FISCAL SURVEY of the STATES

September 1989

NATIONAL GOVERNORS' ASSOCIATION   NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

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Preface

The Fiscal Survey of the States is published annually 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. A separate survey that includes total state spending also is conducted annually.

The field survey on which this report is based was conducted by the National Association of State Budget Officers in July, August, and September 1989. The surveys were completed by Governors' state budget officers in the fifty states.

Fiscal 1988 data represent actual figures, fiscal 1989 figures are preliminary actual data, and fiscal 1990 data are figures contained in adopted state budgets. In forty-six states, fiscal 1990 will close on June 30, 1990. New York's fiscal year will end March 31, 1990. Texas' fiscal year will end on August 31, 1990, and Michigan and Alabama will close their fiscal years on September 30, 1990.

The Fiscal Survey of the States is a cooperative effort of the National Association of State Budget Officers and the National Governors' Association. Marcia Howard compiled data for the report and prepared the text. Laura Shaw produced the report, and Gerald Miller provided technical support. Karen Glass of the National Governors' Association edited the report.

Fiscal Survey of the States

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By

Marcia A. Howard

National Governors' Association

National Association of State Budget Officers

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National Governors' Association
444 North Capitol Street
Suite 250
Washington, DC 20001-1572
(202) 624-5300

National Association of State Budget Officers
400 North Capitol Street
Suite 295
Washington, DC 20001-1572
(202) 624-5382

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Executive Summary

The two themes that emerged in the March 1989 *Fiscal Survey* — strong revenues in fiscal 1989 and emerging signs of fiscal stress in the Northeast — are continued in this survey. As a whole, ending balances in 1989 were higher than in 1988 and at their second highest level, as a percent of expenditures, in the decade. At the same time, many of the states in the Northeast report declining ending balances in 1989 and revenues below estimates.

States ended 1989 with balances totaling $11.9 billion, or 4.6 percent of expenditures. For 1990 these balances are slated to decline to $9.6 billion, signaling expenditures that exceed current revenues. Failure to maintain comfortable reserves can place states at risk should there be a downturn in the national economy.

Even though states will dip into their reserves in 1990, their spending growth will decline from 8.9 percent in 1989 to 7.7 percent in 1990. There is wide variation in spending growth rates, with nineteen states increasing spending by 10 percent or more and thirteen states increasing spending by less than 5 percent.

This survey is conducted as a follow-up to the March survey and contrasts Governors' proposed budgets with those enacted by state legislatures. The contrast is well-evidenced in 1990. While Governors' proposed expenditures of $271.5 billion, enacted budgets total $276.8 billion, an increase of $5.3 billion. On the tax side, there were thirty-two states with proposed tax changes in 1990 and thirty-eight states where tax changes were enacted.

Tax increases for 1990 total over $4.6 billion, with Illinois accounting for over 22 percent of the total. Eight states in the Northeast --- Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont --- have enacted revenue-raising measures that account for nearly 50 percent of the total revenue to be raised.

Major findings of this survey include:

- Real state spending increased by 3.9 percent in 1989, the highest rate of growth since 1985.
- Thirty states and the District of Columbia raised revenues by $4.6 billion for 1990. The largest increase, $1.1 billion, came in the sales tax.
- Forty states reported that 1989 revenues came in equal to or ahead of original estimates. Ten states in addition to the District of Columbia reported revenues below estimates.
- Twenty-eight states enacted new programs to aid local governments.
- The size of state workforces increased less than 2.0 percent between 1988 and 1989.
- Fifteen states and the District of Columbia increased motor fuel taxes and thirteen increased cigarette taxes.
- Twenty-nine states and the District of Columbia approved cost-of-living increases for AFDC recipients.

I. State Expenditure Developments

Overview

Enacted 1990 budgets total $276.8 billion, a 7.7 percent increase over 1989 spending and a $5.3 billion increase over spending levels contained in Governors' proposed 1990 budgets. These increases come on the heels of 1989 spending of $257.0 billion, an increase of 8.9 percent over 1988 expenditures.

In large part, spending levels in 1989 and 1990 reflect stronger-than-anticipated revenue streams that states have realized as a result of the national economy. In most states, expected slowdowns have not occurred and, consequently, states have unanticipated revenue.

Table 1
STATE NOMINAL AND REAL ANNUAL BUDGET INCREASES, 1979-1990

	State General Fund	
Fiscal Year	*Nominal Increase*	*Real Increase*
1990	7.7% (est.)	2.4% (est.)
1989	8.9 (est.)	3.9 (est.)
1988	7.0	2.9
1987	6.3	2.6
1986	8.9	3.7
1985	10.2	4.6
1984	8.0	3.3
1983	-0.7	-6.3
1982	6.4	-1.1
1981	16.3	6.1
1980	10.0	-0.6
1979	10.1	1.5
1979-90 average	8.3	1.9

NOTE: The state and local government implicit price deflator was used for state expenditures in determining real changes.

At the same time, however, spending pressures have continued to build as a result of both state and federal actions. For some states, programs were implemented during the rapid economic expansion of the mid-1980s and have only recently required full funding. Especially in the Northeast, where economic growth seems to have slowed, this expenditure pressure has placed significant stress on state budgets.

The implementation of federal legislative mandates in the areas of nursing home care, catastrophic care, and welfare also increased state expenditures. Some of these mandates were funded for the first time in 1989 and came as a surprise to many states. Midyear increases in appropriations were made, and 1989 expenditures ended up 8.9 percent higher than 1988 expenditures. In the March survey, 1989 expenditures were forecast to increase by 8.0 percent.

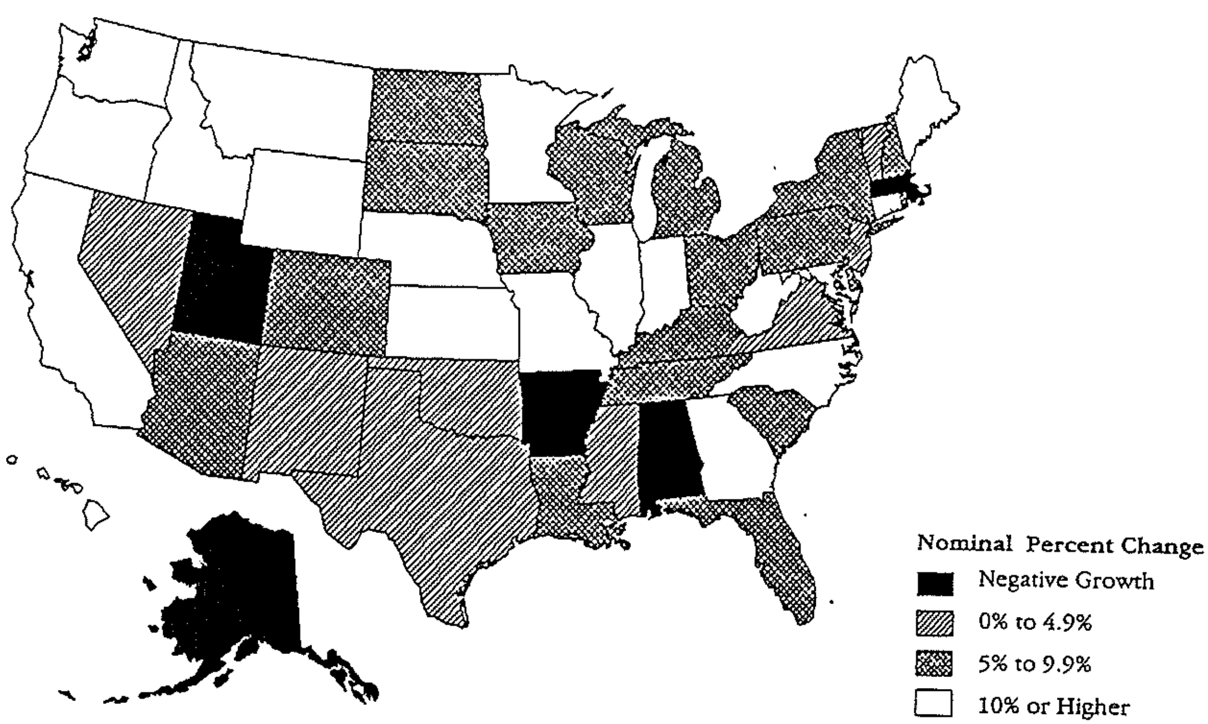
Taken together, these three factors --- stronger-than-anticipated revenues, new and expanded state programs, and federal mandates --- resulted in 1989 spending increases of 10 percent or more in almost half of the states. Whereas sixteen states reported in the last survey that 1989 spending would increase less than 5 percent, only eight states now report spending growth in that category.

Table 2
ANNUAL STATE GENERAL FUND EXPENDITURE INCREASES

	Number of States		
Spending Growth (percentage)	*Fiscal 1988 (Estimated)*	*Fiscal 1989 (Preliminary Actual)*	*Fiscal 1990 (Appropriated)*
Less than 0	6	0	5
0.0-4.9	10	8	8
5.0-9.9	23	19	18
10 or more	11	23	19
Average Growth Rate	7.0%	8.9%	7.7%

For 1990, enacted budgets reflect the underlying condition of state economies. Only nine Governors recommended budgets that contained growth of 10 percent or more; nineteen states enacted budgets containing growth of 10 percent or more. While the average growth rate of recommended 1990 budgets was 6.4 percent, the average growth in

Figure 1
NOMINAL EXPENDITURE GROWTH IN FISCAL 1990 STATE BUDGETS



enacted 1990 budgets is 7.7 percent. Further detail on state expenditures is contained in Appendix Tables A-1, A-2, A-3, and A-5.

Biennial Budgets

Twenty-one states budget on a biennial rather than annual basis. As a result, biennial states often exhibit large year-to-year swings in expenditures that would be evened out if comparisons were made on a biennium-to-biennium basis. While most of these states appropriate annually, some do not. It is difficult to estimate annual expenditures if there is no annual appropriation. Oregon, for example, does so by calculating a fixed percentage of biennial appropriations.

In all but three of the biennial states (Kentucky, Virginia, and Wyoming), 1989 was the final year of the biennium. These three states are just beginning to work on their next biennial budget, while the other eighteen states will use this year to make necessary adjustments to the enacted biennial budget.

Budget Management

Revenue and expenditure estimates are never exactly correct and can sometimes be off by significant amounts. If revised estimates reflect a weakened fiscal position, states must address this problem by making midyear adjustments. Generally, states will cut expenditures or take other actions to balance enacted budgets since it can be very difficult to raise taxes at midyear, especially if doing so requires legislation and the legislature is not in session. In 1989 a total of fourteen states and the District of Columbia took some action to manage budget problems.

Twelve states and the District of Columbia cut enacted budgets by a total of $ 923 million. All of these states realized prior to midway through the fiscal year that cuts would be necessary. Thus, the latest cut was made in March 1989. This contrasts sharply with 1988, when California and New York had to make large budget cuts at year-end.

For the most part, the bad news that came in 1989 came early and, once dealt with, allowed states to focus on addressing 1990 budgets. Table 3 outlines the cuts that were implemented in 1989. It reveals the extent to which the Northeast has had to address budget imbalances. Seventy-six percent of the total cuts were made by states in this region, and most of those were in Massachusetts and New York.

Some of the other states that cut enacted budgets are not new to this list. A lingering drought in the northern Plains has continued to put stress on North Dakota's budget, and West Virginia has grappled with budget imbalances for several years. Both of these states also appear on the list of states that increased taxes. Louisiana has had budget difficulties for the last few years but has been unable to pass any tax increases.

In addition to cutting enacted budgets, six states faced with fiscal crises responded to them by borrowing from internal state funds or the bond market, or by delaying payments. These include:

Arizona: The original budget included the delay of $80 million in school aid payments.

Louisiana: Created a Recovery District, which sold and transferred to the general fund $774 million in bonds.

New York: The rainy day fund balance was used, and $460 was borrowed from non-general fund accounts. The former must be repaid within six years. An additional $646

Table 3
STATE BUDGET CUTS ADOPTED IN FISCAL 1989 AFTER APPROPRIATIONS BILL PASSED

State	*Amount (in mill.)*	*Cut as % of G.F. Expenditures*	*Action Taken By*	*Selective vs. Across the Board*	*Dates Enacted*	*Notes*
Arizona	$19.0	0.7%	Legislature	Selective	3/89	Exempted K-12 education and community colleges.
Connecticut	65.0	1.2	Governor	Selective	9/88	Included only agency operating budgets.
District of Columbia	79.0	2.8	Mayor	Selective	2/89	Exempted human services, police, fire, corrections, transit, schools, and rental assistance entitlements. Deferred purchases and hiring.
Hawaii	13.0	0.6	Governor	ATB	7/88	Exempted grants-in-aid to counties, welfare payments, debt service, unemployment insurance, workers' compensation.
Louisiana	13.0	0.3	Governor	Selective	7/88	Postponed merit increases.
Massachusetts	148.0	1.7	Governor	Selective	Various	Exempted corrections, Medicaid, AFDC, pensions.
Missouri	29.6	1.0	Governor	ATB	7/88	Exempted aid to public schools, Medicaid, AFDC, certain mental health programs, and half of higher education.
New Hampshire	4 0	1.0	Both	Selective	1/89 5/89	Exempted direct care and law enforcement programs.
New Jersey	30.0	0.2	Governor	Selective	12/89	Instituted hiring freeze.
New York	446.8	1.6	Both	Selective	6/88 11/88	Exempted patient, inmate, and client care; revenue-raising activities; criminal justice activities; various others.
North Dakota	21.1	4.0	Governor	ATB	8/88	No exemptions.
Rhode Island	4.0	0.3	Governor	Selective		Applied to agencies with deficits beyond authorized level.
West Virginia	50.0	3.4	Governor	ATB	1/89	Exempted debt service.

million was borrowed from the Infrastructure Trust Fund. Repayment of about half was forgiven when the transportation bond issue was passed. The state also used certain reserve funds of the State Insurance Fund and the Aggregate Trust Fund. A total of $360 million was drawn. State appropriations were enacted to ensure that if and when reserves were needed they would be available.

North Dakota: The state was authorized to borrow up to $40 million from internal state funds to meet cash flow needs, but the money had to be repaid by the end of the biennium. The full $40 million was borrowed at various times during fiscal 1989.

Texas: Sold Tax Revenue Anticipation notes of $450 million.

Wyoming: Transferred $104 million from the Budget Reserve Account and $23 million from the Legislative Impact Account to the general fund for the 1989-90 biennium.

Other Expenditure Issues

Aid to Families with Dependent Children. In 1990, twenty Governors' budgets recommended cost-of-living increases for AFDC recipients. Twenty-nine enacted state budgets and the District of Columbia's budget contain increases. These increases follow enacted 1989 increases in twenty-six states, eighteen of which had been proposed by Governors. Table 4 lists the states providing increases.

Table 4
COST-OF-LIVING INCREASES FOR AID TO FAMILIES WITH DEPENDENT CHILDREN--FISCAL 1990

State	*Approved 1990*	*State*	*Approved 1990*
Alabama	0.0%	Montana	0.0%
Alaska	4.1	Nebraska	0.0
Arizona	0.0	Nevada*	5.5
Arkansas	0.0	New Hampshire	2.0
California	4.6	New Jersey	0.0
Colorado	0.0	New Mexico	0.0
Connecticut*	4.1	New York	7.0
Delaware	*	North Carolina	0.0
Florida*	2.5	North Dakota	0.0
Georgia*	1.0	Ohio*	4.0
Hawaii	2.5	Oklahoma	1.0
Idaho	5.0	Oregon	3.0
Illinois	7.5	Pennsylvania	5.0
Indiana	0.0	Rhode Island	5.0
Iowa	4.0	South Carolina	0.0
Kansas	3.0	South Dakota	3.0
Kentucky	5.0	Tennessee	6.0
Louisiana	0.0	Texas	0.0
Maine*	3.0	Utah	3.0
Maryland	5.0	Vermont*	3.0
Massachusetts	*	Virginia	0.0
Michigan*	2.0	Washington	2.0
Minnesota	0.0	West Virginia	0.0
Mississippi	0.0	Wisconsin	0.0
Missouri	1.5	Wyoming	0.0
		District of Columbia	4.0

NOTES:	Connecticut	Automatic cost-of-living adjustments tied to Consumer Price Index-Urban Wage Earners.
	Delaware	Increase ranges from 7% for families of one, to 7.3% for families of two, and 0% for families of three or more. Payment remains at 43% of fiscal 1987 poverty level.
	Florida	Increase effective January 1990.
	Georgia	Also a 10% increase in standard of need.
	Maine	Also a 3% increase in standard of need.
	Massachusetts	Legislature proposed 4%; Governor conditionally vetoed pending new revenues.
	Michigan	Increase effective April 1990.
	Nevada	Increase applies to recipients in non-public housing. Public housing recipients receive increase of 1.5%.
	Ohio	Increase effective January 1990.
	Vermont	Increase rises to 4% in October 1989 and to 5% in January 1990.

Aid to Local Government. Twenty-eight states expanded the aid provided to local governments in their 1990 budgets. This compares with twenty states where increases were proposed in Governors' budgets. The aid packages include earmarked taxes, assumption of costs and, in Wisconsin, adding district attorneys to the state workforce. Table 5 lists the new local aid provisions contained in 1990 state budgets.

Table 5
NEW SPENDING OR TAX PROGRAMS TO AID LOCAL GOVERNMENT FISCAL 1990

Alabama	Fiscal 1989 was the first year of a $35 million, five-year Water Pollution Control Authority.
California	Fiscal 1990 will be the first full year for trial court funding.
Delaware	State aid of $1 million to local law enforcement agencies.
Florida	Additional auditors for state sales and motor fuel taxes will generate additional revenue, some of which will be shared with local governments. Reduced exemptions to sales tax will increase amounts to be shared with local governments.
Hawaii	Eliminated the current grants-in-aid to counties program. The law will be restructured next year. Grants-in-aid to counties were increased from $39 million in fiscal 1989 to $72 million in fiscal 1990.
Illinois	Approximately 50 percent of net new temporary income taxes will be distributed to local governments.
Indiana	State lottery will aid local governments.
Kansas	Income tax rebate to schools: 20 percent in fiscal 1989, to 23 percent in fiscal 1990, and to 24 percent in fiscal 1991.
Louisiana	Funded $22 million of local portion of the unfunded accrued liability in the teachers' retirement system. Funded $7 million to aid local fire departments.
Maryland	Income tax grants to subdivisions to moderate their revenue losses resulting from the Targeted Tax Relief Act of 1989. Initiated "Literacy Works" adult literacy program. Targeted drug enforcement grants.
Massachusetts	Emergency reserve of $20 million funded by lottery.
Minnesota	Phased takeover of local court system recommended to begin in fiscal 1991. Special session in September 1989 to pass a revised omnibus tax bill, vetoed by Governor in May, which will contain short-and-long term reform provisions for both property tax and local aid systems beginning in fiscal 1991.
Missouri	State assumed juvenile court costs of $596,000 and local crime lab funding of $155,000.
Nebraska	Property tax relief of $98 million; teacher salary increases of $20 million; Municipal Infrastructure Redevelopment Act funded at $4.5 million.
Nevada	County governments provided with option to use Medicaid for certain eligible recipients. Increased property tax allowed.
New Mexico	Motor fuels tax increase of $0.02, with $0.0125 per gallon earmarked for municipalities.

Table 5 (continued)
NEW SPENDING OR TAX PROGRAMS TO AID LOCAL GOVERNMENT
FISCAL 1990

New York	Increase in school aid by $425 million; increased reimbursement for handicapped education programs; local pension savings provisions; increase in street and highway aid; Medicaid cost containment savings; continued state takeover of long-term care component of Medicaid; 15 percent increase in public assistance grant; sewage facility revolving loan fund; increased fines for traffic violations; targeted aid to New York City financed through additional taxes on real property transactions.
North Carolina	Provide fees and loans for solid waste management.
North Dakota	For biennium, 60 percent of one-cent sales tax will be distributed to political subdivisions. This is an increase of $11.5 million over the previous biennium.
Ohio	July 1, 1989 begins a four-year phase-in of a new Local Government Revenue Assistance Fund that consists of 0.3 percent of tax receipts from the total sales and use tax, personal income tax, corporate franchise tax, and public utilities excise tax. In addition, the existing local government fund will receive 4.6 percent of the receipts from the above tax sources.
Oklahoma	State has assumed funding for court bailiffs.
Rhode Island	Proceeds from increased real estate transfer tax will go to municipalities. Continued progress toward goal of funding 60 percent of education expenditures.
South Dakota	Dedicating 56.25 percent of sales tax to K-12 education. This increases state's contribution by $11.8 million.
Tennessee	One cent of state increase in gasoline tax will be distributed to cities and counties.
Utah	Reduce transfers out of transportation fund by $5 million; local government will receive 25 percent of reduced transfers, or $1.25 million. Complete $3.0 million state takeover of district courts.
Virginia	Distribution of state recordation tax to localities provides $40 million for five years. Local option 1 percent income tax for transportation (subject to referendum). Jail overcrowding initiative provides $16.6 million in local aid. Local law enforcement equipment grants provide $5.6 million. Uncompensated local and private health care provides $21.3 million.
Wisconsin	District attorneys and assistant district attorneys will become state employees on January 1, 1990. Shared revenue payments increase by 3.5 percent in fiscal 1990.
Wyoming	Increased amount of statewide sales and use tax directed to local government. Increased cigarette tax and portion goes to local government.

Employee Compensation Increases. Appendix Table A-8 lists employee compensation increases provided in adopted 1990 state budgets. The increases provided in most states attest to the fact that state budgets are in a period of relative surplus and provide a stark contrast to the early 1980s when employee compensation increases were very limited. Appendix Table A-9 lists the size of state workforces and their annual growth. Very low or negative growth prevails in the Northeast, suggesting that vacant positions are being left unfilled.

II. State Revenue Developments

Overview

Overall, state revenues grew by 8.3 percent in 1989. In 1990 they are forecast to grow by only 5.5 percent. This lower rate of growth reflects an assumption that national economic growth will slow. The lower growth rate is significant because it also reflects over $4.6 billion in new taxes that were approved for 1990 budgets. In the absence of tax increases, state revenues would be slated to grow only 3.8 percent.

The projected rate of revenue growth is less than the 7.7 percent growth in 1990 appropriated expenditures and signals that states will begin dipping into their reserve balances in order to balance 1990 budgets. The reduction in reserves during a period of relative economic stability is troubling because it raises the question of what states will do if and when the economy slows dramatically.

Revenue Collections for Fiscal 1989

To understand how strong state revenues were in 1989, consider that the March 1989 survey listed total state revenues of $253.4 billion for the year and that at year-end revenues were $4.3 billion higher. This increase came in just three to five months and attests to the positive effect the national economy had on state budgets.

In particular, several states reported unusually high revenues associated with annual income tax filings in April 1989. While no research has pinpointed the exact source of that increase, one theory is that people delayed taking income gains until January 1988, when marginal tax rates declined. These gains were then reflected in tax returns filed in April 1989.

While the March survey reported that thirty-eight states were realizing revenues equal to or greater than 1989 estimates, this survey reveals forty states in that category. Only ten states and the District of Columbia collected revenues below their original estimates. Revenue collections relative to estimates are listed for sales and personal income taxes in Appendix Table A-6.

Low tax collections are being felt primarily in the Northeast. Of the eleven states in the New England and Mideast regions, six report revenues below estimates for 1989. In contrast, all of the states in the Midwest, Plains, Southwest, and Far West regions report revenues equal to or higher than original estimates.

Of the eleven states (including the District of Columbia) reporting tax collections below estimates, all but New Hampshire and West Virginia report low sales tax collections. New Hampshire has no sales tax. Connecticut, Florida, Tennessee, and Wyoming account for four of the eleven and all rely heavily on sales taxes. On the other hand, Nevada, Texas, and Washington also rely heavily on sales taxes and each is reporting strong revenue growth.

Of the eighteen states that have tax or expenditure limitations currently in force, Oregon, Tennessee, and Texas were affected by them in 1989.

Fiscal 1990 Tax Changes

While twenty-seven states enacted revenue initiatives that raised roughly $800 million in new revenue in 1989, thirty-eight states made tax changes that will increase net revenues by $4.6 billion in fiscal 1990. Included are thirty that raised net taxes and eight that reduced them. Over 50 percent of new revenue comes from tax increases in three states: Connecticut, Illinois, and New York. A summary of the net impact of tax changes is listed in Table 6. Further detail as to specific changes is contained in Appendix Table A-7.

Major tax reform proposals that would have affected most tax sources were proposed in Arkansas, Louisiana, and Washington. None of those proposals were successful.

Personal Income Tax

While eighteen states made changes to their personal income taxes for 1990, only in nine do they represent net increases. Seven states decreased taxes and two tax changes were neutral. The largest increase came in Illinois, where the income tax rate was raised from 2.5 percent to 3.0 percent. This change will increase state revenues by $635 million in 1990. Large tax reductions were passed in Wisconsin, where property tax credits were introduced and in Virginia, where a $100 million tax reduction was increased to $169 million when the state extended pension exemptions in response to *Davis v. Michigan*.

This lawsuit involved a federal pension recipient living in Michigan, who charged that it was discriminatory for the state to exempt from state income taxes state and local pensions while taxing federal pensions. The U.S. Supreme Court agreed and, as a result, as many as twenty-three states will have to address discriminatory tax treatment of federal pensions in their state income tax laws.

Sales Tax

Connecticut, Georgia, Kansas, Missouri, and North Dakota increased their sales tax rates for fiscal 1990. They join fourteen other states where net increases were enacted, and four where reductions were passed. Most of the increases stem from expansion of the sales tax base through measures such as adding mail order sales to the base (Arizona), adding goods (Illinois), or adding services (Connecticut). The net effect of these changes will be to increase revenues by over $1.1 billion. Thus, the sales tax is the single largest source of net new tax revenue for 1990.

Business Tax

Twelve states have increased net taxes on corporations in 1990 and three have decreased them. The changes will bring in over $604 million in new revenue. The bulk of that revenue, $417 million, comes from Connecticut, Illinois, and New York. Minor reductions totaling $7.5 million were passed in Arkansas, Kansas, and Virginia.

Cigarette Taxes

"Sin taxes" were a popular revenue source for 1990 budgets. Net increases of over $362 million are expected as a result of thirteen cigarette tax increases and one decrease. Iowa allowed a temporary hike in the tax to expire. The largest increases were passed in Connecticut (14 cents per pack), Illinois (10 cents per pack), Nevada (15 cents per pack), and New York (12 cents per pack). New York also added other tobacco products to the tax base.

Motor Fuel Taxes

Fifteen states adopted motor fuel tax increases for 1990. The largest come from Illinois, North Carolina, and Ohio, which together account for over $544 million of the $847 million total increase.

Alcohol Taxes

Only five states resorted to this "sin tax" for added revenue in 1990. The increases were relatively small, totaling $191 million. New York alone accounts for 78 percent of the total.

Miscellaneous Taxes

Nineteen states enacted net tax increases and two enacted decreases to generate over $670 million in new revenue from other tax sources. Insurance premium taxes and real estate transfer taxes both appear more than once on the list, signaling interest in these revenue sources. Perhaps the most unusual change is New Jersey's use of the state portion of unemployment taxes for state purposes instead of transferring the funds into the Unemployment Insurance Trust Fund.

Table 6
SUMMARY OF FISCAL YEAR 1990 TAX CHANGES BY TYPE OF TAX AND AMOUNT OF INCREASE OR DECREASE
($ in millions)

State	*Personal Income*	*Sales*	*Corporate Income*	*Cigarette/ Tobacco*	*Motor Fuels*	*Alcohol*	*Others*	*Total*
Alabama								0.0
Alaska				5.2			171.0	176.2
Arizona	53.6	7.0					41.8	102.4
Arkansas		4.8	-1.0				1.4	5.2
California								0.0
Colorado					26.8			26.8
Connecticut	155.0	388.0	167.0	40.0		18.5	33.5	802.0
Delaware								0.0
Florida		5.2	1.5				68.4	75.1
Georgia		260.0						260.0
Hawaii	-163.0	-90.0						-253.0
Idaho								0.0
Illinois	635.0	16.0	117.0	92.0	176.0			1,036.0
Indiana								0.0
Iowa				-7.0				-7.0
Kansas	-69.1	41.6	-3.0		55.3			24.8
Kentucky								0.0
Louisiana		-105.0						-105.0
Maine	84.6	4.9		2.4				91.9
Maryland	-39.0	2.0					1.0	-36.0
Massachusetts	446.0		46.0				37.0	529.0
Michigan								0.0
Minnesota	0.0	3.3	2.8				21.1	27.2
Mississippi								0.0
Missouri	0.0	56.7	14.8					71.5
Montana	-1.4		6.2	0.9	4.2			10.0
Nebraska	-23.9				26.7			2.8
Nevada				17.0	3.5		31.8	52.3
New Hampshire				3.0			11.0	14.0
New Jersey		110.0					100.0	210.0
New Mexico					15.3			15.3
New York		51.0	143.0	184.0		149.0	63.0	590.0
North Carolina		149.0			187.6		26.5	363.1
North Dakota	20.9	41.1		1.5	4.5		5.2	73.2
Ohio	91.8	-2.1	11.6		181.0	1.1		283.4
Oklahoma								0.0
Oregon	13.4		4.3	1.4	9.2		9.7	38.0
Pennsylvania								0.0
Rhode Island		9.5	8.2	9.5	23.0	4.0	4.9	59.1
South Carolina	0.8							0.8
South Dakota								0.0
Tennessee		15.0			81.9		4.0	100.9
Texas								0.0
Utah							-19.0	-19.0
Vermont		4.5			9.5			14.0
Virginia	-169.4		-3.5					-172.9
Washington				11.7		18.1	27.9	57.7
West Virginia		159.0	90.0		42.0		35.0	326.0
Wisconsin	-200.1						-4.6	-204.7
Wyoming		-5.3		0.5				-4.8
Total	835.2	1,126.2	604.9	362.1	846.5	190.7	670.6	4,636.3
District of Columbia	7.3	50.9	4.3		4.0	1.0	37.0	104.5

III. Year-End Balances

The survey highlights total year-end balances, which represent the sum of ending balances and budget stabilization funds. While these two types of funds differ as to how resources are put into and taken out of them, they both serve as a hedge against economic uncertainty to provide operating funds when state budgets are in crisis.

Historically, ending balances were the sole repository of state budget surpluses. They peaked in 1980 when they equaled $11.8 billion and represented 9.0 percent of state expenditures. During the recession that followed, balances were rapidly depleted so that by 1983 they reached $2.3 billion and represented 1.5 percent of expenditures.

In response to that depletion several states developed budget stabilization funds into which some portion of surplus revenues were deposited. These funds, commonly referred to as "rainy day funds," were designed to ensure that surpluses were not simply appropriated in the next year but put away for fiscal crises. In 1990, thirty-one states plan to maintain a balance in a budget stabilization fund.

Table 7
SIZE OF GENERAL FUND, STABILIZATION FUND, AND TOTAL YEAR-END BALANCES, 1978 to 1990

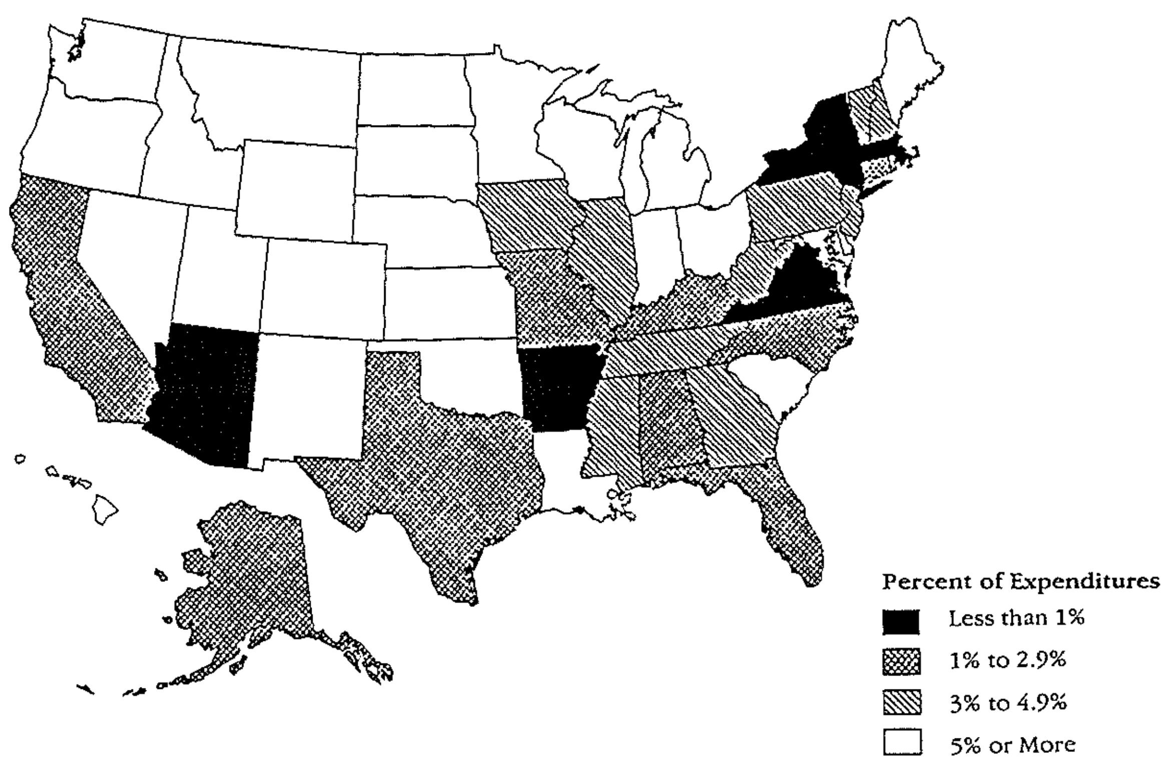
	Balances ($ in billions)			*As a Percent of Expenditures*		
Year	*General Fund*	*Stabilization Fund*	*Total Balance*	*General Fund*	*Stabilization Fund*	*Total Balance*
1990	$4.7 (est.)	$4.9 (est.)	$9.6	1.7 %	1.8 %	3.5 %
1989	7.9 (est.)	4.0 (est.)	11.9	3.1	1.6	4.6
1988	6.9	2.9	9.8	2.9	1.2	4.2
1987	3.7	3.0	6.7	1.7	1.4	3.1
1986	5.4	1.8	7.2	2.6	0.9	3.5
1985	8.0	1.7	9.7	4.3	0.9	5.2
1984	5.6	0.8	6.4	3.3	0.5	3.8
1983	2.0	0.3	2.3	1.3	0.2	1.5
1982	4.5	0.0	4.5	2.9	-	2.9
1981	6.5	0.0	6.5	4.4	-	4.4
1980	11.8	0.0	11.8	9.0	-	9.0
1979	11.2	0.0	11.2	8.7	-	8.7
1978	8.9	0.0	8.9	8.6	-	8.6

With the introduction of budget stabilization funds, states have shifted their reliance away from ending balances and toward budget stabilizations funds. Whereas in 1983 states held the bulk of their balances as ending balances, by 1990 they will, for the first time, hold more in budget stabilization funds. The balances held in these two types of funds are listed in Table 7. For state-by-state breakdowns, see Appendix Table A-1, A-2, A-3, and A-4.

The condition of total balances at the end of 1989 provides strong evidence of the improved condition of state budgets. In the March 1989 survey, states estimated that they would end fiscal 1989 with balances of $9 billion, or 3.5 percent of expenditures. The preliminary actual 1989 balances reported in this survey total $11.9 billion, or 4.6 percent of expenditures. This is the highest dollar level of balances ever reported in this survey.

Figure 2 illustrates the variation in total balances on a state-by-state basis. In general, the Plains, Far West, Rocky Mountain, and Great Lakes regions ended 1989 with balances at 5 percent of expenditures or more. The eastern United States tended to hold lower balances, reflecting the difficulty many of those states encountered during the fiscal year. Five states held balances below 1.0 percent of expenditures, with Massachusetts ending the year with a deficit of $200 million. Even though total state balances were higher in 1989 than in 1988, thirty states held balances greater than 5.0 percent of expenditures in 1988 while only twenty-five did so in 1989. In 1990, nineteen states will hold balances greater than 5.0 percent of expenditures.

Figure 2
YEAR-END BALANCES AS A PERCENT OF EXPENDITURES
Fiscal 1989



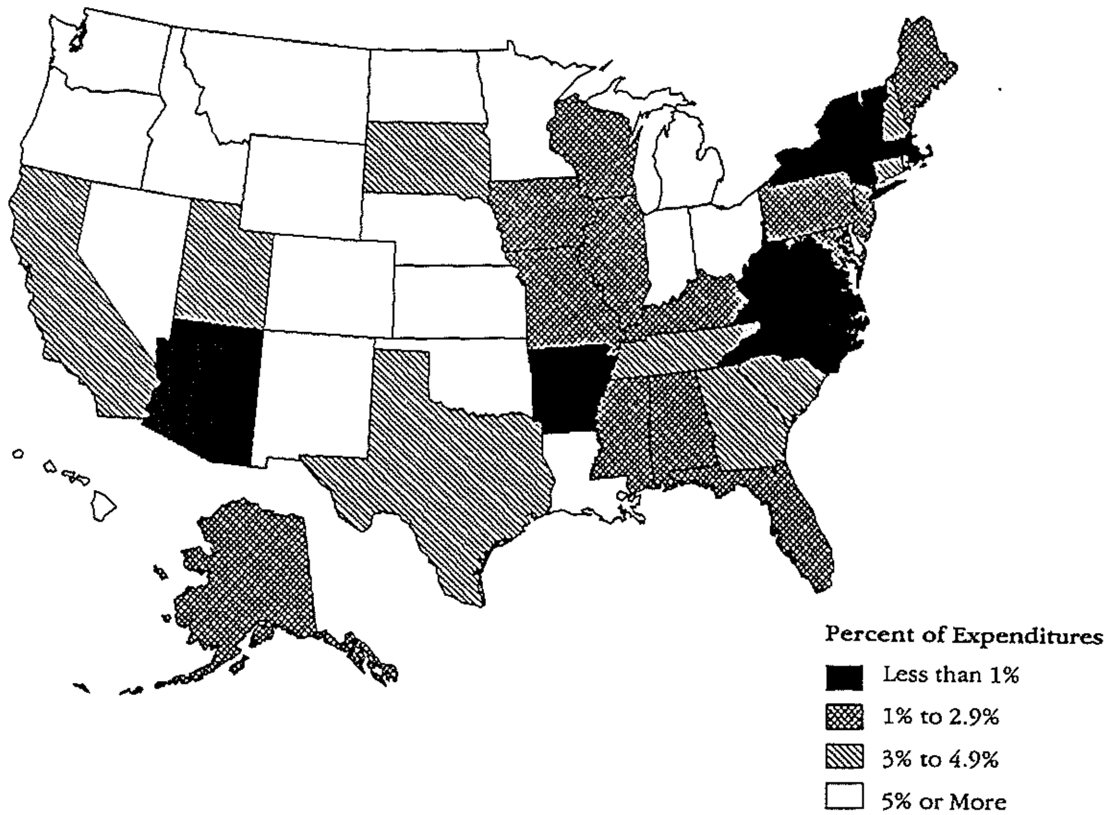
States estimate that they will end fiscal 1990 with a decline in balances. Total funds available will drop below $10 billion and represent 3.5 percent of expenditures. Figure 3 shows that Delaware will be the only state on the eastern seaboard to hold more than 5.0 percent in balances by year-end. California, recovering from its fiscal woes of 1988, plans to end 1990 with over $1.3 billion in reserves. Virginia, after several years of robust economic growth, will feel the pinch of tax reform flowing from the Supreme Court decision in *Davis v. Michigan*.

Table 8
TOTAL YEAR-END BALANCES AS A PERCENT OF EXPENDITURES

	Fiscal 1988 Actual (# of States)	*Fiscal 1989 Estimated (# of States)*	*Fiscal 1990 Proposed (# of States)*
Less than 1.0%	5	5	8
1.0 - 2.9%	9	9	14
3.0 - 4.9%	6	11	9
5% or more	30	25	19
Average Percent	4.2%	4.5%	3.4%

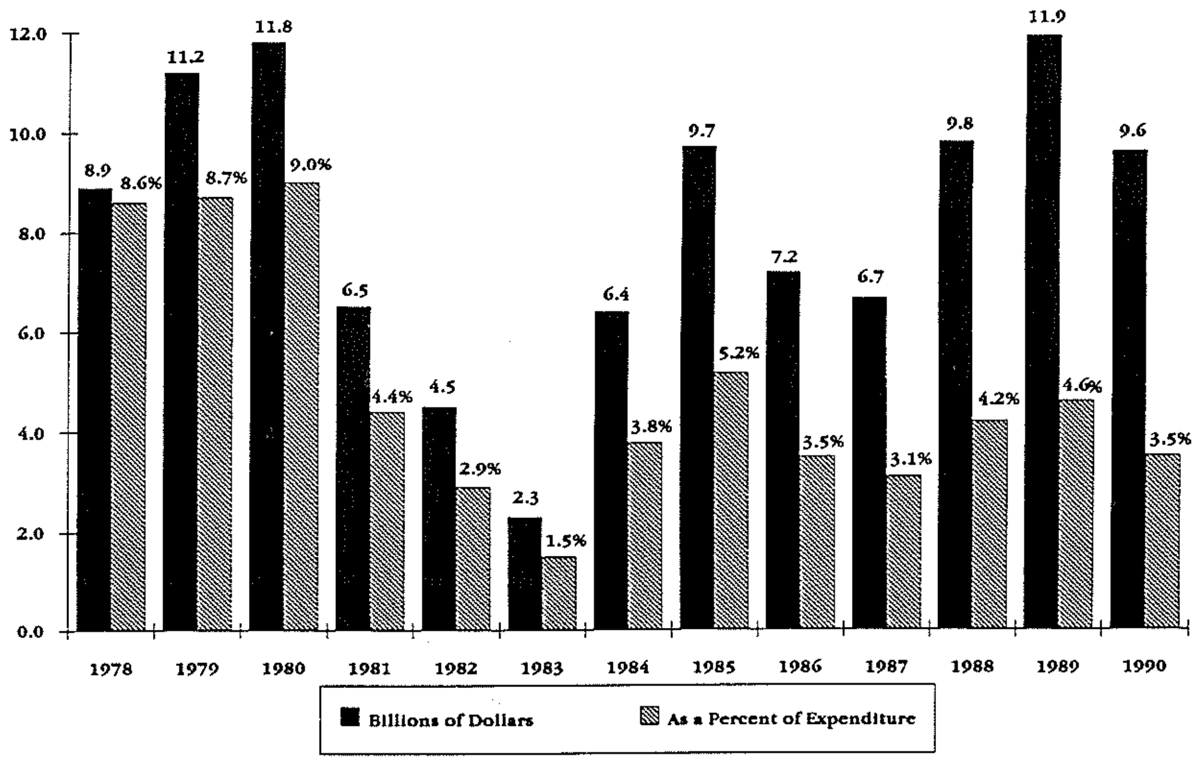
Eight states will hold balances of less than 1.0 percent of expenditures and Vermont, had it not taken action to reduce its enacted budget, would have finished the year with a deficit. Interestingly, Vermont is the only state that does not have a balanced budget requirement.

Figure 3
YEAR-END BALANCES AS A PERCENT OF EXPENDITURES
Fiscal 1990



Relative to expenditures, the overall level of state balances suggests that states have benefited heavily from the continued expansion of the national economy. While there are no overt signs of fiscal stress in the states as a whole, the condition of the northeastern states is cause for concern. The decline in their revenue streams came very quickly and could portend equally rapid downturns in other states.

Figure 4
SIZE OF TOTAL YEAR - END BALANCES
Fiscal 1978 to 1990



IV. Regional Fiscal Outlook

Overview

The remarkable thing about 1989 is not simply that most states ended it with higher-than-expected balances. It also marks the first year in this economic expansion in which the Northeast did not dominate the national economy. In fact, the economic statistics presented below reveal some "merging" of economic performance, especially when compared with the numbers in the last survey.

In six of the eight regions listed, ending balances for 1989 exceeded 5.0 percent of general fund expenditures. In all regions there have been net population gains and all regions have unemployment rates below 6.0 percent.

Table 9
REGIONAL BUDGET AND ECONOMIC INDICATORS

	*Weighted Unemploy-ment Rate**	*Weighted Annual % Change in Personal Income***	*Annual % Change in Population****	*Fiscal 1989 Total Balances as a Percent of Expenditures*	*Fiscal 1990 General Fund Budget Growth (%)*	*Number of States in Region*
New England	3.3%	8.8%	0.9%	0.5%	3.2%	6
Mideast	4.4	7.8	0.6	2.6	5.7	5
Great Lakes	5.4	6.9	0.4	7.3	8.5	5
Plains	4.2	5.5	0.8	11.5	10.5	7
Southeast	5.6	7.8	1.1	3.3	8.7	12
Southwest	5.8	5.6	0.6	3.9	2.3	4
Rocky Mountain	5.6	5.1	0.0	10.0	6.0	5
Far West	5.2	7.7	2.3	4.6	10.4	6
Average	**5.2%**	**7.3%**	**1.0%**	**4.5%**	**7.9%**	**50**

SOURCES: * U.S. Department of Labor, Bureau of Labor Statistics, June 1989.
** FFIS Issue Brief 89-5, Total Personal Income By State and Region, 1987 to 1988.
*** FFIS Issue Brief 89-5, Population of the States.

New England. Much has been observed about the decline in this region's economy. Yet, the region still enjoys the lowest unemployment rate in the country and the highest personal income growth. More important, though, may be that both of these statistics have changed for the worse since the March 1989 survey. The unemployment rate has jumped from 2.5 percent to 3.3 percent and personal income growth has slowed.

The most alarming statistic, and the one that illustrates the poor condition of these states' budgets, is total balances as a percent of general fund expenditures. It has dropped from 2.1 percent in the last survey to 0.5 percent in this one. The expenditure growth in 1990 of just 3.2 percent, compared with the 8.9 percent in Governors' recommended budgets, further testifies to fiscal stress in the region. In Massachusetts, 1990 expenditures are slated to decline from 1989 levels.

Mideast. This region is divided; New Jersey and New York are facing the same problems as states in New England, while Delaware, Maryland, and Pennsylvania continue to do well and, to some extent, pull up the numbers for the rest of the region. Since the March 1989 survey was published, the unemployment rate in the Mideast has increased from 4.1 percent to 4.4 percent, and personal income growth has slowed slightly. Population growth also has slowed while balances as a percent of general fund expenditures have remained constant. Moderate growth in 1990 expenditures should help some of the states keep spending in line with revenues.

Great Lakes. Compared with the last survey, the most remarkable thing in this region is the growth in ending balances. All of the states in the region reported strong April income tax collections and, as a consequence, they now hold balances equal to 7.3 percent of expenditures compared with the 4.8 percent they expected to hold. These high balances have translated into large spending increases: whereas Governors' recommended a 4.7 percent increase in expenditures, enacted budgets will increase by 8.5 percent. The region's unemployment rate has increased slightly since the last survey, as has its personal income growth.

Plains. With the second lowest unemployment rate in the country (4.2 percent) and the highest balances as a percent of expenditures (11.5 percent), the economic condition of the Plains states is remarkably good. It is one of only two regions in which personal income growth is higher now than it was six months ago. All of this good news has a predictable result: this region also has the highest expenditure growth in 1990 budgets (10.5 percent).

Southeast. With twelve states, this region is so large that making generalizations is difficult. Most of the states in the region are doing well although Louisiana has struggled for years to come to grips with fiscal troubles. As a whole the region experienced a decline in its unemployment rate since the last survey, from 6.2 percent to 5.6 percent. It continues to attract population and trails only the Far West in population growth. Ending balances have improved since the last survey, and expenditure growth increased from 6.7 percent in proposed budgets to 8.7 percent in enacted budgets.

Southwest. With a full percentage point decline in its unemployment rate since the last survey, the Southwest shows the biggest improvement in this measure of economic health. However, it still has the highest rate in the country. The four-state region is heavily dominated by Texas, so that state's economy tends to pull the economies of the other three states with it.

This is one of only two regions where enacted 1990 budgets contain a lower rate of growth than proposed 1990 budgets. It also joins New England and the Mideast as the third region where 1989 balances did not improve since the last survey. The absence of an income tax in Texas may provide an explanation for the lack of improvement since much of the additional revenue states realized was attributed to income tax payments.

Rocky Mountain. Perhaps the most encouraging sign coming out of the Rocky Mountain region is that it is no longer losing population. On the one hand, the region has the lowest rate of income growth and the second highest unemployment rate in the country. On the other, it ended 1989 with the second highest balances in the country, 10.0 percent. This is a big improvement over the 5.7 percent it forecast in the March 1989 survey. Budgets for 1990 are slated to grow at a moderate rate of 6.0 percent compared with the 3.7 percent growth rate recommended in Governors' budgets.

Far West. Except for a decline in personal income growth, from 8.9 percent in the last survey to 7.7 percent in this one, the Far West continues to set the pace for the nation. Its population growth continues to increase and its unemployment rate is holding steady. Ending balances for 1989 were 4.6 percent of expenditures, substantially aided by California's unexpectedly strong revenues. Oregon bumped up against its revenue limitation, "The 2 Percent Kicker," and will provide tax credits on 1989 returns.

APPENDIX

Table A-1
FISCAL 1988 STATE GENERAL FUND
($ in millions)
Actual Figures

State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
States With Annual Budgets						
Alabama	$49	$2,886	$2,935	$2,779	$156	$21
Alaska	14	2,467	2,480	2,256	224	
Arizona	56	2,563	2,619	2,613	6	
California	662	32,534	33,195	33,017	178	4
Colorado	45	2,198	2,243	2,143	100	
Connecticut	0	4,860	4,860	4,976	-116	320
Delaware	170	1,028	1,198	1,039	158	*
Georgia	126	5,891	6,017	5,866	151	163
Idaho	0	675	675	658	17	0
Illinois	154	11,620	11,774	11,528	246	
Iowa	68	2,416	2,484	2,422	62	
Kansas	75	2,113	2,188	1,887	301	
Louisiana	-446	3,762	3,316	3,828	-512	
Maryland	208	5,093	5,301	4,892	409	65
Massachusetts	41	7,556	7,597	7,556	41	112
Michigan	11	6,724	6,735	6,714	22	381
Mississippi	116	1,627	1,742	1,654	89	24
Missouri	50	3,523	3,573	3,479	94	0
New Jersey	722	10,311	11,033	10,259	774	246
New Mexico	0	1,584	1,584	1,584	0	155
New York	169	26,875	27,044	26,991	53	
Oklahoma	0	2,397	2,397	2,281	116	78
Pennsylvania	348	10,264	10,612	10,517	95	80
Rhode Island	106	1,265	1,370	1,256	115	28
South Carolina	14	2,928	2,942	2,814	128	86
South Dakota	36	397	433	392	41	0
Tennessee	22	3,155	3,177	3,111	66	75
Utah	29	1,460	1,489	1,402	87	43
West Virginia	33	1,416	1,449	1,414	35	
States With Biennial Budgets						
Arkansas	$0	$1,601	$1,601	$1,601	$0	$0
Florida	36	8,781	8,817	8,582	235	110
Hawaii	339	2089	2,428	1,957	471	
Indiana	101	3957	4,058	3,815	243	220
Kentucky	166	3,074	3,239	3,208	32	
Maine	60	1,335	1,395	1,254	141	25
Minnesota	477	5,870	6,347	5,767	580	265
Montana	11	400	411	371	40	
Nebraska	55	1,014	1,068	891	178	18
Nevada	27	625	652	587	65	40
New Hampshire	23	543	566	553	13	27
North Carolina	362	5,805	6,167	5,774	393	
North Dakota	21	536	557	506	51	0
Ohio	226	10,024	10,250	9,953	297	284
Oregon	235	1,677	1,912	1,798	114	0
Texas	-724	12,707	11,983	11,870	113	0
Vermont	61	520	581	507	74	8
Virginia	248	5,120	5,368	5,093	275	0
Washington	166	5,000	5,167	4,989	178	
Wisconsin	233	5,251	5,483	5,289	194	0
Wyoming	46	377	423	351	72	55
Total	$5,044	$237,892	$242,936	$236,041	$6,895	$2,933
District Of Columbia	-205	2,652	2,447	2,667	-220	0

NOTES TO TABLE A-1

For all states, transfers into budget stabilization funds are counted as expenditures unless otherwise noted. Use of budget stabilization funds is counted as revenues.

California	Beginning balance and expenditures include prior year's "rainy day" fund balance.
Colorado	Required reserve is included with ending balance.
Connecticut	Fiscal 1988 revenues and expenditures include $132.6 million from the Educational Excellence Trust Fund. For 1990 the fund has been merged into the general fund.
Delaware	Ending balance includes $53.3 million reserve fund.
D.C.	Other sources, uses, and adjustments are applied to revenues and expenditures.
Maryland	Expenditures equal appropriations minus reversions.
Minnesota	Beginning balance and expenditures include budget stabilization fund.
Montana	Revenues include adjustments, reversions, and transfers of $9 million.
New Mexico	Expenditures include fund transfers of $38.5 million.
New York	General fund figures are reported on a cash basis. Ending balance is part of Tax Stabilization reserve fund (rainy day fund).
North Dakota	Revenues and expenditures for 1988 reflect a modified accrual rather than cash basis of accounting. The ending balance does not reflect the cash balance but the fund balance.
Oregon	Biennial expenditures were split 48 percent to the first year of the biennium (1988) and 52 percent to the second year of the biennium (1989). For the 1989-91 biennium, expenditures were split 47 percent to the first year of the biennium (1990) and 53 percent to the second. Using fiscal year figures may present erroneous results.
Rhode Island	Resources include other financing sources.
Tennessee	Expenditures include fund transfers.
Texas	Beginning balances and expenditures include budget stabilization funds.

Table A-2
FISCAL 1989 STATE GENERAL FUND
($ in millions)
Preliminary Actual Figures

State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
States With Annual Budgets						
Alabama	$156	$3,063	$3,218	$3,181	$37	$21
Alaska	224	2,238	2,462	2,412	50	
Arizona	6	2,905	2,911	2,889	21	
California	182	37,037	37,219	36,968	251	616
Colorado	100	2,368	2,468	2,315	153	
Connecticut	0	5,511	5,511	5,539	-28	131
Delaware	158	1,119	1,278	1,092	185	*
Georgia	151	6,345	6,496	6,405	91	177
Idaho	17	773	790	713	77	12
Illinois	246	12,133	12,379	11,838	541	
Iowa	62	2,701	2,763	2,665	98	
Kansas	301	2,230	2,531	2,160	371	
Louisiana	-512	5,037	4,525	4,052	473	
Maryland	409	5,405	5,814	5,460	354	82
Massachusetts	41	8,292	8,333	8,534	-201	0
Michigan	22	7,014	7,035	6,941	94	420
Mississippi	89	1,804	1,893	1,832	61	24
Missouri	94	3,792	3,886	3,794	92	
New Jersey	774	11,155	11,929	11,576	353	0
New Mexico	0	1,697	1,697	1,697	0	133
New York	53	28,191	28,244	28,244	0	0
Oklahoma	116	2,600	2,716	2,545	171	153
Pennsylvania	95	11,260	11,355	10,970	385	112
Rhode Island	115	1,310	1,425	1,411	13	37
South Carolina	128	3,152	3,280	3,153	127	81
South Dakota	41	413	454	416	39	3
Tennessee	66	3,439	3,505	3,483	22	100
Utah	42	1,538	1,580	1,505	75	48
West Virginia	35	1,494	1,529	1,463	66	
States With Biennial Budgets						
Arkansas	$0	$1,729	$1,729	$1,729	$0	$0
Florida	235	9,278	9,513	9,513	0	139
Hawaii	471	2,378	2,849	2,100	749	
Indiana	243	4,361	4,604	4,179	425	258
Kentucky	32	3,321	3,353	3,305	48	
Maine	141	1,430	1,571	1,423	148	25
Minnesota	850	6,004	6,854	6,438	416	550
Montana	40	417	457	390	67	
Nebraska	178	1,099	1,277	987	290	50
Nevada	65	695	761	750	11	40
New Hampshire	13	569	582	582	0	27
North Carolina	393	6,155	6,547	6,390	157	
North Dakota	51	536	587	522	65	*
Ohio	297	10,953	11,250	10,775	475	340
Oregon	114	2,125	2,239	1,948	291	0
Texas	113	12,971	13,084	13,084	0	306
Vermont	74	546	619	608	11	13
Virginia	275	5,527	5,802	5,802	0	0
Washington	178	5,577	5,755	5,348	408	60
Wisconsin	194	5,629	5,823	5,525	298	0
Wyoming	72	366	438	384	54	58
Total	$7,239	$257,681	$264,920	$257,034	$7,886	$4,016
District Of Columbia	-219	2,833	2,614	2,813	-199	0

NOTES TO TABLE A-2

For all states, transfers into budget stabilization funds are counted as expenditures unless otherwise noted. Use of budget stabilization funds is counted as revenues.

California	Beginning balances and expenditures include "rainy day" fund balance.
Colorado	Required reserve is included with ending balance.
Connecticut	Fiscal 1989 revenues and expenditures include $204.7 million from the Educational Excellence Trust Fund. For 1990 the fund has been merged into the general fund. Budget stabilization fund balance reflects $73.7 million transfer at the beginning of the fiscal year.
Delaware	Ending balance includes $55.9 million reserve fund.
D.C.	Other sources, uses, and adjustments are applied to revenues and expenditures. Fiscal 1989 figures are estimates that reflect the revised budget as approved by Congress.
Hawaii	1989 figures are estimates.
Idaho	Expenditures include $12 million transfer to rainy day fund.
Louisiana	Revenues include $774 million of Recovery District Bond proceeds to be repaid over a ten-year period.
Maryland	Expenditures equal appropriations minus reversions.
Minnesota	Beginning balance and expenditures include budget stabilization fund.
Montana	Revenues include adjustments, reversions, and transfers of $3 million.
New Jersey	Revenues include release of rainy day fund.
New Mexico	Revenues include fund transfer of $1.2 million.
New York	General fund figures are reported on a cash basis. Ending balance is part of Tax Stabilization Reserve Fund (rainy day fund). Revenues for 1989 include $460 million in deficit notes.
North Dakota	The ending balance includes a budget stabilization fund of $25 million.
Oregon	Biennial expenditures were split 48 percent to the first year of the biennium (1988) and 52 percent to the second year of the biennium (1989). For the 1989-91 biennium, expenditures were split 47 percent to the first year of the biennium (1990) and 53 percent to the second. Using fiscal year figures may present erroneous results.
Pennsylvania	Revenues include $140 million that became available with the failure of the constitutional amendment for local tax reform.
Rhode Island	Resources include other financing sources.
Tennessee	Expenditures include transfers into "rainy day fund."
Texas	Beginning balances and expenditures include budget stabilization funds.
Utah	Beginning balance reflects a transfer in of $27 million and an income tax refund of $72 million ($87 + 27 - 72 = $42). The ending balance has been made available for tax reductions or supplemental appropriations.
Wisconsin	Figures are estimates.

Table A-3
FISCAL 1990 STATE GENERAL FUND
($ in millions)
Appropriated Figures

State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
States With Annual Budgets						
Alabama	$37	$3,136	$3,173	$3,166	$7	$29
Alaska	50	2,301	2,351	2,302	49	
Arizona	21	3,128	3,149	3,141	8	
California	867	40,278	41,145	40,894	251	1,143
Colorado	153	2,440	2,593	2,469	124	
Connecticut	0	6,382	6,382	6,289	93	103
Delaware	185	1,148	1,333	1,182	151	*
Georgia	91	7,407	7,498	7,498	0	222
Idaho	77	815	892	790	102	12
Illinois	541	13,009	13,550	13,200	350	
Iowa	98	2,799	2,896	2,838	58	
Kansas	371	2,256	2,627	2,447	180	
Louisiana	473	4,209	4,682	4,331	351	
Maryland	354	5,713	6,067	6,062	5	100
Massachusetts	0	8,142	8,142	8,142	0	0
Michigan	94	7,202	7,296	7,294	3	459
Mississippi	61	1,846	1,907	1,907	0	24
Missouri	92	4,145	4,237	4,176	60	
New Jersey	354	11,579	11,933	11,675	258	0
New Mexico	0	1,731	1,731	1,731	0	128
New York	0	29,782	29,782	29,771	11	
Oklahoma	171	2,652	2,823	2,648	175	153
Pennsylvania	385	11,541	11,926	11,924	2	130
Rhode Island	13	1,478	1,492	1,491	1	37
South Carolina	126	3,364	3,490	3,428	62	88
South Dakota	39	423	462	445	17	
Tennessee	22	3,664	3,686	3,685	1	125
Utah	0	1,522	1,522	1,503	19	48
West Virginia	66	1,723	1,789	1,775	14	
States With Biennial Budgets						
Arkansas	$0	$1,718	$1,718	$1,718	$0	$0
Florida	0	10,256	10,256	10,254	3	168
Hawaii	749	2,297	3,046	2,818	228	
Indiana	425	4,509	4,934	4,626	308	323
Kentucky	48	3,479	3,527	3,483	44	2
Maine	148	1,464	1,612	1,581	31	7
Minnesota	966	6,454	7,420	7,085	335	550
Montana	67	420	487	433	54	
Nebraska	290	1,121	1,411	1,247	164	40
Nevada	11	761	772	762	10	40
New Hampshire	0	632	632	632	0	27
North Carolina	157	7,269	7,426	7,360	66	0
North Dakota	40	539	579	549	30	25
Ohio	475	11,607	12,082	11,672	410	359
Oregon	292	2,128	2,420	2,155	265	0
Texas	306	12,875	13,181	13,181	0	505
Vermont	11	585	596	610	-14	11
Virginia	0	6,075	6,075	6,073	2	1
Washington	408	5,950	6,358	6,073	285	60
Wisconsin	298	5,639	5,937	5,817	120	0
Wyoming	54	396	450	432	19	9
Total	$9,486	$271,988	$281,475	$276,763	$4,712	$4,929
District Of Columbia	-199	3,030	2,831	3,011	-180	0

NOTES TO TABLE A-3

For all states, transfers into budget stabilization funds are counted as expenditures unless otherwise noted. Use of budget stabilization funds is counted as revenues.

California	Beginning balance and expenditures includes "rainy day" fund balance.
Colorado	Required reserve is included with ending balance.
Delaware	Ending balance includes $62.5 million reserve fund.
D.C.	Other sources, uses, and adjustments are applied to revenues and expenditures. Fiscal 1990 budget is that approved by the council and currently before Congress.
Kentucky	Figures are revised budgeted figures.
Maryland	Expenditures equal appropriations minus reversions.
Minnesota	Beginning balance and expenditures include budget stabilization fund.
Nebraska	Revenues include transfers of $14.5 million and revenue reductions of $30.1 million. Expenditures include a $34.0 million reappropriation from fiscal 1989.
New Mexico	Revenues include fund transfer of $2.8 million.
New York	General fund figures are reported on a cash basis. Ending balance is part of Tax Stabilization Reserve Fund (rainy day fund). Total resources are net of $246 million planned impoundment to repay deficit notes. Expenditures include $80 million repayment to Infrastructure Trust Fund.
North Dakota	Revenues and expenditures are based on estimated 1990 revenues and 49 percent of the appropriations for the 1989-91 biennium.
Oklahoma	Revenues include a reduction of $15 million to augment the cash flow reserve fund.
Oregon	Biennial expenditures were split 48 percent to the first year of the biennium (1988) and 52 percent to the second year of the biennium (1989). For the 1989-91 biennium, expenditures were split 47 percent to the first year of the biennium (1990) and 53 percent to the second. Using fiscal year figures may present erroneous results.
Rhode Island	Resources include other financing sources.
Texas	Beginning balances and expenditures include budget stabilization funds.
Tennessee	Expenditures include fund transfers.
Vermont	Budget cuts have been enacted to deal with 1990 deficit.
Wisconsin	Figures are not final and reflect estimates as of 7/31/89.

Table A-4
COMBINED ENDING BALANCES AND STABILIZATION FUNDS AS A PERCENT OF EXPENDITURES, 1988 TO 1990

	Total Balances ($ in millions)			*As a Percent of Expenditures*		
State	*Fiscal 1988*	*Fiscal 1989*	*Fiscal 1990*	*Fiscal 1988*	*Fiscal 1989*	*Fiscal 1990*
States With Annual Budgets						
Alabama	$177	$58	$36	6.4%	1.8%	1.1%
Alaska	224	50	49	9.9	2.1	2.1
Arizona	6	21	8	0.2	0.7	0.3
California	175	867	1,394	0.5	2.3	3.4
Colorado	100	153	124	4.7	6.6	5.0
Connecticut	204	103	196	4.1	1.9	3.1
Delaware	158	185	151	15.2	17.0	12.8
Georgia	314	268	222	5.4	4.2	3.0
Idaho	17	89	114	2.6	12.5	14.4
Illinois	246	541	350	2.1	4.6	2.7
Iowa	62	98	58	2.6	3.7	2.1
Kansas	301	371	180	16.0	17.2	7.4
Louisiana	-512	473	351	-13.4	11.7	8.1
Maryland	474	436	105	9.7	8.0	1.7
Massachusetts	153	-201	0	2.0	-2.4	0.0
Michigan	403	514	461	6.0	7.4	6.3
Mississippi	113	85	24	6.8	4.7	1.3
Missouri	94	92	60	2.7	2.4	1.4
New Jersey	1,020	353	258	9.9	3.1	2.2
New Mexico	155	133	128	9.8	7.9	7.4
New York	53	0	11	0.2	0.0	0.0
Oklahoma	194	324	328	8.5	12.7	12.4
Pennsylvania	175	497	132	1.7	4.5	1.1
Rhode Island	143	50	38	11.4	3.6	2.6
South Carolina	214	208	150	7.6	6.6	4.4
South Dakota	41	42	17	10.5	10.1	3.8
Tennessee	141	122	126	4.5	3.5	3.4
Utah	130	123	67	9.3	8.2	4.5
West Virginia	35	66	14	2.5	4.5	0.8
States With Biennial Budgets						
Arkansas	$0	$0	$0	0.0%	0.0%	0.0%
Florida	345	139	171	4.0	1.5	1.7
Hawaii	471	749	228	24.1	35.7	8.1
Indiana	463	682	631	12.1	16.3	13.6
Kentucky	32	48	46	1.0	1.4	1.3
Maine	166	173	38	13.2	12.2	2.4
Minnesota	845	966	885	14.7	15.0	12.5
Montana	40	67	54	10.7	17.2	12.5
Nebraska	195	340	204	21.9	34.5	16.4
Nevada	105	51	50	18.0	6.8	6.6
New Hampshire	40	27	27	7.3	4.7	4.3
North Carolina	393	157	66	6.8	2.5	0.9
North Dakota	51	65	55	10.1	12.5	10.0
Ohio	581	815	769	5.8	7.6	6.6
Oregon	114	291	265	6.3	14.9	12.3
Texas	113	306	505	1.0	2.3	3.8
Vermont	82	24	-3	16.1	4.0	-0.5
Virginia	275	0	3	5.4	0.0	0.1
Washington	178	468	345	3.6	8.7	5.7
Wisconsin	194	298	120	3.7	5.4	2.1
Wyoming	128	112	27	36.3	29.2	6.3
Total	$9,821	$11,902	$9,640	4.2%	4.6%	3.5%
District of Columbia	-220	-199	-180	-8.2	-7.1	-6.0

NOTE TO TABLE A-4

Pennsylvania Balances for 1989 include $140 million in revenues that became available with the failure of the constitutional amendment for local tax reform.

Table A-5

NOMINAL PERCENTAGE EXPENDITURE CHANGE, FISCAL 1988 TO 1989 AND FISCAL 1989 TO 1990

State	Fiscal 1989	Fiscal 1990
States With Annual Budgets		
Alabama	14.5%	-0.5%
Alaska	6.9	-4.6
Arizona	10.6	8.7
California	12.0	10.6
Colorado	8.0	6.7
Connecticut	11.3	13.5
Delaware	5.1	8.2
Georgia	9.2	17.1
Idaho	8.4	10.8
Illinois	2.7	11.5
Iowa	10.0	6.5
Kansas	14.5	13.3
Louisiana	5.9	6.9
Maryland	11.6	11.0
Massachusetts	12.9	-4.7
Michigan	3.4	5.1
Mississippi	10.8	4.1
Missouri	9.1	10.1
New Jersey	12.8	0.9
New Mexico	7.1	2.0
New York	4.6	5.4
Oklahoma	11.6	4.0
Pennsylvania	4.3	8.7
Rhode Island	12.4	5.6
South Carolina	12.1	8.7
South Dakota	6.0	7.1
Tennessee	12.0	5.8
Utah	7.3	-0.1
West Virginia	3.5	21.3
States With Biennial Budgets		
Arkansas	8.0%	-0.6%
Florida	10.8	7.8
Hawaii	7.3	34.2
Indiana	9.5	10.7
Kentucky	3.0	5.4
Maine	13.5	11.1
Minnesota	11.6	10.0
Montana	5.2	11.0
Nebraska	10.8	26.4
Nevada	27.8	1.6
New Hampshire	5.3	8.6
North Carolina	10.7	15.2
North Dakota	3.2	5.2
Ohio	8.3	8.3
Oregon	8.3	10.6
Texas	10.2	0.7
Vermont	19.9	0.2
Virginia	13.9	4.7
Washington	7.2	13.6
Wisconsin	4.4	5.3
Wyoming	9.5	12.4
Total	8.9%	7.7%
District of Columbia	5.5	7.0

TABLE A-6
FISCAL 1989 TAX COLLECTIONS COMPARED WITH PROJECTIONS USED IN FORMULATING BUDGET
($ in millions)

	Personal Income Tax		Sales Tax		Total Revenue Collection*
State/Region	*Original Estimate*	*Current Estimate*	*Original Estimate*	*Current Estimate*	
New England					
Connecticut*	$410	$509	$2,289	$2,098	L
Maine	466	521	464	486	H
Massachusetts	4472	4287	2302	2084	L
New Hampshire	N/A	N/A	N/A	N/A	L
Rhode Island	427	419	412	395	L
Vermont	196	202	118	124	H
Mideast					
Delaware	$465	$487	N/A	N/A	H
District of Columbia	$589	$609	$426	$419	L
Maryland	2520	2620	1501	1517	T
New Jersey	2910	2900	3320	3080	L
New York	15132	13844	5675	5513	L
Pennsylvania*	3075	3147	4132	4086	H
Great Lakes					
Illinois	$3,524	$3,619	$3,550	$3,728	H
Indiana	1834	1945	2021	2066	H
Michigan	3533	3749	2600	2620	H
Ohio	3042	3394	3129	3260	H
Wisconsin	2476	2515	1790	1875	H
Plains					
Iowa	$1,262	$1,368	$677	$702	H
Kansas	825	844	695	709	H
Minnesota	2067	2380	1674	1778	H
Missouri	1718	1843	1181	1165	T
Nebraska	430	474	400	428	H
North Dakota	90	106	266	254	H
South Dakota	N/A	N/A	207	219	H
Southeast					
Alabama	$1,024	$1,024	$779	$779	H
Arkansas	$633	$682	$666	$692	H
Florida	N/A	N/A	7752	7719	L
Georgia	2650	2628	1924	2015	T
Kentucky	1060	1112	1041	1045	H
Louisiana	576	674	1421	1428	H
Mississippi	360	401	757	761	H
North Carolina	2947	3002	1669	1682	T
South Carolina	1164	1245	1065	1075	H
Tennessee	77	96	2263	2229	L
Virginia	3045	3045	1271	1271	T
West Virginia	440	440	350	381	L
Southwest					
Arizona	$979	$958	$1,333	$1,338	T
New Mexico	292	350	586	607	H
Oklahoma	839		730	738	H
Texas	N/A	N/A	6706	6891	H
Rocky Mountain					
Colorado	$1,215	$1,299	$675	$697	H
Idaho	296	343	265	289	H
Utah	582	609	605	667	H
Wyoming	N/A	N/A	91	86	L
Far West					
Alaska	N/A	N/A	N/A	N/A	H
California*	$14,850	$15,884	$12,522	$12,560	H
Hawaii	579	767	970	1011	H
Montana	141	151	N/A	N/A	H
Nevada	N/A	N/A	216	242	H
Oregon	1575	1725	N/A	N/A	H
Washington	N/A	N/A	2394	2678	H

* *L= revenues lower than estimates; H=revenues higher than estimates; and T=revenues on target.*

NOTES TO TABLE A-6

California	Compared with forecast when budget was adopted.
Connecticut	Personal income tax figures reflect a tax increase. Tax includes only capital gains, dividends, and interest.
Pennsylvania	Compared with official estimate.

Table A-7
ENACTED 1990 TAX CHANGES BY TYPE OF TAX

State	Tax Change Description	Effective Date(s)	Fiscal 1990 Revenue Change ($ in millions)
PERSONAL INCOME TAX			
Arizona	Reduction in subtraction for federal tax.	1/89	$16.8
	50% reduction in consumer interest deduction.	1/89	39.0
	Exempt first $2,500 of pension from taxation.	1/89	(2.2)
Connecticut	Repeal 60% long-term exclusion and include under Dividend and Interest Tax.	2/89,1/89	155.0
District of Columbia	Tax lottery; interest on state and local obligations, use federal deduction method.	1/89	7.3
Hawaii	Base reduction.	1/89	(163.0)
Illinois	Rate increase from 2.5% to 3.0%.	7/89	635.0
Kansas	Reduce tax rates.	1/89	(69.1)
Maine	Changes in tax base.	1/89	84.6
Maryland	Tax reduction.	7/89	(39.0)
Massachusetts	Additional tax of 0.375% for 1989, 0.75% for 1990.	1/89, 1/90	446.0
Minnesota	Expand dependent care credit.	7/89	(2.7)
	Extend tax to lottery winnings.	7/89	2.7
Missouri	Revise pension taxation.	1/89	0.0
Montana	Reallocation.	7/89	(1.4)
Nebraska	Base reduction.	1/89	(23.9)
North Carolina	Conform to federal tax code.	1/89	0.0
North Dakota	Increase rate from 14% to 17% of federal tax liability. Subject to popular vote.	1/89	20.9
Ohio	Withholding change and other minor changes.	7/89	91.8
Oregon	Interest on refunds; tax public employees' pensions.	1/89	13.4
South Carolina	Indexation of individual bracket by 0.5%.	1/89	0.8
Virginia	Sliding scale credit.	1/89	(100.1)
	Pension tax reform	7/89	(69.3)
Wisconsin	Introduce new credits; federal pension exemption; IRC update; earned income tax credit.	1/89	(200.1)
SALES TAX			
Arizona	Extend tax to catalog sales.	1/89	7.0
Arkansas	Impose 2% gross receipts tax on certain tourism-related activities.	7/89	4.8
Connecticut	Increase rate to 8% and include additional services.	7/89	388.0
District of Columbia	Tax real property and ADP; raise restaurant meal tax; raise hotel tax.	7/89	50.9
Florida	Eliminate certain transient rental exemptions.	10/89	5.2
Georgia	One cent rate increase.	4/89	260.0

Table A-7 (continued)
ENACTED 1990 TAX CHANGES BY TYPE OF TAX

State	*Tax Change Description*	*Effective Date(s)*	*Fiscal 1990 Revenue Change ($ in millions)*
Hawaii	Transfer of excise tax.	7/89	(90.0)
Illinois	Include computer software.	10/89	16.0
Kansas	Exempt non-prescription drugs and new farm machinery and increase rate by .25%.	7/89	41.6
Louisiana	More exemptions are allowed and remaining exemptions are taxed at a lower rate.	7/89,1/90	(105.0)
Maine	10% tax on liquor license establishments.	12/89	4.4
	5% tax on casual sale of boats.	10/89	0.5
Maryland	Abolished certain exemptions for food vendors.	7/89	2.0
Minnesota	Extend tax to lottery sales.	7/89	4.5
	Expand exemption for capital equipment.	7/89	(1.2)
Missouri	Increase in rate.	10/89	56.7
New Jersey	Require payment of full sales tax on leased equipment at initial lease, one-time gain.	6/89	110.0
New York	Add mail order sales; include cigarettes in sales tax base; other small changes.	6/89, 9/89	51.0
North Carolina	Increase rate from 2% to 3% on motor vehicles. Increase ceiling from $300 to $1,500.	8/89	149.0
North Dakota	Increase to 6% (5/89), add bingo cards to base (7/89); reduce rate on equipment to 3% (7/89).	varies	$41.1
Ohio	Clarified "sale for resale" exemption; exempt investment coins.	7/89	(2.1)
Rhode Island	Add interstate calls to base.	7/89	9.5
Tennessee	Close loop hole on auto sales.	6/89	15.0
Vermont	Increase tax on liquor portion of meals and rooms tax from 6% to 10%.	6/89	4.5
Virginia	Dealer discount.	7/90	5.0
West Virginia	Eliminate exemptions for food and building materials purchased by contractors.	3/89	159.0
Wyoming	Turn over taxing authority to locals.	7/89	(5.3)
BUSINESS TAXES			
Arkansas	Extends time for carryforward of operating loss from farming.	7/89	(1.0)
Connecticut	20% surcharge and $250 minimum tax.	1/89	167.0
District of Columbia	Raise surtax to 5%.	10/89	4.3
Florida	Extend tax to certain transportation firms.	7/89	1.5
Illinois	Rate increase from 4.0% to 4.8%.	7/89	117.0
Kansas	Child-care expense credit.	1/89	(3.0)
Massachusetts	First quarterly payment increased for 1989.	1/89	46.0
Minnesota	Changes in estimated payments.	7/89	2.8
Missouri	Increase in tax rate.	1/90	14.8
Montana	Accelerated estimated tax.	7/89	6.2

Table A-7 (continued)
ENACTED 1990 TAX CHANGES BY TYPE OF TAX

State	Tax Change Description	Effective Date(s)	Fiscal 1990 Revenue Change ($ in millions)
New York	Bank and insurance surcharge; remove MTA tax benefits; raise fee on S corporations; tax airline income.	1/89	143.0
Ohio	Closed reorganization loophole; exempted REMICA.	7/89	11.6
Oregon	Reconnect to federal tax code.	1/89	4.3
Rhode Island	Increase rate from 8% to 9%.	7/89	8.2
Virginia	Low-income housing credit.	1/90	(3.5)
West Virginia	Increase Business Franchise Tax rate from .55% to .75%.	3/89	30.0
	Expanded Business and Occupation Tax to include storage of natural gas and kilowatt hours produced by electric utilities.	3/89	60.0
<u>CIGARETTE TAXES</u>			
Alaska	Increased mil assessment.	9/89	$5.2
Connecticut	Increase of 14 cents/pack plus excise tax.	4/89	40.0
Illinois	Increase of 10 cents/pack.	7/89	92.0
Iowa	Decrease of 3 cents/pack.	7/89	(7.0)
Maine	Increase of 3 cents/pack.	10/89	2.375
Montana	Increase of 2 cents/pack.	10/89	1.0
Nevada	Increase of 15 cents/pack.	7/89	17.0
New Hampshire	Tax increase.	1/89	3.0
New York	Increase of 12 cents/pack.	5/89	174.0
	Tax other tobacco products.	7/89	10.0
North Dakota	Increase of 3 cents/pack.	7/89	1.5
Oregon	Increase of 1 cent/pack.	11/89	1.4
Rhode Island	Increase of 5 mils/cigarette.	7/89	9.5
Washington	Increase of 3 cents/pack.	6/89	11.7
Wyoming	Increase rate.	7/89	0.5
<u>MOTOR FUEL TAXES</u>			
Colorado	Increase of 2 cents/gallon.	8/89	26.8
District of Columbia	Increase of 2.5 cents/gallon.	7/89	4.0
Illinois	Increase of 3 cents/gallon.	8/89	
	Increase of 3 cents/gallon.	1/90	176.0
Kansas	Increase of 4 cents/gallon.	7/89	55.3
Montana	Increase of 1 cent/gallon.	7/89	4.2
Nebraska	Increase of 3.8 cents/gallon.	7/89	26.7
Nevada	Increase of 2 cents/gallon diesel.	1/90	1.0
	Increase of .6/cent/gallon all fuel.	10/89	2.475
New Mexico	Increase of 2 cents/gallon with 1.25 cents earmarked for municipalities.	7/89	15.3
North Carolina	Increase of 3 cents/gallon; increase variable fuel rate from 3% to 7%.	8/89	187.6
North Dakota	Increase of 3 cents/gallon; 2 cents/gallon for diesel. Subject to voter approval.	1/90	4.5
Ohio	Increase of 3.2 cents/gallon.	7/89	181.0

Table A-7 (continued)
ENACTED 1990 TAX CHANGES BY TYPE OF TAX

State	Tax Change Description	Effective Date(s)	Fiscal 1990 Revenue Change ($ in millions)
Oregon	Increase rate; weight mile tax reductions; vehicles registration fees.	1/90,1/91	9.2
Rhode Island	Increase of 5 cents/gallon.	7/89	23.0
Tennessee	Increase of 3 cents/gallon; increase of 2 cents/gallon for diesel.	4/89	81.9
Vermont	Increase of 2 cents/gallon; 2 cents/gallon for diesel at pump; 8 cents/gallon diesel reporting.	6/89	9.5
West Virginia	Increase of 5 cents/gallon.	4/89	42.0
ALCOHOLIC BEVERAGE TAXES			
Connecticut	Increase 100% for beer and wine, 50% for hard liquor.	4/90	18.5
District of Columbia	Set taxes equal to Maryland.	7/89	1.0
New York	Various rate increases.	5/89	149.0
Ohio	Increase of from $2.50 to $3.50 per barrel of beer.	7/89	1.1
Rhode Island	Rate schedule increases 50%.	7/89	4.0
Washington	Various increases for wine, beer and liquor.	6/89,7/89	18.1
MISCELLANEOUS TAXES			
Alaska	Modify laws under economic limit factor.	1/89	$171.0
Arizona	Prescribe minimum educational qualifying property tax rate.	1/89	26.0
	Increase minimum vehicle license tax.	189	15.8
Arkansas	Decrease state take-out percentages from horse racing to effective rate of 2.5% from 5.5%.	2/89	(3.6)
	Increase dog racing days.	2/89	5.0
Connecticut	Real estate conveyance tax raised from 0.45% to 0.50%; imposed mansion tax and 1% tax on commercial property.	7/89	33.5
District of Columbia	Tax transactions of economic interest; hotel occupancy tax increase, raise deed taxes; Toll Telecommunications Tax.	7/89, 3/89	37.0
Florida	Major revision in Insurance Premium Tax.	6/89	68.4
Maryland	Changes in structure of state death taxes.	7/89	4.0
	Increased exemption in property tax valuation subject to real estate transfer tax.	7/89	(3.0)
Massachusetts	Increased deeds, registration, and excise taxes.	7/89	37.0
Minnesota	Change tax basis for charitable gambling from 2% of gross to 6% of net proceeds.	7/89	21.1
Nevada	Additional insurance premium tax of 0.5%.	7/89	8.1
	Mining tax increase.	7/89	23.7
New Hampshire	Real estate transfer tax.	7/89	11.0
New Jersey	State portion of unemployment tax to be used for state purposes and not transferred to UI Trust Fund; shift in use of revenue.	1/89	$100.0
New York	Impose transfer gains tax on million dollar residences; extend transfer tax.	7/89	63.0

Table A-7 (continued)
ENACTED 1990 TAX CHANGES BY TYPE OF TAX

State	Tax Change Description	Effective Date(s)	Fiscal 1990 Revenue Change ($ in millions)
North Carolina	Increase sales tax on motor vehicle rentals; increase tax ceiling for airplanes, trains, and boats; increase privilege license taxes; increase title fees.	8/89	26.5
North Dakota	Increase insurance premium tax (1/89); change in charitable gaming tax base (7/89).	varies	5.2
Oregon	Temporary and permanent forest products harvest tax; timber and timberland assessments and taxes; petroleum products, solid waste, and hazardous waste taxes.	varies	9.7
Rhode Island	Rate change for parimutuel betting; withholding on gambling winnings; expand numbers who have to make estimated payments.	7/89	4.9
Tennessee	Close loop hole in franchise tax.	7/89	4.0
Utah	Specific tax for reduction has not been identified.	7/89	(19.0)
Virginia	Distribution of state share of recordation tax.	7/90	(40.0)
Washington	Tax on carbonated beverages and petroleum products.	7/89	27.9
West Virginia	Increase severance tax rate for "new" wells.	3/89	35.0
Wisconsin	Telecommunications tax reduction.	1/90	(4.6)

Table A-8
ENACTED STATE EMPLOYEE COMPENSATION CHANGES
FISCAL 1990

State and Region	*Across the Board*	*Merit*	*Other*	*Notes*
New England				
Connecticut	4.4%	—	2.6%	ATB represents 39% of employees in units that do not include employees of schools and educational institutions. Other represents annual increment step rate increases.
Maine	3.75	2.0	—	3% effective 7/1/89 and 3% effective 4/1/90.
Massachusetts	—	—	—	No increases.
New Hampshire	5.0	—	—	
Rhode Island	4.4	—	—	Effective 7/30/89.
Vermont	5.5	—	0.7	
Mideast				
Delaware	5.0%	—	2.8%	ATM will be less than 5% (with 2.5% minimum increase) for employers at/near maximum salary of assigned pay grade. Employees whose salary is below midpoint of assigned paygrade will receive up to 4% of the midpoint on 1/1/90. Will affect about 67.5% of workforce.
District of Columbia	5.0	*	—	ATB increases 3% on 10/1/89 and up to 2% on 4/1/90, depending on CPI. Step increases of 3% affect only 1/3 of payroll.
Maryland	4.0	—	—	Represents COLA. In addition, an annual salary review of selected classifications will increase certain classifications one grade (a 6% increase).
New Jersey	—	—	—	Contracts expired 6/30/89 and are under negotiation.
New York	5.0	1.5	0.5	Only employees below job rate can receive performance advances. Employees rated outstanding or highly effective who are at job rate can receive performance awards or merit increases.
Pennsylvania	5.0	—	1.125	Other is 1% longevity increase that takes effect 1/1/90 and 0.625% conversion to new pay plan effective 7/1/89.
Great Lakes				
Illinois	3.0%	0.5%	1.0%	Employees who are members of a collective bargaining unit receive for a half year an average step increase of 3.75% and 3.5% ATB.
Indiana	2.0	1.0	—	
Michigan	3.5	—	—	3% ATB effective 10/1/89 plus 1% ATB effective 4/1/90.
Ohio	4.0	—	2.5	Employees not in the last step of pay range receive step increase of approximately 5% on anniversary date. The average step increase for all state employees is approximately 2.5%.
Wisconsin	—	—	—	Not yet determined.
Plains				
Iowa	3.5%	1.5%	—	

Table A-8 (continued)
ENACTED STATE EMPLOYEE COMPENSATION CHANGES
FISCAL 1990

State and Region	*Across the Board*	*Merit*	*Other*	*Notes*
Kansas	3.0	2.5	—	Modifications to the pay plan ensure all classified employees receive a step or merit increase. Provisions also were made for permanent longevity payments for employees with 10 years of service.
Minnesota	*	—	—	5% total setaside. Negotiations will determine amounts for ATB and increased insurance costs.
Missouri	4.2	—	4.0	ATB includes 2.2% COLA and 2% increase within grade. Other includes repositioning increase of approximately 4% for 67% of employees, effective 1/1/90. Average increase approximately 6%.
Nebraska	4.0%	1.0%	1.5%	4% effective 7/1/89 and 1.5% on anniversary date if satisfactory performance or 2.5% if above satisfactory.
North Dakota	—	—	7.1	All classified employees receive minimum increase of $50 per month. Depending on length of service and level of salary within the range for the classification, minimum increase ranges from 4% to 7%. Largest increase goes to employees within the first quartile of the salary range.
South Dakota	3.0	0.5	1.5	2% absorbed by base budgets; 3% new money. Other is for employees under the midpoint of their pay ranges.
Southeast				
Alabama	—	—	—	Available to employees who have merit step and who rate high enough on employee evaluation.
Arkansas	7.0	2.5	—	All employees should receive anniversary increase if merit evaluation is completed. Due to fiscal 1990 general revenue forecast, only 4% of ATB increase was implemented.
Florida	4.0	—	—	Most employees will receive a 4% increase effective 1/1/90, with a $700 minimum. Law enforcement officers will receive a 3% increase effective 7/1/89 and a 5% increase on their anniversary dates.
Georgia	2.5	4.2	—	Merit increases range from 2.5% to 4.5%.
Kentucky	5.0	—	—	
Louisiana	—	4.0	—	There also is an additional retroactive 4% merit increase from fiscal 1989 that was frozen.
Mississippi	—	—	—	No increases adopted for fiscal 1990.
North Carolina	4.0	2.0	—	Public education will use 6% to establish new salary schedule for teachers based on length of service.
South Carolina	4.0	—	*	4% ATB effective 7/1/89; additional 2% effective 1/1/90. Lump sum bonus in December 1989: $286 to employees with salary below $20,000; $143 to employees with salary above $20,000.
Tennessee	4.0	—	—	Increases range from 2% to 5.6%, with lowest paid employees receiving highest increase.

Table A-8 (continued)
ENACTED STATE EMPLOYEE COMPENSATION CHANGES
FISCAL 1990

State and Region	Across the Board	Merit	Other	Notes
Virginia	3.25	2.0	—	The components are not additional but are compounded.
West Virginia	5.0	—	—	Effective 1/1/90 and financed from government reorganization cost savings
Southwest				
Arizona	—	1.25%	0.25%	Other is for Classification Maintenance Reviews. This is funded at 0.25% of all personal service dollars but is to be distributed only to specific position classifications.
New Mexico	4.0	—	—	All state nurse classifications received average 15% increase.
Oklahoma	*	—	—	$400 ATB for state employees plus doubling of longevity pay.
Texas	5.0	—	—	
Rocky Mountain				
Colorado	3.75%	2.5%	—	$30 per month increase in health insurance.
Idaho	—	5.0	—	Employee increases tied to performance.
Utah	2.0	2.5	—	
Wyoming	5.4	—	—	This increase available to employees with more than 4 years of service; those with less receive a proportional amount based on months of service.
Far West				
California	4.0%	*	*	Increase effective 1/1/90. Special inequity adjustments and health, dental, and vision benefit funding also available.
Nevada	5.0	2.5	—	Total will vary from 5% to 10% depending on merit increase.
Oregon	3.5	—	5.0	Other is implementation of new classification system. Merit increases of 5% are available to some employees within a six step range.
Washington	2.5	—	—	Effective 1/1/90.
Alaska	—	3.5	—	Merit increases average 3.5%, they are not budgeted and result in personal services underfunding.
Hawaii	4.0	—	—	

Table A-9
ANNUAL CHANGE IN THE SIZE OF THE STATE WORKFORCE*

State and Region	*Number of Employees as of 6/30/88*	*Number of Employees as of 6/30/89*	*Percent Change, Fiscal 1988 to 1989*
New England			
Connecticut	44,178	44,558	0.9
Maine	N/A	N/A	N/A
Massachsetts	70,752	69,653	-1.6
New Hampshire	11,712	12,709	8.5
Rhode Island	13,792	14,345	4.0
Vermont	7,386	7,535	2.0
Mideast			
Delaware	12,485	12,751	2.1
District of Columbia	29,039	28,409	-2.2
Maryland	72,000	74,000	2.8
New Jersey	78,472	78,343	-0.2
New York	249,081	248,294	-0.3
Pennsylvania	80,008	79,330	-0.8
Great Lakes			
Illinois	80,000	81,600	2.0
Indiana	34,596	34,789	0.6
Michigan	64,784	67,158	3.7
Ohio	58,957	58,596	-0.6
Wisconsin	57,535	58,142	1.1
Plains			
Iowa	23,667	24,206	2.3
Kansas	23,011	23,705	3.0
Minnesota	25,446	26,000	2.2
Missouri	45,899	47,124	2.7
Nebraska	15,838	16,020	1.1
North Dakota	7,086	7,077	-0.1
South Dakota	8,447	8,301	-1.7
Southeast			
Alamba	32,000	32,800	2.5
Arkansas	25,257	26,341	4.3
Florida	94,963	100,621	6.0
Georgia	46,595	47,073	1.0
Kentucky	33,228	32,992	-0.7
Louisana	50,838	49,376	-2.9
Mississippi	30,064	31,953	6.3
North Carolina	105,391	107,753	2.2
South Carolina	48,503	50,813	4.8
Tennessee	40,397	40,278	-0.3
Virginia	50,449	52,758	4.6
West Virginia	24,703	22,995	-6.9
Southwest			
Arizona	33,321	35,138	5.5
New Mexico	17,400	17,600	1.1
Oklahoma	34,981	36,981	5.7
Texas	95,414	99,887	4.7
Rocky Mountain			
Colorado	19,911	19,789	-0.6
Idaho	9,200	9,665	5.1
Montana	9,632	9,757	1.3
Utah	13,110	13,680	4.3
Wyoming	8,047	7,783	-3.3
Alaska	17,851	17,504	-1.9
Far West			
California	144,923	155,257	7.1
Hawaii	17,634	17,557	-0.4
Nevada	10,203	10,446	2.4
Oregon	43,528	43,672	0.3
Washington	45,540	45,315	-0.5
Total	2,217,253	2,258,428	1.9%

**Unless otherwise noted, figures represent full time equivalent (FTE) positions.*

NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

Hall of the States 400 North Capitol, N.W. Washington, D.C. 20001 (202) 624-5382

To: State Budget Officers

From: Gerald H. Miller

Subject: *Fiscal Survey of the States, September 1989*

Date: 3 October 1989

Enclosed please find the September 1989 edition of the *Fiscal Survey of the States*. The survey will be released at a press conference on Friday, October 6, 1989.

Many thanks to all of you who provided the time and information that the survey requires.

P.S. **FEDERAL ACTION UPDATE**

Capital Gains Tax Changes

There is a very high probability that the tax treatment of capital gains will be changed for tax year 1989. The proposal currently under consideration by the U.S. House of Representatives (based on a 30 percent exclusion) would increase federal revenues by over $2 billion in FY 90 and reduce them every year thereafter. **The proposal will have the same effect on your revenues.** i.e., they will increase in FY 90 and decrease thereafter. Keep this in mind as you revise your 1990 revenue estimates. If you have any questions, please call Jerry Miller or Marcia Howard.

Catastrophic Update

Enclosed is a copy of the federal update that goes out monthly to members of NASBO's Education and Human Resources Committee. It outlines some important changes to the Catastrophic bill that, if implemented, could cost your state money or reduce savings that you may have budgeted for 1990. If you have any questions, please call Karen Farrell.

Jerry

NOTES TO TABLE A-9

Kentucky	Includes permanent full-time executive branch employees.
Massachusetts	1989 figure includes 54,606 filled positions funded from state budgetary and bond-funded appropriations in executive branch agencies (excluding higher education), and 10,566 in legislative staff, judiciary and other constitutionally independent agencies (e.g., attorney general, state auditor); and 4,481 funded from federal grants and trust funds (again excluding higher education). Figures exclude board and commission members and seasonal help.
Mississippi	Figures include full-time and part-time authorized positions.
North Carolina	Figures exclude public school teachers, universities, and the community college system.
North Dakota	Figures are composed of FTE count for agencies on the central payroll system and actual number of employees as of mid-June payroll for the Bank of North Dakota, Mill and Elevator, and Job Service.
Oklahoma	Figures for both years are for May 31.
South Dakota	1989 figure is estimate based on budget.
Texas	1989 figure is from February 1989.
Vermont	1989 figure is from March 1989.
Virginia	1989 figure is from May 1989.

NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

Hall of the States 400 North Capitol, N.W., Suite 295 Washington, D.C. 20001 (202) 624-5382

MEMORANDUM

TO: Members of the National Association of State Budget Officers

FROM: Gerald H. Miller, Executive Director

DATE: June 30, 1989

SUBJ: Fiscal Survey of the States, Summer Edition, 1989

Enclosed please find the National Association of State Budget Officers' (NASBO) biannual Fiscal Survey of the States. The information we gather in this survey provides insight into the financial situations of the states and is a valuable research document for the National Governors' Association and others wanting to know about state finances.

Since we are sending the survey out right at the close of the fiscal year for most states, we ask for preliminary actual data for FY89. Please return the survey no later than **July 31, 1989**.

If you have any questions about the survey, call Marcia Howard at 202/624-5382. As always, thank you for your continued cooperation.

Jerry

NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

Hall of the States 400 North Capitol, N.W., Suite 295 Washington, D.C. 20001 (202) 624-5382

FISCAL SURVEY OF THE STATES, JULY 1989

State____________________ Date__________
Contact____________________ Phone__________
Office____________________

General Fund
($ in millions)

	FY88 (Actual)	FY89 (Preliminary Actual)	FY90 (Appropriated)
1. Beginning Balance (Prior Year's Ending Balance)	_____	_____	_____
2. Revenues	_____	_____	_____
3. Total Resources (1+2=3)	_____	_____	_____
4. Total Expenditures	_____	_____	_____
5. Ending Balance (3-4)[a]	_____	_____	_____
6. "Rainy Day" Fund Balance[a]	_____	_____	_____

[a]Report according to state practice, insuring that item 6 is not included in item 5.

RETURN TO NASBO BY JANUARY 31, 1989

1. In FY89, did your state take any action to cut the budget <u>after</u> it was passed by the legislature and signed by the governor? yes no. If "yes", please provide the following information:

a. The dollar amount of the cut: $________________________.

b. Was the cut:_____selective;_____across the board (check one).

c. Size of the cut as a percent of annual General Fund expenditure:_____%.

d. Who enacted the cut?____governor;____legislature(check one).

e. What programs were exempted from the cut?

____
____
____
____

f. Date cut was enacted:________________________.

2. Did your state postpone any scheduled FY89 expenditures, borrow from internal state funds, borrow from the bond market, or change any other budget practice as a result of poor budget conditions? _____yes/_____no. If "yes", please describe actions. Include dollar amounts.

____
____
____
____
____

3a. What was the original **personal income tax** estimate that was used when the FY89 budget was adopted? $______________

3b. What are the <u>current</u> estimated **personal income tax** collections for FY89? $______________

3c. What was the original **sales tax** estimate that was used when the FY89 budget was adopted? $______________

3d. What are the <u>current</u> estimated **sales tax** collections for FY89? $________________

3e. Overall, are your **total** FY89 revenues coming in:(check one)

_______on target?
_______lower than projected?
_______higher than projected?

4a. How large is your total state workforce as of June 30, 1989 compared to June 30, 1988? (Full-time equivalent positions only; include employees from <u>all funds</u>, not just the General Fund; exclude employees of schools and educational institutional.)

Estimated number FTE employees as of June 30, 1989______________

Number of FTE employees as of June 30, 1988______________________

4b. Please describe the adopted classified state employee compensation package for FY90 (exclude employees of schools and educational institutions). Specifically, provide information on the size of the average percent: 1) merit increase, 2) across-the-board increase (generally for inflation adjustments), 3) other increases. If only a certain portion of the workforce receives an increase, please note. If all employees receive a step or anniversary increase, please note in the "Remarks" section.

FY90 Package: TOTAL ______% = MERIT ______% +
ACROSS-THE-BOARD ______% + OTHER ______%

Remarks:____
____
____

5. If your state is one of the states that has adopted a tax or expenditure limitation (TEL), did it affect your budget in any way in FY89? ___yes/___no.

6. What size increase did your legislature approve for FY90 AFDC payment levels?_____%

7. Please describe any new spending or tax programs the legislature approved to aid local governments for FY90, including state take-over of program responsibilities.__________
____
____
____
____
____

8. What is the total value of fee increases approved by the legislature for FY90? $________

9. Please provide information on legislatively adopted tax changes for FY90. Include any tax increase or decrease that involves more than $1 million in revenue.

Taxes	Effective Date	Amount of Revenue Increase/Decrease FY90 ($ in millions)	Changes in the Tax Base
Personal Income			
Corporate Income			
Sales			
Cigarette			
Motor Fuel			
Alcoholic Beverages			
Other			

PLEASE RETURN TO NASBO BY JULY 31, 1989

SEND TO: Marcia Howard, Research Director
National Association of State Budget Officers
400 North Capitol Street, N.W., Suite 295
Washington, D.C. 20001
202/624-5382