The Fiscal Survey of States

April 1996

National Governors' Association
National Association of State Budget Officers

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Preface

The Fiscal Survey of States is published twice annually by the National Association of State Budget Officers (NASBO) and the National Governors' Association (NGA). The series was started in 1997. The survey presents aggregate and individual data on the states' general fund receipts, expenditures, and balances. Although 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 January through April 1996. The surveys were completed by Governors' state budget officers in the fifty states and the commonwealth of Puerto Rico.

Fiscal 1995 data represent actual figures, fiscal 1996 figures are estimated, and fiscal 1997 data are figures contained in Governors' proposed budgets. For the majority of states on biennial budget cycles, fiscal 1997 figures have already been enacted.

In forty-six states, the fiscal year begins in July and ends in June. The exceptions are Alabama and Michigan, with an October to September fiscal year; New York, with an April to March fiscal year; and Texas, with a September to August fiscal year. In addition, twenty states are on a biennial budget cycle.

The Fiscal Survey of States is a cooperative effort of the National Association of State Budget Officers and the National Governors' Association. Stacey Mazer of NASBO compiled data for the report and prepared the text. Editorial assistance was provided by Mark Miller and Karen Glass through NGA's Office of Public Affairs, and Stacey Himes of NASBO assisted with production. Dotty Esher of State Services Organization provided typesetting services.

Executive Summary

The national economy continues to exhibit strength, but the rate of economic growth is expected to decline and the level of federal aid is likely to decrease during the next several years. These two factors will contribute toward a slowing of revenue growth, which will heighten the need for states to make changes in their major health and welfare programs as well as in the overall management of state government.

Although the longer term outlook is for slower growth and a decline in federal aid, most states currently are experiencing steady economic growth, with revenues meeting or exceeding projections in fiscal 1996. States in the Mid-Atlantic and New England regions, however, continue to lag behind the nation in economic growth.

Even with the likely decline in federal dollars, twenty-seven Governors are proposing tax cuts for fiscal 1997 totaling $4 billion. This number is similar to the twenty-eight states that lowered fiscal 1996 taxes by $3.8 billion, even though many states on biennial budget cycles have already enacted budgets for fiscal 1997.

Key findings of this survey include the following.

State Spending

States estimate an increase in general fund spending of 4.5 percent in fiscal 1996 and 1.8 percent for fiscal 1997. Several statesx—including New Jersey, New York, Pennsylvania, and West Virginia—have recommended general fund spending for fiscal 1997 below the current-year level.

- Since fiscal 1994, few states have been forced to reduce budgets midyear. Only eleven states reduced or expect to reduce their fiscal 1996 enacted budgets, by a total of less than $1 billion, or less than 1 percent of state general fund budgets.

- In the absence of federal welfare reform, states are continuing to experiment with welfare reforms, ranging from providing additional work incentives to limiting the time that recipients may collect benefits. Thirty states, for example, have initiated time limits in their welfare programs. As in the past several years, Aid to Families with Dependent Children (AFDC) benefits in fiscal 1997 would remain at the same level as in the previous year in nearly all states. For fiscal 1997, only six states are recommending changes to benefit levels, while forty-four states would maintain the fiscal 1996 benefit levels.

- Without federal legislative changes, the most significant changes in Medicaid center around expansion of managed care. During 1995, about two-thirds of the states either applied for federal waivers or expanded existing waivers to enroll Medicaid recipients in managed care.

- Almost all states are recommending pay raises for fiscal 1997, with the increase averaging 3.5 percent. Often increases would be based on merit rather than being applied across the board.

- About half of the states are recommending changes that would affect aid to local governments, with property tax relief and school aid the most frequent forms of increased local aid. Other forms of aid include absorbing the costs of funding local court systems.

State Revenue Actions

Recommended net tax and fee changes would decrease fiscal 1997 revenues by $4 billion. Twenty-seven states are recommending tax reductions, with the most significant reductions in sales, personal, and corporate income taxes. Proposed tax reductions are attributable to factors such as the improved fiscal condition, policy goals to reduce the size of government, and the quest to improve competitive advantages in seeking businesses.

- Governors' recommended budgets for fiscal 1997 include an increase of 3.7 percent over fiscal 1996 tax collections. These represent collections from the sales tax, the personal income tax, and the corporate income tax.

Year-End Balances

- Balances as a percentage of expenditures for fiscal 1995 through fiscal 1997 range from 4.8 percent to 5.9 percent of expenditures. Balances in twelve states are projected to exceed 10 percent of expenditures in fiscal 1996, a healthy cushion for economic and other uncertainties. Uncertainty about the economy and the level of federal aid is high enough to warrant healthy balances.

Regional Impacts

Growth is expected to continue in most regions through 1996, though at a slower pace than in the previous year. The regions that have experienced the most rapid growth—the Rocky Mountain, Southeast, and Southwest—should continue to outpace the nation. Although the New England and Mid-Atlantic regions remain weak, California's economy has rebounded and growth is expected to surpass the national average, reversing the trend of the past five years.

State Restructuring

The trend toward downsizing state government is gaining more followers due to the outlook for more modest growth and the expectation that federal dollars will be decreasing. Some states are merging functions and departments, especially in job training, social services, and administrative functions. Other states are seeking opportunities to privatize government functions, primarily through contracts with private vendors. Other trends include the acceleration of performance-based budgeting and other techniques to move from a line-item budgeting approach to an outcomes-based approach.

- States are restructuring and merging major state functions, often in human services, job training, and administrative functions, with the goals of improving service delivery and achieving efficiencies.
- States are privatizing state government operations, including mental health services and services in correctional institutions.
- States are reviewing statewide operations through gubernatorially appointed task forces, often to limit future spending growth.
- States are achieving stronger budget processes by emphasizing core missions, performance outcomes, selective zero-based analysis, and strategic planning.

States are facing pressures from the advent of fewer federal resources, uneven economies, and public skepticism about government services. These pressures have heightened the need to improve both the performance and reputation of government services, leading to many opportunities for change in state management. These changes are viewed as long-term approaches to improving the management of state government, especially in light of a likely decline in federal aid coupled with slow to moderate economic growth.

Federal Aid

The normal uncertainties in developing budget recommendations have been compounded by the ongoing debate in Washington over federal aid, especially concerning major health and welfare programs. With decisions regarding fiscal 1996 still in flux, fiscal 1997 has been further delayed in the federal budget process. After much debate, no federal changes have been made thus far to Medicaid or welfare programs. Medicaid and AFDC are currently funded for fiscal 1996 at their current rates of growth. States face uncertainty as they enter fiscal 1997 with no decisions made on fundamental changes to both Medicaid and welfare programs. At the core of the Medicaid debate is the degree of flexibility states will have in operating the program and the rate of growth both nationally and among states and regions.

Some states have developed strategies to address the likely changes in federal aid, such as the use of reserves to ease the transition. Regardless of the amount of reserves, a transition to lower expenditure levels or higher revenues would have to occur in order for state budgets to remain in balance over time.

Economic Background

CHAPTER ONE

Slow growth is expected to continue in 1996, with little risk of a recession in the near future. The rate of growth was 2.1 percent for 1995, a decline from the inflation-adjusted economic growth rate of 3.5 percent for 1994. The most recent forecast by business economists is for economic growth of 1.9 percent during 1996 and 2.3 percent during 1997.

The March 1996 *Current Economic Conditions,* a survey from the Federal Reserve districts, reports that the economy has rebounded to a modest pace with improvement in retail sales, increased demand for business services, and an increase in both residential and commercial real estate.

The period of slow growth in the economy is characterized by increasing consumer debt, stagnating incomes, and a slowing down of private sector investment. Capital spending should be the strongest component of the economy this year.

Although the economy has produced strong job growth, layoffs continue. These job losses often are the result of mergers and acquisitions within industries and companies and the quest to control costs through personnel reductions and efficiencies.

State Expenditure Developments

CHAPTER TWO

Budget Management in Fiscal 1996

Since fiscal 1994, few states have been forced to reduce budgets midyear. Only eleven states reduced or plan to reduce their fiscal 1996 enacted budgets, by less than $1 billion in total, or less than 1 percent of state general fund budgets (see Table 1). This compares with eight states in fiscal 1995, nine states in fiscal 1994, twenty-two states in fiscal 1993, and thirty-five states in fiscal 1992, the year that represented the peak in midyear budget adjustments.

The steady performance of the economy and state adjustments to health and welfare programs have helped maintain stable budgets. The strategies that states used to make midyear budget cuts include across-the-board reductions, layoffs, program reorganizations, and program eliminations (see Appendix Table A-5).

General Fund Spending in Recent Years

Governors' recommended general fund budgets for fiscal 1997 are estimated to be 1.8 percent above the previous fiscal year (see Table 2). This spending increase is well below the average of 8 percent during the 1980s (see Figure 1). About one-third of the states reported expenditure growth below 5 percent in fiscal 1996 (see Table 3 and Appendix Table A-4). More than two-thirds of the states estimate expenditure growth for fiscal 1997 to be below 5 percent.

Total State Spending

Spending for corrections continues to outpace overall state spending, at a 15.2 percent rate of growth between fiscal 1994 and fiscal 1995. The corrections spending rate is more than double the 7.2 percent overall spending rate during the same period. Corrections spending will most likely rise over time due to mandatory sentencing and new restrictions on parole, which will result in an increase in prison operating costs. Medicaid, on the other hand, has dramatically slowed in growth from double-digit rates in fiscal 1994 to approximately 5.1 percent in fiscal 1995. The moderating growth rate for Medicaid is attributable to states' efforts in using managed care and the absence of a national expansion in eligibility.

TABLE 1

Budget Cuts Made After the Fiscal 1996 Budget Passed

State	*Size of Cut (Millions)*	*Programs or Expenditures Exempted from Cuts*
Hawaii	$139.0	School-level programs, debt service, retirement system, health insurance, public welfare payments, unemployment insurance, and workers' compensation.
Idaho	26.0	No exemptions.
Kansas	17.5	Higher education, public schools, and general local aid.
Maine	15.9	Constitutional offices, general purpose aid to local schools, and higher education institutions.
Maryland	26.0	Higher and lower education, local aid, and legislatively mandated programs.
New Hampshire	NA	Local aid.
New Jersey	549.0	A detailed analysis of contingency plans in all state departments has generated $549 million in fiscal 1996 appropriations that are being placed in reserve for lapse.
New Mexico	35.0	Public defender and department of corrections.
Rhode Island	13.8	Total cuts of $13.8 million include withdrawals of $9.7 million and a technical adjustment of $4.1 million. Programs exempt from cuts include school aid, local aid, human services cash assistance, and medical programs.
South Dakota	10.0	Repeal of $10 million special appropriation to property tax reduction fund.
Vermont	26.5	No exemptions.
Total	**$858.7**	----

NOTE: NA indicates data are not available.

SOURCE: National Association of State Budget Officers.

TABLE 2

State Nominal and Real Annual Budget Increases, Fiscal 1979 to Fiscal 1997

	State General Fund	
Fiscal Year	*Nominal Increase*	*Real Increase*
1997	1.8%*	-0.8%*
1996	4.5*	1.9*
1995	6.3	3.2
1994	5.0	2.3
1993	3.3	0.6
1992	5.1	1.9
1991	4.5	0.7
1990	6.4	2.1
1989	8.7	4.3
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
1979-1997 average	**6.7%**	**1.7%**
1980-1990 average	**8.0%**	**2.0%**

NOTES: The state and local government implicit price deflator was used for state expenditures in determining real changes. Fiscal 1996 figures are based on the change from fiscal 1995 actuals to fiscal 1996 estimated. Fiscal 1997 figures are based on the change from fiscal 1996 estimated to fiscal 1997 recommended.

SOURCE: National Association of State Budget Officers.

State Spending for Fiscal 1997

Although not inclusive of all state spending, the key areas discussed in this section—AFDC, Medicaid, employee compensation and benefits, and aid to local governments—provide information on trends and the ways states are responding to the improved economy.

Aid to Families with Dependent Children. Forty-four states recommend maintaining the same AFDC benefit levels in fiscal 1997 that were in effect in fiscal 1996 (see Table 4). As in the past several fiscal years, the majority of states are not making any annual adjustments to AFDC benefit levels. Most of the activity involves restructuring the program to change the incentives for working and obtaining employment. Of the states recommending changes in benefit levels, California, Hawaii, New York, Rhode Island, and Vermont would reduce fiscal 1997 levels from the previous year.

TABLE 3

Annual State General Fund Expenditure Increases, Fiscal 1996 and Fiscal 1997

	Number of States	
Spending Growth	*Fiscal 1996 (Estimated)*	*Fiscal 1997 (Recommended)*
Negative growth	4	11
0.0% to 4.9%	18	27
5.0% to 9.9%	23	11
10% or more	5	1

NOTE: Average spending growth for fiscal 1996 (estimated) is 4.5 percent; average spending growth for fiscal 1997 (recommended) is 1.8 percent.

SOURCE: National Association of State Budget Officers.

While proposals to change welfare are debated at the federal level, states continue to move ahead with experiments in this area. Thirty-seven states have federally approved waivers to adopt time limits or to impose other restrictions. Twenty-two states have waivers to limit the time recipients may receive benefits, in most cases with a limit of two years. Connecticut has implemented the most stringent guidelines for welfare recipients, including limiting AFDC benefits to twenty-one months—the shortest period nationwide. The state experiments are being undertaken within the current entitlement program by seeking changes to the rules through the federal waiver process.

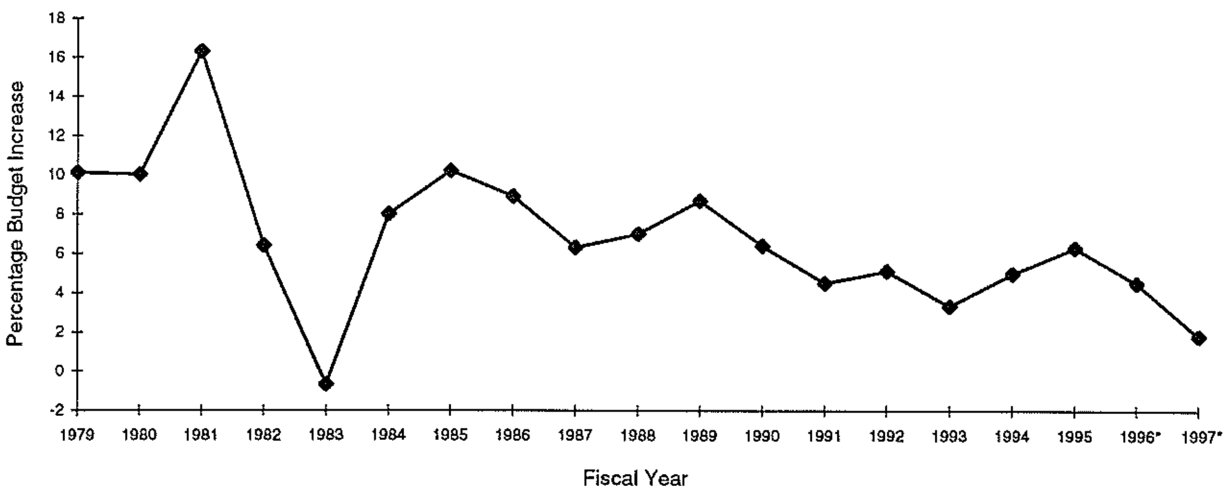
Other waivers are being used to institute stringent work requirements and expand child care and Medicaid services. The plethora of state experiments is evidence of the degree of change occurring in welfare programs even without a federal overhaul. Regardless of action at the federal level, welfare is becoming one of the most dynamic areas in state government, as states take steps to reduce welfare dependency.

Welfare reform in a state may involve an initial increase in the state's budget. Although the ultimate goal in welfare reform is to ensure that families are self-sufficient, short-term welfare changes sometimes involve increasing funds, particularly for support services such as child care and transportation. Tennessee's welfare reform proposal, for example, requires $71.5 million in new spending.

Medicaid. In the absence of federal legislative changes, the most significant changes in Medicaid center around the expansion of managed care. During 1995, about two-thirds of the states either applied for waivers or expanded existing waivers to enroll Medi-

FIGURE 1

Annual Budget Increases, Fiscal 1979 to Fiscal 1997



NOTE: Data for these years are estimated.

SOURCE: National Association of State Budget Officers.

caid recipients in managed care. In some states, such as Iowa and Nebraska, the changes in managed care focus on mental health. Sixteen states are recommending reductions in the rate of increase for fiscal 1997 (see Appendix Table A-6).

State Employment. The recommended number of filled full-time equivalent positions supported by all state funds for fiscal 1997 is slightly less than the fiscal 1996 number (see Appendix Table A-8). The number of state employees reflects positions supported by all state, federal, and trust funds, rather than only state general funds. Twenty-one states recommend reducing the number of positions between fiscal 1996 and fiscal 1997. The majority of states in the New England and Mid-Atlantic regions are estimating reductions during the 1995 through 1997 period.

TABLE 4

Proposed Cost-of-Living Changes to Aid to Families with Dependent Children, Fiscal 1997

State	*Percent Change*
California	-4.5%
Colorado	2.5
Hawaii	-5.1
New York	-26.5
Rhode Island	-15.0
Vermont	-6.0

NOTE: The Rhode Island Governor's welfare reform bill provides for a 15 percent reduction in cash assistance payments in conjunction with increases in income and resource limits and other supportive services (e.g., child care and job training).

Employee Compensation. Almost all states are recommending pay increases in their budgets for fiscal 1997, with the increase averaging 3.5 percent (see Appendix Table A-7). Several states are moving toward a pay-for-performance system, including California and Oklahoma, or other alternatives to automatic cost-of-living adjustments. Georgia is proposing to abolish its merit system for new employees in order to provide more flexibility. Maryland is introducing legislation to reform the state personnel management system, with the goal of improving the caliber and productivity of the workforce. The proposal would streamline the grievance and disciplinary processes, strengthen the employee performance appraisal process, phase in pay for performance, and emphasize training and employee development.

Employee Benefits. Benefit costs, most notably for health insurance, continue to decelerate. With benefit costs comprising approximately 30 percent of total employee compensation, the easing of the costs of benefits helps maintain moderate budget increases. The Segal Company's annual survey of state employee health benefits plans found that the increase in the cost of the majority of indemnity plans was less than the increase in the price for the medical component of the consumer price index in 1995. This is the first time in the last ten years that this has been the case.

As a means to limit personnel costs, several states are shifting additional costs for health and pension benefits to employees (see Appendix Table A-6). States continue to provide additional flexibility for employees in their benefit programs. Twenty-five states provide portability of pension benefits between a state agency and other public retirement systems such as local government and university systems, according to the National Association of State Budget Officers' publication *Workforce Policies*.

Aid to Local Governments. About half of the states are proposing changes that would affect aid to local governments, with property tax relief and school aid the most common forms of increased local aid (see Table 5). Other states are increasing aid by absorbing the costs of funding local court systems.

California is seeking to relax mandates and maintenance-of-effort requirements for local governments. Other initiatives to improve state-local relations include Pennsylvania's creation of a center for local government services to provide a direct link between the state and local governments.

Minnesota is creating a cash-flow account for school districts and is using the interest earnings on the account for competitive statewide technology, science and mathematics education, and library grants. Wisconsin is planning to fund two-thirds of elementary and secondary school costs by fiscal 1997, which will ease pressure on local property taxes.

TABLE 5

Proposed Changes to Aid to Local Governments, Fiscal 1997

Alaska	The Governor recommends an 8 percent reduction to municipal assistance ($2.5 million), revenue sharing ($82.1 million), and pupil transportation ($2.6 million), and the elimination of funding for senior citizen tax exemption programs ($1.2 million). Unless legislation is passed to make tax exemptions for senior citizens optional, this would be an unfunded mandatory program.
Arkansas	As a result of a Pulaski County court ruling that found the state's method of funding public schools unconstitutional, major changes in this funding process were enacted by Act 917 "The Equitable School Finance System Act of 1995." It preserves the local governance of schools and provides equitable funding and simple distribution of funds for public school financing. The current funding formula will continue for the 1995-96 year, with the new distribution effective for the 1996-97 year. The 80th general assembly determined that the current system of funding the state judicial system created inequities in the level of services provided to Arkansas citizens. Therefore, Act 1256 of 1995 established a system of collecting and assessing court costs and filing fees to obtain data to determine the cost to the state of funding the judicial system. This information will be used at the next regular session of the general assembly.
California	The Governor recommends a program that will allow taxpayers to designate 1 percent of their income tax liability for local public safety services. The statewide impact is estimated at $150 million. The Governor also recommends mandate and maintenance-of-effort relief in various programs, including mental health, health, general assistance, libraries, and transportation; the fiscal impact will vary.
Connecticut	The Governor recommends an increase of $4.7 million (0.3 percent) of state formula aid to municipalities for fiscal 1997. In addition, the state will assume payment of general assistance grants and will take over the program in fourteen municipalities. As of July 1, 1998, the state will assume the entire program and there will be a savings to municipalities of approximately $40 million. A reimbursement for the property tax exemption for manufacturing machinery and equipment is reduced from 100 percent to 90 percent, with a cost to municipalities of $5.7 million.
Florida	Changes include requiring counties to pay the full cost of the county forester program ($1.2 million) and increasing the charge to counties for forest fire control activities ($1.3 million).
Indiana	An increase in the homestead credit by 4 percent of the property tax levy for eligible homeowners has been recommended. This would reduce property taxes paid by homeowners by $42.7 million in fiscal 1997. The state would replace the reduction in property tax revenues.
Kansas	State aid to cities and counties would increase by 1.4 percent ($1.1 million), the same level of growth as in overall spending.
Louisiana	Proposed changes proposed include the elimination of tobacco tax revenue aid to local governments of $6 million and a reduction in mass transit aid to local governments of $1 million. In addition, a 2 percent increase in supplemental pay to local law enforcement personnel, statewide and local voter referendums on gaming activities, and $35 million generated annually from riverboat gambling are proposed.
Maine	Changes include a 2.6 percent increase over fiscal 1996, totaling $14 million. A commission will be established to analyze the possible consolidation and clustering of local school administrative units and functions.
Maryland	Changes include an increase in community college aid of 3 percent ($4.2 million) and new programs such as a school technology initiative ($7.6 million in fiscal 1997, $56 million over five years), school performance awards ($5.3 million), and programs to address the problem of disruptive students ($100,000).
Massachusetts	Proposed changes include an increase in direct aid from lottery proceeds of $41.6 million (9.4 percent) and an increase in direct aid to cities and towns for schools of $209.1 million (11.5 percent). The Governor's budget submission recommends the consolidation of several community- or local government-focused agencies into a single division of municipal services. This one-stop approach will greatly simplify the state-local interface. In addition, the Governor recommends the elimination of county government in an effort to update the Massachusetts government structure.
Michigan	Section 30 of Article IX of the state constitution enacted in 1978 requires that a minimum percentage of the total state spending from state resources go to local units of government. This requirement has been in effect since fiscal 1979.
Missouri	A 17.6 percent rate increase for per diem costs for holding state prisoners was recommended.

TABLE 5 (continued)

Proposed Changes to Aid to Local Governments, Fiscal 1997

Nebraska	The Governor proposes a significant limitation on local spending levels beginning in fiscal 1998. Beginning in fiscal 1999, local budgets would have to be reduced by 2 percent.
New Jersey	Recommended changes include a reduction of $8 million (or 0.5 percent), to $1,513 million, for unrestricted municipal aid and an increase of $64 million (or 1.3 percent) for aid to local school districts. Changes affecting local governments' ability to manage financial operations include a continued phase-in of state takeover of county court costs, saving counties $119 million in fiscal 1997. The cost shift will be complete in fiscal 1999, saving counties $239 million per year.
New York	The fiscal 1997 executive budget combines changes in state programs requiring local share matching expenditures with mandate relief proposals to provide local governments with more than $1.4 billion in savings. In the Medicaid program, estimated local share savings total more than $522.0 million. In welfare, local share savings are more than $348.0 million. The fiscal 1997 executive budget builds on anticipated federal reforms and increases local flexibility through the use of block grants and the abolishment of administrative complexity in several program areas, including Medicaid, welfare, and special education.
North Carolina	Local governments will begin receiving earmarked revenues from franchise taxes ($130.5 million) and alcoholic beverage taxes ($21.0 million), which were formerly provided as a general fund appropriation. The state earmarked the revenues to replace lost tax revenue from the intangibles tax of $124.4 million.
Oregon	State support of local school districts is increased by 38 percent, to $3,550 million, for the 1995-97 biennium. Responsibility for incarceration, parole, probation, and technical violations of twelve months or less is transferred to the counties, and general fund support is increased to $94.5 million for the 1995-97 biennium.
Pennsylvania	The elimination of state grants to support local sewage treatment plant operations ($38.0 million) is recommended. A new technology initiative would distribute $33.3 million to school districts for computers and related technology. Funds distributed under several existing law enforcement programs, including probation and parole programs, will be increased. A new behavioral health program is proposed to assist counties that may need to provide mental health and drug and alcohol treatment services to some of the "medically needy-only" people eliminated from the medical assistance program. It is proposed that local jurisdictions with populations exceeding 9,000 that use state police in lieu of a local police force be required to reimburse the state for services rendered.
Rhode Island	Education aid has been level-funded and the distribution formula modified to benefit less wealthy communities with increasing enrollments.
South Carolina	The Governor's executive budget provides an additional $37.0 million to reimburse local governments for the property tax relief fund, which will increase the current homestead exemption for residential school property taxes from $100,000 to approximately $125,000; $10.2 million to reimburse local governments for the first year of a three-year phase-in to reduce the floor for the calculation of the manufacturing depreciation from 20 percent to 10 percent, a calculation used in formulating property taxes paid by manufacturers; $10 million to fully fund the local government fund, because South Carolina statute requires appropriation of not less than 4.5 percent of the latest completed fiscal year's general fund revenues to the local government fund; and $2.4 million to reimburse local governments for a $20,000 residential homestead exemption provided to homeowners ages sixty-five years or older.
Texas	The state will cover its cost share of an expected 3 percent (126,000) increase in enrollment.
Utah	The Governor supports giving additional taxing authority to local governments to address infrastructure needs. No specific proposal has been made.
Virginia	The Governor recommends full funding of the additional costs associated with the Virginia Omnibus Education Act of 1995, which increased the number and scope of programs available to at-risk four-year-olds. An additional $13.6 million is recommended for both fiscal 1997 and fiscal 1998 for these programs.
Wisconsin	As recommended by the Governor and adopted as part of the 1995-97 budget, the state will increase to two-thirds its share of school revenues beginning in fiscal 1997. This commitment will increase aid to state schools by $828 million in fiscal 1997, a 36 percent increase over fiscal 1996. School cost controls were made permanent; the mandate that counties provide general relief was removed; more state funding for courts will offset 90 percent of court costs currently funded by the property tax; and mediation and arbitration reforms will require arbitrators to give "greatest weight" to spending limits.

SOURCE: National Association of State Budget Officers.

State Revenue Developments

CHAPTER THREE

Overview

Proposed revenue actions for fiscal 1997 would decrease revenues by $4 billion (see Table 6). This would be the third consecutive year that state actions would result in a decline in new revenues. Proposed tax reductions are mostly concentrated on reducing the personal income tax and decreasing the sales tax. In some states, corporate tax reductions are intended to make the state more attractive to businesses. After net increases in new taxes and fees in fiscal 1991 through fiscal 1994, states reduced overall taxes and fees in both fiscal 1995 and fiscal 1996. Recommendations for fiscal 1997 would reduce taxes further (see Figure 2).

TABLE 6

Enacted State Revenue Changes, Fiscal 1979 to Fiscal 1996, and Proposed State Revenue Change, Fiscal 1997

Fiscal Year	*Revenue Change (Billions)*
1997	$-4.0*
1996	-3.8
1995	-2.6
1994	3.0
1993	3.0
1992	15.0
1991	10.3
1990	4.9
1989	0.8
1988	6.0
1987	0.6
1986	-1.1
1985	0.9
1984	10.1
1983	3.5
1982	3.8
1981	0.4
1980	-2.0
1979	-2.3

NOTE: State revenue change for fiscal 1997 is proposed.

SOURCES: Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism*, 1985-86 edition, page 77, based on data from the Tax Foundation and the National Conference of State Legislatures. Data for fiscal 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, and 1997 provided by the National Association of State Budget Officers.

Several states, including Maryland, did not propose tax reductions due to the likelihood of significant reductions in federal aid.

Several states are completing or have completed multiyear plans to reduce taxes. Connecticut is reducing its corporate income tax over four years, while New Jersey has completed its final installment of a tax cut that reduced personal income taxes by 30 percent over three years for the lowest income bracket. New York is recommending additional tax relief for fiscal 1997; incremental reductions from tax cuts enacted in 1995 will total nearly $2.3 billion this year.

Similarly, many states with biennial budgets enacted tax cuts in the 1995 legislature session that affect 1997 revenues. For example, Connecticut instituted a new 3 percent rate that will be applied to certain levels of taxable income and a new income tax credit that will offset local property taxes. North Carolina increased its personal exemption and established a tax credit per child.

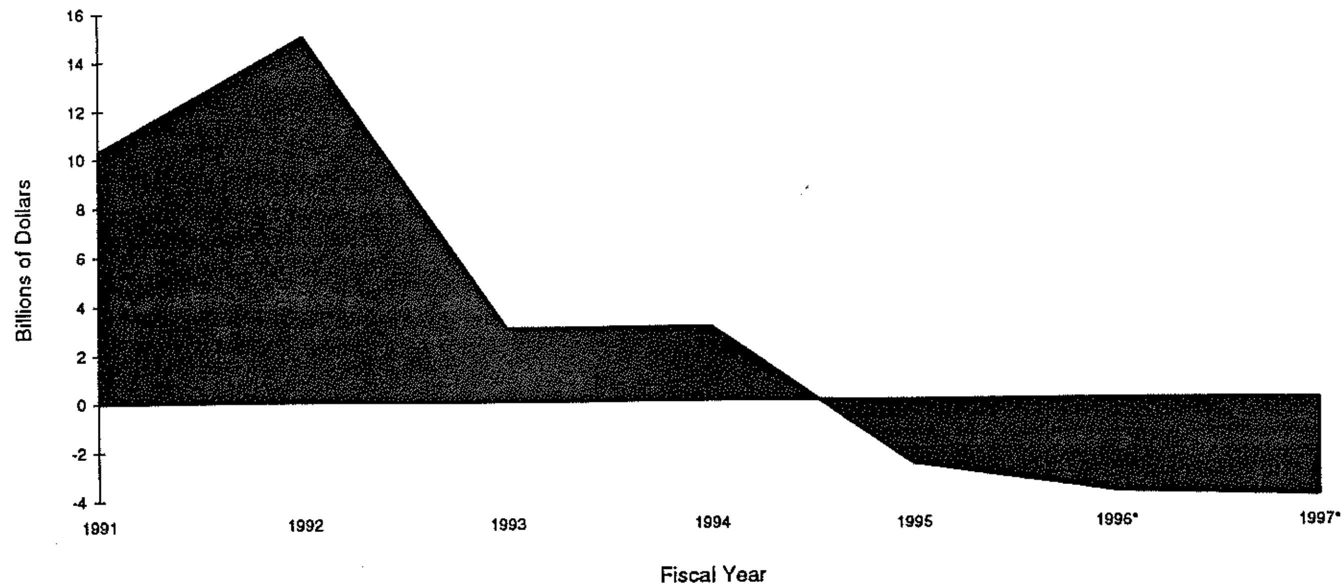
Although not on the immediate horizon, federal tax proposals, such as replacing the federal income tax with a national sales tax, would have a significant impact on the collection of state revenues. If the federal government were to replace its income tax, state systems would be thrown into disarray. Similarly, federal tax proposals that would eliminate deductions would result in increased federal taxes for residents of states because they would be unable to deduct them from federal income as is currently the case. Also, if the federal personal or corporate income tax were eliminated, states would be hard-pressed to operate their own personal and corporate income tax systems because federal taxes are often used as a starting point. Any of these changes would severely undermine state tax systems.

Revenue Collections in Fiscal 1996

Revenue collections for the sales tax, the personal income tax, and the corporate income tax for fiscal 1996 matched or exceeded projections in the majority of states (see Appendix Table A-9). In total, revenue collections are about 1 percent higher than the estimates states used in adopting fiscal 1996 budgets.

FIGURE 2

Enacted State Revenue Changes, Fiscal 1991 to Fiscal 1996, and Proposed State Revenue Change, Fiscal 1997



SOURCE: National Association of State Budget Officers.

Revenue Collections for Fiscal 1997

Fiscal 1997 recommendations include an increase of 3.7 percent over fiscal 1996 estimated tax collections. Projected fiscal 1997 tax collections represent collections from the sales tax, the personal income tax, and the corporate income tax (see Appendix Table A-10).

Although the economy is rebounding, state tax systems have become less responsive to overall economic growth due to the change from a manufacturing-based economy to a service-based economy, the growth of global industries, and changes in technology. States are examining their tax structures to consider responsiveness and equity issues from the perspective of all taxpayers. Some of the issues states are reviewing are the types of services covered by the sales tax, interstate competition, and application of the corporate tax to multistate corporations.

Revenue Changes for Fiscal 1997

Thirty-five states are proposing net revenue changes for fiscal 1997 that would decrease revenues by $4 billion (see Table 7). This would be the third consecutive year that state tax actions would result in a decline in new revenues. Fiscal 1997 actions, highlighted below, appear in Appendix Table A-11.

This survey differentiates between tax and fee increases and decreases (shown in Table 7 and Appendix Table A-11) and revenue measures (shown in Appendix Table A-12). Tax and fee changes reflect a modification to current law that affects taxpayer liability. Revenue measures include deferrals of tax increases or decreases that do not affect taxpayer liability. An example of a revenue measure is the extension of a tax credit that occurs each year.

Sales Taxes. Nine states are proposing sales tax changes for fiscal 1997, mostly to reduce the sales tax. The most significant reductions are Georgia's elimination of the sales tax on food and Missouri's 0.25 cent reduction in its sales tax. Other changes would increase exemptions to the sales tax for capital equipment.

Personal Income Taxes. Twenty-two states are proposing changes, mostly reductions, to personal income taxes. Both the strengthened economy and policy goals to reduce taxes resulted in the majority of changes to decrease personal income taxes. The changes in the personal income tax center around decreasing rates and increasing exemptions and deductions.

Examples include Arizona's decrease in all tax rates, California's proposed 15 percent reduction over three years. New York's rate reduction, and Ohio's increase in its personal exemption. Nine states—Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming—currently do not have broad-based personal income taxes.

Corporate Income Taxes. Eleven states are proposing reductions in corporate income taxes. California proposes reducing rates over three years. Connecticut is lowering its corporate income tax rate from 10.75 percent to 7.5 percent over four years.

Cigarette and Tobacco Taxes. Alaska is proposing an increase in tobacco taxes. During the past three years, twenty-three states and the commonwealth of Puerto Rico have increased these taxes, in some cases to generate additional funds for health care.

Motor Fuels Taxes. Alaska is proposing an increase in motor fuels taxes. North Dakota's increase reflects actions of the 1995 legislature.

Alcohol Taxes. Alaska is proposing an increase in alcohol taxes.

Other Taxes and Fees. Revenues generated from these taxes and fees usually cover costs for licensing and regulation, promote environmental conservation, and generate revenues for health care.

The most significant reductions in this category include a proposed property tax reduction in Arizona, decreased motor vehicle excise taxes in Indiana, and reduced unemployment insurance taxes on businesses in Kansas. Low unemployment rates have enabled some states to reduce unemployment taxes and provide a savings for employers.

Other examples include an increase in the basic exemption for the capital stock tax in Pennsylvania and an increase in the homestead credit on property taxes in Indiana. Fee increases include licensing fees and occupational licenses.

TABLE 7

Proposed Fiscal 1997 Revenue Actions by Type of Revenue and Net Increase or Decrease* (Millions)

State	Sales	Personal Income	Corporate Income	Cigarettes/ Tobacco	Motor Fuels	Alcohol	Other Taxes	Fees	Total
Alabama									$ 0.0
Alaska				$33.0	$42.0	$ 6.0		$ 8.0	89.0
Arizona		$-50.0					$-200.0		-250.0
Arkansas									0.0
California	$ -5.0	-457.0	$-110.0						-572.0
Colorado									0.0
Connecticut			-6.3				-26.7	18.6	-14.4
Delaware		-38.0							-38.0
Florida								72.4	72.4
Georgia	-175.0								-175.0
Hawaii		27.2					8.1		35.3
Idaho									0.0
Illinois							67.0		67.0
Indiana		-60.0					-$143.1		-203.1
Iowa		-5.0	-8.0				-8.9		-21.9
Kansas							-75.0		-75.0
Kentucky		-4.4					-12.0		-16.4
Louisiana									0.0
Maine	3.8	2.0					0.5		6.3
Maryland									0.0
Massachusetts		-133.0	-46.0						-179.0
Michigan		-17.6							-17.6
Minnesota	-4.4	-14.3	-2.5						-21.2
Mississippi		-12.0							-12.0
Missouri	-150.0	-4.0							-154.0
Montana		-3.0							-3.0
Nebraska		-11.9							-11.9
Nevada									0.0
New Hampshire									0.0
New Jersey	-35.0	*	-7.0						-42.0
New Mexico									0.0
New York		-1,851.0	-319.0				-98.0	30.8	-2,237.2
North Carolina									0.0
North Dakota					2.6				2.6
Ohio		-69.0	-16.9						-85.9
Oklahoma	-13.0	-8.0	-8.0				-5.0	4.0	-30.0
Oregon		-11.0							-11.0
Pennsylvania	-21.1						-39.1	12.0	-48.2
Puerto Rico								-10.0	-10.0
Rhode Island		1.7	-2.0				-8.3	74.9	66.3
South Carolina		-14.5					-4.6		-19.1
South Dakota									0.0
Tennessee									0.0
Texas									0.0
Utah*							-75.0		-75.0
Vermont									0.0
Virginia									0.0
Washington	-30.9		-14.3				-16.0		-61.2
West Virginia		-12.8							-12.8
Wisconsin							1.2	15.7	16.9
Wyoming									0.0
Total	**$-430.6**	**$-2,745.6**	**$-540.0**	**$33.0**	**$44.6**	**$6.0**	**$-634.9**	**$226.4**	**$-4,041.1**

NOTE: *See Appendix Table A-11 for details on specific revenue changes.

SOURCE: National Association of State Budget Officers.

Total Balances

CHAPTER FOUR

Balances as a percentage of expenditures for fiscal 1995 through fiscal 1997 range from 4.8 percent to 5.9 percent of expenditures (see Figure 3). Total balances include funds states have available for unforeseen circumstances. Both ending balances and the balances of budget stabilization funds are included in total balance figures (see Appendix Tables A-1, A-2, A-3, and A-13).

Balances for fiscal 1996 are estimated at $18.7 billion, or 5.1 percent of expenditures (see Table 8). More than half of the states estimate balances as a percentage of expenditures to be 3 percent or more in fiscal 1996 (see Table 9 and Figure 4). Balances in twelve states are projected to exceed 10 percent of expenditures in fiscal 1996, a healthy cushion for economic and other uncertainties. Uncertainty about the economy and the level of federal aid is high enough to warrant healthy balances.

The use of ending balances and budget stabilization funds is one of several mechanisms that states have available to address the imbalance between revenues and expenditures. Many states rely on budget stabilization funds to ease the adjustments during economic downturns. States often use formulas to determine the method of deposit, withdrawal, and fund limits for budget stabilization or rainy day funds. Cyclical problems are often addressed through the use of budget stabilization or rainy day funds, especially if they are not too severe.

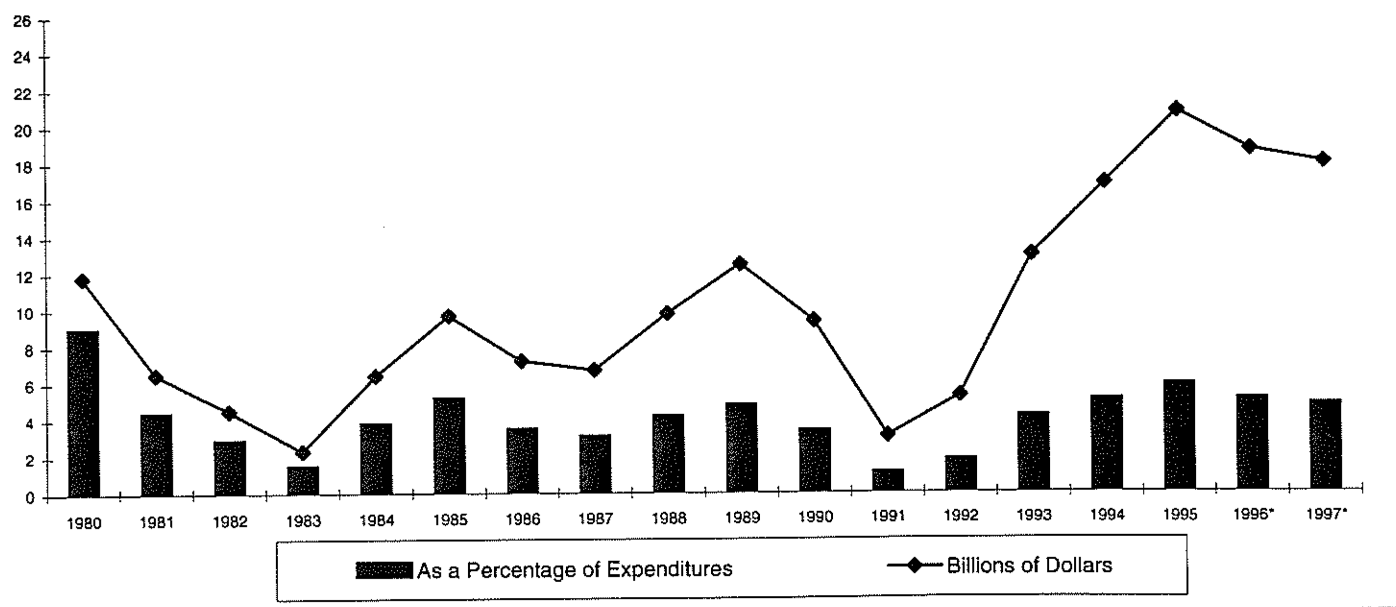
In addition to formal reserves, such as budget stabilization funds, informal reserves also play an important role in maintaining a stable budget. These methods may include increasing the portion of pay-as-you-go capital, issuing debt for shorter periods, and shortening the span of time for bill payments.

Reserves often are used to correct short-term imbalances between revenue and expenditures. Among the strategies that states use for long-term solutions are multiyear forecasting, spending affordability limits, and expenditure controls.

States set spending affordability limits on their budgets through formal and informal means. More than half the states have formal tax or expenditure limits. In Colorado, for example, voters passed a constitutional amendment requiring public approval of

FIGURE 3

Total Year-End Balances, Fiscal 1980 to Fiscal 1997



NOTE: *Data for these years are estimated.

SOURCE: National Association of State Budget Officers.

TABLE 8

Total Year-End Balances, Fiscal 1979 to Fiscal 1997

Fiscal Year	*Total Balance (Billions)*	*Total Balance (Percent of Expenditures)*
1997	$18.0*	4.8%*
1996	18.7*	5.1*
1995	20.8	5.9
1994	16.9	5.1
1993	13.0	4.2
1992	5.3	1.8
1991	3.1	1.1
1990	9.4	3.4
1989	12.5	4.8
1988	9.8	4.2
1987	6.7	3.1
1986	7.2	3.5
1985	9.7	5.2
1984	6.4	3.8
1983	2.3	1.5
1982	4.5	2.9
1981	6.5	4.4
1980	11.8	9.0
1979	11.2	8.7

NOTE: *Figures for fiscal 1996 are estimates, and figures for fiscal 1997 are recommendations.

SOURCE: National Association of State Budget Officers.

TABLE 9

Total Year-End Balances as a Percentage of Expenditures, Fiscal 1995 to Fiscal 1997

	Number of States		
Percentage	*Fiscal 1995 (Actual)*	*Fiscal 1996 (Estimated)*	*Fiscal 1997 (Recommended)*
Less than 1.0%	4	7	7
1.0% to 2.9%	12	13	16
3.0% to 4.9%	5	6	7
5.0% or more	29	24	20

NOTE: The average for fiscal 1995 (actual) was 5.9 percent; the average for fiscal 1996 (estimated) is 5.1 percent; and the average for fiscal 1997 (recommended) is 4.8 percent.

SOURCE: National Association of State Budget Officers.

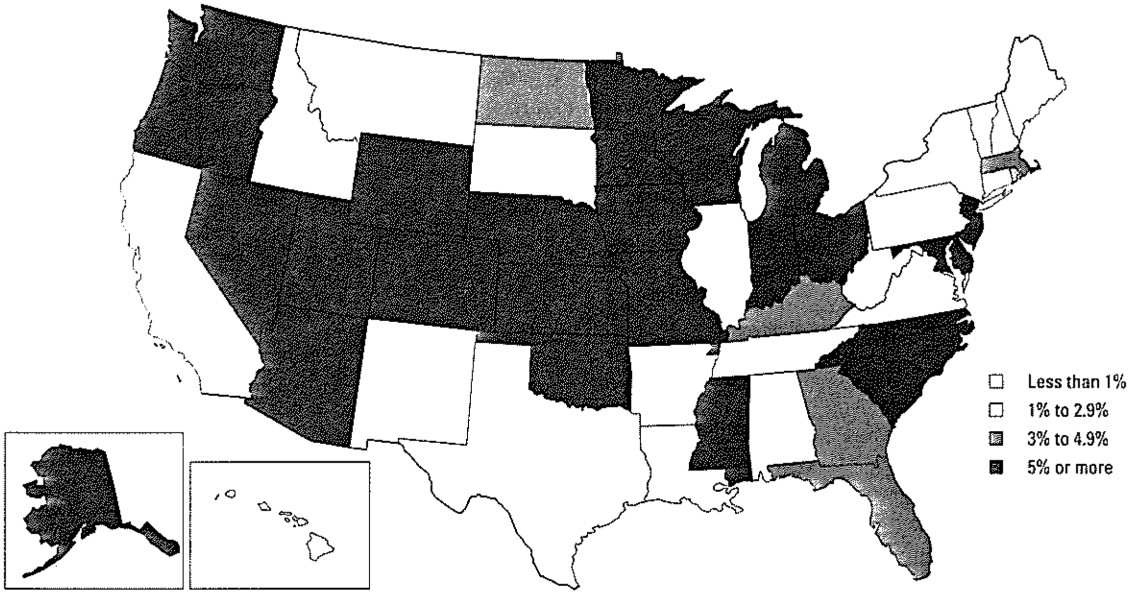
proposed tax increases or rate changes. The amendment also restricts state spending growth to a percentage of state population growth and an inflation factor. A state revenue growth cap passed by Florida voters in 1994 will limit revenue growth to the growth rate of personal income for the prior five-year period.

With respect to expenditures, limits are often linked to the state's personal income growth. Minnesota's recently passed law, for example, limits the spending growth of government by establishing a revenue target, based on personal income growth, that applies to both state and local governments. Maryland uses a spending affordability process that reviews the estimated growth in the state economy in establishing a limit for state appropriations.

Some states achieve stability on the expenditure side of the budget through appropriation controls. For example, in Delaware, Oklahoma, Rhode Island, and South Carolina, less than 100 percent of estimated revenues are appropriated. These controls provide a cushion for uncontrollable events.

FIGURE 4

Total Year-End Balances as a Percentage of Expenditures, Fiscal 1996



SOURCE: National Association of State Budget Officers.

Regional Fiscal Outlook

CHAPTER FIVE

Overview

Growth is expected to continue in most regions through 1996, though at a slower pace than in the previous year. The regions that have experienced the most rapid growth—the Rocky Mountain, Southeast, and Southwest—should continue to outpace the nation. Although the economies of the New England and Mid-Atlantic regions remain weak, California's economy has rebounded and growth is expected to surpass the national average, reversing the trend of the past five years.

Personal income increased nationwide by 6.2 percent from the third quarter of 1994 to the third quarter of 1995. States in the Rocky Mountain and Southwest regions experienced the most rapid growth—at 7.5 percent and 7.4 percent, respectively. The slowest growth region was the Mid-Atlantic, with an increase of 5.0 percent (see Table 10).

Population trends differ significantly across regions. Between July 1994 and July 1995, states in the Mid-Atlantic and New England regions experienced the slowest population growth, at 0.2 percent and 0.4 percent, respectively. The Rocky Mountain region continues to experience the greatest influx of people, with an annual growth rate of 2.2 percent, followed by the Southwest region, at 1.8 percent annual growth.

The U.S. Bureau of Economic Analysis estimates that the population will increase by an average of 0.9 percent each year from 1993 through 2005. The fastest-growing states will continue to be in the Rocky Mountain, Far West, Southwest, and the Southeast regions.

Employment growth also differs across regions. From January 1995 to January 1996, states with the fastest growth in employment generally were in the Southwest, Rocky Mountain, and Far West regions, while states with the slowest employment growth tended to be in the Far West and the Mid-Atlantic regions. States with the most rapid growth in employment were Arizona, Colorado, Nevada, Oregon, and Utah, while the slowest-growing states were Alaska, Hawaii, Maryland, New Jersey, and Pennsylvania.

Information on the outlook by region presented below is based primarily on reports from the Federal Reserve Banks and the Bureau of National Affairs. Additional information comes from state government

TABLE 10

Regional Budget and Economic Indicators

Region	Weighted Unemployment Rate*	Average Annual Percentage Change in Personal Income**	Annual Percentage Change in Population***	Fiscal 1996 Total Balances as a Percentage of Expenditures	Recommended 1997 General Fund Budget Growth (Percent)	Number of States in Region
New England	5.0%	5.8%	0.4%	2.1%	0.4%	6
Mid-Atlantic	6.1	5.0	0.2	2.9	-2.2	5
Great Lakes	4.4	5.8	0.6	7.6	3.8	5
Plains	3.3	7.3	0.7	8.9	1.9	7
Southeast	5.3	6.9	1.3	4.1	3.5	12
Southwest	5.8	7.4	1.8	4.4	2.7	4
Rocky Mountain	3.8	7.5	2.2	8.9	4.6	5
Far West	7.1	6.1	0.9	6.1	2.6	6
Average	**5.6%**	**6.2%**	**0.9%**	**5.1%**	**1.8%**	--

SOURCES: * U.S. Department of Labor, Bureau of Labor Statistics, December 1995.
** U.S. Department of Commerce, Bureau of Economic Analysis, February 1996.
*** U.S. Department of Commerce, Bureau of the Census, January 1996.

forecasts, regional forecasts, and the U.S. Department of Commerce and the Bureau of Labor Statistics.

New England

Growth remains sluggish in New England, with retailers concerned about consumer confidence. Positive signs include employment expansion in the mutual funds industry and growth in residential real estate. Services have been a source of economic strength in this region, especially in software, consulting, and engineering. Tourism also has boosted this region's growth.

Personal income growth for this region from the third quarter of 1994 to the third quarter of 1995 averaged 5.8 percent annually, below the national average of 6.2 percent. Unemployment rates in December 1995 ranged from 3.2 percent in New Hampshire to 6.3 percent in Rhode Island.

Mid-Atlantic

Economic conditions are mixed in the Mid-Atlantic region. Positive signs include robust leasing activity in New York's Manhattan and an increase in retail sales. Although consumer confidence has risen, there is much uncertainty about job prospects with several large corporations having announced major layoffs. Federal cutbacks are expected to have an impact on Maryland, though residential real estate, exports, and residential health care are expected to grow.

Unemployment rates in December 1995 ranged from a low of 4.7 percent in Delaware to a high of 6.5 percent in New Jersey. Personal income growth from the third quarter of 1994 through the third quarter of 1995 averaged 5.0 percent, with all states in the region except Delaware below the national average of 6.2 percent.

Great Lakes

Growth in the Great Lakes region should continue at a steady pace, with automobile sales and capital spending slowing down from their rapid growth of the past two years. After recent growth, Wisconsin forecasts a slowdown in employment and income. Unemployment rates in December 1995 ranged from 3.8 percent in Wisconsin to 5.5 percent in Illinois, with all states below the national average of 5.6 percent. Annual personal income growth from the third quarter of 1994 through the third quarter of 1995 was 5.8 percent, below the national average of 6.2 percent.

Plains

States in the Plains region are experiencing growth in manufacturing jobs, which is helping to diversify their traditionally agriculture-based economies. Unemployment rates are among the lowest in the nation, with North Dakota and Nebraska at 2.5 percent and 2.6 percent, respectively. At 7.3 percent, annual personal income growth from the third quarter of 1994 through the third quarter of 1995 well exceeded the national average of 6.2 percent.

Southeast

Growth in the Southeast is expected to exceed the national rate in 1996, with the main factors being ongoing population growth, exports, services, trade, the auto industry, and tourism. The Olympics will boost the region, especially in Georgia, Florida, and other southern tourist destinations. The low vacancy rates for commercial space has helped to revive construction. Louisiana's employment growth in 1995 was driven by the gaming industry, though at a slower rate of growth than in 1994. The energy industry also contributed to Louisiana's growth.

Unemployment rates in December 1995 ranged from a low of 4.4 percent in Virginia to a high of 8.3 percent in West Virginia. Annual personal income growth from the third quarter of 1994 through the third quarter of 1995 was 6.9 percent, above the national average of 6.2 percent.

Southwest

The Southwest region is expected to outperform the nation as a whole, led by growth in high technology and export trade. Relatively low costs in this region have attracted businesses, especially high-technology companies. Texas' strength has been in computer- and telecommunications-related industries. New Mexico's strength has been in high-technology industries, with many existing firms announcing expansions, as well as in an expanding health care industry. Arizona and New Mexico were among the states with the fastest-growing rates of employment. Oklahoma's services and trade sectors should help sustain the state's growth through 1996.

Unemployment rates in December 1995 ranged from a low of 4.4 percent in Oklahoma to a high of 6.2 percent in Texas. Personal income grew 7.4 percent annually from the third quarter of 1994 to the third quarter of 1995, well above the national average of 6.2 percent.

Rocky Mountain

The Rocky Mountain region is projected to continue growing at a rate above the national average, helped by the growth in technologically advanced industries. Colorado's growth in services and trade should continue through 1996, with gains in business services, particularly engineering services. Business and information services continue to be strong sources of job growth in this region.

Unemployment rates in December 1995 ranged from 3.1 percent in Utah to 5.7 percent in Montana. Personal income grew 7.5 percent annually from the third quarter of 1994 to the third quarter of 1995, well above the national average of 6.2 percent.

Far West

California is expected to outperform the nation in economic growth, reversing the trend of the past five years. Strengths in its economy include services, construction, trade, and electronics-related manufacturing. Hawaii should benefit from the improved economies in California and Japan. The growth in finance, insurance, and real estate in the Far West reflects the role of this region as a financial services center for U.S. trade with Asia. California continues to experience growth in health, social services, and the entertainment industry. Strong demand for computers is expected to boost the economies of the Pacific Northwest.

Unemployment rates in December 1995 ranged from a low of 4.9 percent in Oregon to a high of 7.9 percent in Alaska. Personal income growth from the third quarter of 1994 to the third quarter of 1995 was 6.1 percent, close to the national average of 6.2 percent.

Strategic Directions of States

CHAPTER SIX

States are facing pressures from the anticipation of declining federal resources, the prospect of uneven economies, and public skepticism about government services. These pressures have heightened the need to improve both the performance and reputation of government services, leading to many opportunities for change in state management.

Some of the reorganizations in states are responses to likely changes in federal aid, particularly in human services. Several states are proposing or have implemented changes to integrate job training functions with welfare. This is part of the trend toward placing time limits on welfare and easing the transition for recipients from welfare to work.

Other directions states are taking include merging functions, privatizing certain services, strengthening budget analysis processes, instituting performance-based pay systems, and reviewing state operations through Governors' commissions.

Several states are proposing eliminations of government functions and departments, both as a reaction to economic distress and as a means to downsize state government. Examples include:

- eliminating the agricultural experiment station in Connecticut;
- eliminating state meat inspection, elementary school language arts, the central office of affirmative action, the marine patrol, school vision and hearing services, and litter control in Hawaii; and
- proposing to eliminate sewerage treatment plant operations grants for local jurisdictions and several smaller programs in Pennsylvania.

States continue to search for ways to improve efficiency, often merging departments. The most frequently affected departments or functions are administrative activities, health and social services, and job training. For administrative consolidations, the focus is on improving internal management and eliminating duplication. The focus in the health and social services areas is on integrating services and improving case management. The goal of linking welfare benefits with education and training services is also motivating many mergers. Other restructuring centers on economic development and natural resources activities. Examples of state restructuring include:

- instituting relief from mandates and maintenance-of-effort requirements for various programs in California;
- combining the department of administration and the department of personnel in Colorado;
- merging two financial regulatory code agencies and merging seven human services departments into a single agency in Illinois;
- consolidating administrative units and audit functions and reorganizing and restructuring all departments and agencies in Maine;
- eliminating the department of personnel and merging personnel functions and telecommunications functions into a new department of budget and management in Maryland;
- combining the mental health and public health departments as well as major Medicaid funding from the department of social services in the department of community health in Michigan;
- transferring control of the Missouri state rehabilitation hospital to the University of Missouri;
- reorganizing social services agencies in Nebraska;
- combining the department of banking and insurance as well as consolidating senior services in New Jersey;
- reorganizing Medicaid administration, continuing expansion of managed care, and moving to a market-driven Medicaid hospital reimbursement system in New York;
- merging the department of liquor control into the department of commerce effective July 1, 1997, and reengineering projects in Medicaid, welfare, and workforce training in Ohio;
- proposing a major reorganization of the department of human services in Oklahoma;
- transferring trucking regulation to the department of transportation and functions of the energy department to the department of consumer and business affairs; reorganizing juvenile corrections

programs; transferring certain responsibilities for adult corrections to counties; and converting the Oregon Health Sciences University to a public corporation in Oregon;

- proposing to consolidate the department of community affairs and the department of commerce to create a new department of economic and community development; creating a center for local government services to provide a direct link between the state and local governments; and eliminating the state tax equalization board and transferring its functions to the department of education in Pennsylvania;

- merging the department of employment and training and the department of labor into a new department of labor and training; merging the department of elderly affairs into the department of human services; and merging the department of library service into the department of administration, for a total of twenty-three agencies consolidated into eight existing agencies in Rhode Island; and

- proposing to create an agency of labor and workforce development and a department of building and support services in Vermont.

In a review of service delivery and efficiency, states may opt to privatize services that were previously performed by state employees. Several states are pursuing privatization as a means to achieve cost savings, primarily by contracting out for services. Although privatization is not new, it is now being given serious consideration as a policy option. Most of the recent activity centers around developing a methodology to assess privatization opportunities and compiling a list of possibilities through a review of state agencies. About ten states have established a competitive-bidding process for the delivery of services in which government agencies must bid against their counterparts in the private sector. Recent examples of privatization include:

- privatizing the state lottery in Connecticut;

- privatizing some mental health and corrections activities in Missouri;

- privatizing medical care, commissary operations, and facility maintenance in the department of corrections in New Jersey;

- proposing the privatization of the existing state health care centers and the three new secure treatment units for the youth development centers in Pennsylvania; and

- contracting out for medical care for inmates in all correctional facilities; and closing the central supply warehouse and the central printing operation and procuring these services directly from private vendors in Wyoming.

Changes in workforce policies include a focus on quality management efforts to improve the effectiveness and efficiency of government services. To reduce personnel costs, many states have reduced the number of positions or have offered early retirement incentives. States are also instituting pay for performance as a means to reward performance. According to the National Association of State Budget Officers' publication *Workforce Policies*, ten states have instituted statewide pay for performance in the past three years, while thirty-nine states have initiated total quality management. Thirty-one states have established a statewide commission or a process to review productivity or quality issues. Examples of recent state changes in workforce policies include:

- instituting privatization, pay for performance, and various civil service reforms in California;

- continuing to increase work hours to forty hours per week for a number of employees and instituting a statewide hiring freeze in Connecticut;

- abolishing the state merit system for new employees on July 1, 1996, to allow for greater flexibility in Georgia;

- eliminating some vacant and filled positions in Hawaii;

- reducing the workforce by more than 1,000 positions over the biennium and adopting a retirement incentive program in Maine;

- introducing legislation to reform the state personnel management system with the goal of improving the caliber and productivity of the workforce by streamlining the grievance and disciplinary processes, strengthening the employee performance appraisal process, phasing in pay for performance, and emphasizing training and employee development in Maryland;

- freezing full-time equivalent positions for agencies under the Governor's control in Nebraska;

- reducing the workforce through 930 layoffs in fiscal 1996 and 260 layoffs in fiscal 1997 due to privatization in various departments; and reducing the workforce through an additional 554 layoffs and elimination of 406 positions through attrition in fiscal 1997 due to program and administrative consolidations, reductions, or eliminations in New Jersey;

- proposing to reduce the size of the workforce and implementing performance pay and severance pay packages in Oklahoma;
- revising public employee collective bargaining to modify negotiation procedures and timelines, to limit issues subject to mandatory bargaining, and to change the definition of overtime; and creating a defined contribution retirement plan for certain employees in Oregon;
- proposing to reform the personnel system by offering early retirement incentives based on additional service credits; establishing a severance incentive package; eliminating statutory status for new employees, providing alternative selection and certification procedures; establishing a senior executive service; and authorizing a transfer of nonunion employees by the director of administration in Rhode Island;
- instituting a cap on full-time equivalent positions in Texas agencies;
- continuing a transitional severance benefit package to eligible employees who are involuntarily separated in Virginia; and
- instituting an early retirement program in Wyoming.

States are conducting statewide reviews of expenditures and revenues as part of an effort to maintain long-term balance in their budgets. These efforts address a structural imbalance that states are anticipating between the rate of growth in their revenues and the rate of growth in their expenditures. Examples include:

- developing a long-range financial plan with the administration and legislature in Alaska;
- continuing dynamic revenue modeling in California;
- implementing zero-based budget formulation for two major departments in Colorado;
- requiring agencies to identify 5 percent of their budget for redirection and/or program elimination as part of a continuing review of all expenditures and the goal of restraining future spending growth in Georgia;
- establishing a task force on productivity realization for state government in Maine;
- continuing a detailed review of base budgets in Missouri;
- completing recommendations from the Governor's Commission on Government Performance in Oklahoma;
- issuing a commission report on changes to state operations in Pennsylvania; and
- continuing the Texas Performance Review and abolishing dedicated funds in Texas.

Performance-based budgeting is the most significant development in state budgeting. States often proceed incrementally by establishing a strategic plan, assessing goals and objectives for agencies and programs, and developing performance measures. Most of the states that engage in this endeavor recognize that it is a multiyear effort that requires considerable investment by the top leadership as well as by people at all levels of state government. Moreover, with the growth of performance-based budgeting systems, the data requirements to link budget and cost data with performance data create an even greater demand for up-to-date financial systems. Examples include:

- examining ten programs to decide whether to retain, eliminate, or modify the funding and statutory references in Arizona;
- reforming the procurement and regulatory processes in California;
- reviewing state funding of federal mandates in Colorado;
- upgrading the budgeting system and integrating it with the state's financial management system in Delaware;
- allowing the lapse of excess balances in nongeneral funds in Hawaii;
- placing a major emphasis on performance measures for the 1997-99 budget in Indiana;
- standardizing computer software and hardware and expanding the use of technology in Maine;
- creating a school cash-flow account for school districts and using the interest earnings on the account for competitive statewide technology, science and mathematics education, and library grants in Minnesota;

- linking strategic planning to budgeting and performance measures; bidding on a new financial management system; appointing a federal fiscal impact commission; and having voters decide on a constitutional amendment to limit tax increases without taxpayers' approval in Missouri;

- eliminating the appropriation of most proprietary funds in Montana;

- recommending an increase to the rainy day fund in Nebraska;

- changing the budget process to require departments to identify their core mission and to identify programs outside this mission and low-priority programs to be reviewed for reduction or elimination in New Jersey;

- moving to cash-based appropriations that authorize only the cash spending projected to actually occur during the fiscal year; and organizing appropriation bills on a function-by-function basis to show all agency spending in one place in New York;

- implementing selective performance reviews, which would be required for a program to be considered for continued funding in Ohio;

- improving the accounting of accrued liabilities and increasing the use of performance measures in Oklahoma;

- requiring legislative approval for new and increased fees proposed by agencies and implementing a statewide accounting system in Oregon;

- requiring agencies to submit zero-growth budget requests in Texas;

- fully integrating strategic planning, performance measurement, and performance budgeting in all agencies and major programs in Virginia;

- revising the budget process to link policy goals and performance measures to recommendations and appropriations and to include capital budget information in the executive budget for fiscal 1997 in West Virginia; and

- implementing a budget based on a strategic planning process with the development of performance measures and in accordance with generally accepted accounting principles in Wyoming.

States are continuing to make management changes, including reorganizing government through mergers and consolidations, using performance measures in budgeting, and selectively increasing private sector involvement in government. These changes are not "quick fixes," but rather long-term approaches intended to improve the management of state government.

Appendix

TABLE A-1

Fiscal 1995 State General Fund, Actual (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Budget Stabilization Fund
NEW ENGLAND								
Connecticut*	$ 0	$ 8,480		$ 8,480	$ 8,399		$ 81	$ 81
Maine*	4	1,672	$ 37	1,712	1,687	$ 26	4	10
Massachusetts*	125	15,798		15,923	15,705		179	425
New Hampshire	12	963		975	971	4	0	24
Rhode Island*	4	1,643		1,646	1,641		5	45
Vermont*	0	673	3	675	690		-15	0
MID-ATLANTIC								
Delaware*	313	1,602		1,915	1,541		374	*
Maryland	65	7,068		7,133	7,000		133	286
New Jersey*	1,204	14,898		16,138	14,947	240	952	*
New York*	399	32,296	862	33,557	33,399		158	*
Pennsylvania*	302	15,765	148	16,215	15,732	-54	429	66
GREAT LAKES								
Illinois*	230	17,302	-300	17,232	17,201	-300	331	0
Indiana*	90	7,307	-30	7,367	6,332	356	679	419
Michigan*	0	7,995	44	8,040	8,041	-2	0	1,003
Ohio*	300	15,711		16,011	14,979	962	70	828
Wisconsin*	282	7,946		8,228	7,827		401	*
PLAINS								
Iowa*	0	3,907		3,907	3,616		292	116
Kansas*	454	3,219	4	3,677	3,310		367	5
Minnesota*	903	8,759		9,662	8,605		1,057	*
Missouri	275	5,459		5,734	5,261		473	24
Nebraska*	152	1,706	1	1,858	1,683		176	21
North Dakota*	28	632		660	629		31	0
South Dakota*	0	580	41	622	589	33	0	11
SOUTHEAST								
Alabama	128	4,078		4,206	4,151		54	0
Arkansas*	0	2,400	52	2,453	2,453		0	0
Florida	198	14,179		14,377	14,248		129	282
Georgia*	120	9,625		9,745	9,500		224	288
Kentucky	98	5,188	125	5,411	5,006	144	261	100
Louisiana*	0	4,784	10	4,794	4,729	-132	146	0
Mississippi*	166	2,624		2,790	2,675		115	268
North Carolina*	888	9,972		10,860	10,034		892	*
South Carolina*	407	4,234		4,641	4,051		589	*
Tennessee*	173	5,076	90	5,339	5,174	27	138	*
Virginia*	334	7,174		7,507	7,490		17	80
West Virginia*	69	2,309	3	2,380	2,210	43	127	64
SOUTHWEST								
Arizona	229	4,466		4,695	4,425		270	223
New Mexico*	156	2,692	-60	2,788	2,714	15	0	59
Oklahoma	118	3,513		3,631	3,436		195	45
Texas*	1,929	20,563		22,492	20,640		1,852	9
ROCKY MOUNTAIN								
Colorado*	405	3,996		4,402	3,914	4	484	*
Idaho*	38	1,288	-55	1,271	1,268		3	33
Montana*	50	938	7	995	948		47	NA
Utah	37	2,365		2,402	2,341		61	66
Wyoming*	22	445	35	502	476		26	55
FAR WEST								
Alaska*	0	2,489	83	2,572	2,572		0	2,136
California*	109	42,710	-175	42,644	41,961		683	*
Hawaii	291	2,969		3,259	3,169		90	0
Nevada*	129	1,206	165	1,500	1,103	295	102	100
Oregon*	439	3,390		3,829	3,333		496	*
Washington*	402	8,534	107	9,043	8,484		559	0
TERRITORIES								
Puerto Rico	255	5,211		5,466	5,340		126	82
Total	**$12,077**	**$354,584**	**--**	**$367,893**	**$352,291**	**--**	**$13,736**	**$7,171**

NOTE: NA indicates data are not available.

*See Notes to Table A-1.

NOTES TO TABLE A-1

For all states, unless otherwise noted, transfers into budget stabilization funds are counted as expenditures, and transfers from budget stabilization funds are counted as revenues.

Alaska	Revenue adjustments are transfers from the budget reserve fund.
Arkansas	Revenue adjustments reflect a transfer made to reserve funds for services and capital infrastructure.
California	Revenue adjustments include $1,025 million of a deficit elimination plan and $-1,200 million in loan repayments as part of a twenty-two-month payoff of the 1993-94 deficit. Ending balance includes a budget stabilization fund of $313 million.
Colorado	Expenditure adjustment for fiscal 1995 represents a transfer out for natural disasters. Ending balance includes $80.5 million of constitutional emergency reserve and a budget stabilization fund of $403.5 million, which includes a statutory 4 percent reserve.
Connecticut	Figures include federal reimbursements such as Medicaid.
Delaware	Ending balance includes a budget stabilization fund of $79.1 million.
Georgia	The Governor has a fiscal estimate above the revenue estimate used by the general assembly for budget purposes. These anticipated revenues are calculated to make the ending balance 1 percent of revenue from the prior year for midyear adjustments and to ensure that the rainy day fund is at 3 percent of prior-year revenues.
Idaho	Revenue adjustments include one-time transfers to other funds.
Illinois	Revenue and expenditure adjustments reflect cash-flow borrowing amounts for the general funds; fiscal 1995 is $300 million.
Indiana	Revenue adjustments reflect a transfer to the rainy day fund. Expenditure adjustment reflects an acceleration of a previously delayed distribution to local governments.
Iowa	Ending balance includes $117.1 million to be deposited in the cash reserve fund, $50.0 million to be set aside in a special fund for infrastructure improvements, and $124.4 million to be set aside in an economic emergency fund.
Kansas	Revenue adjustments are adjusted for released encumbrances.
Louisiana	Revenue adjustment is a carry-forward balance. Expenditure adjustment is a comprehensive annual financial report reconciliation. General fund balance is not available for operating expenditures.
Maine	Revenue adjustments reflect prior-year transactions and balances carried forward. Revenue figures have been adjusted for the change to a modified accrual basis. Expenditure adjustments reflect an increase in the rainy day fund and in working capital.
Massachusetts	In fiscal 1995, $44.3 million was transferred to the budget stabilization fund, of which $14.6 million was due to interest.
Michigan	Revenue adjustments include a revenue sharing freeze of $67.0 million, a taxpayer economic performance bonus of $-113.0 million, and a transfer from the budget stabilization fund for the Nordhouse Dunes settlement of $90.4 million, totaling $44.4 million. Expenditure adjustments include net adjustments per May leadership conference of $-41.0, the Nordhouse Dunes settlement of $90.4 million, estimated lapses of $-98.4 million, and contingent appropriations of $27.7 million and other adjustments, totaling $-1.6 million.
Minnesota	Ending balance includes a budget stabilization fund of $500 million.
Mississippi	Expenditures reflect a transfer of $73 million into a working cash stabilization fund.
Montana	Revenue adjustments primarily represent residual equity transfers. Fiscal 1995 figures were adjusted to reflect discontinued earmarking of funds for public schools consistent with fiscal 1996 and fiscal 1997.
Nebraska	Revenue adjustments are transfers between the general fund and other funds.
Nevada	Revenue adjustments are primarily reversions to general fund. Expenditure adjustments include appropriations to restore selected fund balances, supplemental appropriations, one-time appropriations, and capital improvement programs.
New Jersey	Expenditure adjustments are based on generally accepted accounting principles. Ending balance includes a budget stabilization fund of $263.3 million.
New Mexico	Appropriations from reserves, disaster allotments, and transfers are included in adjustments to expenditures.

NOTES TO TABLE A-1 (continued)

New York	Ending balance includes a tax stabilization reserve fund of $157 million. This fund can be used to help stabilize the state's tax structure when revenues fall short of projections. Its total assets are $201 million, including loans to the general fund in earlier years.
North Carolina	Ending balance includes a budget stabilization fund of $423.6 million.
North Dakota	The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.
Ohio	Ohio includes federal reimbursements for Medicaid, ADC, and several other human services programs in its general fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balance would be higher by the amount reserved for encumbrances and transfers to the rainy day fund in each year. Expenditures for fiscal 1995 and fiscal 1996 do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements from the general fund. Fiscal 1995 adjustments equal a transfer to the rainy day fund of $535.2 million, plus other "transfers out" of $324.29 million, plus a "net change in encumbrances" of $102.5 million over the year.
Oregon	Emergency fund balances revert to the general fund in January in odd-numbered years. Ending balance includes a budget stabilization fund of $39 million.
Pennsylvania	Revenue adjustments include lapses from prior-year appropriations. Expenditure adjustments include increases due to the current-year lapses ($57 million in fiscal 1995) less decreases due to the transfer to the rainy day fund ($111 million in fiscal 1995), which actually occurs in the subsequent fiscal year. The transfer to the rainy day fund was increased from 10 percent to 15 percent of the general fund closing balance effective with the transfer based on the fiscal 1995 closing balance on June 30, 1995. Also, fiscal 1995 reflects an additional $30 million contribution above the 15 percent from the closing balance on June 30, 1995.
Rhode Island	The general fund reflects general revenue receipts and appropriations only. Total resources are net transfers to the budget reserve fund and other financing uses.
South Carolina	Ending balance includes a revenue set-aside of $54.6 million and a budget stabilization fund of $110.2 million.
South Dakota	Revenue adjustments include transfers from the budget reserve fund and obligation cash carried forward. Expenditure adjustments include transfers to the budget reserve fund and other funds. Also included in expenditures are future obligations against cash.
Tennessee	Revenue adjustments include a $90 million transfer to the general fund from the debt service fund and reserve balances. Expenditure adjustments include $27 million in transfers from the general fund to the capital projects fund. Ending balance includes a budget stabilization fund of $101 million.
Texas	Revenues include a transfer of $21 million from the rainy day fund for 1995.
Vermont	Revenue adjustments are a transfer from the general fund budget stabilization reserve of $1.0 million and a transfer of $1.5 million from the transportation fund.
Virginia	The rainy day fund was appropriated in fiscal 1995.
Washington	At the end of fiscal 1995, $100 million was transferred into the general fund from the abolished budget stabilization account, $12.3 million was added to the reserves, and all other adjustments increase the fund balance by $19.1 million, for a net increase of $106.8 million.
West Virginia	Fiscal 1995 revenue adjustments are expirations from special revenue into general fund. Beginning balance includes thirty-one-day expenditures of $21.2 million, reappropriations of $26.7 million, surplus appropriations of $6.0 million, appropriated surplus of $7.9 million, and unappropriated surplus of $7.0 million, totaling $68.8 million.
Wisconsin	Ending balance includes a budget stabilization fund of $78.2 million.
Wyoming	Revenue adjustments represent budgeted interfund transfers.

TABLE A-2

Fiscal 1996 State General Fund, Estimated (Millions)

Region/State	*Beginning Balance*	*Revenues*	*Adjustments*	*Resources*	*Expenditures*	*Adjustments*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND								
Connecticut*	$ 0	$ 8,892		$ 8,892	$ 8,914	$ 22	$ 0	$ 58
Maine	4	1,733		1,737	1,732		5	NA
Massachusetts*	179	16,177		16,356	16,304		52	446
New Hampshire*	0	836		836	845		-8	24
Rhode Island*	5	1,646	$ 57	1,707	1,651	56	1	52
Vermont*	-15	711	7	703	703		0	0
MID-ATLANTIC								
Delaware*	374	1,642		2,016	1,714		302	*
Maryland*	133	7,244	40	7,417	7,442	-26	1	500
New Jersey*	952	15,129		16,081	15,758	-548	870	*
New York*	158	33,042	-280	32,920	32,748		172	*
Pennsylvania*	429	15,761	58	16,248	16,220	-108	100	183
GREAT LAKES								
Illinois*	331	18,090	-200	18,221	18,121	-200	300	0
Indiana*	679	7,535	-4	8,210	7,180		1,030	443
Michigan*	0	8,397	59	8,455	8,439	17	0	1,058
Ohio*	70	16,334		16,404	16,286	-101	219	828
Wisconsin*	401	8,377		8,777	8,216		562	*
PLAINS								
Iowa*	0	4,103	-71	4,032	3,783	61	188	358
Kansas*	367	3,368	1	3,736	3,474		262	0
Minnesota*	1,057	9,055		10,112	9,257		855	*
Missouri	473	5,681		6,154	5,758		396	28
Nebraska*	176	1,830	1	2,007	1,810	83	114	22
North Dakota*	31	633		664	639		25	0
South Dakota*	0	607	25	632	622	10	0	18
SOUTHEAST								
Alabama*	54	4,208	16	4,278	4,235		43	0
Arkansas*	0	2,533	50	2,583	2,583		0	0
Florida	129	14,899		15,027	14,797		230	313
Georgia*	224	10,134	116	10,474	10,358		100	304
Kentucky	261	5,282	144	5,687	5,443	244	0	200
Louisiana*	0	4,830	19	4,849	4,852		143	0
Mississippi*	115	2,680		0	2,776	-24	43	311
North Carolina*	892	9,769		10,662	10,032		630	*
South Carolina*	589	4,245		4,835	4,404		430	*
Tennessee*	138	5,413	30	5,581	5,474	5	102	*
Virginia*	17	7,712		7,729	7,666		63	80
West Virginia*	127	2,295		2,422	2,422		0	64
SOUTHWEST								
Arizona	270	4,568		4,838	4,562		275	228
New Mexico*	59	2,811	-60	2,810	2,781	13	0	16
Oklahoma	195	3,640		3,835	3,547		288	78
Texas*	1,852	20,528		22,379	21,836		543	9
ROCKY MOUNTAIN								
Colorado*	484	4,172		4,655	4,152		503	*
Idaho*	3	1,333	-4	1,332	1,331		1	33
Montana*	47	967	7	1,021	999		22	NA
Utah*	61	2,717		2,778	2,612		166	69
Wyoming*	26	442	36	504	491		13	46
FAR WEST								
Alaska*	0	2,054	429	2,483	2,483		0	2,226
California*	683	44,991	-1,025	44,649	44,246		403	*
Hawaii	90	3,128		3,218	3,154		64	0
Nevada*	102	1,230	17	1,349	1,233		116	100
Oregon*	496	3,456		3,952	3,563		389	*
Washington	559	8,649		9,208	8,645		563	0
TERRITORIES								
Puerto Rico	126	5,393		5,393	5,377		16	67
Total	**$13,276**	**$365,507**	--	**$378,783**	**$368,294**	--	**$10,575**	**$8,095**

NOTE: NA indicates data are not available.

*See Notes to Table A-2.

NOTES TO TABLE A-2

For all states, unless otherwise noted, transfers into budget stabilization funds are counted as expenditures, and transfers from budget stabilization funds are counted as revenues.

Alabama	Revenue adjustments reflect transfers from the budget reserve fund.
Alaska	Revenue adjustments are transfers from the budget reserve fund.
Arkansas	Revenue adjustments reflect a transfer made to reserve funds for services and capital infrastructure.
California	Revenue adjustments include loan repayments of $-1,025 million as part of a twenty-two-month payoff of the 1993-94 deficit. Ending balance includes a budget stabilization fund of $50 million.
Colorado	Ending balance includes $179.9 million of constitutional emergency reserve and a budget stabilization fund of $322.9 million, which includes a statutory 4 percent reserve.
Connecticut	Figures include federal reimbursements such as Medicaid. Expenditure adjustments for fiscal 1996 are a transfer from the rainy day fund to eliminate the deficit.
Delaware	Ending balance includes a budget stabilization fund of $87.2 million.
Georgia	The Governor has a fiscal estimate above the revenue estimate used by the general assembly for budget purposes. These anticipated revenues are calculated to make the ending balance 1 percent of revenue from the prior year for midyear adjustments and also to ensure that the rainy day fund is at 3 percent of prior-year revenues.
Idaho	Revenue adjustments include one-time transfers to other funds.
Illinois	Revenue and expenditure adjustments reflect cash-flow borrowing amounts for the general funds; fiscal 1996 is $200 million.
Indiana	Revenue adjustments reflect a transfer to the rainy day fund.
Iowa	Revenue adjustments include $47.6 million in income tax reductions for dependents and retirees and $23.4 million in other adjustments, primarily the transfer of gaming revenues above $70 million to the infrastructure fund. Expenditure adjustments include $61.0 million in additional property tax relief. Ending balance includes $4.7 million to be deposited in the cash reserve fund and $183.2 million to be set aside in an economic emergency fund under current law.
Kansas	Revenue adjustments are adjusted for released encumbrances.
Louisiana	Revenue adjustment is a carry-forward balance. Expenditure adjustment is a comprehensive annual financial report reconciliation. General fund balance is not available for operating expenditures.
Maryland	Revenue adjustments represent a reversion of fiscal 1995 overaccruals for Medicaid and nonpublic special education placements of $22 million and a transfer from the rainy day fund of $18 million. Expenditure adjustments represent cost containment totaling $26 million through reductions of various fiscal 1996 agency appropriations.
Massachusetts	In both fiscal 1996 and fiscal 1997, the increase in the budget stabilization fund balance is estimated to be $21 million each year, due to interest earned on balances.
Michigan	Revenue adjustments include a revenue sharing freeze of $81.3 million and other adjustments, totaling $58.7 million. Expenditure adjustments include vetoes of $-47.3 million, Michigan Administrative Information System prefunding of $27.9 million, and other adjustments, totaling $16.8 million.
Minnesota	Ending balance includes a budget stabilization fund of $695 million. The Governor's recommendations include adding $140 million to the budget reserve account in fiscal 1996, bringing the total to $345 million. The cash-flow account would remain at $350 million. The total in both the budget reserve and cash flow accounts would be $695 million.
Mississippi	Expenditures reflect a transfer of $44 million into a working cash stabilization fund.
Montana	Revenue adjustments represent primarily residual equity transfers. Fiscal 1996 expenditures include $22 million in returns to taxpayers from fiscal 1995 ending fund balances.
Nebraska	Revenue adjustments are transfers between the general fund and other funds. Expenditure adjustments are carryovers and mid-biennium changes.
Nevada	Revenue adjustments are primarily reversions to the general fund. Expenditure adjustments include appropriations to restore selected fund balances, supplemental appropriations, one-time appropriations, and capital improvement programs.
New Hampshire	Expenditure adjustment represents a transfer to the rainy day fund.
New Jersey	Expenditure adjustments include a projected lapse of $540.7 million and other adjustments of $7.0 million. Ending balance includes a budget stabilization fund of $263.3 million.
New Mexico	Appropriations from reserves, disaster allotments, and transfers are included in adjustments to expenditures.

NOTES TO TABLE A-2 (continued)

New York	Ending balance includes a tax stabilization reserve fund of $172 million. This fund can be used to help stabilize the state's tax structure when revenues fall short of projections. Its total assets are $201 million, including loans to the general fund in earlier years.
North Carolina	Ending balance includes a budget stabilization fund of $469.5 million.
North Dakota	The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.
Ohio	Ohio includes federal reimbursements for Medicaid, ADC, and several other human services programs in its general fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balance would be higher by the amount reserved for encumbrances and transfers to the rainy day fund in each year. Expenditures for fiscal 1995 and fiscal 1996 do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements from the general fund. Fiscal 1996 adjustments equal "transfers out" totaling $6.7 million minus a "net change in encumbrances" of $107.4 million from fiscal 1995 levels.
Oregon	Ending balance includes a budget stabilization fund of $127 million.
Pennsylvania	Revenue adjustments include the adjustments to the beginning balance and lapses from prior-year appropriations. Expenditure adjustments include increases due to the current-year lapses ($90 million in fiscal 1996) less decreases due to the transfer to the rainy day fund ($18 million in fiscal 1996), which actually occurs in the subsequent fiscal year.
Rhode Island	The general fund reflects general revenue receipts and appropriations only. Total resources are net transfers to the budget reserve fund and other financing uses. Adjustments reflect the conversion of 239 restricted or dedicated accounts to general revenue accounts.
South Carolina	Ending balance includes a revenue set-aside of $64.2 million and a budget stabilization fund of $120.7 million.
South Dakota	Revenue adjustments include transfers from the budget reserve fund and obligation cash carried forward. Expenditure adjustments include transfers to the budget reserve and other funds. Also included in expenditures are future obligations against cash.
Texas	Revenues include a transfer of $21 million from the rainy day fund for 1995.
Tennessee	Revenue adjustments include a $30 million transfer to the general fund from the debt service fund and the capital projects fund. Expenditure adjustments include $5 million in transfers from the general fund to the capital projects fund. Ending balance includes a budget stabilization fund of $101 million.
Utah	Final legislative action resulted in a beginning balance of $61.0 million, revenues of $2,793.9 million, expenditures of $2,605.9 million, and an ending balance of $188.0 million.
Vermont	Revenue adjustment is a transfer from the transportation fund of $6.7 million.
Virginia	The rainy day fund was appropriated in fiscal 1995.
West Virginia	Beginning balance includes thirty-one-day expenditures of $22.1 million, reappropriations of $61.6 million, and surplus reappropriations of $43.1 million, totaling $126.8 million. Total expenditures include regular appropriations of $2,282.9 million, reappropriations of $61.6 million, surplus appropriations of $43.1 million, thirty-one-day expenditures of $22.1 million, and recommended surplus appropriations of $12.5 million, totaling $2,422.2 million. Fiscal 1996 prior-year redeposits and expenditures are transferred to the revenue shortfall reserve fund.
Wisconsin	Ending balance includes a budget stabilization fund of $82.2 million.
Wyoming	Revenue adjustments represent budgeted interfund transfers.

TABLE A-3

Fiscal 1997 State General Fund, Recommended (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Budget Stabilization Fund
NEW ENGLAND								
Connecticut*	$ 0	$ 9,087		$ 9,087	$ 9,086		$ 1	$ 59
Maine*	5	1,782		1,787	1,786		1	NA
Massachusetts*	52	16,166		16,218	16,157		61	467
New Hampshire	-8	875		867	867		0	24
Rhode Island*	1	1,644	$ 57	1,701	1,644	$ 56	0	52
Vermont*	0	722		722	717	5	0	5
MID-ATLANTIC								
Delaware*	302	1,698		2,000	1,757		243	*
Maryland*	1	7,443	29	7,473	7,472		1	538
New Jersey*	870	15,268	-2	16,137	15,598		539	*
New York*	172	31,403	-86	31,489	31,217		272	*
Pennsylvania*	100	16,095		16,195	16,190	-1	4	210
GREAT LAKES								
Illinois	300	18,407		18,407	18,407		300	0
Indiana*	1,030	7,838	3	8,871	7,513		1,358	461
Michigan*	0	8,867	-621	8,247	8,247		0	1,004
Ohio*	219	17,188		17,407	17,240	7	161	828
Wisconsin*	562	8,758		9,320	9,025		294	*
PLAINS								
Iowa*	133	4,223	-97	4,259	3,946	98	216	413
Kansas	262	3,527		3,789	3,522		267	0
Minnesota*	855	9,204		10,059	8,864		1,195	*
Missouri	396	5,954		6,350	6,270		80	115
Nebraska*	114	1,928	-36	2,006	1,870	23	114	39
North Dakota*	25	699		724	706		18	0
South Dakota*	0	644		644	644		0	18
SOUTHEAST								
Alabama*	43	4,354	16	4,413	4,413		0	0
Arkansas*	0	2,685	49	2,734	2,734		0	0
Florida	230	15,303		15,533	15,533		0	409
Georgia*	100	10,629	124	10,853	10,729		110	318
Kentucky	0	5,474	200	5,674	5,474	200	0	200
Louisiana*	0	5,014		5,014	5,014		143	0
Mississippi*	43	2,783	-12	2,814	2,814		0	367
North Carolina*	630	10,382		11,012	10,188		824	*
South Carolina*	430	4,402		4,833	4,573		260	*
Tennessee*	102	5,711		5,813	5,711		102	*
Virginia*	63	8,060		8,122	8,119		3	188
West Virginia	0	2,355		2,355	2,355		0	64
SOUTHWEST								
Arizona	275	4,452		4,728	4,715		13	233
New Mexico	16	2,889	2,905	2,848		0	56	
Oklahoma	288	3,790		4,078	3,789		289	78
Texas*	543	21,700		22,243	22,242		1	10
ROCKY MOUNTAIN								
Colorado*	503	4,416		4,919	4,277		641	*
Idaho	1	1,412		1,413	1,412		1	33
Montana*	22	986	2	1,010	988		22	NA
Utah*	166	2,681		2,847	2,847		0	72
Wyoming*	13	456	36	505	499		6	46
FAR WEST								
Alaska*	0	2,004	448	2,452	2,452		0	2,443
California*	403	45,570		45,973	45,242		731	*
Hawaii	64	3,154		3,217	3,117		100	0
Nevada*	116	1,294	18	1,427	1,319	9	100	100
Oregon*	389	3,633		4,022	3,820		202	0
Washington	563	8,989		9,552	9,047		505	0
TERRITORIES								
Puerto Rico	16	5,541		5,557	5,557		0	94
Total	**$10,393**	**$373,996**	--	**$384,389**	**$375,016**	--	**$9,178**	**$8,851**

NOTE: NA indicates data are not available.

*See Notes to Table A-3.

NOTES TO TABLE A-3

For all states, unless otherwise noted, transfers into budget stabilization funds are counted as expenditures, and transfers from budget stabilization funds are counted as revenues.

Alabama	Revenue adjustments reflect a prorated prevention transfer.
Alaska	Revenue adjustments are transfers from the budget reserve fund.
Arkansas	Revenue adjustments reflect a transfer made to reserve funds for services and capital infrastructure.
California	Ending balance includes a budget stabilization fund of $404 million.
Colorado	Ending balance includes $189.0 million of constitutional emergency reserve and a budget stabilization fund of $452.3 million, which includes a statutory 4 percent reserve.
Connecticut	Figures include federal reimbursements such as Medicaid.
Delaware	Ending balance includes a budget stabilization fund of $91.2 million.
Georgia	The Governor has a fiscal estimate above the revenue estimate used by the general assembly for budget purposes. These anticipated revenues are calculated to make the ending balance 1 percent of revenue from the prior year for midyear adjustments and also to ensure that the rainy day fund is at 3 percent of prior-year revenues.
Indiana	Revenue adjustments reflect a transfer from the rainy day fund.
Iowa	Fiscal 1996 revenue adjustments include $47.6 million in income tax reductions for dependents and retirees and $49.5 million in other adjustments, primarily the transfer of gaming revenues above $70 million to the infrastructure fund. Fiscal 1997 expenditure adjustments include an additional $36.8 million in property tax relief proposed by the Governor in addition to the additional property tax relief for fiscal 1996. Ending balance includes $6.9 million to be deposited in the cash reserve fund and $208.9 million to be set aside in an economic emergency fund under current law. Beginning balance represents the excess balances in the economic emergency fund over the 5 percent required by current law.
Louisiana	Revenue adjustment is a carry-forward balance. Expenditure adjustment is a comprehensive annual financial report reconciliation. General fund balance is not available for operating expenditures.
Maine	Revenue figures have been adjusted for the change to a modified accrual basis.
Maryland	Revenue adjustments include proposed legislation revising property transfer tax distribution so that 90 percent goes into the Open Space program and 10 percent into general fund revenue ($7 million), intercepts general fund payback transfer to the transportation trust fund ($21 million), and other miscellaneous adjustments of $1 million.
Massachusetts	In both fiscal 1996 and 1997, the increase in the budget stabilization fund balance is estimated to be $21 million each year, due to interest earned on balances.
Michigan	Revenue adjustments include a reduction in the general fund for the school aid fund earmarking of $-582.7 million, intangibles tax reductions of $33.7 million, the impact of federal tax reform (capital gains reduction) of $42.0 million, revenue sharing (prior-year payment basis), and other adjustments, totaling $-620.6 million.
Minnesota	Ending balance includes a budget stabilization fund of $1,195 million. The Governor recommends that $500 million be set aside in a school cash-flow account. The account would be used to provide interest-free cash-flow advances to school districts. The total in the budget reserve, cash-flow, and school cash-flow accounts would total $1,195 million.
Mississippi	Expenditures reflect a transfer of $56 million into a working cash stabilization fund.
Montana	Revenue adjustments represent primarily residual equity transfers.
Nebraska	Revenue adjustments are transfers between the general fund and other funds. Expenditure adjustments are carryovers and mid-biennium changes.
Nevada	Revenue adjustments are primarily reversions to the general fund. Expenditure adjustments include appropriations to restore selected fund balances, supplemental appropriations, one-time appropriations, and capital improvement programs.
New Jersey	Fiscal 1997 revenue adjustments are general fund resources shifted to the gubernatorial elections fund. Ending balance includes a budget stabilization fund of $263.3 million.

NOTES TO TABLE A-3 (continued)

New York	Ending balance includes a tax stabilization reserve fund of $187 million. This fund can be used to help stabilize the state's tax structure when revenues fall short of projections. Its total assets are $201 million, including loans to the general fund in earlier years. The ending balance also includes a contingency reserve fund of $85 million to help meet expenses associated with various court actions involving the state.
North Carolina	Fiscal 1997 figures are authorized. The Governor's budget for 1996-97 will not be submitted until the June 1996 short session. Recommended changes will be available then; 1997 is the second year of the authorized biennial budget. Ending balance includes a budget stabilization fund of $469.6 million.
North Dakota	The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.
Ohio	Ohio includes federal reimbursements for Medicaid, ADC, and several other human services programs in its general fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balance would be higher by the amount reserved for encumbrances and transfers to the rainy day fund in each year. Ohio reports expenditures based on disbursements from the general fund. As Ohio budgets biennially, fiscal 1997 expenditures reflect appropriated amounts and not recommendations. Fiscal 1997 expenditures reflect fiscal 1997 appropriations as included in the budget act. These are not recommended amounts.
Oregon	Emergency fund balances revert to the general fund in January in odd-numbered years.
Pennsylvania	Revenue adjustments include lapses from prior-year appropriations. Expenditure adjustments include increases due to the current-year lapses (zero in fiscal 1997) less decreases due to the transfer to the rainy day fund ($1 million in fiscal 1997), which actually occurs in the subsequent fiscal year.
Rhode Island	The general fund reflects general revenue receipts and appropriations only. Total resources are net transfers to the budget reserve fund and other financing uses. Adjustments reflect the conversion of 239 restricted or dedicated accounts to general revenue accounts.
South Carolina	Ending balance includes a revenue set-aside of $52.4 million and a budget stabilization fund of $127.0 million.
South Dakota	Revenue adjustments include transfers from the budget reserve fund and obligation cash carried forward. Expenditure adjustments include transfers to the budget reserve fund and other funds. Also included in expenditures are future obligations against cash.
Tennessee	Ending balance includes a budget stabilization fund of $101 million.
Texas	Revenues include a transfer of $21 million from the rainy day fund for 1995.
Utah	Final legislative action resulted in a beginning balance of $188.0 million, revenues of $2,817.0 million, expenditures of $3,003.5 million, and an ending balance of $1.5 million.
Vermont	Expenditure adjustment is a transfer to the general fund budget stabilization reserve of $5.1 million.
Virginia	The rainy day fund was appropriated in fiscal 1995.
Wisconsin	Ending balance includes a budget stabilization fund of $90.2 million.
Wyoming	Revenue adjustments represent budgeted interfund transfers.

TABLE A-4

Nominal Percentage Expenditure Change, Fiscal 1996 and Fiscal 1997**

Region/State	*Fiscal 1996*	*Fiscal 1997*
NEW ENGLAND		
Connecticut	6.1%	1.9%
Maine	2.7	3.1
Massachusetts	3.8	-0.9
New Hampshire	-13.0	2.6
Rhode Island	0.6	-0.4
Vermont	1.9	2.0
MID-ATLANTIC		
Delaware	11.2	2.5
Maryland	6.3	0.4
New Jersey	5.4	-1.0
New York	-2.0	-4.7
Pennsylvania	3.1	-0.2
GREAT LAKES		
Illinois	5.3	1.6
Indiana	13.4	4.6
Michigan	4.9	-2.3
Ohio	8.7	5.9
Wisconsin	5.0	9.9
PLAINS		
Iowa	4.6	4.3
Kansas	5.0	1.4
Minnesota	7.6	-4.2
Missouri	9.4	8.9
Nebraska	7.6	3.3
North Dakota	1.6	10.5
South Dakota	5.6	3.6
SOUTHEAST		
Alabama	2.0	4.2
Arkansas	5.3	5.8
Florida	3.9	5.0
Georgia	9.0	3.6
Kentucky	8.7	0.6
Louisiana	2.6	3.3
Mississippi	2.9	0.0
North Carolina	0.0	1.6
South Carolina	8.7	3.8
Tennessee	5.8	4.3
Virginia	2.3	5.9
West Virginia	9.6	-2.8
SOUTHWEST		
Arizona	3.1	3.4
New Mexico	2.5	2.4
Oklahoma	3.2	6.8
Texas	5.8	1.9
ROCKY MOUNTAIN		
Colorado	6.1	3.0
Idaho	5.0	6.1
Montana*	5.4	-1.1
Utah	11.6	9.0
Wyoming	3.2	1.6
FAR WEST		
Alaska	-3.5	-1.2
California	5.4	2.3
Hawaii	-0.5	-1.2
Nevada	11.8	6.9
Oregon	6.9	7.2
Washington	1.9	4.7
TERRITORIES		
Puerto Rico	0.7	3.3
Average	**4.5%**	**1.8%**

NOTES: *If the rebate to Montana taxpayers in fiscal 1996 were excluded, the expenditure increases would be 3.1 percent in fiscal 1996 and 1.1 percent in fiscal 1997.

**Fiscal 1996 reflects change from fiscal 1995 expenditures (actual) to fiscal 1996 expenditures (estimated). Fiscal 1997 reflects change from fiscal 1996 expenditures (estimated) to fiscal 1997 (recommended).

TABLE A-5

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 1996

Region/State	*Fees*	*Programs Eliminated*	*Layoffs*	*Across-the-Board Percentage Cuts*	*Early Retirement*	*Programs Reorganized*	*Privatization*
NEW ENGLAND							
Connecticut							
Maine			X	X		X	X
Massachusetts							
New Hampshire						X	X
Rhode Island	X			X			
Vermont				X			
MID-ATLANTIC							
Delaware							
Maryland*		X				X	
New Jersey*						X	
New York*					X	X	
Pennsylvania							
GREAT LAKES							
Illinois							
Indiana							
Michigan							
Ohio							
Wisconsin							
PLAINS							
Iowa							
Kansas*				X			
Minnesota							
Missouri							
Nebraska							
North Dakota							
South Dakota*							
SOUTHEAST							
Alabama							
Arkansas							
Florida							
Georgia							
Kentucky							
Louisiana							
Mississippi							
North Carolina							
South Carolina							
Tennessee							
Virginia							
West Virginia							
SOUTHWEST							
Arizona							
New Mexico*				X			
Oklahoma							
Texas							
ROCKY MOUNTAIN							
Colorado							
Idaho				X			
Montana							
Utah							
Wyoming							
FAR WEST							
Alaska*							
California*				X			
Hawaii		X	X	X		X	
Nevada							
Oregon							
Washington							
TERRITORIES							
Puerto Rico							
Total	1	2	2	8	1	6	2

*See Notes to Table A-5.

NOTES TO TABLE A-5

Alaska	Layoffs occurred because of reductions in federal programs and were not related to the general fund gap.
California	Other strategies include various health and welfare reductions and federal reimbursement for incarceration and for health care for immigrants.
Kansas	Higher education, public schools, and general local aid were excluded from the reductions.
Maryland	Other strategies include position eliminations and a transfer from the rainy day fund.
New Jersey	As a result of contingency plans submitted by state departments, $331 million was identified that contributed to a total estimated total year-end lapse of $549 million. Contingency items included balances in grant programs, efficiencies in nonsalary operating accounts, the use of nonstate funds, and salary savings due to attrition, work rule changes, and other adjustments.
New Mexico	Agencies had the option to design reduction plans that in most cases produced a 2.5 percent savings. Some agencies were exempted and some agencies sustained a higher percentage deduction.
New York	A management review of state agencies yielded $148 million in savings in 1995-96, through actions such as administrative consolidations and cost reductions, tighter controls on Medicaid claiming and utilization, and adaptation of staff schedules to workload fluctuation. A hiring freeze also held down costs.
South Dakota	Other strategies include the transfer of longtime money into the general fund to cover the shortfall.

TABLE A-6

Changes Contained in Proposed Fiscal 1997 Budgets

Region/State	*Medicaid Reductions*	*Increased Employee Share: Health*	*Increased Employee Share: Pension*
NEW ENGLAND			
Connecticut	X		
Maine	X		
Massachusetts		X	
New Hampshire			
Rhode Island*	X		
Vermont	X		
MID-ATLANTIC			
Delaware			
Maryland*			
New Jersey*	X	X	
New York*		X	
Pennsylvania*	X		
GREAT LAKES			
Illinois			
Indiana			
Michigan			
Ohio			
Wisconsin	X		
PLAINS			
Iowa			
Kansas			
Minnesota			
Missouri			
Nebraska*	X		
North Dakota			
South Dakota			
SOUTHEAST			
Alabama			
Arkansas			
Florida*	X		
Georgia			
Kentucky		X	X
Louisiana	X		
Mississippi			
North Carolina			
South Carolina			
Tennessee			
Virginia*			
West Virginia	X	X	
SOUTHWEST			
Arizona			
New Mexico			
Oklahoma			
Texas			
ROCKY MOUNTAIN			
Colorado			
Idaho			
Montana			
Utah*	X		
Wyoming	X		
FAR WEST			
Alaska			
California*	X		
Hawaii	X		
Nevada*			X
Oregon*	X		
Washington			
TERRITORIES			
Puerto Rico			
Total	**16**	**5**	**2**

*See Notes to Table A-6.

NOTES TO TABLE A-6

California	Reductions eliminate nine federally optional benefits and alcohol or drug addiction as a disability for eligibility, and discontinue prenatal benefits for illegal immigrants.
Florida	Medicaid reductions total $152 million for state and trust funds. Among the most significant reductions are reforms to the prescription drug program, additional savings from managed care, and the placement of nursing home patients in home- and community-based care.
Maryland	There are plans to expand mandated managed care but no reductions at this time.
Nebraska	A managed care plan is in effect for designated geographical areas.
Nevada	The proposed increase in employee pension contribution is 0.69 percent.
New Jersey	Much of the savings is attributable to prudent purchasing. After a systematic review of rates and practices governing how Medicaid reimburses providers, it was determined that economies could be achieved that would not jeopardize the quality or the availability of services provided to clients of the department of human services. The Medicaid program will alter the way it reimburses hospitals and reduce the subsidy for graduate medical education based on Medicare practice. New Jersey is requiring some cost sharing from employees who select traditional indemnity health plan coverage. Effective July 1, 1996, premium sharing will be phased in, based on the salary of the employee. NJ Plus and health maintenance organization coverage will continue to be free for both employees and their dependents. The state is expected to realize a savings of $15.8 million as a result of premium sharing while employees continue to have a variety of free health coverage choices.
New York	The employee share increase is negligible.
Oregon	The Oregon Health Plan is a five-year Medicaid expansion demonstration program that provides health care services to Oregonians whose incomes are at or below the federal poverty level. Services are based on a priority list of medical conditions and treatments/procedures according to the amount of funding approved by the legislature. The 1995 legislature approved program reductions, including basing eligibility on three months of income rather than one month of income and establishing an asset limit for new applicants, eliminating eligibility for some college students, slowing the phase-in of expanded mental health services, reducing the number of covered treatments, and implementing premiums and copayments for some clients and services. These changes are subject to federal approval under the Medicaid demonstration waiver.
Pennsylvania	The fiscal 1997 budget proposed several Medicaid changes, including revising the spend-down criteria to include income over six months rather than a shorter period, requiring prior authorization for chiropractic and podiatry services, limiting the number of home health visits to thirty per year, and restricting ambulance services to emergencies. Also, general assistance will be eliminated for the "medically needy only" (employable people between the ages of twenty-one and sixty-five without dependent children).
Rhode Island	Any cost-of-living granted will be funded by savings in medical coverage achieved by changing to less costly coverage. The Governor's welfare reform bill provides coverage for children ages eight to seventeen under the Rite Care waiver.
Utah	It is recommended that employees selecting the traditional health care plan pay the entire fiscal 1997 premium increase. This could affect approximately 617 employees if they elect to stay with traditional care. The premium increase is 10 percent. The state has historically picked up 90 percent of the premium.
Virginia	Employer and employee health insurance premiums were reduced by approximately 16 percent for fiscal 1996. No increases were proposed for fiscal 1997.

TABLE A-7

Proposed State Employment Compensation Changes, Fiscal 1997

Region/State	*Across-the-Board*	*Merit*	*Other*	*Notes*
NEW ENGLAND				
Connecticut	*	---	*	The administration is proceeding to implement an increased work week for employees currently working a thirty-five-hour-per-week schedule. It is the intent to phase in a forty-hour work week over three to four years, with pay increased commensurate with the increased hours. A step increase is proposed in fiscal 1997, deferred several months from the traditional payment date. A 2 percent general wage increase, effective January 1997, is also anticipated.
Maine	---	2.0%	---	Figure represents a weighted average. Employees who have reached the top step in their range do not receive a merit increase.
Massachusetts	---	---	---	The fiscal 1997 classified employee compensation package is presently under negotiation. One union, representing about 40 percent of the non-education classified workforce, has received a 3 percent across-the-board increase. Most classified employees are eligible for annual step increases that are tied to performance evaluation.
New Hampshire	---	---	---	No pay raise is recommended.
Rhode Island	3.0%	---	---	A 3 percent cost-of-living is not budgeted; it is assumed that any increase will be offset by savings in employee medical benefit coverage by negotiation with providers for lower costs.
Vermont	*	---	*	A cost-of-living increase and the continuation of step increases (valued at about 3 percent and paid each year to about 60 percent of employees) are being negotiated.
MID-ATLANTIC				
Delaware	---	---	*	Employees at or above the maximum for their grade will receive a 1 percent increase. Employees near the maximum will receive the amount to reach the maximum or 1 percent, whichever is greater.
Maryland	---	1.25%	---	The merit increase is a composite average. The range is from 0 percent to 6 percent depending on the step. It is estimated that 54 percent of the classified workforce is at the top step and will receive no merit increase.
New Jersey	---	---	*	Employees will receive a $250 bonus. Union employees are eligible for incremental step or anniversary increases ranging from 3.7 percent to 5.0 percent of salary, depending on the step in the range, for up to nine years in a given range.
New York	---	2.0%	*	Most state employees will receive a $550 lump-sum payment in the first pay period (April) of 1996-97. A small number (approximately 23,000) of state employees will receive a 2 percent salary increase effective April 1, 1996.
Pennsylvania	---	---	---	Figures will not be available until collective bargaining is completed.

TABLE A-7 (continued)

Proposed State Employment Compensation Changes, Fiscal 1997

Region/State	*Across-the-Board*	*Merit*	*Other*	*Notes*
GREAT LAKES				
Illinois	---	---	---	Bargaining unit employees will receive a 3 percent cost-of-living adjustment, and merit employees will receive an average increase of 3 percent. Additionally, about 50 percent of bargaining unit employees will receive an average step increase of 3.07 percent on their anniversaries.
Indiana	---	---	*	Increase is effective January 1, 1997, at 4.5 percent for employees in the bottom one-third of the pay range, 4.0 percent for those in the middle one-third, and 3.0 percent for those in the top one-third. Employees above the pay range will receive a 2.0 percent cash bonus. The average pay increase is about 4.25 percent.
Michigan	2.5%	---	1.6%	Some employees will pay a $7 rather than a $2 copayment on drugs, and the deductible will increase to $100/$200 from $50/$100 for the single/family state-sponsored health plan. Increased employee health expenditures will keep health care costs at a 90 percent/10 percent split. All step and longevity increases are funded but not included in the percentages.
Ohio	3.0%	---	2.0%	The 2 percent figure represents the average "step" increase for state employees. Steps are usually 4 percent, but only about 50 percent of the state's workforce is estimated to be eligible for step increases.
Wisconsin	---	---	2.0%	Union contracts have not been settled. The pay package for nonrepresented employees provides an increase of approximately 2 percent in fiscal 1997. For the majority of nonrepresented employees, there will be a one-grid step movement on July 7, 1996. For those not on the grid, there will be an approximate 2 percent nonbase-building lump-sum payment. University of Wisconsin faculty and academic staff and senior managers will receive a 2 percent increase in fiscal 1997.
PLAINS				
Iowa	2.5%	0.9%	---	Employees at or above the maximum of their pay grade will receive a $300 cash bonus.
Kansas	---	---	2.5%	The 2.5 percent is for step movement on the pay matrix for classified employees. The same percentage applies to unclassified employees, except the increase is effective only for the last half of fiscal 1997.
Minnesota	2.25%	---	---	
Missouri	2.0%	---	3.8%	The 3.8 percent figure reflects a marketplace within-grade increase to be given to successful employees who have been with state government at least eighteen months and who are not at the top of their range. Individuals who are two or more pay steps away from the marketplace step will get two steps (averaging 2 percent per step). Individuals one step below, at, or above the marketplace step will get a one-step increase.
Nebraska	*	---	---	Collective bargaining agreement with main employee unit includes a 3.5 percent across-the-board increase on July 1, 1996.
North Dakota	2.0%	1.0%	---	
South Dakota	---	---	2.5%	Employees who are below the midpoint of their job class will receive a 2.5 percent increase.

TABLE A-7 (continued)

Proposed State Employment Compensation Changes, Fiscal 1997

Region/State	*Across-the-Board*	*Merit*	*Other*	*Notes*
SOUTHEAST				
Alabama	---	5.0%	*	Merit raises are based on employee performance and may range from 0 percent to 5 percent based on actual evaluation. Longevity pay ranges from $300 to $600 per employee per year based on the number of years of state service.
Arkansas	2.8%	5.5%	2.0%	Act 992 of 1995 provides a 2.8 percent increase for all employees on July 1. It provides an additional 2 percent increase during the 1995-97 biennium if the chief fiscal officer determines that sufficient general revenues are available. In addition, employees who are rated under the evaluation system are eligible for merit increases of between 0 percent and 5.5 percent if they receive a rating of "exceeds standards" or "exceptional." However, employees of agencies and institutions, constitutional officers, and employees of boards and commissions are limited to a maximum of 1.5 percent of their total regular salary appropriation for merit increases.
Florida	3.0%	---	---	There is a $1,000 minimum guarantee for all employees, subject to negotiations with collective bargaining units.
Georgia	---	4.0%	---	Increase is effective October 1, 1996, based on satisfactory evaluation of employee.
Kentucky	5.0%	---	---	State law mandates a 5 percent annual salary adjustment for all state employees.
Louisiana	---	4.0%	---	All classified state employees are eligible to receive an annual merit increase of 4 percent if such merit increases are warranted. Approximately 24 percent of state employees are at the top end of the pay scale and will not qualify for further merit raises.
Mississippi	---	---	---	
North Carolina	2.0%	---	---	Public school employees at the top of the pay range receive a 2 percent bonus.
South Carolina	---	1.25%	1.25%	The Governor's budget recommendation includes provisions for an average 2.5 percent increase in employee pay. Of this, an average 1.25 percent is for a merit increase and the remaining 1.25 percent is for a base-pay increase determined by length of service in the current position. State agencies are to use savings realized through employee attrition, innovative management, and carry forwards to fund the employee pay increases. The Governor's executive budget also includes funding for one-time bonuses for all state employees. Employees earning an annual salary of $25,000 or less will receive a bonus of $400; employees earning more than $25,000 will receive a bonus of $200. The Governor recommends a 12 percent pay increase for correctional officers, including $3.7 million to fund a 4 percent pay increase. The department of corrections is to internally identify funding to provide the remaining 8 percent. An additional $700,000 is included in the Governor's budget recommendation to provide pay equity for law enforcement officers at the state law enforcement division and the department of natural resources.
Tennessee	3.0%	---	1.0%	A recommendation was made to raise salary ranges 1 percent and adjust employees below the new entrance salary ranges to the new entrance salary.
Virginia	---	---	4.2%	The Governor proposes to revise the commonwealth's payroll administration effective December 16, 1996, so that employees will be paid on the seventh and twenty-third of each month, rather than the first and sixteenth of each month. In conjunction with the shift in payroll dates, the Governor proposes an additional payday (bonus) during December 1996. A state employee will receive five paychecks during December 1996/January 1997 instead of four under the current payroll system.
West Virginia	*	---	*	The salary increases and bonuses are as follows: public school teachers, $500; school service personnel and public employees, $300; magistrates, $1,000; correctional officers and counselors, $2,000; and state troopers, an average of 16 percent. Some increases for higher education employees will be based on current salary versus average salary; increases are not across-the-board increases.

TABLE A-7 (continued)

Proposed State Employment Compensation Changes, Fiscal 1997

Region/State	*Across-the-Board*	*Merit*	*Other*	*Notes*
SOUTHWEST				
Arizona	---	2.0%	0.3%	The merit pay is funded January 1, 1997, for all employees. "Other" represents a review of employment classifications that are not being compensated at market rates (funded January 1, 1997).
New Mexico	---	---	---	No pay raise is proposed.
Oklahoma	---	---	12.0%	The proposal is to allow agencies to reduce the number of employees and use savings to fund performance pay, severance, annual leave, training, and retirement. Up to 15 percent of the personal services budget could be used—12 percent for pay increases and severance; 1 percent for training; 1 percent to fund accrued annual leave; and 1 percent for extra deposit to retirement systems.
Texas	---	*	---	Merit pay figure is not available.
ROCKY MOUNTAIN				
Colorado	2.1%	5.0%	---	Only about one-third of classified employees are eligible for merit raises.
Idaho	---	3.0%	---	
Montana	2.0%	---	1.2%	The fiscal 1997 pay package is targeted to below-market positions. Adjustment is based on target ratios to market and is linked to years of service. Increases are unique to each employee but subject to a 6 percent cap. Generally, the most significant increases will go to technical and managerial employees. A 2 percent increase in market pay levels is effective for all grades.
Utah	---	2.8%	1.2%	Figures represent statewide funding of compensation package. Merit employees with satisfactory or better performance will receive a 2.75 percent increase. Outstanding performers receive an additional increase in the form of a bonus or ongoing increase. "Other" represents market adjustments for certain positions. The Governor also recommended additional pay increases for highway patrol and correctional officers.
Wyoming	---	---	*	The state adopted a market-based salary policy in fiscal 1995. Employees move from a hiring minimum to market over a four- or five-year period and then become eligible for a merit bonus program.

TABLE A-7 (continued)

Proposed State Employment Compensation Changes, Fiscal 1997

Region/State	*Across-the-Board*	*Merit*	*Other*	*Notes*
FAR WEST				
Alaska	1.4%	3.5%	---	Ninety-five percent of state employees have reached agreement with the administration for one-half of the consumer price index or a 1.5 percent cost-of-living adjustment.
				Most state employees are eligible for merit increases unless they are in longevity steps.
California	---	---	---	The state continues to negotiate with employee organizations. The latest memoranda of understanding (MOU) expired on June 30, 1995. Consequently, in the absence of an agreement, no employee compensation package is in place.
				Furthermore, the terms and conditions of employment that were in effect prior to the expiration of the latest MOU will remain in effect until a new agreement is reached.
				Agreement was reached between the state and the California Association of Highway Patrolmen and ratified by the legislature in 1995. The contract included education and seniority incentive pay increases that apply only to highway patrol personnel.
Hawaii	---	---	*	Clerical, clerical supervisors, and professional scientific employees receive a step increase in fiscal 1997 depending on the length of their service at the current step.
Nevada	3.0%	5.0%	---	Classified employees receive automatic merit increases of 5 percent per year until they reach the top of the pay grade.
Oregon	NA	---	*	A ballot measure approved in November 1994 shifted the employee share of a retirement system from a prior state pick-up (as an earlier bargained benefit) to an employee-paid pick-up, resulting in a 6 percent decrease to actual employee pretax earnings.
				A state circuit court ruled the ballot measure unconstitutional in June 1995, and the state has continued the 6 percent pick-up.
				Funding to continue the pick-up is expected to come from emergency fund reservation established for benefit or salary payment and achieved salary or program reductions in agency budgets.
				Approximately 17.8 percent of employees receive annual merit step increases of an estimated 4.75 percent per step (shown as a percentage of salary and benefits).
Washington	0.6%	---	---	This is a proposed across-the-board increase.
TERRITORIES				
Puerto Rico	---	---	---	Increases are granted on a productivity basis. Approximately $22.5 million was recommended to benefit more than 18,000 police officers. Also, $35 million is provided to review retribution plans across central government agencies.
				Furthermore, approximately $54 million was recommended for teacher salary increases, to complete a cumulative increase of $500 over a four-year period.

NOTE: NA indicates data are not available.

TABLE A-8

Number of Filled Full-Time Equivalent Positions at the End of Fiscal 1995 to Fiscal 1997, in All Funds**

Region/State	*Fiscal 1995*	*Fiscal 1996*	*Fiscal 1997*	*Percent Change, 1995-1997*	*Percent Change, 1996-1997*	*Includes Higher Education Faculty*	*State-Administered Welfare System*
NEW ENGLAND							
Connecticut	42,049	38,549	38,495	-8.45%	-0.14%		X
Maine	15,081	14,468	14,104	-6.48%	-2.52%		X
Massachusetts	66,419	NA	NA	NA	NA	X	X
New Hampshire	NA	NA	NA	NA	NA		X
Rhode Island*	16,692	16,538	15,453	-7.42%	-6.56%	X	X
Vermont	7,442	7,300	7,150	-3.92%	-2.05%		X
MID-ATLANTIC							
Delaware	24,500	24,916	25,188	2.8%	1.09%	X	X
Maryland*	72,496	72,461	71,609	-1.22%	-1.18%	X	X
New Jersey*	71,262	69,146	67,926	-4.68%	-1.76%		
New York*	245,800	233,100	225,700	-8.18%	-3.17%	X	
Pennsylvania*	86,853	86,659	85,501	-1.56%	-1.34%		X
GREAT LAKES							
Illinois	67,252	NA	NA	NA	NA		X
Indiana	38,121	37,827	38,820	1.83%	2.63%		X
Michigan	62,301	64,564	65,182	4.63%	0.96%		X
Ohio*	63,217	63,200	64,000	1.24%	1.27%		
Wisconsin	64,054	63,799	60,885	-4.95%	-4.57%	X	
PLAINS							
Iowa	22,304	23,461	23,503	5.38%	0.18%		X
Kansas	44,094	44,698	44,324	0.52%	-0.84%	X	X
Minnesota*	32,850	33,333	33,333	1.47%	0.%		
Missouri*	55,569	55,692	55,453	-0.21%	-0.43%		X
Nebraska	15,519	NA	NA	NA	NA		X
North Dakota	12,164	11,703	11,703	-3.79%	0.%	X	
South Dakota*	13,991	13,972	13,217	-5.53%	-5.41%	X	X
SOUTHEAST							
Alabama	41,102	42,439	42,400	3.16%	-0.09%		X
Arkansas	17,668	17,519	17,519	-0.84%	0.%		X
Florida	121,648	124,145	125,240	2.95%	0.88%		X
Georgia	58,304	58,085	57,183	-1.92%	-1.55%		X
Kentucky	34,677	34,207	35,350	1.94%	3.34%		X
Louisiana*	47,992	58,354	55,989	16.66%	-4.05%		X
Mississippi	28,613	29,638	29,638	3.58%	0.%		
North Carolina*	217,170	227,741	230,735	6.25%	1.31%	X	X
South Carolina	67,784	68,199	68,199	0.61%	0.%	X	X
Tennessee	41,300	41,300	41,300	0.%	0.%		X
Virginia*	93,282	93,175	93,000	-0.3%	-0.19%	X	
West Virginia*	30,961	31,381	31,404	1.43%	0.07%	X	X
SOUTHWEST							
Arizona	39,981	40,882	42,496	6.29%	3.95%	X	X
New Mexico*	22,832	23,824	23,002	0.74%	-3.45%		X
Oklahoma	38,456	38,400	35,400	-7.95%	-7.81%		X
Texas	263,754	267,559	NA	NA	NA	X	X
ROCKY MOUNTAIN							
Colorado	45,046	45,100	45,400	0.79%	0.67%		
Idaho	16,379	16,289	16,255	-0.76%	-0.21%	X	X
Montana	10,768	10,504	10,463	-2.83%	-0.39%		X
Utah*	27,974	28,730	29,008	3.7%	0.97%	X	X
Wyoming	12,743	12,642	12,528	-1.69%	-0.9%	X	X
FAR WEST							
Alaska	18,989	18,916	18,898	-0.48%	-0.1%	X	X
California	269,004	274,338	276,316	2.72%	0.72%	X	X
Hawaii*	38,858	41,569	41,576	6.99%	0.02%	X	X
Nevada	14,096	14,096	14,583	3.45%	3.45%		X
Oregon*	46,215	41,425	41,425	-10.37%	0.%	X	X
Washington	91,963	91,176	92,074	0.12%	0.98%	X	X
TERRITORIES							
Puerto Rico	232,539	228,011	225,208	-3.15%	-1.23%	X	X
Total	**2,897,588**	**2,767,018**	**2,488,925**	**0.20%**	**-0.40%**	**24**	**42**

NOTES: NA indicates data are not available.

*See Notes to Table A-8

**Unless otherwise noted, fiscal 1995 reflects actual figures, fiscal 1996 reflects estimated figures, and fiscal 1997 reflects recommended figures.

NOTES TO TABLE A-8

Hawaii	Fiscal 1996 and 1997 figures are budgeted.
Louisiana	Figures reflect appropriated positions. The large increase from 1995 to 1996 is attributable to the fact that 10,381 positions in the charity hospitals were not included in the appropriated totals for 1995. The fiscal 1997 figure is contingent on proposed congressional action regarding Medicaid.
Maryland	Figures reflect appropriated positions.
Minnesota	The legislature is in session, and this number will be subject to budget decisions that have yet to be determined. In addition, the state has been in a conversion process for new computer software that will impact its ability to obtain this information in the short term.
Missouri	Fiscal 1995 and fiscal 1996 figures are authorized full-time equivalent appropriations.
New Jersey	Since January 1, 1995, county court employees have been state employees. They are reflected in the figures, but not in previously reported fiscal 1994 counts and earlier counts.
New Mexico	Figures reflect authorized full-time equivalent positions. Approximately 10 percent of positions are vacant.
New York	Figures reflect end-of-year counts for annual and nonannual salaried full-time equivalent (FTE) employees in the executive, legislative, and judicial branches. New York's welfare system is state-supervised but locally administered.
North Carolina	Figures include public school teachers and employees.
Ohio	Ohio does not "appropriate" full-time equivalent positions. The amounts provided for fiscal 1996 and fiscal 1997 are estimates for the end of each year.
Oregon	Employees of the Oregon Health Sciences University are not included in the fiscal 1996 totals; the university was changed from part of the state system of higher education to a public corporation by the 1995 legislature.
Pennsylvania	Figures represent authorized positions rather than filled positions. Figures for fiscal 1995 are as of June 30, 1995. Figures for fiscal 1996 and fiscal 1997 are as of February 6, 1996.
Rhode Island	Figures reflect authorized positions.
South Dakota	Figures are budgeted numbers, not actual numbers.
Utah	Figures reflect funded positions.
Virginia	A statewide hiring freeze is still in effect for fiscal 1997. The welfare system is state-supervised but locally administered.
West Virginia	The fiscal 1995 actual figure is as of June 30, 1995; the fiscal 1996 estimated figure is as of January 31, 1996; and the fiscal 1997 is as of July 1, 1996.

TABLE A-9

Fiscal 1996 Tax Collections Compared With Projections Used in Adopting Fiscal 1996 Budgets (Millions)**

	Sales Tax		*Personal Income Tax*		*Corporate Income Tax*		
Region/State	*Original Estimate*	*Current Estimate*	*Original Estimate*	*Current Estimate*	*Original Estimate*	*Current Estimate*	*Total Revenue Collection****
NEW ENGLAND							
Connecticut	$2,490	$2,468	$2,697	$2,718	$689	$711	H
Maine	637	630	640	640	65	58	L
Massachusetts	2,602	2,582	6,382	6,357	895	890	H
New Hampshire	NA	NA	NA	NA	141	141	T
Rhode Island	469	460	545	539	66	63	L
Vermont	189	183	297	265	39	43	T
MID-ATLANTIC							
Delaware*	NA	NA	623	611	87	90	T
Maryland	2,043	1,997	3,593	3,527	230	230	T
New Jersey*	4,356	4,310	4,580	4,547	1,145	1,198	T
New York	6,752	6,605	17,285	17,087	1,870	1,960	T
Pennsylvania	5,699	5,668	5,285	5,267	1,516	1,571	L
GREAT LAKES							
Illinois*	4,865	4,828	5,576	5,576	934	1,017	H
Indiana	2,715	2,924	2,667	2,921	869	1,046	T
Michigan	5,151	5,120	4,052	4,084	2,140	2,237	T
Ohio	4,710	4,710	5,186	5,186	1,051	1,051	T
Wisconsin	2,737	2,710	4,160	4,160	611	650	T
PLAINS							
Iowa	1,194	1,206	1,926	1,939	239	273	H
Kansas	1,337	1,337	1,363	1,330	205	215	H
Minnesota	2,763	2,874	3,873	3,926	650	666	H
Missouri	1,588	1,610	2,970	3,033	420	471	H
Nebraska	732	729	825	818	120	126	L
North Dakota	287	287	147	147	44	44	H
South Dakota	361	341	NA	NA	NA	NA	L
SOUTHEAST							
Alabama	1,171	1,170	1,478	1,515	209	214	T
Arkansas	1,296	1,378	1,214	1,295	200	217	H
Florida	11,285	11,342	NA	NA	1,126	1,156	T
Georgia	3,830	3,753	4,087	4,072	616	719	T
Kentucky	1,704	1,774	2,028	2,013	265	313	T
Louisiana	1,850	1,850	1,110	1,110	230	230	H
Mississippi*	1,080	1,084	743	730	269	246	T
North Carolina*	2,761	2,782	4,593	4,666	511	649	H
South Carolina	1,504	1,529	1,676	1,742	207	244	H
Tennessee*	3,706	3,706	107	105	552	594	L
Virginia	1,746	1,726	4,312	4,280	327	434	T
West Virginia	761	761	739	739	125	131	T
SOUTHWEST							
Arizona	2,053	2,090	1,452	1,450	300	420	H
New Mexico	1,035	1,009	648	637	165	170	T
Oklahoma	1,139	1,123	1,454	1,489	173	174	H
Texas	10,713	10,713	NA	NA	1,503	1,503	T
ROCKY MOUNTAIN							
Colorado*	1,204	1,208	2,255	2,257	186	196	T
Idaho	479	461	667	634	123	160	L
Montana	NA	NA	390	390	79	79	T
Utah*	1,124	1,150	1,089	1,132	126	163	H
Wyoming	204	206	NA	NA	NA	NA	T
FAR WEST							
Alaska	NA	NA	NA	NA	125	185	H
California	15,509	15,545	19,915	20,220	5,055	5,680	H
Hawaii	1,405	1,379	989	956	37	31	L
Nevada*	433	NA	467	NA	NA	NA	H
Oregon	NA	NA	2,797	2,833	271	310	H
Washington	4,201	4,255	NA	NA	1,656	1,643	H
TERRITORIES							
Puerto Rico*	NA	NA	1,447	1,589	1,197	1,370	H
Total	**$125,869**	**$125,572**	**$128,881**	**$128,943**	**$28,463**	**$30,613**	--

NOTES: NA indicates data are not available.

*See Notes to Table A-9.

**Unless otherwise noted, original estimates reflect the figures used when the fiscal 1996 budget was adopted, and current estimates reflect the most recent figures.

***KEY: L=Revenues lower than estimates. H=Revenues higher than estimates. T=Revenues on target.

NOTES TO TABLE A-9

Colorado	Figures for original and current estimates for fiscal 1996 were estimated on June 20, 1995, and December 20, 1995, respectively. Figures for fiscal 1997 were estimated on December 20, 1995.
Delaware	Current personal income tax collections for fiscal 1996 reflect adjustment for tax cut.
Illinois	Current-year revenues are tracking higher than they have been projected when the budget was passed, but they are on target with revisions.
Mississippi	Total revenue collections are within 1 percent of year-to-date estimate as of February 29, 1996.
Nevada	Figures in personal income tax collections are for gaming taxes and fee collections.
New Jersey	The fiscal 1996 original is $15,578; revised is $15,493; and percent change is 0.5 percent.
North Carolina	Personal income tax reflects tax reductions estimated at $235 million in fiscal 1996. The personal exemption was increased from $2,000 to $2,250 and a $60 per child tax credit was enacted beginning in tax year 1995.
Puerto Rico	Puerto Rico does not have a sales tax.
Tennessee	Sales and personal income tax collections are shared with local governments.
Utah	Final legislative action resulted in the sales tax final estimate of $1,157 million, personal income tax final estimate of $1,135 million, and corporate income tax final estimate of $177 million.

TABLE A-10

Fiscal 1996 Tax Collections Compared With Projections Used in Proposed Fiscal 1997 Budgets (Millions)**

	Sales Tax		Personal Income Tax		Corporate Income Tax	
Region/State	Fiscal 1996	Fiscal 1997	Fiscal 1996	Fiscal 1997	Fiscal 1996	Fiscal 1997
NEW ENGLAND						
Connecticut	$2,468	$2,550	$2,718	$2,757	$ 711	$ 685
Maine	630	663	640	676	58	64
Massachusetts	2,582	2,715	6,357	6,670	890	896
New Hampshire	NA	NA	NA	NA	141	151
Rhode Island	460	469	539	550	63	63
Vermont	183	154	265	277	43	43
MID-ATLANTIC						
Delaware*	NA	NA	611	629	90	90
Maryland	1,997	2,076	3,527	3,686	230	224
New Jersey	4,310	4,403	4,547	4,610	1,198	1,210
New York	6,605	6,842	17,087	16,095	1,960	1,785
Pennsylvania	5,668	5,844	5,267	5,438	1,571	1,577
GREAT LAKES						
Illinois	4,828	5,020	5,576	5,809	1,017	1,088
Indiana	2,924	3,036	2,921	3,040	1,046	1,122
Michigan	5,120	5,358	4,084	4,306	2,237	2,422
Ohio*	4,710	4,925	5,186	5,465	1,051	1,109
Wisconsin	2,710	2,870	4,160	4,417	650	650
PLAINS						
Iowa	1,206	1,250	1,939	2,006	273	283
Kansas	1,337	1,392	1,330	1,410	215	215
Minnesota	2,874	2,976	3,926	4,067	666	652
Missouri	1,610	1,685	3,033	3,247	471	498
Nebraska	729	770	818	870	126	128
North Dakota	287	317	147	152	44	44
South Dakota	341	364	NA	NA	NA	NA
SOUTHEAST						
Alabama	1,170	1,210	1,515	1,590	214	225
Arkansas	1,378	1,450	1,295	1,385	217	232
Florida	11,342	11,981	NA	NA	1,156	1,206
Georgia	3,753	3,860	4,072	4,345	719	787
Kentucky	1,774	1,872	2,013	2,114	313	304
Louisiana*	1,850	1,485	1,110	1,193	230	275
Mississippi	1,084	1,123	730	772	246	280
North Carolina	2,782	2,918	4,666	4,624	649	626
South Carolina	1,529	1,605	1,742	1,836	244	256
Tennessee*	3,706	3,933	105	111	594	641
Virginia	1,726	1,807	4,280	4,492	434	408
West Virginia	761	779	739	775	131	145
SOUTHWEST						
Arizona	2,090	2,210	1,450	1,490	420	430
New Mexico	1,009	1,072	637	674	170	190
Oklahoma	1,123	1,168	1,489	1,567	174	179
Texas	10,713	11,341	NA	NA	1,503	1,572
ROCKY MOUNTAIN						
Colorado*	1,208	1,280	2,257	2,406	196	204
Idaho	461	486	634	673	160	175
Montana	NA	NA	390	404	79	84
Utah*	1,150	1,245	1,132	1,237	163	174
Wyoming	206	215	NA	NA	NA	NA
FAR WEST						
Alaska	NA	NA	NA	NA	185	170
California	15,545	16,275	20,220	20,583	5,680	5,620
Hawaii	1,379	1,429	956	986	31	34
Nevada*	NA	461	NA	491	NA	NA
Oregon	NA	NA	2,833	3,162	310	155
Washington	4,255	4,441	NA	NA	1,643	1,775
TERRITORIES						
Puerto Rico*	NA	NA	1,589	1,744	1,370	1,452
Total	**$125,572**	**$131,326**	**$128,943**	**$133,085**	**$30,613**	**$31,145**

NOTES: NA indicates data are not available.

*See Notes to Table A-10.

**Unless otherwise noted, fiscal 1996 figures reflect the most recent tax collection estimates as shown in Table A-9, and fiscal 1997 figures reflect the current-law estimates in fiscal 1997 proposed budgets.

NOTES TO TABLE A-10

Colorado	Figures for original and current estimates for fiscal 1996 were estimated on June 20, 1995, and December 20, 1995, respectively. Figures for fiscal 1997 were estimated on December 20, 1995.
Delaware	Current personal income tax collections for fiscal 1996 reflect adjustment for tax cut.
Louisiana	Official forecast for fiscal 1997 sales tax collections is $1,485 million, if exemptions are suspended, plus $430 million. Official forecast for fiscal 1997 personal income tax collections is $1,193 million, if exemptions are suspended, plus $15 million.
Nevada	Figures in personal income tax collections are for gaming taxes and fee collections.
Ohio	Fiscal 1997 estimates reflect all tax law changes that are scheduled to go into effect in fiscal 1996 or fiscal 1997 that were included in the enacted biennial budget and other enacted legislation.
Puerto Rico	Puerto Rico does not have a sales tax.
Tennessee	Sales and personal income tax collections are shared with local governments.
Utah	Final legislative action resulted in a sales tax of $1,157 million for fiscal 1996 and $1,241 million for fiscal 1997; a personal income tax of $1,135 million for fiscal 1996 and $1,196 million for fiscal 1997; and a corporate income tax of $177 million for fiscal 1996 and $175 million for fiscal 1997.

TABLE A-11

Recommended Revenue Changes by Type of Revenue, Fiscal 1997

State	*Tax Change Description*	*Effective Date*	*Proposed Changes (Millions)*
	SALES TAX		
California	Exempts aircraft parts from sales tax.	1/97	$ -5.0
Georgia*	Removes sales tax from food.	10/96	-175.0
Maine	Taxes new image-scanning technology.	7/96	2.3
	Increases self audits.	7/96	1.5
Minnesota	Reduces replacement capital equipment rate from 3.8 percent to 3.0 percent.	7/96	-4.4
Missouri	Decreases statewide sales tax rate for all funds from 4.225 cents to 3.975 cents. Decreases general revenue rate from 3.00 cents to 2.75 cents.	4/96	-140.0
	Impacts highway fund because it shares sales tax on motor vehicle sales with general revenue.	4/96	-10.0
New Jersey	Expands Urban Enterprise Program by seven municipalities, resulting in a $12 million revenue loss in fiscal 1996 and a $35 million loss in fiscal 1997.	1/96	-35.0
	Exempts yellow-pages advertising; full-year impact is $28 million in fiscal 1997.	4/96	*
Oklahoma	Increases sales tax rebate for additional contributions to higher education.	NA	-13.0
Pennsylvania	Partially exempts computer services.	7/96	-21.1
Washington	Exempts research and development for machinery and equipment.	7/96	-11.6
	Exempts repair and replacement of manufacturing equipment.	7/96	-18.3
	Exempts guided tours and charters (Jefferson Lines).	7/96	-1.0
	PERSONAL INCOME TAX		
Arizona	Decreases all tax rates.	1/96	$ -50.0
California	Includes 15 percent rate reduction phased in over three years, plus several targeted tax measures, including small business expensing and capital loss.	1/97	-457.0
Connecticut	Institutes a new 3 percent rate to be applied to certain levels of taxable income. These levels will be expanded in 1996-97. The revenue loss is $215 million in fiscal 1997.	1/96	*
	A new income tax credit, limited to no more than $100 per filer, has been added to offset the burden of local property taxes.		
Delaware	Restructures rates; changes personal tax exemption to personal tax credit.	1/96	-38.0
Hawaii	Repeals credits for energy, child seats, renters, and food.	1/96	27.2
Indiana	Institutes tax credit for higher education expenditures ($500 maximum).	NA	-60.0
Iowa	Implements rate indexation.	NA	-5.0
Kentucky	Increases standard deduction from $650 to $900.	NA	-4.4
Maine	Increases second-shift audit in bureau of taxation.	7/96	2.0
Massachusetts	Decreases tax by 0.5 percent.	1/97	-133.0
Michigan	Increases exemptions.	NA	-17.5
Minnesota	Exempts contributions to postsecondary education savings accounts.	1/96	-14.3
Mississippi	Increases the personal exemption for all filing categories as the first step of a three-year phase-in.	1/97	-12.0
Missouri	Raises dependent exemption from $400 to $2,000 for those taking care of elderly dependents.	1/97	-4.0
Montana	Exempts medical savings accounts.	NA	-3.0
Nebraska	Reduces rates by approximately 4 percent.	1/97	-11.9
New Jersey	Reduces revenue an additional $309 million in fiscal 1997 as the final 15 percent of the 30 percent income tax cut that took effect on January 1, 1996.	1/96	*
New York	Implements phase two of 1995 tax cut.	Various	-1,851.0
Ohio	Increases personal exemption from $650 to $750 for taxpayer/spouse and from $650 to $850 for dependents.	1/96	-69.0
Oklahoma	Increases income tax credit for gross product tax paid on super marginal wells.	NA	-5.0
	Phases in $5,500 income tax exemption for retirees at a loss of $40 million on an annual basis.	NA	-3.0

TABLE A-11 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 1997

State	*Tax Change Description*	*Effective Date*	*Proposed Changes (Millions)*
	PERSONAL INCOME TAX (continued)		
Oregon	Changes the treatment of capital gains.	Fiscal 1997	$-11.0
Rhode Island	Decouples personal income tax rate from federal liability and applies rate to federal taxable income.	12/95	1.7
South Carolina	Doubles tax exemption for children below six years of age as the third step of a four-year phase-in.	1/96	-10.0
	Provides a deduction of up to $15,000 for taxpayers sixty-five years of age and older.	1/96	-4.5
West Virginia*	Provides exemptions for taxpayers with both earned income and federal adjusted gross income below $10,000.	7/96	-12.8
	CORPORATE INCOME TAX		
California	Includes a 15 percent reduction phased in over three years, plus several targeted tax measures, including an increase in the state research and development credit.	1/97	$-110.0
Connecticut	Phases down rate from 10.75 percent to 7.50 percent by January 1, 2000.	1/96	-6.3
Iowa	Changes tax on subchapter S corporations.	NA	-8.0
Massachusetts	Cuts single sales factor tax through change in formula in calculating corporate excise tax liability.	1/96	-46.0
Minnesota	Adds leasing provision for movable property.	1/96	-2.5
New Jersey	Reduces the corporate business tax on small businesses from 9 percent to 7.5 percent and doubleweights the sales receipts computing the tax.	7/96	-7.0
New York	Implements phase three of 1995 tax cut, including additional business tax reductions.	Various	-319.0
Ohio	Adds a manufacturer's investment tax credit.	NA	-16.9
Oklahoma	Provides credits for custom software and systems integration for a loss of $16 million on an annual basis.	NA	-4.0
	Provides tax exemption of $25,000 for first five years of new corporations for a loss of $7 million on annual basis.	NA	-4.0
	Awards credit for hiring Oklahoma graduates, for a full-year loss $5 million.	NA	0
Rhode Island	Changes corporate apportionment for manufacturing firms.	7/96	-2.0
Washington	Adds a workforce training credit.	7/96	-10.0
	Adds a tax credit for training and employing AFDC clients.	7/96	-4.3
	CIGARETTE AND TOBACCO TAXES		
Alaska	Increases tax by $1.00 per pack.	10/96	$33.0
	MOTOR FUEL TAXES		
Alaska*	Increases rate of eight cents per gallon to national median of twenty-two cents per gallon. For marine fund, increases rate of three cents per gallon to five cents per gallon.	10/96	$42.0
North Dakota	Increases gas tax trigger.	1/96	2.6
	ALCOHOLIC BEVERAGE TAXES		
Alaska	Increases rate by ten cents per drink to equalize tax on beer, wine, and distilled spirits.	10/96	$6.0

TABLE A-11 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 1997

State	Tax Change Description	Effective Date	Proposed Changes (Millions)
	OTHER TAXES		
Arizona	The Governor and the legislature have committed to a $200 million reduction in property taxes, but the mechanism has yet to be defined. The $200 million represents a potential expenditure for a "circuit breaker."	Fiscal 1997	$-200.0
Connecticut	Reduces the hospital gross receipt tax rate from 11.0 percent to 6.25 percent by October 1, 1999.	10/96	-26.7
Hawaii	Repeals allowable credits in insurance premium tax.	7/96	6.0
	Adds 1 percent tax on gross premiums of annuity insurance.	7/96	2.1
Illinois	Changes riverboat gaming from a flat tax to a graduated tax. (The current hospital assessment fees will be reduced by 50 percent in fiscal 1997 and are scheduled to sunset at the end of fiscal 1997.)	7/96	67.0
Indiana	Reduces motor vehicle excise tax rates.	NA	-100.4
	Increases homestead credit on property tax.	NA	-42.7
Iowa	Adjusts inheritance taxes.	NA	-8.9
Kansas	Extends the unemployment contribution moratorium for one year.	1/97	-75.0
Kentucky	Reduces rate of Medicaid provider tax on physicians from 2.0 percent to 1.5 percent.	NA	-12.0
Maine	Increases milk tax revenues.	NA	0.5
New York	Phases in tax cuts enacted in 1994 and 1995.	Various	-98.0
Oklahoma	Repeals franchise tax for a loss of $38 million for the full year.	NA	-5.0
	Reduces estate tax for a loss of $16 million for the full year.	NA	0.0
Pennsylvania	Reduces the capital stock and franchise tax rate by 0.25 mill.	1/96	-24.1
	Adds a tax credit for job creation.	7/96	-15.0
Rhode Island	Phases out previously enacted telecommunications rate.	NA	-2.6
	Phases out previously enacted manufacturing energy tax.	NA	-2.0
	Phases out previously enacted bank deposits tax.	NA	-3.7
South Carolina	Phases out soft drinks tax as the first step of a six-year phase-out.	7/96	-4.6
Utah	Institutes unspecified tax cut of $75 million in income, corporate, and/or property taxes. (Final legislative action resulted in the following reductions: sales tax, $-1.5 million; personal income tax, $-45.0 million; corporate income tax, $-4.8 million; and property tax, $-30.0 million.)	NA	-75.0
Washington	Provides property tax credit on restoration of riparian habitat.	7/96	-13.0
	Provides public utility tax credit on water conservation.	7/96	-3.0
Wisconsin	Imposes utility tax rather than local property tax on wholesale electric companies.	1/96	1.2

TABLE A-11 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 1997

State	Tax Change Description	Effective Date	Proposed Changes (Millions)
	FEES		
Alaska	Increases various user fees, including an increase in pioneer homes' rates, and institutes a workers' compensation support charge for the self-insured.	7/96	$ 8.0
Connecticut	Recommends various fee adjustments.	7/96	3.6
	Establishes escheats for unclaimed bottle deposit money.	7/96	15.0
Florida	Expands base to apply to all first-time titles issued in Florida.	7/96	5.1
	Enacts a fifty-cents-per-month surcharge per phone.	7/96	11.3
	Establishes a fee per box of citrus fruit to fund the costs of the program.	7/96	0.5
	Increases assessment fee by seven cents.	7/96	1.3
	Requires participating counties to pay 100 percent of costs and pass those costs on to the users of the services.	7/96	1.2
	Institutes $5 per passenger surcharge.	7/96	6.6
	Increase fees by $1.00 for three-year reports and by $1.50 for seven-year reports.	7/96	9.4
	Increases fees to pay 100 percent of program costs.	7/96	0.4
	Reenacts the highway logo sign program and generates enough fees for full funding.	7/96	0.3
	Increases weekly fees by $10 per terminal.	7/96	3.6
	Increases fee per excess pound on a graduated increasing scale.	7/96	10.3
	Deregulates/eliminates fees for certain professions.	7/96	-1.7
	Exempts electricity purchased by mining and manufacturing businesses, phased in over five years.	7/96	-5.2
	Increases by $30 the annual registration fee for associated persons.	7/96	5.4
	Increases the fee by $1,000 per issue.	7/96	4.0
	Increases tuition by 7 percent.	7/96	17.0
	Increases various fees to generate overall increase of 15 percent.	7/96	2.9
New York	Imposes fee of $25 for amendment of vital records.	8/96	0.3
	Imposes fee on municipal water suppliers serving more than 1,000 residents.	8/96	8.7
	Increases various fees.	8/96	0.1
	Increases biennial registration fee from $330 to $600.	6/96	6.1
	Extends fees for civil appeals and proceedings to actions that go directly to appellate courts.	4/96	0.0
	Imposes a surcharge of 5 percent on awards in civil litigation, up to a maximum of $5,000.	4/96	15.0
	Institutes a reimbursable filing fee of $50 for actions in the court of claims.	4/96	0.7
Oklahoma	Increases remedial education fees.	NA	4.0
Pennsylvania	Adjusts various fees.	7/96	12.0
Puerto Rico	Adjusts various fees.	NA	-10.0
Rhode Island	Extends hospital license fee and increases rate from 2.2 percent to 4.4 percent.	NA	74.9
Wisconsin	Increases court support services fees on small and large claims and civil actions.	10/95	11.7
	Increases forfeiture judgments.	10/95	2.5
	Adds charges to counties for state centers for the developmentally disabled.	7/95	1.5

NOTES: NA indicates data are not available.
*See Notes to Table A-11.

NOTES TO TABLE A-11

Alaska	Motor fuel tax increase is proposed for dedicated highway and marine funds.
Georgia	The sales tax on food is cut from 4 percent to 2 percent on October 1, 1996; to 1 percent on October 1, 1997; and to zero on October 1, 1998. The cost is an additional $152 million in fiscal 1998, $129 million in fiscal 1999, and $44 million in fiscal 2000, for a total cut of $500 million.
West Virginia	Taxpayers with federal adjusted gross income below $10,000 ($5,000 for married people filing separate returns) may exclude up to $10,000 in earned income from taxation as of July 1, 1996. This provision generally raises the filing threshold to $10,000 ($5,000 for married people filing separate returns).

TABLE A-12

Recommended Revenue Measures, Fiscal 1997

State	*Description*	*Effective Date*	*Proposed Changes (Millions)*
Connecticut	Privatizes the lottery function.	NA	$151.2
	Reinstates the credit for electronic data processing equipment against the insurance premiums tax and public service companies tax.	7/96	-10.0
Georgia	Provides refund to federal retirees for pension settlement.	NA	-27.0
Maine	Eliminates highway fund interest.	7/96	-1.2
	Establishes new lottery game.	7/96	2.1
New Jersey	Extends sales tax to custom software and certain wrapping supplies.	7/96	6.0
	Increases transportation permits and fees.	7/96	1.6
	Increases health care regulatory fees.	7/96	1.1
New York	Extends assessments on health facilities for three years.	4/95	288.0
	Extends additional assessments on health facilities for three years.	4/96	110.0
	Changes system to increase incidence of penalties from juror noncompliance.	4/96	2.0
Rhode Island	Changes timing for general issuance of reflective plates.	NA	2.4
South Dakota	Repeals several sales tax exemptions.	7/96	5.4
Vermont	Extends the current 5 percent sales tax due to sunset on July 1, 1995, and July 1, 1996.	7/95 and 7/96	34.3
	Extends the current 5 percent motor vehicle purchase and use tax due to sunset on July 1, 1995, and July 1, 1996.	7/95 and 7/96	8.6
Virginia	Defers tax exemption for nonprescription drug sales.	7/96	13.2
	Defers additional withholding allowance.	7/96	22.2
	Defers housing development tax credit.	7/96	1.0
	Collects delinquent taxes through the department of motor vehicles.	7/96	1.3
	Collects delinquent taxes through third-party collectors working for the tax department.	7/96	5.0
	Defers housing development tax credit.	7/96	1.0
	Defers neighborhood assistance credit.	7/96	2.8
Washington	Defers property taxes on taxes above 5 percent of income below $50,000 per year.	7/96	-18.6

NOTE: NA indicates data are not available.

TABLE A-13

Total Balances and Balances as a Percentage of Expenditures, Fiscal 1995 to Fiscal 1997*

Region/State	*Total Balances (Millions)***			*Balances as a Percent of Expenditures*		
	Fiscal 1995	*Fiscal 1996*	*Fiscal 1997*	*Fiscal 1995*	*Fiscal 1996*	*Fiscal 1997*
NEW ENGLAND						
Connecticut	$ 81	$ 58	$ 59	1.0%	0.7%	0.6%
Maine	15	5	1	0.9	0.3	0.1
Massachusetts	604	498	528	3.8	3.1	3.3
New Hampshire	24	16	24	2.5	1.8	2.8
Rhode Island	50	53	53	3.1	3.2	3.2
Vermont	-15	0	5	-2.1	0.0	0.7
MID-ATLANTIC						
Delaware	374	302	243	24.3	17.6	13.8
Maryland	419	501	539	6.0	6.7	7.2
New Jersey	952	870	539	6.4	5.5	3.5
New York	158	172	272	0.5	0.5	0.9
Pennsylvania	495	283	214	3.1	1.7	1.3
GREAT LAKES						
Illinois	331	300	300	1.9	1.7	1.6
Indiana	1,098	1,473	1,819	17.3	20.5	24.2
Michigan	1,003	1,058	1,004	12.5	12.5	12.2
Ohio	899	1,047	989	6.0	6.4	5.7
Wisconsin	401	562	294	5.1	6.8	3.3
PLAINS						
Iowa	408	546	628	11.3	14.4	15.9
Kansas	372	262	267	11.2	7.5	7.6
Minnesota	1,057	855	1,195	12.3	9.2	13.5
Missouri	497	424	195	9.4	7.4	3.1
Nebraska	196	136	152	11.7	7.5	8.1
North Dakota	31	25	18	4.9	3.9	2.5
South Dakota	11	18	18	1.9	2.9	2.8
SOUTHEAST						
Alabama	54	43	0	1.3	1.0	0.0
Arkansas	0	0	0	0.0	0.0	0.0
Florida	411	544	409	2.9	3.7	2.6
Georgia	512	404	428	5.4	3.9	4.0
Kentucky	361	200	200	7.2	3.7	3.7
Louisiana	146	143	143	3.1	2.9	2.9
Mississippi	383	354	367	14.3	12.8	13.0
North Carolina	892	630	824	8.9	6.3	8.1
South Carolina	589	430	260	14.5	9.8	5.7
Tennessee	138	102	102	2.7	1.9	1.8
Virginia	97	143	191	1.3	1.9	2.4
West Virginia	191	64	64	8.6	2.6	2.7
SOUTHWEST						
Arizona	493	503	246	11.1	11.0	5.2
New Mexico	59	16	56	2.2	0.6	2.0
Oklahoma	240	366	367	7.0	10.3	9.7
Texas	1,860	552	11	9.0	2.5	0.0
ROCKY MOUNTAIN						
Colorado	484	503	641	12.4	12.1	15.0
Idaho	36	34	34	2.8	2.6	2.4
Montana	47	22	22	5.0	2.2	2.2
Utah	127	235	72	5.4	9.0	2.5
Wyoming	81	59	52	17.0	12.0	10.4
FAR WEST						
Alaska	2,136	2,226	2,443	83.0	89.6	99.6
California	683	403	731	1.6	0.9	1.6
Hawaii	90	64	100	2.8	2.0	3.2
Nevada	202	216	200	18.3	17.5	15.1
Oregon	496	389	202	14.9	10.9	5.3
Washington	559	563	505	6.6	6.5	5.6
TERRITORIES						
Puerto Rico	255	126	16	4.8	2.3	0.3
Total	**$20,826**	**$18,670**	**$18,028**	**5.9%**	**5.1%**	**4.8%**

NOTES: NA indicates data are not available.
*Fiscal 1995 are actual figures, fiscal 1996 are estimated figures, and fiscal 1997 are recommended figures.
**Total balances include both the ending balance and balances in budget stabilization funds.