenue side, eleven states granted additional taxing authority or a larger share of a state-dedicated tax for local governments. California will allow San Diego County an additional 0.5 percent sales tax. Minnesota gave Minneapolis authority for a 0.5 percent sales tax, a 3 percent hotel/motel tax, and a 3 percent tax on restaurant meals and drinks, which will be used for a new convention center. Both Florida and Wyoming increased their local lodging tax. Nebraska authorized incorporated municipalities to increase the local sales tax from 1 percent to 1.5 percent; New Mexico gave both municipalities and counties new sales tax powers; and Ohio allowed counties an additional 0.5 percent sales tax, a 4.5-cent-a-pack cigarette tax, and a limited alcohol excise tax. North Carolina raised the sales tax ceiling 0.5 percent for local governments. Vermont is giving the city of Burlington authority to impose a gross receipts tax on business. Kentucky modified the coal severance tax state-local revenue sharing formula to give local governments in coal-producing areas additional funds. Pennsylvania closed some commercial loopholes in the realty transfer tax to generate an additional \$25 million for local government. Indiana has loosened restrictions on revenue raised by county income taxes, allowing counties to use some of the revenue for general operating expenses, rather than mandating all of the revenue for property tax relief.

II. REVENUE TRENDS

Annual Revenue Growth. Although fiscal 1986 general fund expenditure growth was estimated to be 9.5 percent, general fund revenue is projected to grow a modest 5.5 percent compared to the prior year. The mismatch between expenditures and revenues can occur for a short time without causing a deficit because states can spend their carry-over balances. However, appropriation growth for fiscal 1987 is scaled down to only 5.5 percent, with revenues projected to increase by 5.9 percent.

Both revenue figures are significantly lower compared to past years. For the most part, this reflects the slowing of the national economy and the reduction in inflation, which results in less tax revenue flowing into state treasuries. The real gross national product (GNP) grew by 6.4 percent in 1984 and only 2.7 percent in 1985. Second quarter GNP data for 1986 (the latest available) shows the economy growing at a 1.1 percent rate, the weakest since late 1982. Many economists predict GNP for this year to be in the 2 to 3 percent range. Of course, these figures have important consequences for states.

Tax Changes. Compared to prior years, tax changes during the 1986 legislative session were minimal. Sixteen states raised either sales, income, or major excise taxes, while only five states lowered them. This does not take into account three states—New York, Ohio, and Rhode Island—that passed multiyear personal income tax reductions last year. Several tax measures are still pending. Since the tax decreases occurred in large states that collect substantially more in revenue than the smaller states that raised taxes this year, the net increase in taxes will be negligible.

Sales Taxes. Only four states raised sales tax rates this year, and no state lowered them. These increases occurred in Kansas, where the sales tax was increased from 3 percent to 4 percent; Idaho, with a temporary sales tax increase from 4 percent to 5 percent; New Mexico, which raised its 3.75 percent tax to 4.75 percent; and Nebraska, which will raise its tax from 3.5 percent to 4.0 percent in January 1987. Last year, Nebraska lawmakers approved a 1-cent sales tax increase to take effect January 1987 and to be earmarked for schools. The increase will be on the November ballot. The sales tax may then rise to 5 percent.

Florida is also making a significant tax change by moderately expanding the sales tax base this year, and agreeing to sunset all sales tax exemptions for services, including medical services, effective July 1987. If the legislature does not reenact some of these sales tax exemptions next year, sales tax revenues will increase by about

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\$1 billion. Maine broadened its sales tax base slightly, while Connecticut added some new sales tax exemptions. Louisiana will temporarily levy a 1 percent sales tax on food, drug, and utility service purchases. These items were previously exempt. In a special session, West Virginia approved a referendum for the November ballot that would raise the sales tax from 5 percent to 6 percent and issue bonds for highway purposes.

Income Taxes. New Mexico was the only state to significantly increase the personal income tax this year by changing both the tax rates and base. In addition, New Mexico and Colorado increased the corporate income tax this year.

Most tax decreases occurred in the Northeast. Connecticut reduced its tax on interest and capital gains by 1 percent; Delaware cut its personal income tax by 9 percent; Michigan cut its flat rate personal income tax from 5.1 percent to 4.6 percent of taxable income; and Vermont decreased its personal income tax from 26.5 percent to 24 percent of federal tax liability. Pennsylvania decreased both the personal and corporate income tax from flat rates of 2.2 percent to 2.1 percent, and 9.5 percent to 8.5 percent of taxable income, respectively.

Still pending is the possible elimination of a personal income tax surcharge in Massachusetts, which was first instituted in the 1970s. Idaho, New Hampshire, and Utah have all agreed to apportion corporate profits on a "water's edge" or domestic basis, rather than on worldwide earnings. California is considering pulling back to water's edge apportionment. Only Alaska, California, Montana, and North Dakota still use worldwide corporate apportionment.

Fuel Taxes. Motor fuel tax increases were popular this year. Tennessee raised the gasoline tax 4 cents, to 16 cents a gallon, and increased the diesel fuel tax by 2 cents a gallon. Kentucky increased the motor fuel tax from 10 cents to 15 cents a gallon. Colorado hiked its gasoline tax from 12 cents to 18 cents a gallon, and its diesel tax from 13 cents to 20.5 cents a gallon. Virginia eliminated its 3 percent wholesale gas tax, but then raised the unit gasoline tax from 11 cents to 15 cents a gallon. This September, the Virginia Governor will ask the legislature to considering new funding mechanisms for highways. North Carolina raised the tax from 12 cents a gallon to 14 cents, and added a 3 percent tax on the average wholesale price. Montana raised the gasoline tax from 15 cents a gallon to 17 cents during a special session of the legislature. Hawaii reduced its diesel fuel tax from 11 cents to 10 cents a gallon.

Other Excise Taxes. Five states increased cigarette tax rates: Colorado, from 15 to 20 cents a pack; Florida, from 21 to 24 cents a pack; New Mexico, from 12 to 15 cents a pack; Rhode Island, from 23.4 to 25 cents a pack; and Washington, from 23 to 31 cents a pack. Maine doubled its alcohol excise tax on beer, wine, and spirits. Both Iowa and Hawaii changed the method of taxing alcoholic beverages, but no real change is expected in revenue collections.

Insurance. Several states, including Alaska, Maine, Nebraska, Washington, and Wyoming, revamped their taxes on insurance premiums so in-state insurance companies pay the same rates as out-of-state insurance companies.

Lotteries. Capturing lottery revenues is an issue in numerous states this year. Eleven states are now considering lottery legislative referendums or citizens' initiatives, many of which are likely to be on the November 1986 ballot. These are: Florida, Idaho, Indiana, Kansas, Louisiana, Montana, Nebraska, North Dakota, Oklahoma, South Dakota, and Wisconsin.

REVENUE TRENDS

Tax Amnesty. Iowa, Michigan, Mississippi, Rhode Island, and West Virginia enacted tax amnesty programs this year. This makes twenty-three states that adopted such programs.

Short-Term Borrowing. Two states—Idaho and Iowa—issued tax anticipation notes in fiscal 1986 to enable timely payment of obligations and to avert a deficit. Other states borrow for cash flow purposes.

III. YEAR-END GENERAL FUND BALANCES

In fiscal 1986 and 1987, states are budgeting for very small year-end balances, allowing very little leeway for any revenue or estimating errors. Many more states will be in a precarious situation if the national economy experiences a sluggish performance. For fiscal 1986, the estimated year-end general fund aggregate balance for the states was \$5 billion, which equals 2.5 percent of expenditures. Final fiscal 1986 figures will not be available for several months until state auditors officially close the fiscal year. The fiscal 1987 ending balance is projected to decrease to \$3.3 billion, or 1.6 percent of total state general fund spending. Five percent is the ending balance benchmark used by Wall Street bond analysts to determine the fiscal condition of a state. This 5 percent reserve acts as a cushion against unexpected expenditure and revenue fluctuations. Clearly, states will not meet this fiscal target.

Table 6 provides the historical background for aggregate state year-end balances since fiscal 1978. The high point in ending balances came in fiscal 1980, when balances equaled 9 percent of expenditures. The low point occurred in fiscal 1983, when balances dipped to only 1.3 percent of spending. Recent ending balances have been shrinking compared to those of past years. (Appendix Table A-4 shows state-specific ending balances over this ten-year time span.)

National figures often mask the differences existing between states. This is particularly true in the case of three states—Colorado, Louisiana, and South Carolina—where budget officials reported ending fiscal 1986 in deficit. Since these states must end the fiscal year in balance, Colorado and South Carolina will rely on other state funds to cover the deficit, while Louisiana plans to have appropriation reversions to help balance their budget. A fiscal 1987 deficit is projected for North Dakota, but state officials there expect to correct the deficit either in an upcoming special or regular legislative session. Nebraska and Louisiana also are currently projecting a fiscal 1987 budget deficit. Nine states have already cut enacted fiscal 1987 budgets to ensure a positive balance for next June 30.

Currently, two states—Alaska and Texas—are in the process of rebalancing their fiscal 1987 budgets. At publication time, Alaska had a \$300 million budget gap, despite recent budget cuts. Texas will be meeting in special session in August to resolve a \$2.9 billion biennial revenue shortfall. That figure does not take into account the \$1.3 billion budget reduction enacted earlier.

The size of the ending balance varies greatly among the states. For fiscal 1986, twenty states expect an ending balance of 1 percent or less, and fourteen states will have a balance of more than 5 percent (see Table 7). For the following fiscal year,

FISCAL SURVEY OF THE STATES

Table 6
SIZE OF GENERAL FUND YEAR-END BALANCES, FISCAL 1978 TO 1987*

<i>Fiscal Year</i>	<i>Year-End Balance (\$ in Billions)</i>	<i>Balance as a Percent of Expenditures</i>
1987 est.	\$ 3.3	1.6%
1986 est	5.0	2.5
1985	8.0	4.3
1984	5.6	3.3
1983	2.0	1.3
1982	4.5	3.0
1981	6.5	4.4
1980	11.8	9.0
1979	11.2	8.7
1978	8.9	8.6

*Does not include balances from budget stabilization funds.

Table 7
GENERAL FUND YEAR-END BALANCES AS A PERCENTAGE OF EXPENDITURES

	<i>Fiscal 1986 (budgeted) (number of states)</i>	<i>Fiscal 1987 (appropriated) (number of states)</i>
1% or less	20	29
1%–3%	10	9
3%–5%	6	3
Over 5%	14	9
Average percentage	2.5%	1.6%

YEAR-END GENERAL FUND BALANCES

twenty-nine states will see their balances dwindle to 1 percent or less, and only nine states expect to have balances of more than 5 percent. For both years, an unusually high number of states are expected to have very thin margins between revenues and expenditures.

Budget Stabilization Funds. In recent years, twenty-nine states have adopted budget stabilization or "rainy day" funds to help buffer state finances from the sharp fiscal disruptions routinely caused by the business cycle. Maryland adopted such a fund this year and Massachusetts is currently considering one. Rather than cut budgets and raise taxes during the middle of a fiscal year, states can theoretically use these special reserves during an economic emergency. However, for this to work, states must accumulate sufficient funds during good economic times.

States have gradually built up these reserves, as seen by these statistics:

- in fiscal 1983, when only eleven states established these special funds, \$0.3 billion was allotted for budget stabilization funds, equaling 0.2 percent of expenditures;
- in fiscal 1986, there is \$1.5 billion in these funds or 0.8 percent; and
- in fiscal 1987, the amount seems to have stabilized at \$1.7 billion or 0.8 percent.

Only a handful of states have sufficient revenues in budget stabilization funds to cover revenue losses typically attributed to a recession. In fact, five states that established stabilization accounts allotted no money to them in fiscal 1987. These states are: Idaho, Missouri, Oklahoma, Washington, and Wisconsin. Budget stabilization funds that total 5 percent or more could be instrumental in averting cutbacks attributed to a recession, but only Connecticut, Michigan, and Wyoming have such a safety margin.

Budget stabilization funds should not be combined with ending balances because they serve different purposes: the ending balance provides a hedge against normal revenue and expenditure forecasting errors, while a budget stabilization fund usually alleviates revenue shortfalls caused by economic downturns. Nevertheless, both should be reported as resources available to a state.

IV. REGIONAL DIFFERENCES IN FISCAL OUTLOOK

The most important fiscal trend in the states is that the economic schism between regions continues. States in the New England and Mid-Atlantic regions are registering strong economic growth, while states in the Farm and Energy Belts are experiencing severe regional recessions.

"The Bi-Coastal Economy," a recent study issued by the Democratic staff of the Congressional Joint Economic Committee, reported that between 1981 and 1985, "the sixteen coastal state grouping (includes the East coast from Maine to Florida, plus California) contains 42 percent of the nation's population. Nonetheless, this grouping accounted for nearly 70 percent of the real growth in wage and proprietorship income." One of the primary reasons for this dichotomy of fiscal growth was attributed to the current trade imbalance. The congressional report documented that in 1980, the U.S. trade surplus was \$1.8 billion; however, by 1986 the projected trade deficit will be approximately \$140 billion. The heartland states are those most affected by U.S. foreign trade policies and the strong dollar since agricultural, timber, manufacturing, and mining products are exported.

Clearly, state-by-state per capita income figures, unemployment statistics, and other economic indicators closely reflect the changing fiscal condition of state governments. Currently, there is no better example of that statistical relationship than what is now occurring in the energy states. For the eight energy states that derive more than 20 percent of the tax revenue from severance taxes, rents, and royalties (see Table 8), the unweighted average unemployment rate for May 1986 was 9.1 percent. This is two full percentage points higher than the national average. With the precipitous decline in the price of oil that dropped per barrel prices from \$30 in November 1985 to about \$10 in April 1986, the fiscal fortunes of oil states mirrored that rapid decline.

Louisiana provides a good example. In fiscal 1984, oil-derived revenues comprised 36 percent of total state taxes collected. The estimated fiscal 1987 figure shows the state's revenue dependency on severance taxes dropping to 19 percent. For every \$1 drop in the price of oil, Louisiana loses \$40 million from oil revenues and \$17 million from lower sales and income taxes collected. This has forced the state legislature to slash \$400 million from the current services fiscal 1987 budget, which may result in state employee layoffs of 1,000 to 2,000. However, the fiscal 1987 budget is based on oil selling for \$17 per barrel, and the current price is \$15.50 and falling. Depending on the price of oil in the next few months, a special session of the legislature may be called.

Texas is in a similar position. In fiscal 1982, oil revenues comprised 24.5 percent of Texas' tax revenues. In fiscal 1987, that figure is expected to drop to 10.8 percent. For

Table 8
DEGREE OF RELIANCE OF ENERGY STATES ON THE PRICE OF OIL

State	State Revenue Loss for Every \$1 Drop in Oil Price (\$ in millions)	FY87 Oil Price Forecast (As of Feb.- Mar. 1986)	Revised FY87 Oil Price Forecast (As of June- July 1986)	Severance Tax Revenues as a Percent of Total State Taxes*
Alaska	\$150	\$20-22/bbl.	\$9-11. bbl.	71%
Louisiana	40	20.00	15.50*	25
Mississippi	.	15.00	14.00	6
Montana	3	25.00	15.00	25
New Mexico	7	22.40	13.00	27
North Dakota	4.4	18.00	14.00	29
Oklahoma	11	18.00	18.00	26
Texas	70	15.00	15.11	23*
Wyoming	4	22.00	10.50	48

*Includes all severance tax collections, such as from oil, natural gas, and coal.

Percentage based on FY84 state tax collections.

LA: Fiscal 1987 budget was based on \$17/bbl oil. Current forecast is lower. The share of oil revenue as a percent of total revenue is expected to decline to 19% in fiscal 1987.

MS: Will lose \$21 million in FY87 as a result of lower oil and natural gas prices.

TX: The share of oil revenue as a percent of total revenue is expected to decline to 10.8% in fiscal 1987.

every \$1 drop in the price of oil, the state loses \$70 million in direct oil revenue and loses another \$30 million in sales tax revenue. This has caused a \$2.9 billion revenue shortfall for the fiscal 1986-87 biennium, of which at least \$1.3 billion will be saved by cutting the budget. A special session is scheduled to convene in August to resolve the remaining revenue shortfall.

Similar stories are found in Alaska, Montana, New Mexico, North Dakota, Oklahoma, and Wyoming. Alaska cut state employee salaries 10 percent as part of a 15 percent fiscal 1987 budget cut; Montana and New Mexico both called special sessions in June, and cut the budget and raised taxes; North Dakota has cut the budget 4 percent across the board and is likely to call a special session in the upcoming months; Oklahoma's fiscal 1987 budget is 16 percent less than last year's; and Wyoming's Governor has issued an 8 percent biennial holdback, which makes the fiscal 1987 budget equal that of fiscal 1986.

Other Western states, not heavily dependent on the oil sector, are also experiencing fiscal problems, although they are not as severe as those in leading energy states. This includes: Idaho, where lawmakers temporarily raised the sales tax 1 percent and budgeted for a very slim ending balance; Arizona, which just enacted a 6 percent cut on many state agencies; and Utah, which is budgeting for a very small increase in fiscal 1987 spending and a similarly small ending balance. The West Coast states, most notably California, have comparatively better fiscal fortunes and are planning on moderate economic growth in the upcoming year.

The foreign trade deficit is one of the principal causes of a stagnant economy in the Farm Belt states of the Plains Region. The agricultural share of U.S. exports has shrunk from 19 percent to 15 percent over the last four years. This has resulted for the first time in nearly thirty years, in the United States becoming a net importer of agricultural goods. According to the congressional bi-coastal study, corn exports were down more than 80 percent from 1980-81 levels; May 1986 soybean exports declined 33 percent; and wheat was down 58 percent. Between 10 percent and 12 percent of U.S. farmers are projected to remain under financial stress in 1986. As a result, Iowa, Kansas, and Nebraska have fiscal 1987 budgets that are about the same size as last

REGIONAL DIFFERENCES

year's. Both Kansas and Nebraska raised the sales tax this year, and Iowa and Nebraska enacted mid-year budget cuts last year.

Minnesota and Wisconsin, also farm states but with more diverse economies, each cut their biennial budget early in 1986 and now expect no further fiscal problems. Both project moderate budget growth in fiscal 1987.

The Southeastern states have two stories to tell. States on the Atlantic coast appear to have moderate to strong growth in their economies, and report an aggregate unweighted average unemployment rate of 5.6 percent. However, their fortunes may change with the current drought and its subsequent effect on their agricultural sectors. In remaining Southeastern states, the unemployment rate is 9.8 percent (the national rate for May 1986 was 7.0 percent). The high unemployment rate is attributed to problems in both the oil and agricultural sectors. Alabama, Arkansas, Louisiana, Mississippi, and South Carolina have all cut fiscal 1986 budgets. In fact, Arkansas cut its budget four times and Mississippi cut its twice. Louisiana and South Carolina are reporting deficits for fiscal 1986. The fiscally strong states—such as Florida, Kentucky, North Carolina, Tennessee, and Virginia—all report fiscal 1987 budget increases of 10 percent or more. Those with weaker economies—Alabama, Louisiana, Mississippi, and West Virginia—report actual declines in fiscal 1987 spending compared to the prior years.

The Great Lakes states have a relatively stable economy, characterized by modest growth, but the unemployment rate is still high for some of these states. Ohio will enact the third year of an income tax decrease for 1987, while Michigan rolled back the personal income tax to pre-recession levels. Spending will be on the low side in Michigan, which reports a 1.4 percent increase, and in Illinois, which reports a 2.1 percent increase.

The regional, unweighted unemployment rate for the New England region was 4.0 percent in May—by far the lowest in the country. New Hampshire had the nation's lowest rate at 3.2 percent, closely followed by Rhode Island with 3.4 percent and Connecticut with 3.5 percent. Connecticut and Vermont lowered taxes this year, and Massachusetts still has a tax decrease measure pending—made possible by its thriving economy. Overall spending increases for fiscal 1987 will be above average.

Many Mid-Atlantic states share the same expanding economy, with lower-than-average unemployment rates and moderate increases in state government spending. Tax decreases occurred in Pennsylvania and Delaware this year, and New York is continuing its three-year tax decrease package enacted last year.

V. THE STATES' RESPONSE TO GRAMM-RUDMAN-HOLLINGS BUDGET BALANCING ACT

Since the federal government passed the Gramm-Rudman-Hollings (GRH) Act in December 1985, state tracking of federal funds has become exceedingly difficult. In the past, it was hard for states to devise federal fund figures to factor in their budgets because most state fiscal years do not match the federal fiscal year. In addition, Congress rarely produces a timely budget resolution that could indicate to state budget officers what share of the federal budget is allocated for domestic programs.

But now with the passage of GRH and all the questions that surround it, predicting receipts from federal grant-in-aid programs becomes increasingly difficult.

Because of this uncertainty about federal aid, which comprises 23 percent of total state general revenues, it is interesting to note how states are budgeting for these receipts for fiscal 1987. Table 9 shows that twenty-three states are assuming that federal aid will equal about the same funding level that they received for fiscal 1986. Five states are planning for small increases in federal aid over last year's level to cover certain inflationary costs. Some of these assumed funding increases may come from increases expected in the aid to families with dependent children (AFDC) and Medicaid caseloads. These two programs are entitlement programs, which are not subject to GRH cuts. Four states—Delaware, Kentucky, Mississippi, and North Carolina—are projecting federal funding levels lower than those in fiscal 1986. Obviously, it can be difficult to aggregate all federal funds and predict whether total funding will be higher or lower. So most states responded by saying that the impact of different funding levels will vary depending on the program. Some states would not venture a guess since they do not appropriate federal funds, and other states have biennial budgets that have not yet been reopened to address this question. Many expect to adjust fiscal 1987 budgets when the legislature meets next and more information will be available about the outcome of GRH.

Aside from planning for next year's federal grant adjustments, states have just finished dealing with the first round of GRH cuts that occurred March 1 and totaled 4.3 percent. These cuts exempted AFDC and Medicaid and some other human service programs, so the brunt of the cuts was somewhat mitigated. Table 10 describes how states responded to the first impact of GRH. The vast majority of states chose to pass the cuts on to their agencies with no state dollar supplement. Only eleven states picked up part of the lost federal dollars with state dollars, although no state completely reimbursed agencies to make up for federal cuts. These states opted to supplement human resource programs, most often the social services block grant and some nutrition programs. Several of the eleven states that added state dollars to

FISCAL SURVEY OF THE STATES

Table 9
STATE BUDGET ASSUMPTIONS FOR RECEIPT OF FEDERAL FUNDS IN FISCAL 1987

<i>State and Region</i>	<i>Same Level of Funding As Fiscal 1986</i>	<i>Current Funding Plus An Inflation Adjustment</i>	<i>Lower Funding Levels Than Fiscal 1986</i>	<i>Notes</i>
New England				
Connecticut				Provided a contingency appropriation to meet cuts. Varies by agency.
Maine				
Massachusetts				
New Hampshire				
Rhode Island	•			
Vermont		•		
Mideast				
Delaware			•	Except for loss of GRS. Some programs at lower funding level. Does not necessarily reflect inflation rate. Funded at "necessary" program levels. Based on evaluation of each program.
District of Columbia	•			
Maryland	•			
New Jersey		•		
New York				
Pennsylvania				
Great Lakes				
Illinois	•			Same funding level; different composition. Biennial budget. Many instances assumes pre- GRH levels. Changes will occur with new federal budget developments.
Indiana				
Michigan		•		
Ohio	•			
Wisconsin	•			
Plains				
Iowa	•			Close to FY86 level. Have biennial budgets. Will adjust when more information is available.
Kansas	•			
Minnesota	•			
Missouri	•			
Nebraska	•			
North Dakota				
South Dakota				

RESPONSES TO GRAMM-RUDMAN-HOLLINGS

Table 9 (continued)
STATE BUDGET ASSUMPTIONS FOR RECEIPT OF FEDERAL FUNDS IN FISCAL 1987

<i>State and Region</i>	<i>Same Level of Funding As Fiscal 1986</i>	<i>Current Funding Plus An Inflation Adjustment</i>	<i>Lower Funding Levels Than Fiscal 1986</i>	<i>Notes</i>
Southeast				
Alabama				Varies by agency; do not estimate federal funds.
Arkansas				Biennial budget.
Florida	•			\$30 million appropriated to offset federal cuts.
Georgia	•			May address cuts in next legislative session.
Kentucky			•	Anticipate cuts in human service area
Louisiana	•			
Mississippi			•	
North Carolina			•	Biennial 86-87 budget assumes an 8.6% cut in non-exempt programs.
South Carolina	•			Assumes increases in Medicaid.
Tennessee	•			Varies by program.
Virginia				Varies by program.
West Virginia		•		Information not available.
Southwest				
Arizona				State does not appropriate federal funds.
New Mexico		•		
Oklahoma				
Texas				Biennial budget.
Rocky Mountain				
Colorado	•			Dealt with on an agency-by-agency basis.
Idaho	•			
Montana	•			
Utah	•			
Wyoming	•			
Far West				
California				Varies: depending on agency.
Nevada	•			
Oregon				Biennial budget.
Washington				Biennial budget.
Alaska				
Hawaii	•			Same level for most programs.

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Table 10
STATE RESPONSE TO FEDERAL BUDGET CUTS AS A RESULT OF GRAMM-RUDMAN-HOLLINGS

<i>State and Region</i>	<i>Passed Federal Cuts on To State Agencies</i>	<i>Supplemented Some Federal Cuts With State Dollars</i>	<i>Programs Supplemented/Notes</i>
New England			
Connecticut		•	Minor adjustments to appropriations
Maine			
Massachusetts			
New Hampshire			
Rhode Island	•		
Vermont	•		
Mideast			
Delaware		•	Funded most programs; those deemed essential.
District of Columbia	•		Will supplemenent loss of GRS payment
Maryland	•		
New Jersey	•		Affected local government more than state.
New York	•		
Pennsylvania	•		
Great Lakes			
Illinois			GRH had no impact on state-funded programs
Indiana	•		Too early to determine.
Michigan	•		
Ohio			
Wisconsin	•		
Plains			
Iowa		•	Restored funding for Social Services Block Grant.
Kansas		•	Only added \$40,000 for elderly nutrition program.
Minnesota	•		Plan on restoring ADAMH and Social Service Block Grant. Supplemented only \$65,000.
Missouri	•		
Nebraska	•		
North Dakota		•	
South Dakota		•	

RESPONSES TO GRAMM-RUDMAN-HOLLINGS

Table 10 (continued)
STATE RESPONSE TO FEDERAL BUDGET CUTS AS A RESULT OF GRAMM-RUDMAN-HOLLINGS

<i>State and Region</i>	<i>Passed Federal Cuts on To State Agencies</i>	<i>Supplemented Some Federal Cuts With State Dollars</i>	<i>Programs Supplemented/Notes</i>
Southeast			
Alabama		•	Supplemented Social Services Block Grant for day care (\$65 million) and mental health and retardation (\$3 million).
Arkansas	•		
Florida	•		
Georgia	•		
Kentucky	•		
Louisiana	•		
Mississippi	•		
North Carolina	•		
South Carolina	•		
Tennessee	•		
Virginia	•		
West Virginia			Information not available.
Southwest			
Arizona	•		
New Mexico	•		
Oklahoma		•	Supplemented Department of Human Services with \$5.1 million.
Texas	•		
Rocky Mountain			
Colorado	•		
Idaho		•	Replaced 100% of Social Services Block Grant in FY87.
Montana	•		
Utah	•		
Wyoming	•		
Far West			
California		•	Older Americans Act, Title III Nutrition (\$1.2 million), Refugee Cash Assistance (\$1.2 million), Child Support Enforcement (\$3.6 million), In-Home Supportive Service (\$6.1 million), Occupational Health and Safety (\$4 million).
Nevada	•		Agencies shifted funds to avert service reduction.
Oregon		•	Restored some funds to Department of Human Resources.
Washington	•		
Alaska			
Hawaii	•		

FISCAL SURVEY OF THE STATES

federal programs were states that are experiencing serious fiscal problems in their own budgets.

A number of states suggested that the federal cuts in fiscal 1986 would not seriously reduce service levels because some programs are forward-funded, some carry over funds from prior years will be used, and agencies could keep some positions vacant to provide more flexibility. However, a number of states reported that some state employee layoffs would be necessary as a direct result of GRH budget cuts. Tennessee may have to furlough up to eighty positions in the Unemployment Service Agency, while the Rhode Island Department of Employment Security has a freeze on hiring. Florida has had minor layoffs in the Department of Agriculture, while Minnesota expects to lay off fewer than thirty employees due to GRH. The state of South Dakota reduced highway construction, and Virginia plans to reduce service levels for the alcohol, drug abuse, and mental health block grant. The Governor of North Carolina implemented a 1.5 percent workforce reduction in order to assure the necessary reversions to absorb the cuts.

Several states that have available resources have taken precautionary measures to mitigate the future impact of federal budget cuts. Nine states have chosen to establish special funds enabling them to draw down these funds to supplement priority programs. These funds are insufficient to make up for all the cuts. These states are:

Connecticut	A \$1 million "federal contingency reserve fund" was established allowing the Governor to offset the federal budget cuts; statutory restrictions on replacing federal funds with state resources were repealed; and a mechanism was established to provide for the temporary replacement of lost federal funds while the general assembly is not in session.
Delaware	For fiscal 1987, the legislature appropriated full funding for most federal programs until October 1, 1986. At that time, a report will be compiled outlining the degree of cuts and providing recommendations to the Governor by October 15. If action is required before the next legislative session, the Joint Finance Committee will meet to take such action. In addition, the legislature left \$7.4 million unappropriated in fiscal 1987 as a possible supplement to federal cuts.
Florida	\$30 million was appropriated from the working capital fund for transfer to the general fund to help offset any significant reductions in federal funds.
North Carolina	The Governor recommended that the 1986 general assembly appropriate \$17.3 million in a reserve fund to support programs that are affected by GRH. Programs meriting a supplement would be selected by the Governor.
Oregon	The 1985 legislature set up a \$4.4 million emergency fund to be used for federal fund shortfalls in the human resource area. These federal shortfalls were not allocated to the department until May 1986.
Rhode Island	A federal reduction relief fund has \$7 million, which is reserved for future cuts.

RESPONSES TO GRAMM-RUDMAN-HOLLINGS

South Dakota

The state appropriated \$4 million from the general fund into the federal deficit reduction reserve fund. Agencies facing federal funding cuts may request appropriations from that fund to temporarily replace lost federal funds beginning in fiscal 1987.

Vermont

A special contingency fund was established, with expenditures to be authorized by the emergency board to affect GRH reductions that would result in "immediate and irreparable harm." This is effective only until February 1, 1987.

Virginia

The 1985 general assembly added language to the appropriations act to provide for a revenue reserve account to offset up to 40 percent of federal funds reductions.

VI. APPENDIX

The *Fiscal Survey of the States* is published semiannually by the National Association of State Budget Officers (NASBO) and the National Governors' Association (NGA). The series was started in 1977. The survey presents aggregate and individual data on the states' general fund receipts, expenditures, and balances. While not the totality of state spending, these funds are used to finance most broad-based state services, and are the most important elements in determining the fiscal health of the states. An additional survey will be released in the fall of 1986, which will include all state spending.

The field survey on which this report was based was taken by the National Association of State Budget Officers in June and July 1986. The questionnaires were completed by Governors' state budget officers.

Fiscal 1986 closed for forty-six states on June 30, 1986. New York's fiscal year ended on March 31, 1986. Texas' fiscal year will close August 31, 1986, and Michigan's and Alabama's on September 30, 1986. Thus, fiscal 1986 numbers are still estimated amounts. Fiscal 1987 budget data reflects the budgets that were adopted by the legislatures.

The structure of the survey presumes budgeting identities as follows:

1. Beginning Balance + Revenues + Adjustments = Revenues
2. Resources - Expenditures - Transfer = Ending Balance
3. Ending Balance, Year 1 = Beginning Balance, Year 2

Adjustments to revenues may include such things as reversions, tax refunds, settlement from court cases, surplus property sales, changes in tax collections, and changes in fund dedication. Transfers may be positive or negative, depending on whether monies are flowing in or out of the general fund.

Exceptions to this identity result from rounding numbers and from the practice in a few states of making adjustments between the ending balance in one year and the beginning balance in the next. These exceptions have only a minor impact on the overall results of the survey.

Reporting concepts within this structure vary from state to state, as do definitions of what activities are included in the general fund, although all federal funds and trust funds are usually excluded. Thus, the results of the fiscal survey are not strictly appropriate for comparisons among states. They are more appropriate for comparisons over time within the same state.

APPENDIX TABLES

FISCAL SURVEY OF THE STATES

Table A-1
FISCAL 1986 STATE GENERAL FUNDS
(\$ in millions)
ESTIMATED FIGURES

State	Beginning Balance	Revenue	Adjustments	Resources	Expenditures	Transfers	Ending Balance	Budget Stab. Fund
Alabama	108	2,461	(6)	2,763	2,763		0	
Alaska*			NOT AVAILABLE		2,789			430
Arizona	14	2,347	22	2,383	2,361	2	24	
Arkansas	3	1,586		1,586	1,586		0	
California	1,400	28,148		29,548	28,957	(21)	570	**
Colorado*	16	1,894	6	1,915	1,866	(55)	(5)	**
Connecticut	0	4,237		4,237	3,958	(279)	0	199
Delaware	180	889		1,070	929		141	**
Florida	113	6,946		7,059	6,880	(113)	66	228
Georgia	254	4,972		5,226	5,226		0	149
Hawaii	130	1,577	39	1,745	1,646		99	
Idaho	0	561	10	571	582	11	0	0
Illinois	479	9,786		10,265	10,014	37	288	
Indiana	55	3,352		3,407	3,122	(288)	76	145
Iowa	0	2,340	(209)	2,131	2,129	(2)	0	2
Kansas	121	1,661		1,782	1,750	5	37	
Kentucky	123	2,763	9	2,894	2,687		207	
Louisiana*	100	4,263		4,363	4,427		(64)	
Maine	21	942	5	968	962	(3)	3	
Maryland	49	4,155		4,204	4,158		46	
Massachusetts	92	6,290		6,382	5,902	(144)	336	
Michigan	117	6,093	(93)	6,117	6,034	(31)	52	360
Minnesota	539	4,817		5,356	4,945	(127)	284	**
Mississippi*	54	1,502	(44)	1,512	1,506	17	23	6
Missouri	265	2,908		3,173	3,127		46	0
Montana	33	356		389	369		20	
Nebraska	13	835		848	830		18	22
Nevada	65	483	10	557	474	(2)	81	
New Hampshire*	22	460		482	452		30	
New Jersey	812	8,336	55	9,202	8,784		418	
New Mexico	112	1,365	58	1,536	1,411	(9)	116	**
New York	102	22,861		22,963	21,751	(1,059)	153	**
North Carolina	380	4,911		5,291	4,974		317	
North Dakota	161	475		636	527	(5)	104	
Ohio	298	9,648	20	9,966	9,501	(7)	458	140
Oklahoma	100	1,875	65	2,040	2,032	(8)	0	0
Oregon*	195	1,535		1,729	1,596		133	
Pennsylvania	310	9,395	(152)	9,553	9,185	(155)	213	25
Rhode Island	61	1,036		1,097	1,051	(5)	41	10
South Carolina*	61	2,551		2,612	2,614	(7)	(9)	96
South Dakota	40	329		369	350		19	
Tennessee	205	2,723		2,928	2,620	(208)	100	**
Texas*	234	10,685		10,919	5,599	(5,280)	40	
Utah	19	1,266		1,285	1,287	2	0	
Vermont	(20)	408	4	392	389	(2)	0	
Virginia*	47	4,124	67	4,238	4,061		177	0
Washington	0	4,559		4,559	4,533		26	0
West Virginia	163	1,531		1,694	1,660		34	
Wisconsin	314	4,750	77	5,141	4,910		231	0
Wyoming	139	392		531	353	(116)	62	145
Total	8,296	203,379	(57)	211,614	198,830	(7,772)	5,011	1,527
Dist. of Col.*	(245)	2,277		2,032	2,174	(93)	(234)	

APPENDIX

Notes to Table A-1

Fiscal 1986

**Budget Stabilization Fund is included with ending balance.

Notes: Figures may not add due to rounding. For explanation of adjustments and transfers, see footnotes at the end of the Appendix. Transfers going into the general fund are positive numbers and transfers from the general fund are negative numbers.

AK: Figures are not available due to new revenue forecast and the continued dramatic drop in oil prices. Spending is substantially lower than prior year.

CD: Due to transfers and reversions, the fiscal year will end in balance.

CC: Cumulative balances include pre-home rule deficits. Other figures are annual.

LA: The negative balance will be offset to an extent by reversions.

MO: Does not reflect cash operating reserve in excess of \$130 million.

MS: This figure represents "default" insurance and cannot be spent unless the state ends the fiscal year with a deficit. A cash flow fund of \$32 million is not included.

NH: Figures are from the director of finance and represents preliminary and unaudited information.

OR: Expenditures for the biennium are split arbitrarily, first year = 48 percent, second year = 52 percent.

SC: Budget stabilization fund is to be used to cover any operational deficit.

TX: Fiscal 1986-87 biennial budget expected to be revised in an August special session to cover a \$2.9 billion revenue shortfall.

VA: Capital outlay appropriations for the biennium are contained in the first year of the budget and are subject to carry forward in the second year.

FISCAL SURVEY OF THE STATES

Table A-2
FISCAL 1987 STATE GENERAL FUNDS
(\$ in millions)
APPROPRIATIONS

State	Beginning Balance	Revenue	Adjustments	Resources	Expenditures	Transfers	Ending Balance	Budget Stab. Fund
Alabama	0	2,599	(6)	2,593	2,593		0	
Alaska *			NOT AVAILABLE		2,025		-300	430
Arizona	24	2,529		2,552	2,531		21	
Arkansas	0	1,712		1,712	1,712		0	
California	570	30,998		31,568	30,650	137	1,055	**
Colorado	0	2,070		2,070	2,000	(22)	48	**
Connecticut	0	4,297		4,297	4,297		1	215
Delaware	141	903		1,044	934		110	**
Florida	66	7,599		7,665	7,753	88	0	155
Georgia	0	5,316		5,316	5,316		0	159
Hawaii	99	1,671	18	1,780	1,729		51	
Idaho	0	570	46	616	601	(11)	4	0
Illinois	288	10,016		10,304	10,225	143	222	
Indiana	76	3,551		3,627	3,335	(260)	32	163
Iowa	0	2,407	(233)	2,174	2,174	(1)	0	1
Kansas	37	1,858		1,895	1,797		98	
Kentucky	207	2,992		3,199	3,011	(50)	137	50
Louisiana *	(64)	4,267		4,203	4,248		(45)	
Maine	3	1,034	3	1,040	1,038	(2)	0	
Maryland	46	4,439		4,486	4,428	(50)	8	50
Massachusetts	336	6,775		7,111	6,671	(73)	369	
Michigan	52	6,083		6,135	6,120	(3)	12	350
Minnesota	284	5,044		5,328	5,115	(142)	71	**
Mississippi *	23	1,490	(23)	1,490	1,490		0	6
Missouri *	46	3,235	65	3,346	3,346		0	0
Montana	20	362		382	367		15	
Nebraska	18	847		865	867		(2)	24
Nevada	81	511	5	597	529	2	70	
New Hampshire *	30	458		488	457		30	
New Jersey	418	8,851		9,269	9,038		233	
New Mexico	116	1,409	21	1,545	1,454	(8)	84	**
New York	153	24,554		24,707	23,351	(1,187)	169	**
North Carolina	317	5,202		5,519	5,516		3	
North Dakota *	104	435		539	566		(27)	
Ohio	458	10,186		10,644	10,585	(5)	54	152
Oklahoma	0	1,794		1,794	1,705		89	
Oregon *	133	1,725		1,858	1,729		128	
Pennsylvania	213	9,667	(158)	9,722	9,668	(50)	4	50
Rhode Island	41	1,085		1,126	1,113	(12)	1	18
South Carolina	0	2,778		2,778	2,761	(6)	11	102
South Dakota	19	356		375	370		5	
Tennessee	100	2,894		2,994	2,904	(40)	50	**
Texas *	40	10,977		11,017	5,463	(5,554)	0	
Utah	0	1,312		1,312	1,325	13	0	
Vermont	0	428	1	429	426		3	
Virginia *	177	4,447	51	4,676	4,676	0	0	46
Washington	26	4,789		4,816	4,718		97	0
West Virginia	34	1,593		1,627	1,625		2	
Wisconsin	231	4,855	93	5,179	5,082		97	0
Wyoming *	62	360	(40)	381	355	(5)	21	150
Total	5,025	215,330	(165)	220,190	209,764	(7,098)	3,331	1,691
Dist. of Col. *	(234)	2,393		2,159	2,294	(91)	(226)	

APPENDIX

Notes to Table A-2

Fiscal 1987

**Budget Stabilization Fund is included with ending balance.

Notes: Figures may not add due to rounding. For explanation of adjustments and transfers, see footnotes at the end of the Appendix. Transfers going into the general fund are positive numbers and transfers from the general fund are negative numbers.

AK: Figures are not available due to new revenue forecast and the continued dramatic drop in oil prices. Spending is substantially lower than prior year and a deficit is pending.

DC: Cumulative balances include pre-home rule deficits. Other figures are annual.

LA: The negative balance will be offset to an extent by reversions.

MO: Does not reflect cash operating reserve in excess of \$130 million.

MS: This figure represents "default" insurance and cannot be spent unless the state ends the fiscal year with a deficit. A cash flow fund of \$32 million is not included.

NH: Figures are from the director of finance and represents preliminary and unaudited information.

ND: Deficit to be addressed by legislature in December 1986 at a special session or beginning of regular session, January 1987.

OR: Expenditures for the biennium are split arbitrarily, first year = 48 percent, second year = 52 percent.

TX: Fiscal 1986-87 biennial budget expected to be revised in an August special session to cover a \$2.9 billion revenue shortfall.

VA: Budget stabilization figure is a biennial figure included in appropriated expenditures and is subject to change in 1987-88 biennium.

WY: Includes an 8 percent reduction in budget authority to spend, but not a cut in appropriations.

FISCAL SURVEY OF THE STATES

Table A-3
YEAR-END BALANCES, FISCAL 1986 AND 1987
(\$in millions)

State	Year-End Balances		As a % of Expenditures	
	Fiscal 1986	Fiscal 1987	Fiscal 1986	Fiscal 1987
Alabama	0	0	0.0	0.0
Alaska	n.a.	n.a.		
Arizona	24	21	1.0	0.8
Arkansas	0	3	0.0	0.0
California	570	1,055	2.0	3.4
Colorado	(5)	48	-0.3	2.4
Connecticut	0	1	0.0	.0
Delaware	141	110	15.2	11.8
Florida	66	0	1.0	0.0
Georgia	0	0	0.0	0.0
Hawaii	99	51	6.0	2.9
Idaho	0	4	0.0	0.7
Illinois	288	222	2.9	2.2
Indiana	76	32	2.4	1.0
Iowa	0	0	0.0	0.0
Kansas	37	98	2.1	5.5
Kentucky	207	137	7.7	4.5
Louisiana	(64)	(45)	-1.4	-1.1
Maine	3	0	0.3	0.0
Maryland	46	8	1.1	0.2
Massachusetts	336	369	5.7	5.5
Michigan	52	12	0.9	0.2
Minnesota	284	71	5.7	1.4
Mississippi	23	0	1.5	0.0
Missouri	46	0	1.5	0.0
Montana	20	15	5.4	4.1
Nebraska	18	(2)	2.2	-0.2
Nevada	81	70	17.1	13.2
New Hampshire	30	30	6.6	6.6
New Jersey	418	233	4.8	2.6
New Mexico	116	84	8.2	5.8
New York	153	169	0.7	0.7
North Carolina	317	3	6.4	0.1
North Dakota	104	(27)	19.7	-4.8
Ohio	458	54	4.8	0.5
Oklahoma	0	89	0.0	5.2
Oregon	133	128	8.3	7.4
Pennsylvania	213	4	2.3	.0
Rhode Island	41	1	3.9	0.1
South Carolina	(9)	11	-0.3	0.4
South Dakota	19	5	5.4	1.4
Tennessee	100	50	3.8	1.7
Texas	40	0	0.7	0.0
Utah	0	0	0.0	0.0
Vermont	0	3	0.0	0.7
Virginia	177	0	4.4	0.0
Washington	26	97	0.6	2.1
West Virginia	34	2	2.0	0.1
Wisconsin	231	97	4.7	1.9
Wyoming	62	21	17.6	5.9
Total	5,011	3,331	2.5	1.6
Dist. of Col.	(234)	(226)	-10.8	-9.9

TABLE A-4

STATE YEAR-END BALANCES AS A PERCENT OF GENERAL FUND EXPENDITURES, FISCAL 1978-1987

STATE	FY87e	FY86e	FY85	FY84	FY83	FY82	FY81	FY80	FY79	FY78
U.S. Average	1.6%	2.5%	2.9%	3.3%	1.3%	3.0%	4.4%	9.0%	8.7%	8.6%
New England										
Connecticut	0.0	0.0	0.0	0.0	-1.5	-1.4	-2.4	0.0	0.0	4.9
Maine	0.0	0.3	0.7	2.3	0.3	2.9	4.3	3.6	5.5	8.4
Massachusetts	5.5	5.7	2.0	0.4	1.5	0.1	0.9	1.1	5.6	5.5
New Hampshire	6.6	6.6	4.9	0.3	-12.5	-10.9	-11.1	3.9	13.2	11.3
Rhode Island	0.1	3.9	2.9	3.6	0.3	0.4	2.9	5.2	6.9	3.7
Vermont	0.7	0.0	-5.3	-10.6	-9.5	0.0	-0.4	-3.1	0.0	2.5
Mideast										
Delaware	11.8	15.2	16.8	8.0	7.1	7.9	7.7	6.8	8.9	5.1
Maryland	0.2	1.1	0.3	0.5	1.0	5.3	5.3	11.2	5.5	9.2
New Jersey	2.6	4.8	7.7	8.8	2.1	2.4	5.9	5.9	4.9	7.0
New York	0.7	0.8	0.5	0.3	0.0	0.4	0.1	0.1	0.1	0.1
Pennsylvania	0.0	2.3	3.6	1.0	-3.1	0.1	1.1	1.1	0.5	-0.1
Great Lakes										
Illinois	2.2	2.9	2.9	2.4	1.4	2.4	2.4	5.2	5.8	1.3
Indiana	1.0	2.4	0.6	3.8	2.8	0.0	1.4	10.7	18.7	1.4
Michigan	0.2	0.9	0.8	5.3	0.5	0.1	0.0	0.0	0.7	0.6
Ohio	0.5	4.8	3.4	1.2	0.6	0.8	0.2	3.4	9.2	3.2
Wisconsin	1.9	4.7	7.5	9.0	-4.5	2.1	0.7	2.2	9.0	9.0
Plains										
Iowa	0.0	0.0	0.0	0.0	0.4	1.3	1.9	1.8	5.8	7.4
Kansas	5.5	2.1	8.4	5.5	3.1	1.9	11.1	16.5	20.3	18.4
Minnesota	1.4	5.7	12.0	8.2	2.0	-13.8	-0.7	3.4	7.8	1.0
Missouri	0.0	1.5	6.2	8.4	2.4	3.1	3.6	13.7	20.5	9.4
Nebraska	-0.2	2.2	-2.8	6.0	2.1	-2.2	8.6	20.3	11.9	6.2
North Dakota	-4.8	19.7	25.8	23.0	10.4	26.2	50.9	53.2	49.8	73.3
South Dakota	1.4	5.4	1.5	1.7	6.9	7.4	8.7	7.3	5.6	5.2
Southeast										
Alabama	0.0	0.0	12.2	14.0	0.5	1.4	1.7	1.2	1.4	6.7
Arkansas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Florida	0.0	1.0	0.1	1.7	2.4	5.4	13.8	17.6	7.9	4.2
Georgia	0.0	0.0	0.0	1.6	0.6	0.0	2.7	5.8	3.9	6.0
Kentucky	4.5	7.7	0.0	1.7	1.8	2.0	0.5	0.8	4.6	5.8
Louisiana	-1.1	-1.4	0.0	1.4	4.7	6.9	16.5	19.3	15.1	1.6
Mississippi	0.0	1.5	2.6	0.8	1.2	3.2	7.0	6.2	8.1	13.7
North Carolina	0.1	6.4	0.3	6.8	2.1	3.3	4.9	10.4	7.6	8.5
South Carolina	0.4	-0.3	0.0	2.6	0.9	0.0	0.2	3.2	1.0	4.3
Tennessee	1.7	3.8	3.9	7.7	0.8	1.9	3.2	4.9	0.3	0.0
Virginia	0.0	4.4	0.0	2.9	4.0	8.4	1.6	14.1	5.7	1.9
West Virginia	0.1	2.0	3.7	10.5	4.9	6.3	4.3	7.9	4.9	5.9

FISCAL SURVEY OF THE STATES

TABLE A-4
STATE YEAR-END BALANCES AS A PERCENT OF GENERAL FUND EXPENDITURES, FISCAL 1978-1987

STATE	FY87e	FY86e	FY85	FY84	FY83	FY82	FY81	FY80	FY79	FY78
U.S. Average	1.6%	2.5%	2.9%	3.3%	1.3%	3.0%	4.4%	9.0%	8.7%	8.6%
Southwest										
Arizona	0.8	1.0	0.1	0.7	0.0	0.6	9.1	19.7	11.0	3.1
New Mexico	5.8	8.2	8.0	12.1	12.0	18.5	18.7	16.6	6.4	13.0
Oklahoma	5.2	0.0	5.3	0.4	0.9	23.3	30.1	5.6	13.4	10.8
Texas	0.0	0.7	0.3	1.6	22.0	28.6	17.8	10.7	17.9	20.2
Rocky Mountain										
Colorado	2.4	-0.3	2.8	1.8	0.0	1.1	4.3	21.5	15.1	10.3
Idaho	0.7	0.0	0.0	1.9	0.0	0.0	0.5	1.9	3.2	0.0
Montana	4.1	5.4	5.8	9.9	17.1	9.8	23.0	17.9	12.0	15.4
Utah	0.0	0.0	0.0	7.6	1.2	3.4	3.1	1.2	2.5	4.1
Wyoming	5.9	17.6	28.6	52.7	51.1	52.0	29.7	70.0	69.9	30.0
Far West										
California	3.4	2.0	4.9	2.2	-2.7	0.5	3.2	10.8	16.5	31.0
Nevada	13.2	17.1	9.3	20.3	10.9	12.7	11.6	18.6	26.6	n.a.
Oregon	7.4	8.3	9.0	2.9	1.4	-9.7	0.4	6.7	12.9	20.7
Washington	2.1	0.6	0.0	3.4	0.8	7.8	0.2	4.6	14.8	10.6
Alaska	N/A	N/A	-7.8	7.7	2.5	6.2	18.0	188.2	60.8	58.4
Hawaii	2.9	6.0	7.3	7.6	9.6	17.1	20.2	10.3	7.5	0.3

Note: Figures do not include budget stabilization funds.

APPENDIX

Table A-5
BUDGET STABILIZATION FUNDS, FISCAL 1986 AND 1987
(\$ in millions)

State	BUDGET STAB. FUNDS		As a % of Expenditures	
	Fiscal 1986	Fiscal 1987	Fiscal 1986	Fiscal 1987
Alabama				
Alaska				
Arizona				
Arkansas				
California	**	**		
Colorado	**	**		
Connecticut	199	215	5.0	5.0
Delaware	**	**		
Florida	228	155	3.3	2.0
Georgia	149	159	2.9	3.0
Hawaii				
Idaho	0	0	0.0	0.0
Illinois				
Indiana	145	163	4.6	4.9
Iowa	2	1	0.1	.0
Kansas				
Kentucky		50		1.7
Louisiana				
Maine				
Maryland		50		1.1
Massachusetts				
Michigan	360	350	6.0	5.7
Minnesota	**	**		
Mississippi	6	6	0.4	0.4
Missouri	0	0	0.0	0.0
Montana				
Nebraska	22	24	2.7	2.8
Nevada				
New Hampshire				
New Jersey				
New Mexico	**	**		
New York	**	**		
North Carolina				
North Dakota				
Ohio	140	152	1.5	1.4
Oklahoma	0	0	0.0	0.0
Oregon				
Pennsylvania	25	50	0.3	0.5
Rhode Island	10	18	1.0	1.6
South Carolina	96	102	3.7	3.7
South Dakota				
Tennessee	**	**		
Texas				
Utah				
Vermont				
Virginia	0	46	0.0	1.0
Washington	0	0	0.0	0.0
West Virginia				
Wisconsin	0	0	0.0	0.0
Wyoming	145	150	41.1	42.3
Total	1,527	1,691	0.8	0.8
Dist. of Col.				

Notes to Table A-5

**Budget Stabilization Fund is included with ending balance.

FISCAL SURVEY OF THE STATES

TABLE A-6
HISTORICAL TREND OF STATE BUDGET STABILIZATION
FUNDS, FISCAL, 1983 - 1987

STATE AND REGION	YEAR END BALANCES (\$ IN MILLIONS)					AS A PERCENT OF EXPENDITURES				
	FY83	FY84	FY85	FY86 e	FY87 e	FY83	FY84	FY85	FY86 e	FY87 e
United States	\$262	\$891	\$1,731	\$1,527	\$1,691	0.2%	0.5%	0.9%	0.8%	0.8%
New England										
Connecticut	\$160	\$200	\$199	\$215		4.4%	5.5%	5.0%		5.0%
Maine		1						0.1		
Massachusetts										
New Hampshire										
Rhode Island		4	10	18				0.4	1.0	1.6
Vermont										
Mideast										
Delaware	**	**	**	**	**					
Dist. of Col.					50					1.1
Maryland										
New Jersey			**	**	**					
New York				25	50			0.3		0.5
Pennsylvania										
Great Lakes										
Illinois		145	145	163				4.8	4.6	4.9
Indiana		372	360	350			0.1	6.8	6.0	5.7
Michigan	4	0	125	140	152		0.0	1.4	1.5	1.4
Ohio									0.0	0.0
Wisconsin			0		0					
Plains										
Iowa	6	0	2	1		0.3	0.0	0.1		0.0
Kansas										
Minnesota	**	**	**	**	**			0.0		
Missouri		0						4.4	2.6	2.9
Nebraska		36	22	24						
North Dakota										
South Dakota										

APPENDIX

YEAR END BALANCES (\$ IN MILLIONS)							AS A PERCENT OF EXPENDITURES				
STATE AND REGION	FY83	FY84	FY85	FY86 e	FY87 e		FY83	FY84	FY85	FY86 e	FY87 e
Southeast											
Alabama											
Arkansas											
Florida	103	69	120	228	155		2.0	1.2	1.9	3.3	2.0
Georgia	26	45	138	149	159		0.7	1.1	3.2	2.9	3.0
Kentucky	18	41			50		0.8	1.7			1.7
Louisiana											
Mississippi	20	5	321	6	6		1.6	0.4	2.3	0.4	0.4
North Carolina											
South Carolina	58	98	89	96	102		3.0	4.6	3.7	3.7	3.7
Tennessee	**	**	**	**	**						
Virginia	13	36	55	0	46		0.5	0.5	1.9	0.0	1.0
West Virginia											
Southwest											
Arizona											
New Mexico	**	**	**	**	**						
Oklahoma				0	0				0.0	0.0	0.0
Texas											
Rocky Mountain											
Colorado											
Idaho	**	**	**	**	**						
Montana	6	6	6	0	0			1.3	1.1	0.0	0.0
Utah											
Wyoming	21	110	110	145	150		6.0	31.0	27.4	41.0	42.3
Far West											
California											
Nevada	**	**	**	**	**						
Oregon											
Washington	0	0	0	0	0			0.0	0.0	0.0	0.0
Alaska	277	298					8.1	8.3	N/A	N/A	N/A
Hawaii											

Source: Fiscal years 1983 and 1984 from State Budget Actions in 1984, National Conference of State Legislatures, Denver, CO, September 1984; other figures are from NASBO/NGA fiscal surveys.

** Figures are included with ending balances.

NMS: Figures combine amounts from three funds. Not completely comparable with other years.

FISCAL SURVEY OF THE STATES

Table A-7
ANNUAL PERCENTAGE CHANGE IN EXPENDITURES, FISCAL 1986 AND 1987

State	Nominal Percentage Change		Real Percentage Change	
	Fiscal 1986	Fiscal 1987	Fiscal 1986	Fiscal 1987
Alabama	15.3	-6.2	9.8	-9.7
Alaska	n.a.	n.a.	n.a.	n.a.
Arizona	11.8	7.2	6.5	3.1
Arkansas	2.1	7.9	-2.8	3.9
California	12.6	5.8	7.2	1.8
Colorado	4.6	7.2	-0.4	3.1
Connecticut	8.8	8.6	3.6	4.5
Delaware	16.3	0.5	10.7	-3.3
Florida	10.9	12.7	5.6	8.4
Georgia	20.8	1.7	15.1	-2.1
Hawaii	13.2	5.0	7.8	1.1
Idaho	4.3	3.3	-0.7	-0.6
Illinois	7.9	2.1	2.8	-1.8
Indiana	3.8	6.8	-1.2	2.8
Iowa	2.1	2.1	-2.8	-1.8
Kansas	7.0	2.7	1.9	-1.2
Kentucky	8.4	12.1	3.2	7.8
Louisiana	7.2	-4.0	2.0	-7.7
Maine	15.9	7.9	10.4	3.8
Maryland	10.1	6.5	4.8	2.5
Massachusetts	7.6	13.0	2.5	8.7
Michigan	9.6	1.4	4.4	-2.4
Minnesota	3.3	3.4	-1.7	-0.5
Mississippi	10.5	-1.1	5.2	-4.8
Missouri	22.3	7.0	16.5	3.0
Montana	-2.9	-0.5	-7.5	-4.3
Nebraska	1.7	4.5	-3.1	0.5
Nevada	-9.2	11.6	-13.5	7.4
New Hampshire	11.6	1.1	6.3	-2.7
New Jersey	14.7	2.9	9.2	-1.0
New Mexico	3.3	3.0	-1.6	-0.9
New York	11.3	7.4	6.0	3.3
North Carolina	13.0	10.9	7.6	6.7
North Dakota	0.2	7.4	-4.6	3.3
Ohio	9.7	11.4	4.4	7.2
Oklahoma	21.7	-16.1	15.9	-19.3
Oregon	-1.1	8.3	-5.8	4.2
Pennsylvania	7.0	5.3	1.9	1.3
Rhode Island	8.0	5.9	2.9	1.9
South Carolina	9.1	5.6	3.8	1.6
South Dakota	10.1	5.7	4.8	1.7
Tennessee	9.3	10.8	4.1	6.6
Texas	0.9	-2.4	-3.9	-6.1
Utah	0.2	3.0	-4.6	-0.9
Vermont	7.5	9.5	2.3	5.4
Virginia	4.8	15.1	-0.2	10.8
Washington	5.2	4.1	0.2	0.1
West Virginia	11.8	-2.1	6.4	-5.8
Wisconsin	7.0	3.5	1.9	-0.4
Wyoming	-12.0	0.6	-16.2	-3.2
Total	9.5	5.5	4.3	1.5
Dist. of Col.	7.3	5.5	2.1	1.5

Notes to Table A-7

Nominal and Real Annual Changes in Expenditures

Virginia: Capital outlay appropriation for the biennium are contained in the first year of the budget and are subject to carry forward in the second year.

FISCAL SURVEY OF THE STATES

TABLE A-8
SELECTED FEATURES OF STATE WORKFORCES.

	NUMBER OF EMPLOYEES AS OF 6/30/85	ESTIMATED NUMBER OF EMPLOYEES AS OF 6/30/86	PERCENTAGE CHANGE FROM FISCAL 1985 TO 1986
United States	1,771,137	1,787,870	0.9%
New England			
Connecticut	32,885	33,717	2.5
Maine	N/A	N/A	
Massachusetts*	50,658	51,189	1.0
New Hampshire	N/A	N/A	
Rhode Island	10,324	9,825*	-4.8
Vermont	6,890	7,040	2.2
Mideast			
Delaware	11,525	11,700	1.5
Dist. of Col.	19,286	20,185*	4.7
Maryland	55,316	56,553	2.2
New Jersey	70,339	72,444	3.0
New York	159,634	161,776*	1.3
Pennsylvania	87,665	84,736*	-3.3
Great Lakes			
Illinois	65,500	65,500	0.0
Indiana	33,028	33,756	2.2
Michigan	56,553	57,940	2.5
Ohio	54,142	54,576	0.8
Wisconsin	27,918	28,062	0.5
Plains			
Iowa	N/A	N/A	
Kansas	22,064	22,214	0.7
Minnesota	29,101	28,093*	-3.5
Missouri	42,940	46,600	8.5
Nebraska	15,429	15,295	-0.9
North Dakota	8,325	8,313*	-0.1
South Dakota	8,037	8,199	2.0
Southeast			
Alabama	29,850	31,001	3.9
Arkansas	N/A	N/A	
Florida	85,174	85,581	0.5
Georgia	66,510	67,297	1.2
Kentucky	31,800	32,900	3.5
Louisiana	59,853	56,463	-5.7*
Mississippi	25,500	23,750	-6.7*
North Carolina	42,509	N/A	
South Carolina	41,975	44,073	5.0
Tennessee	39,300	40,700	3.6
Virginia	47,842	49,221	2.9
West Virginia	N/A	N/A	
Southwest			
Arizona	23,452	26,426	12.7
New Mexico	17,300	17,600	1.7
Oklahoma	36,853	34,225*	-7.1
Texas	104,536	107,242	2.6
Rocky Mountain			
Colorado	20,344	20,810	2.3
Idaho	9,000	9,500	5.6
Montana*	10,848	11,180	3.1*
Utah	12,462	11,941	-4.2
Wyoming	7,258	7,258	0.0

TABLE A-8
SELECTED FEATURES OF STATE WORKFORCES

	NUMBER OF EMPLOYEES AS OF 6/30/85	ESTIMATED NUMBER OF EMPLOYEES AS OF 6/30/86	PERCENTAGE CHANGE FROM FISCAL 1985 TO 1986
Far West			
California	142,208	140,474	-1.2
Nevada	9,026	9,151*	1.4
Oregon	27,200	27,000	-0.7
Washington	42,010	42,683	1.6
Alaska	N/A	N/A	
Hawaii	13,277	13,676	3.0

Notes:

- D.C.: Represents permanent full time employees, and excludes part time employees.
- LA: Attritioned out 4,000 positions. Agencies were allowed, with the Commissioner of Administrations approval, to fill one out of four vacated positions.
- MA: These figures exclude legislative, judicial, and elected officials' staffs.
- MN: Figures are as of March 1986, and include both full time and part time employees.
- MS: Large decrease due to early retirement program.
- MT: Layoff of 600 positions may occur.
- ND: Figure is as of May 30, 1986.
- NY: These figures are as of March 31 of each year and exclude legislative, judicial, seasonal, and part-time employees.
- NV: These are authorized positions, not FTE.
- OK: Figures are from May 1985 to May 1986.
- PA: Employee figures are for filled salaried positions, not FTE.
- RI: Figures are as of 12/22/84 to 12/21/85.

FISCAL SURVEY OF THE STATES

TABLE A-9
FISCAL 1987 STATE EMPLOYEE COMPENSATION PACKAGE**

STATE AND REGION	TOTAL INCREASE	MERIT	ACROSS-THE-BOARD	OTHER	NOTES
New England Connecticut	7.0%	1.0%	5.0%	1.0%	Depends on 28 separate collective bargaining contracts in various stages of negotiations.
Maine					
Massachusetts	7.39	0.0	4.0	3.3	*Other* due to management reclassification of all titles.
New Hampshire	5.0		5.0		
Rhode Island	5.0		5.0		3% in July 87; 2% in Jan 87; results in 4% base increase.
Vermont	6.0			6.0	Major reclassification/pay equity adjustments which vary widely from 3% to 15%
Mideast Delaware	4.5		4.5		
Dist. of Col.	4.0		4.0		
Maryland	5.5		3.5	2.0	*Other* for selected job classifications.
New Jersey	N/A				Main union still negotiating; Smaller unions agreed to 4.5% increase.
New York	5.0-5.5		5.0-5.5		Contracts ratified in 1985. Awards are flat dollar awards ranging from \$750 to \$1,000.
Pennsylvania	3.5		3.5		
Great Lakes Illinois	4.0-5.0		4.0-5.0		Non-bargaining units received 5%; bargaining units received 4%
Indiana	6.7	2.0	4.7		5% of workforce will receive a 2% merit award.
Michigan	5.0		5.0		Certain employees (19,000) will receive pay equity adjustments.

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Ohio	7.6		7.6		Negotiations still in progress. Represents average of agreements reached. Employees have not had increase since 3/84.
Wisconsin	6.0	1.5	4.5		
Plains					
Iowa	5.6	1.6	4.0		4.0% will be awarded Jan 1987.
Kansas	3.0		3.0		
Minnesota	4.7		4.0	0.7	"Other" includes merit increases and comparable worth adjustments.
Missouri	4.3		4.3		\$720 for most employees; no increase for elected officials; judges, and top executive branch officials.
Nebraska	3.0	0.0	3.0		"Merit" may be funded through agency vacancy savings.
North Dakota	4.0		4.0		Governor requested increase be postponed from 7/86 to 1/87.
South Dakota	4.0				Increases based on merit and current pay relative to midpoint of pay range.
Southeast					
Alabama	0.0		0.0		0.5% anniversary award is given to 60% of workforce.
Arkansas	3.0		3.0		The 2.5% to 3% merit increase was rescinded.
Florida	5.5	3-5*	5.0**	***	*Only for small portion of workforce; **minimum of \$700; ***class adjustments for 25,000 employees averaging 5% on minimum pay grade.
Georgia	8.5	4.5	4.0		Only 70% of workforce eligible for merit.
Kentucky	5.0		5.0		Merit pay not funded in FY87, but will be funded in FY88.
Louisiana	0.0	0.0	0.0		
Mississippi	0.0		0.0		
North Carolina	3.2		3.2		This is governor's proposal. Legislature recommended \$0. Currently negotiating.
South Carolina	3.0		3.0		
Tennessee	5.0		4.5	0.5	"Other" is for pay equity.
Virginia	6.58	1.92	4.57		
West Virginia	\$600		\$600		Correctional officers received \$600, plus \$1,000.

FISCAL SURVEY OF THE STATES

TABLE A-9 cont.

FISCAL 1987 STATE EMPLOYEE COMPENSATION PACKAGE**

STATE AND REGION	TOTAL INCREASE	MERIT	ACROSS-THE-BOARD	OTHER	NOTES
Southwest Arizona	6.6	3.0	3.0	0.6	"Other" equals 0.1% for equity and reclassification revisions, and 0.5% for health insurance premium increase.
New Mexico	5.0		5.0		
Oklahoma	0.0		0.0		
Texas	3.0		3.0		Agencies may use lapsed funds for merit awards.
Rocky Mountain Colorado	4.32	0.0	4.32		Increase delayed 8 months until March 1987.
Idaho	0.0	0.0	0.0		State employees received one 7% increase in the last four years.
Montana	3.25	2.0	1.25		2% is a longevity award. State employees are asked to forego increases.
Utah	0.0	0.0	0.0		
Wyoming	3.32		3.32		Delayed until 3/87, pending revenue availability.
Far West California	6.7	1.5	5.0	0.2	"Other" refers to new/enhanced benefits.
Nevada	5.0		5.0		One-half of workforce also received a 5% merit award for satisfactory performance.
Oregon	3.0		3.0		"Merit" increases may be given by agency from vacancy savings.
Washington	2.5		2.5		
Alaska	0.0		0.0		The Governor has called for 10% reduction in salaries.
Hawaii	5.0		5.0		

Notes:

**Excludes employees of schools and other educational institutions. Excludes annual step or anniversary increases that are automatically awarded to most of the workforces.

Notes to Appendix Tables A-1 and A-2

*Explanation of Budget Adjustments
(\$ in millions)*

- Arizona.** Fiscal 1986—Continuing appropriations of \$11.7 million and reversions to the general fund of \$10.3 million.
- Hawaii.** Fiscal 1986—Appropriation lapses and selective spending cuts.
Fiscal 1987—Prior year's appropriation lapses.
- Idaho.** Fiscal 1987—Sales tax temporarily raised from 4 percent to 5 percent between April 1986 and June 1987.
- Kentucky.** Fiscal 1986—Kentucky Supreme Court decision regarding agency fund transfers to general fund.
- Maine.** Special reserve requirement.
- Michigan.** Fiscal 1986—Income tax reduction (\$191 million); tax amnesty, \$50 million; and working capital reserve balance, \$48 million.
- Mississippi.** Reappropriations and transfers to reserve and stabilization funds.
- New Mexico.** Non-recurring revenue.
- Ohio.** Fiscal 1986—Adjustments to prior year encumbrances and an increase in excess lottery profit transfers
- Pennsylvania.** Fiscal 1986—Investment tax credit (\$25 million); lapses, \$40 million, tax cuts (\$167 million).
Fiscal 1987—U.C. tax credit (\$25 million); tax cuts (\$140 million), and rollover from fiscal 1986, \$8 million.
- Vermont.** Fiscal 1986—Recission of appropriations of \$2.5 million and estimated reversions of \$1.2 million.
Fiscal 1987—Estimated reversions of \$1.3 million.
- Virginia.** Fiscal 1986—Transfers from non-general fund accounts and repayment of loans.
Fiscal 1987—Miscellaneous transfers from non-general fund accounts.
- Wisconsin.** Miscellaneous receipts and interest earnings.
- Wyoming.** Fiscal 1987—Reserve for encumbrances and carryover.

*Explanation of Transfers Into/Out of the General Fund
(\$ in millions)*

- Arizona.** Fiscal 1986—Transfer from workers' compensation fund of \$2.3 million into the general fund.
- California.** Transfers typically represent revenues initially collected in one fund and then allocated to several funds (including the general fund), the transfer of surplus assets or loans and repayments of loans between funds.
- Connecticut.** Fiscal 1986—\$100 million for education excellence trust fund; \$50 million for liability trust funds for municipalities; and remainder for various local government initiatives.

FISCAL SURVEY OF THE STATES

District of Columbia. Transfers in—sales of surplus property and lottery profits, transfer out—to Housing Finance Agency, D.C. General Hospital, University of D.C., convention center, and capital projects fund.

Florida. Transfers shown between the general fund and working capital fund (WCF). It does not account entirely for the change in the WCF balance due to resources deposited and expenditures made directly from this fund.

Idaho. Fiscal 1986—To avoid a deficit, \$11 million of the final public school payment will be carried into fiscal 1987.

Illinois. Fiscal 1986 and 1987—Transfers out are statutory percentage of income and sales tax receipts, and general obligation debt service.
Transfers in are percentage of lottery sales, reimbursements due to accounting practices.

Indiana. Transfers to property tax replacement fund and budget stabilization fund.

Iowa. Transfers to economic emergency fund.

Kansas. Transfers to general fund from sources within the Department of Administration.

Maine. Transfers to operating capital and working capital reserve.

Michigan. Transfer to budget stabilization fund.

Mississippi. Fiscal 1986—Reserve transfer to general fund.

Missouri. Fiscal 1987—Reflects lapse from prior year.

New Mexico. Operating reserve transfer.

New York. Principal transfers are to support general obligation debt service and capital projects.

North Dakota. Fiscal 1986—Transfers from the general fund to operating budgets to reflect carryover of appropriations from previous biennium.

Oklahoma. Fiscal 1986—Transfers to the human services fund.

Pennsylvania. Fiscal 1986—(\$105 million) transfer into economic revitalization programs to replace previously anticipated bond funding; (\$25 million) into sunny day fund, a reserve for economic development projects; (\$25 million) into budget stabilization fund.
Fiscal 1987—(\$25 million) into sunny day fund and (\$25 million) into budget stabilization fund.

Rhode Island. Fiscal 1986—Transfer into cash stabilization fund.
Fiscal 1987—Transfers into cash stabilization fund and asset protection fund.

South Carolina. Transfer to budget stabilization fund to meet legal requirements of 4 percent of previous year's revenue.

Texas. Net transfers in and out for departmental and operating funds.

Utah. Transfers to general fund from overhead, flood fund, and funds from delaying building construction.

Vermont. Fiscal 1986—Transfer to transportation fund of \$2 million, remaining balance to be transferred to GRH contingency fund.

APPENDIX

Wyoming. Fiscal 1986—(\$76 million) transfer to water development account and (\$40 million) to budget reserve account.

Fiscal 1987—Transfer to budget reserve account.