

# The Fiscal Survey of States

**April 1997** 

National Governors' Association National Association of State Budget Officers

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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 1977. 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 1997. The surveys were completed by Governors' state budget officers in the fifty states and the commonwealth of Puerto Rico.

Fiscal 1996 data represent actual figures, fiscal 1997 figures are estimated, and fiscal 1998 data are figures contained in Governors' proposed budgets.

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. NASBO staff Stacey Mazer, Mary Dingrando, and Trinity Tomsic compiled the data and prepared the text for the report. Editorial assistance was provided by Alicia Aebersold and Karen Glass in NGA's Office of Public Affairs. Dotty Esher of State Services Organization provided typesetting services.

# **Executive Summary**

States are exercising caution in their recommended budgets for fiscal 1998, continuing the moderate state spending trends of the past few years. Although 1997 will be the seventh year of economic recovery nationwide, Governors are not calling for program expansions. Instead, they are proposing moderate spending increases, modest tax cuts, and increased budget reserves. These policies will position states to better manage an economic downturn in the future and to better administer their responsibilities related to welfare reform.

The proposed moderate state spending reflects Governors' efforts to hold the line on spending, the public's apparent desire for a smaller public sector, and concern about future federal funding. States seem to be anticipating level federal funding as part of the goal of both Congress and the administration to achieve a balanced federal budget by 2002. Discretionary spending in the form of grants to states is once again under scrutiny as a primary source for budget reductions. Other significant changes may come from proposals to limit the growth in the Medicaid program and federal tax changes that would affect state revenue systems.

Key findings of this survey include the following.

# State Spending

States estimate an increase in general fund spending of 4.5 percent for fiscal 1997 and 3.6 percent for fiscal 1998.

- Most states do not plan to make midyear adjustments to their budgets. Only seven states reduced or plan to reduce their fiscal 1997 enacted budgets. These reductions total less than \$300 million, or less than one tenth of a percent of state general fund budgets. With the continuation of steady economic growth, few states have been forced to make midyear budget reductions in the past few years.
- Under recently enacted federal welfare reform legislation, states must limit the time that recipients can receive cash assistance and must place a greater percentage of their welfare populations in jobs. States have the flexibility to set benefit levels for cash assistance payments under the Temporary

Assistance for Needy Families (TANF) block grant. Previously, these benefits were authorized under the Aid to Families with Dependent Children (AFDC) program. For fiscal 1998, only six states are recommending changes to benefit levels, while forty-three states would maintain the fiscal 1997 benefit levels. Most of the changes that states are proposing focus on incentives and disincentives, such as allowing recipients additional income without a corresponding decrease in their cash benefits.

- The growth in Medicaid spending is continuing at more moderate levels after years of double-digit growth rates, largely as a result of state cost-containment strategies. The Congressional Budget Office now projects average annual growth rates of 7.7 percent through 2002. Virtually all states are enrolling Medicaid recipients in managed care to help contain costs. Although the rate of growth in Medicaid spending has slowed, it is still more than double the rate of inflation. Sustaining the moderate growth rate for Medicaid will continue to be a challenge for states.
- Nearly all states are recommending pay raises for fiscal 1998, with across-the-board increases ranging from 1 percent to 5 percent. States estimate a slight increase from fiscal 1997 to fiscal 1998 in the number of filled positions. Most of the states in the New England and the Mid-Atlantic regions are estimating a decrease in the number of filled positions between fiscal 1997 and fiscal 1998. This decline reflects the relatively weaker economies of these regions, as well as policies to downsize state government.
- About half of the states are recommending changes that would affect aid to local governments. Many of the changes would increase aid to localities for education, public safety, and property relief programs. Some states are aiding localities by assuming local government functions or costs, often over a multiyear period.

# State Revenue Developments

Recommended net tax and fee changes would decrease fiscal 1998 revenues by \$4.4 billion. If enacted,

this would be the fourth consecutive year that state actions will result in a net decrease in state revenues. Twenty-five states are proposing tax reductions, with the most significant reductions in the personal income tax. Recommended tax increases are predominantly for cigarette taxes.

- Fiscal 1997 revenue collections are estimated to be about 1.1 percent higher than the estimates states originally used in adopting their budgets.
- Governors' recommended budgets for fiscal 1998 include an increase of 4.4 percent over fiscal 1997 tax collections. These tax collections 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 1996 and fiscal 1997 are at the highest levels since 1980. Balances in twelve states are projected to exceed 10 percent of expenditures in fiscal 1997. However, balances are projected to drop significantly, from 6.9 percent of spending in 1996 to only 5.1 percent in 1998. To some extent, states are maintaining large surpluses because of uncertainties concerning a federal per-capita cap on Medicaid and the underfunding of the welfare reform legislation.

# Regional Impact

The outlook for economic growth in the regions is positive, with less variance among regions in the rate of growth than in the past. California continues to experience strong job growth, enhancing the economic indicators for the Far West region and slowing the outmigration of workers to neighboring states.

# State Restructuring

States are continuing to make changes to improve the overall management of state government. They are merging departments, using outcome measures to assess performance, and selectively reviewing privatization options. Even with a strong economy, states are emphasizing efficiency changes rather than expansions of state services.

# Economic Background

CHAPTER ONE

The economic outlook continues to be positive, with little threat of a recession on the horizon. The rate of economic growth is expected to be 2.6 percent in 1997, according to the most recent estimates by the National Association of Business Economists. This will be the seventh consecutive year that the economy has been expanding, and the economic expansion should continue through 1998. Moderate economic growth helps to sustain the long-term prospects for growth and contributes to the economy's long-term resiliency.

Strengths in the economy continue to be consumer spending, business profits, industrial production, and home and automobile sales. Trade is one of the few weak areas. Significant factors that have helped sustain the moderate growth with low inflation include the availability of cheap imports, the moderation of health care costs, the restraints on wages, and the falling prices for computers. The relatively large increase in the number of people joining the labor force

and the growing use of temporary and contract employees have helped sustain moderate wage increases. With increased competition, many workers appear willing to trade substantial wage increases for job security.

Unlike previous expansions, the economy has shown few signs of inflation. This has helped limit the Federal Reserve's need to tighten credit, which would slow down the economy. Moreover, no outside shocks, such as an oil crisis, have occurred to curb economic growth.

The March 1997 Current Economic Conditions, a survey from the Federal Reserve districts, reveals a moderately expanding economy. Manufacturing activity is either expanding or holding steady in all regions, and building activity remains strong in most regions.

# State Expenditure Developments

CHAPTER TWO

# **Budget Management in Fiscal 1997**

Only seven states reduced or plan to reduce their fiscal 1997 enacted budgets, by less than \$300 million in total, or less than one tenth of a percent of state general fund budgets (see Table 1). This compares with thirteen states in fiscal 1996; 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 national economy has helped maintain stable state budgets. The strategies that states used to make midyear budget cuts include across-the-board reductions, layoffs, program reorganizations, privatization, and program eliminations (see Appendix Table A-5).

# General Fund Spending in Recent Years

Governors' recommended budgets for fiscal 1998 are estimated to be 3.6 percent above the previous fiscal year (see Table 2). This moderate spending increase

would be the third lowest in the past twenty years (see Figure 1). About one third of the states reported expenditure growth below 5 percent in fiscal 1997 (see Table 3 and Appendix Table A-4). For fiscal 1998, about three quarters of the states estimate expenditure growth to be below 5 percent.

# State Spending for Fiscal 1998

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

Cash Assistance Under the Temporary Assistance for Needy Families Block Grant. Forty-three states plan to maintain the same cash assistance benefit levels that were in effect in fiscal 1997. The 1996 federal welfare reform legislation changed welfare from an entitlement program to a block grant and gave states new flexibility to shape welfare systems. As in the past several fiscal years, most states are not

TABLE 1

# **Budget Cuts Made After the Fiscal 1997 Budget Passed**

State	Size of Cut (Millions)	Programs or Expenditures Exempted from Cuts
Connecticut	\$108.6	Debt service. Represents reductions to the second year of the biennium that were made prior to the beginning of the fiscal year.
Hawaii	18.3	Elementary and secondary education, public safety, debt service, employees' retirement system and health insurance, public welfare payments, unemployment insurance, and workers' compensation.
Idaho	18.0	Public schools.
Maine	21.8	Constitutional offices, general purpose aid to local schools, and higher education institutions.
New Hampshire	8.0	Local aid.
Oregon	53.1	Reduction applies to lottery funds. Education programs were funded with the general fund.
Tennessee	37.5	Elementary and secondary education, TennCare/Medicaid, mental health and mental retardation, Temporary Assistance for Needy Families/Aid to Families with Dependent Children.
Total	\$265.3	~247#

SOURCE: National Association of State Budget Officers.

# State Nominal and Real Annual Budget Increases, Fiscal 1979 to Fiscal 1998

State General Fund

Fiscal Year	Nominal Increase	Real Increase
1998*	3.6%*	1.4%*
1997*	4.5*	1.7*
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
1979-1998 average	6.9%	1.9%
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 1997 figures are based on the change from fiscal 1996 actuals to fiscal 1997 estimated. Fiscal 1998 figures are based on the change from fiscal 1997 estimated to fiscal 1998 recommended.

SOURCE: National Association of State Budget Officers.

proposing any annual adjustments to cash assistance levels (see Table 4). Previously authorized under AFDC, cash assistance is now part of the TANF block grant. Even with the additional flexibility, states generally are choosing to maintain cash assistance levels under welfare reform.

Many states are establishing work programs and are experiencing a decline in welfare caseloads. Initially, most states are receiving a greater amount of federal funds for welfare in fiscal 1997 than in fiscal 1996. The additional funds during the transition phase will help states to establish welfare-to-work programs and provide child care services. Time limits on the receipt of benefits and work requirements for participants will pose the greatest challenges for states during the next few years.

### TABLE 3

# Annual State General Fund Expenditure Increases, Fiscal 1997 and Fiscal 1998

Number of States

Spending Growth	Fiscal 1997 (Estimated)	Fiscal 1998 (Recommended)
Negative growth	5	6
0.0% to 4.9%	17	32
5.0% to 9.9%	23	10
10% or more	5	2

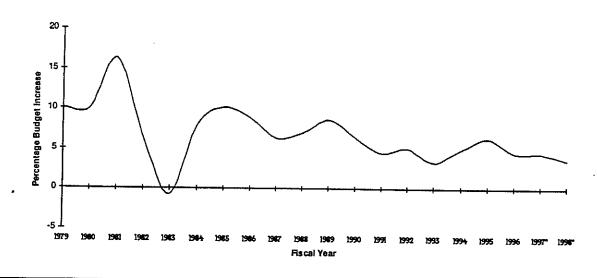
NOTE: Average spending growth for fiscal 1997 (estimated) is 4.5 percent; average spending growth for fiscal 1998 (recommended) is 3.6 percent.

SOURCE: National Association of State Budget Officers.

Medicaid. Medicaid spending continues to grow at more moderate levels after years of double-digit growth rates. Medicaid spending grew only 3.3 percent between fiscal 1995 and fiscal 1996, and it is estimated to grow 7.2 percent between fiscal 1996 and fiscal 1997. In February 1997, the Congressional Budget Office (CBO) lowered its baseline projections of future growth in Medicaid spending by almost \$86 billion through 2002. Average annual growthrates are now projected to be 7.7 percent through 2002. Several factors have helped lower Medicaid growth rates, including enrolling Medicaid recipients in managed care programs to contain costs as part of state strategies to transform Medicaid programs into more value-oriented purchasers of quality health care services. Other factors contributing to lower growth rates include a drop in welfare caseloads, the decrease in disproportionate share hospital spending, and the declining rate of medical inflation.

Although the rate of growth in Medicaid spending has slowed, it is still more than double the rate of inflation. Sustaining the moderate growth rate for Medicaid will continue to be a challenge for states. Although nearly every state has enrolled some portion of its Medicaid caseload in managed care, so far enrollment has centered primarily among low-income children and adults who receive acute care services. States are increasingly beginning to experiment with managed care models for senior citizens and individuals with disabilities. Better management of long-term care costs offers the potential for significant savings. Five states are recommending Medicaid reductions for fiscal 1998 (see Appendix Table A-6).

# Annual Budget Increases, Fiscal 1979 to Fiscal 1998



NOTE: Data for these years are estimated.

SOURCE: National Association of State Budget Officers.

State Employment. The number of filled full-time equivalent positions supported by all state funds is estimated to increase slightly from fiscal 1997 to fiscal 1998 (see Appendix Table A-8). The number of state employees reflects those positions supported by all state, federal, and trust funds, rather than only state general funds. The most significant reductions for the period 1996 to 1998 are in Georgia, Hawaii, Kansas, Maine, New Mexico, Rhode Island, and South Dakota.

Employee Compensation. Almost all states are recommending pay increases in their budgets for fiscal 1998. Proposed across-the-board increases range from 1 percent to 5 percent (see Appendix Table A-7).

Employee Benefits. The growth in employer health care costs continues to be moderate for the third consecutive year, according to a survey of both public and private employers by the consulting firm of Foster-Higgins. Factors contributing to this moderate growth include the relatively low medical care inflation, the increased use of managed care plans, and the

decline in coverage costs among health maintenance organizations (HMOs). However, widespread dissatisfaction with HMOs may change the outlook for continued moderation in employer health care costs as employees demand other types of health care plans and providers.

As a means to limit personnel costs, some states are shifting additional costs, mostly for health benefits, to employees (see Appendix Table A-6).

Aid to Local Governments. About half of the states are recommending changes that will affect aid to local governments, with the majority of proposed changes resulting in increased aid for localities (see Table 5). Education, public safety, and property tax relief programs are the most common forms of increased local aid. Some states are aiding localities by eliminating mandates. Other states are assuming local government functions or costs, often over a multiyear period. For example, Wisconsin will assume direct responsibility for Milwaukee County's child welfare system.

# Proposed Cost-of-Living Changes for Cash Assistance Benefit Levels Under the Temporary Assistance for Needy Families Block Grant, Fiscal 1998

State	Percent C	Change
Hawaii*	***	
Montana	2	5%
New Hampshire		
New Jersey*	·	_
New York*	·	_
North Dakota	2.	B
Ohio*	•	
Oregon*	***	_
Pennsylvania*		
Rhode Island*	<b></b>	
Wisconsin*		
NOTES:		
Hawaii	For 40 percent of the target group, benefits will be reduced. Benefits will be decreased by 20 percent remaining Temporary Assistance for Needy Families (TANF) population.	for the
New Hampshire	This represents the effective increase because of the income disregard.	
New Jersey	Although the basic state benefit level for cash assistance is unchanged under TANF, there are features Jersey's welfare reform program, Work First New Jersey, that impact client benefits. Client income disregarded at a flat 50 percent of earnings, rather than the previous step-down method; households will be reto contribute their earnings as a condition of emergency assistance, and strict limitations will be placed on assistance; and the monthly child support pass-through will be retained at 100 percent of state costs.	will be
New York	Benefits will be reduced after eighteen months, with additional declines the longer the family remains on assis Participants can earn back the full value of this step-down benefit reduction without further reduction in the York Works grants. Families will be permitted to fill the gap by using earnings to replace the benefit loss. The will be able to disregard remaining earned income up to the federal poverty level.	
Ohio	Although the state is currently operating under its originally filed TANF plan, revisions to the plan will likely be for the next fiscal year. The Governor's budget includes appropriate funding to support Ohio's maintenance-or requirement, though the specifics of the plan for the next fiscal year were not included as part of the budgare still under development. It is likely that details will not be fully known until later this year.	ē -66
Oregon	A potential additional \$43 monthly cash benefit is proposed as an incentive for recipients to particip employment and training programs to offset the food stamp reductions in the welfare reform law.	ate in
Pennsylvania	Although there is no change in the state grant level for TANF, implementation of two proposals related to we reform will impact the monthly grant amounts. First, the \$50 monthly pass-through of child support we discontinued. Second, the income disregard will be increased from one third to one half of income.	velfare vill be
Rhode Island	The basic benefit level for cash assistance clients is unchanged, at an average of \$544 per month for a far three. However, there are rewards and disincentives that modify benefits in several categories: minor parent refuse to participate in a supervised living arrangement become ineligible for a portion of their benefit; som families will become eligible for partial cash assistance because of an increase in allowable vehicle values; new families will become eligible for partial cash assistance and some existing families will receive greater be white working because of an increase in the earnings allowance; families in subsidized housing will have mentitlement.	ts who e new some enefits
Wisconsin	Wisconsin Works (W-2) is a work-based system that does not base monthly cash grants on family size. In the categories of W-2 that are closest to the Aid to Families with Dependent Children system—the community states and W-2 transition—people will be placed in subsidized employment positions and will work off their magnants, proposed to be \$673 and \$628, respectively.	andaa

SOURCE: National Association of State Budget Officers.

# Proposed Changes to Aid to Local Governments, Fiscal 1998

California

The Governor recommends that the Citizen's Option for Public Safety program be funded for an additional year. This program would provide \$100 million to local jurisdictions for fiscal 1998 for public safety purposes, frontline law enforcement services, criminal prosecution, and jail construction and operation.

Connecticut

The Governor recommends an \$18 million (1.1 percent) increase in formula grants to municipalities for fiscal 1998, and a \$50 million increase in urban aid bonding for each of the next two years.

The Governor proposes revisions to the collective bargaining and binding arbitration statutes that would allow municipalities to save considerable money in subsequent years by narrowing bargainable issues and continuing bargaining if an arbitrated decision is overturned by a local legislative body. The state also is continuing to take over the local general assistance (welfare) program, saving municipalities \$20 million to \$25 million a year.

Florida

An increase in the charge to counties for forest fire control activities, totaling \$1.3 million, has been proposed.

Hawaii

The Governor proposes to freeze the transient accommodations tax transfer to counties at the fiscal 1995 level, resulting in a reduction of the fiscal 1998 transfer to counties of \$12 million. This reduction would be offset by a distribution to counties of uncontested traffic fines and public service company tax receipts in excess of 4 percent. The Governor also recommends reductions in county contributions to the employees' retirement system because of proposed changes in the excess earnings provision.

Indiana

The Governor proposes to reduce the amount by which local governments can increase property taxes. This will decrease property tax replacement credit distributions to local governments by \$1.8 million.

lowa

Proposed changes include instituting additional property credits of approximately \$45 million, allowing school districts to enact a local option sales tax, and eliminating the income tax on earnings from local school districts for bonds issued for infrastructure projects.

Kansas

A proposed reduction in mill levy for school finance will cause state expenditures to increase to offset the loss in property tax receipts (\$40.5 million for fiscal 1998).

Louisiana

The Governor proposes to provide an increase in state supplemental pay from \$278 to \$300 per month for each eligible municipal police, firefighter, and deputy sheriff statewide. The estimated number is 16,715. The estimated cost is \$4.4 million, an increase of 8.35 percent.

Maine

Proposed changes include a 1 percent increase for general purpose aid for local schools over fiscal 1997, totaling \$5.4 million. A commission will be established to analyze the possible consolidation and clustering of local school administrative units and functions.

Maryland

The Governor's proposed budget increases funding for eight programs over the previous year by \$68.4 million, or 9.3 percent. The most significant increases are for the Baltimore City school settlement, disparity grants, and community colleges.

Massachusetts

The Governor recommends an increase of \$302.3 million (or 8.8 percent) in direct aid to cities and towns, including a \$259 million increase to fund the fifth year of education reform in Massachusetts. The Governor also recommends the elimination and consolidation of government functions currently being administered at the county level, including the correctional facilities and the registries of deeds.

Minnesota

The Governor is not making any recommendations this legislative session that would affect aid to local governments in fiscal 1998. However, several changes made in previous legislative sessions are impacting local aid. Sufficient balances in the state's general fund triggered an increase in the metering of aids to school districts. Prior to the change, 85 percent of a school district's property tax aid entitlement was paid in the state fiscal year corresponding to the school year, and 15 percent was paid in the following fiscal year. With the law change, 90 percent of the aids are paid in the current fiscal year and 10 percent in the following fiscal year. This change does not affect the school district's aid entitlement amount, only the flow of payments from the state.

In addition, a portion of the Homestead and Agricultural Credit Aid, one of the state's general property tax relief programs, continues to be converted to criminal justice aid and a new aid, local performance aid. Local performance aid is contingent on local government's integration of performance measurement into its operations. Most jurisdictions will see no net change in the amount of assistance they receive; the aid is merely being recategorized.

Missouri

The Governor's proposed budget provides for a 10 percent rate increase (\$2 million) for per-diem costs for holding prisoners.

Montana

The Governor's proposed budget provides for increases of \$42 million in aid to public schools in the 1999 biennium, which would provide for school enrollment increases; and a 3.5 percent increase in fiscal 1999 school payment schedules, targeted aid for school technology, and school facilities.

Nebraska

The Governor has proposed legislation to create a local option property tax relief committee that would study the imposition of income taxes by school districts with voter approval. All such revenue would offset property tax.

New Hampshire

The increase in the cigarette tax would double state funding of kindergarten and fund a new program of building aid for kindergarten.

# Proposed Changes to Aid to Local Governments, Fiscal 1998

New Jersey

The recommended budget provides \$4.469 billion for direct aid to local school districts, an increase of \$286 million (6.8 percent) over adjusted fiscal 1997. This reflects the implementation of the Comprehensive Educational Improvement and Financing Act, a new school funding law designed to guarantee funding for new core curriculum standards adopted by the state board of education. The fiscal 1998 budget also provides \$1.549 billion in unrestricted aid to municipalities. This amount allows for the continuation of every major municipal aid program at last year's funding level, providing municipal governments with a stable base of revenue to address their needs for local public services.

The scheduled incremental shift of judicial costs from the counties to the state will continue in fiscal 1998. All court staff formerly employed by the counties became state employees on January 1, 1995, and judicial costs formerly budgeted and funded by the counties are now budgeted and funded by the state. Counties appropriate a declining percentage of "base-year" (1993) costs as payments to the state to support the costs of the judicial system. In fiscal 1998, the state will receive \$119.3 million from counties, compared with \$240 million in base-year county costs. County payments to support state judicial costs will cease in fiscal 1999.

Pursuant to a new law enacted in 1996, regulations have been proposed to implement local self-examination of municipal annual budgets in two of every three years. This is permitted for municipalities deemed to be fiscally sound by the director of the division of local government services (department of community affairs), the state official charged with overseeing local budgeting and fiscal affairs. Local self-examination will be in lieu of state examination and approval, providing a precondition to adopt the annual budget.

Also, during fiscal 1998, the office of state planning will be providing \$40,000 in funding to each county for cross-acceptance costs associated with the statutorily required review and revision of the state development and redevelopment plan.

New York

The proposed fiscal 1998 executive budget provides more than \$1 billion in savings and mandate relief to local governments. Many program areas include small aid reductions. Medicaid and welfare cost-containment actions will result in local savings of \$356 million and \$425 million, respectively. This year's proposal includes a new \$25 million tax stabilization fund for local governments, in addition to continuing a \$49 million appropriation for distressed localities from last year.

There are no new unfunded mandates contained in the Governor's budget; however, several mandate relief measures are being proposed. Chief among these recommendations is a constitutional amendment prohibiting future unfunded mandates on local governments and school districts unless offsetting state funding or new mandate relief is provided. In a separate proposal, binding arbitration negotiators would be required to give primary emphasis to municipal ability to pay salary and wage increases, affording local governments greater protection in the collective bargaining process. Conforming asbestos removal requirements with those of the private sector and reform of the Wicks law (currently requiring multiple building contracts for a project) would allow local governments to realize savings. Additional legislation would assign the role of providing low-cost municipal deficit financing to the municipal bond bank agency.

Ohio

Ohio's revenue sharing involves a portion of major taxes being distributed to local governments. Any income tax, sales tax, and corporate franchise tax changes have a negative impact. The estimate for fiscal 1998 is a loss of approximately \$5 million.

Oregon

Proposals include an increase in primary and secondary school support to \$459 million to offset limited property tax revenues, an increase of 13.5 percent from fiscal 1995 through fiscal 1997; a decrease in lottery funds for local governments, a reduction of \$3.5 million, or 17.2 percent, from fiscal 1995 through fiscal 1997; and a \$117.5 million increase in funding for transportation in new revenues.

Pennsylvania

The second-year funding of a three-year technology initiative would distribute \$33.3 million in 1997—98 to school districts for computers and related technology. In response to federal welfare reform, the system for providing day care services to the children of welfare clients will be changed to utilize the current system of subsidized day care for the working poor. This system uses local management agencies to coordinate payments and operate resource and referral services.

A new program would provide grants to counties for drug and alcohol treatment programs for nonviolent offenders as alternatives to incarceration. The budget proposes elimination over a three-year period of the state grant for local sewage treatment operations. Local jurisdictions would be required to reimburse the state police for providing local law enforcement services to localities that do not provide local police protection to their residents.

Rhode Island

The Governor proposes to alter the education aid formula to provide additional aid for poorer communities based on the number of students receiving free or reduced-cost meals. Education aid would be increased by \$13.3 million, or 2.9 percent. Local aid would be increased by \$1.85 million, or 4.7 percent.

### TABLE 5 (continued)

# Proposed Changes to Aid to Local Governments, Fiscal 1998

South Carolina

The Governor's executive budget provides an additional \$21.2 million, or a total of \$234.8 million, to reimburse local governments for the property tax relief fund, which will maintain the current homestead exemption for residential school property taxes at \$100,000; and a \$10.2 million reimbursement to local governments for the first year of a three-year phase-in to reduce the floor for calculation of manufacturing depreciation from 20 percent to 10 percent. This calculation is used in formulating property taxes paid by manufacturers. The budget also provides an additional \$5.1 million to fully fund the local government fund. 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. An increase of \$1.4 million to reimburse local governments for a \$20,000 residential homestead exemption provided to homeowners ages sixty-five and older also is included.

Utah

The Governor proposes a transportation package that will add \$249 million in aid for local roads. Local governments will receive 25 percent of new gas tax and vehicle registration revenues.

Vermont

The Governor proposes an extensive property tax relief initiative with approximately \$41 million in new general fund revenues. New revenues will be effective in fiscal 1998 and major components of programs will begin in fiscal 1999. The program incorporates the following elements: creation of a homestead credit voucher program, a local assistance special fund, a property tax sharing component, and interim transition funding. The homestead credit voucher program provides direct assistance to lower class and middle-class Vermonters. The voucher program limits property tax payment according to the percentage of income, with lower income claimants receiving greater proportional tax relief than more wealthy claimants. Funding is approximately \$72 million, which includes base spending and new revenues. The local assistance special fund will contain designated revenues for all state grant programs to local municipalities. The total funding, \$350 million, includes base spending and new revenues. Under the property tax sharing component, municipalities with a very high property tax base would pay prescribed amounts to the local assistance fund. These funds would be used exclusively to enhance general state aid to education payments. Total funding of \$8 million represents new revenues. Transition funding is provided for state's current use property tax revenues in fiscal 1998 until the shift to local use value appraisal in fiscal 1999.

The Governor proposes that \$1.3 million be used to effect a transition in the state's education program for "wards of the state," with the state assuming full funding of all special education eligible wards in fiscal 1998.

Virginia

The Governor's main 1997 budget initiatives that impact localities include funds for a new intervention program to identify and improve the skills of children who are most at risk of failing to learn how to read; local school construction; reduced class sizes in kindergarten through the third grade; an information system to determine eligibility for public assistance programs; and a comprehensive strategy to improve the health and vitality of the Chesapeake Bay.

Wisconsin

The funding increases for elementary and secondary schools of \$204.3 million (or 5.1 percent) for the 1997–98 school year will maintain the state's commitment to fund two thirds of these costs.

The state will assume direct responsibility for Milwaukee County's child welfare system on January 1, 1998. Annual state spending on this program will be \$104.7 million, \$35.7 million more than was budgeted by the county in 1995.

SOURCE: National Association of State Budget Officers.

# Overview

Recommended net tax and fee changes would decrease fiscal 1998 revenues by \$4.4 billion (see Table 6). If enacted, this would be the fourth consecutive year that state actions will result in a net decrease in state revenues (see Figure 2). The majority of proposed tax reductions focus on reducing the personal income tax.

Although not reflected in this year's tax proposals, states are struggling to determine how heightened use of Internet and online services by consumers and businesses will affect their tax systems. The taxation

TABLE 6

# Enacted State Revenue Changes, Fiscal 1979 to Fiscal 1997, and Proposed State Revenue Change, Fiscal 1998

Fiscal Year	Revenue Change (Billions)
1998*	-\$4.4*
1997	-4.1
1996	-3.8
1995	-2.6
1994	3.0
1993	3.0
1992	15.0
1991	10.3
1990	4.9
1989	8.0
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 1998 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, 1997, and 1998 provided by the National Association of State Budget Officers.

of electronic commerce raises many issues for states, including identifying who is responsible for tax collection and ensuring uniformity of tax treatment among states. States' application of taxes to Internet and online services will continue to evolve and be debated during the next few years.

The majority of states link their income tax systems to federal liability or adjusted gross income, so proposals for federal tax cuts could have important implications for state revenue systems. Both the President and congressional leadership are committed to enacting some type of federal tax reduction. Depending on the nature of the tax reduction, states would either lose revenue or be forced to change their tax laws to avoid the loss of state revenue. Any change to the consumer price index would also affect state revenue systems.

# Revenue Collections in Fiscal 1997

Revenue collections for the sales tax, the personal income tax, and the corporate income tax in fiscal 1997 matched or exceeded projections in the majority of states (see Table 6 and Appendix Table A-9). In total, revenue collections are about 1.1 percent higher than the estimates states used in adopting fiscal 1997 budgets.

# Revenue Collections for Fiscal 1998

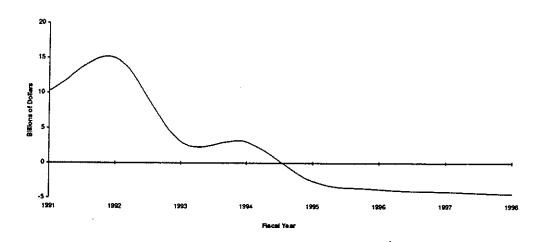
Fiscal 1998 recommendations include an increase of 4.4 percent over fiscal 1997 estimated tax collections. Projected fiscal 1998 tax collections represent collections from the sales tax, the personal income tax, and the corporate income tax (see Table 6 and Appendix Table A-10).

# Revenue Changes for Fiscal 1998

Thirty-six states are proposing net revenue changes for fiscal 1998 that would decrease revenues by \$4.4 billion (see Table 7). Fiscal 1998 recommendations are highlighted below and 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

Enacted State Revenue Changes, Fiscal 1991 to Fiscal 1997, and Proposed State Revenue Change, Fiscal 1998



SOURCE: National Association of State Budget Officers.

Appendix Table A-12). Tax and fee changes reflect modifications to current law that affect 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. Ten states are proposing sales tax changes for fiscal 1998, mostly to reduce the sales tax. The most significant proposals include Georgia's continued phase-out of the sales tax on groceries and Missouri's elimination of the 3 percent sales tax on groceries.

Personal Income Taxes. Twenty states are proposing changes to the personal income tax, mostly to reduce this tax. Significant proposals include Arizona's decrease in all tax rates, Connecticut's tax reduction, Iowa's 10 percent rate reduction, Maryland's phased-in 10 percent rate reduction, Minnesota's tax rebate, Nebraska's across-the-board tax reduction, and New York's phase-out of prior-year cuts. 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. Ten states are proposing changes to the corporate income tax, including California's 10 percent rate reduction over two years,

Minnesota's repeal of the alternative minimum tax, and New York's phase-out of prior-year reductions.

Cigarette and Tobacco Taxes. Seven states are recommending cigarette and tobacco tax changes, including Florida's per-pack increase in the cigarette tax of ten cents, Maryland's increase of thirty-six cents, New Hampshire's increase of twenty-five cents, Utah's increase of nine cents, and Wisconsin's increase of five cents. Often states are proposing increases as a means to discourage smoking as well as raise revenues for health-related programs.

Motor Fuels Taxes. Five states are proposing changes to motor fuels taxes, including Connecticut's per-gallon gasoline tax decrease of five cents and Vermont's increase of seven cents. Legislative action in Utah has already resulted in an increase in the gasoline tax of five cents per gallon.

Other Taxes and Fees. Revenues generated from these taxes and fees usually cover the costs for licensing and regulation, promote environmental conservation, and generate revenues for health care. Significant proposals include Iowa's reduction in inheritance taxes, Montana's property tax relief, and Virginia's change in the formula for unemployment insurance contributions. Fee increases often are for motor vehicles and other types of user fees.

TABLE 7

# Proposed Fiscal 1998 Revenue Actions by Type of Revenue and Net Increase or Decrease\* (Millions)

State	Sales	Personal	Corporate	Cigarettes/	Motor	•	Other		
	Sales	Income	Income	Tobacco	Fuels	Alcohol	Taxes	Fees	Total
Alabama									\$ 0.0
Alaska**		···							<u> </u>
Arizona		\$-100.0							-100.0
Arkansas								·	0.0
California	<del> </del>		\$-93.0					\$50.0	
Colorado	· · · · · · · · · · · · · · · · · · ·							<u> </u>	0.0
Connecticut		-219.5	5.0		\$-60.2		\$10.0	8.2	
Delaware					6.4		Ψ.γ.γ.	5.0	
Florida	\$ -3.3			\$120.9			5.7	24.2	
Georgia	-222.0								-222.0
Hawaii		-10.0		5.0					-5.0
Idaho									0.0
Illinois							-150.0		-150.0
Indiana		-99.6					,,,,,		-99.6
lowa	-4.0	-196.0					-18.2		-218.2
Kansas	-33.0	-20.3	-11.2				-56.8		-121.3
Kentucky		-13.8							-13.8
Louisiana									0.0
Maine		48.2	8.4				2.5		59.1
Marvland		-39.0		99.1				3.2	63.3
Massachusetts		-130.0	-36.0			· · · · · · · · · · · · · · · · · · ·		<u></u>	-166.0
Michigan					15.0				15.0
Minnesota	-1.4	-851.5	-32.1			······			-885.0
Mississippi		-2.5					<u> </u>		-2.5
Missouri	-218.0								-218.0
Montana					· · · · · · · · · · · · · · · · · · ·		-46.0		-218.0 -46.0
Nebraska		-121.9				······································	-40.0		-121.9
Nevada						<u></u>			0.0
New Hampshire				47.0					47.0
New Jersey	······································					***************************************			0.0
New Mexico		-15.0							-15.0
New York	26.1	-1,761.0	-197.0			·· · · · · · · · · · · · · · · · · · ·	-39.0	72.0	-1.897.9
North Carolina								73.0	0.0
North Dakota								*	
Ohio*		-336.7						28.0	0.0 -308.7
Oklahoma		-2.4	-7.2				-1.7	20.0	-308.7 -11.3
<u>Oregon</u>							216.0	· ···	216.0
<u>Pennsylvania</u>	-21.8	-25.4					-19.7		-66.9
Puerto Rico							- 10.7		
Rhode Island		-6.6	-1.8			····	-7.0		0.0 -15.4
South Carolina		-12.7				****	-4.6		<u>-13.4</u> -17.3
South Dakota		· .					0	1.0	
Tennessee			- 5					<u> </u>	1.0
Texas									0.0
Jtah*				8.2	51.8			19.0	0.0
<u>/ermont</u>	48.9				20.9	· · · · · · · · · · · · · · · · · · ·	16.6	15.0	79.0
/irginia						T	-32.6		86.4
Vashington			-0.8	6.7			-32.6 -112.4		-32.6
Vest Virginia							-116.4		<u>-106.5</u>
Visconsin	6.4			20.4					0.0
Vyoming								·····	26.8
otal	\$-422.1	<b>\$-</b> 3,915.7	<b>\$-3</b> 65.7	\$307.3	\$33.9	\$0.0	\$-237.2 \$2	116	0.0
				· · · · · · · · · · · · · · · · · · ·	777.7	40.0	4-501.6 95	11.0	<b>\$-4,388</b>

IOTES: \*See Appendix Table A-11 for details on specific proposed revenue changes. \*\*Data are not available.

OURCE: National Association of State Budget Officers.

CHAPTER FOUR

Balances as a percent of expenditures for fiscal 1996 are at the highest levels since 1980 (see Figure 3). Total balances reflect the funds states have that are 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).

The steady growth of the economy has allowed states to build up their reserves. Since fiscal 1991 and fiscal 1992, when balances were, respectively, only 1.1 percent and 1.8 percent of expenditures, states have increased their balances to exceed 4 percent of expenditures in each of the last six years.

Balances for fiscal 1998 are estimated at \$20.6 billion, or 5.1 percent of expenditures (see Table 8). About two thirds of the states estimate balances as a percent of expenditures to be 3 percent or more for fiscal 1998 (see Table 9 and Figure 4). Balances in twelve states are projected to exceed 10 percent of expenditures in fiscal 1997, a healthy cushion for economic and other uncertainties. With the outlook for level federal funding in discretionary programs, the threat of a federal per-capita cap on Medicaid, and the possibility of an economic downturn during the next several years, states need some cushion to deal with uncertainty.

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. Forty-five states and the commonwealth of Puerto Rico have some type of budget stabilization fund. States often use formulas to determine the method of deposit, withdrawal, and fund limits for budget stabilization or rainy day funds. Cyclical problems, especially if they are not too

severe, often are addressed through the use of budget stabilization or rainy day funds.

Reserves often are used to correct short-term imbalances between revenues and expenditures. Other 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 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 limits revenue growth to the rate of growth in personal income for the prior five-year period.

With respect to expenditures, the limits often are linked to the state's personal income growth. Minnesota, 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, Iowa, Mississippi, Oklahoma, Rhode Island, and South Carolina, less than 100 percent of estimated revenues are appropriated. These controls provide a cushion to avoid or minimize budget shortfalls when the state must respond to unforeseen events.

# Total Year-End Balances, Fiscal 1979 to Fiscal 1998

Fiscal Year	Total Balance (Billions)	Total Balance (Percentage of Expenditures)
1998*	\$20.6*	5.1%*
1997*	24.2*	6.2*
1996	25.8	6.9
1995	20.6	5.8
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 1997 are estimates. Figures for fiscal 1998 are recommendations.

SOURCE: National Association of State Budget Officers.

### TABLE 9

# Total Year-End Balances as a Percentage of Expenditures, Fiscal 1996 to Fiscal 1998

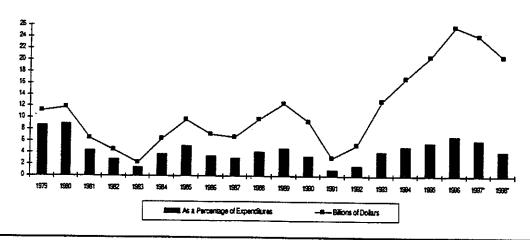
	Number of States					
Percentage of Expenditures	Fiscal 1996 (Actual)	Fiscal 1997 (Estimated)				
Less than 1.0%	4	4	3			
1.0% to 2.9%	8	10	15			
3.0% to 4.9%	4	10	12			
5% or more	34	26	20			

NOTE: The average for fiscal 1996 (actual) was 6.9 percent; the average for fiscal 1997 (estimated) is 6.2 percent; and the average for fiscal 1998 (recommended) is 5.1 percent.

SOURCE: National Association of State Budget Officers.

### IGURE 3

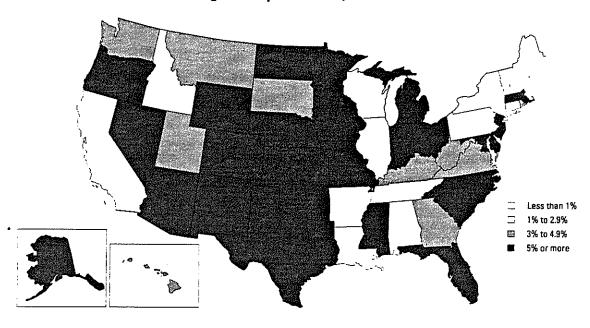
# Total Year-End Balances, Fiscal 1979 to Fiscal 1998



OTE: \*Data for these years are estimated.

OURCE: National Association of State Budget Officers.

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



SOURCE: National Association of State Budget Officers.

CHAPTER FIVE

# Overview

The outlook for economic growth in the regions is positive, with less variance among regions in the rate of economic growth than in the past. California continues to experience job growth, improving the economic indicators for the Far West region and slowing the outmigration of workers to neighboring states.

Personal income increased nationwide by 5.8 percent from the third quarter of 1995 to the third quarter of 1996. States in the Southeast and Southwest regions experienced the most rapid growth at 6.3 percent. The Mid-Atlantic and Great Lakes regions were the slowest-growth regions with an increase of 5.0 percent (see Table 10).

Population trends differ significantly across regions. Between July 1995 and July 1996, 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 and Southwest regions continue to experience the greatest influx of people, with an annual growth rate of 1.8 percent, followed by the Southeast region at 1.2 percent annual growth. The fastest-growing states will continue to be in the Rocky Mountain, Far West,

Southwest, and Southeast regions, according to the U.S. Department of Commerce's Bureau of Economic Analysis.

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

# New England

The economy in New England continues to rebound, with employment gains coming primarily from the business services sector, especially software engineering. New Hampshire continues to have the fastest-growing economy in this region, with Connecticut and Rhode Island experiencing the weakest economies.

Personal income growth for this region from the third quarter of 1995 to the third quarter of 1996 averaged 5.4 percent annually, below the national average of 5.8 percent.

TABLE 10

# Regional Budget and Economic Indicators

Region	Weighted Unemployment Rate*	Average Annual Percentage Change in Personal Income**	Annual Percentage Change in Population***	Fiscal 1997 Total Balances as a Percentage of Expenditures	Recommended 1998 General Fund Budget Growth (Percent)	Number of States in Region
New England	4.4%	5.4%	0.4%	5.5%	1.6%	6
Mid-Atlantic	5.6	· 5.0	0.2	3.5	2.1	5
Great Lakes	4.7	5.0	0.5	7.0	4.3	5
Plains	4.4	6.2	0.6	12.8	3.3	7
Southeast	4.9	6.3	1.2	4.3	4.4	12
Southwest	5.2	6.3	1.8	8.0	5.0	4
Rocky Mountain	3.9	6.1	1.8	5.7	3.4	5
Far West	6.3	6.2	1.0	7.6	3.9	6
Average	5.3%	5.8%	0.9%	6.2%	3.6%	

SOURCES: \*

- U.S. Department of Labor, Bureau of Labor Statistics, December 1996.
- U.S. Department of Commerce, Bureau of Economic Analysis, February 1997.
- U.S. Department of Commerce, Bureau of the Census, December 1996.

# Mid-Atlantic

Offsetting manufacturing job losses in the Mid-Atlantic region are increases in business services, health services, and retail and wholesale trade. Personal income growth from the third quarter of 1995 through the third quarter of 1996 averaged 5.0 percent annually, below the national average of 5.8 percent.

# Great Lakes

The economy of the Great Lakes region has been strong, stemming from its position as a fast-growing exporter of manufactured goods and its improvements in manufacturing productivity. Wisconsin is expected to experience steady employment growth during the next three years, attributable mostly to growth in the manufacturing sector. Annual personal income growth from the third quarter of 1995 through the third quarter of 1996 was 5.0 percent, below the national average of 5.8 percent.

### **Plains**

Employment growth in the Plains region is expected to slow in 1997, with labor shortages playing a role in the relative decrease. Minnesota's economy continues to perform well with sustained low unemployment rates. The unemployment rates of states in this region are among the lowest in the nation, with Nebraska and North Dakota at 2.4 percent and 2.8 percent, respectively. At 6.2 percent, annual personal income growth from the third quarter of 1995 through the third quarter of 1996 exceeded the national average of 5.8 percent.

# Southeast

Economic growth in the Southeast region is expected to be moderate, and its growth rate should match rather than exceed the rest of the nation as has occurred during the past few years. Florida's growth will come from inmigration and tourism.

Annual personal income growth from the third quarter of 1995 through the third quarter of 1996 was 6.3 percent, above the national average of 5.8 percent.

### Southwest

The economy of the Southwest region is expected to outperform the national economy, though the rapid growth of the past two years is expected to subside. Spurring this growth is the influx of high-technology companies. Texas' strength will come from the service sector. Retail trade and health and business services will account for the majority of growth in Oklahoma.

Personal income growth for this region from the third quarter of 1995 to the third quarter of 1996 averaged 6.3 percent annually, above the national average of 5.8 percent.

# Rocky Mountain

The Rocky Mountain region continues to outpace the nation in economic growth. Its growth is helped by investment in high-technology manufacturing. The rapid rate of growth in the past year is expected to subside but remain positive. Colorado, Idaho, and Utah have strengthened their economies through an emphasis on high-technology industries.

At 6.1 percent, annual personal income growth from the third quarter of 1995 to the third quarter of 1996 exceeded the national average of 5.8 percent.

### Far West

California's growth rate continues to exceed the national growth rate after several years of economic weakness. Sources of growth for California include high-technology companies, export-related industries, and services such as software design and management consulting. Finance, insurance, real estate, and utilities are areas of weakness for the state. Nevada has benefited from Californians leaving, though with California's recent surge in job growth that trend may be ending. Oregon has also experienced strong job growth. Alaska expects slow job growth with the decline in oil production. Hawaii experienced job loss during the past year with a reduction of jobs in government, construction, and services.

Personal income growth from the third quarter of 1995 to the third quarter of 1996 was 6.2 percent annually, above the national average of 5.8 percent.

# Strategic Directions of States

**CHAPTER SIX** 

States continue to make changes to improve the management of state government. They are merging departments, using outcome measures to assess performance, and selectively reviewing privatization options. Even with a strong economy, states are emphasizing efficiency changes rather than expansions of state services. The most common trend is the move toward performance-based budgeting, either through a statewide effort or more emphasis on outcomes during budget deliberations.

Several states are proposing eliminations of government functions and departments in order to downsize state government. Examples include:

- eliminating the Health Care Finance Commission in Maine; and
- discontinuing the commodities testing laboratory in Pennsylvania.

States are consolidating departments and programs to achieve efficiencies. Often these consolidations are in central government services, 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 human services areas is on integrating services and improving case management.

Examples of state restructuring include:

- merging three departments and similar functional divisions from three other departments into one department for human services effective fiscal 1998 in Illinois;
- establishing a centralized technology department in Iowa;
- consolidating all international trade, commerce, and business development programs in Maine;
- expanding Medicaid managed care to other areas of the state and initiating welfare-to-work programs in Missouri;
- consolidating health and social services agencies in Nebraska;
- implementing Medicaid managed care and welfare and workforce development changes in New Mexico;

- transferring the correctional education program from the department of education to the department of corrections; automating the statewide criminal justice information system to provide access to state, federal, and local data; and transferring the vehicle inspections station function from the state police to the department of transportation 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 state library services into the department of administration; and reorganizing the department of environmental management in Rhode Island; and
- consolidating all job training, welfare, unemployment compensation, child care, and food stamps programs in a new department of workforce services in Utah.

Several states are pursuing privatization as a means to achieve cost savings, primarily through contracting out for services. Some significant areas in which privatization options are being considered include prison operations and mental health services under Medicaid. As states modify their welfare programs, several states are seeking private firms to carry out administrative operations, such as determining eligibility, tracking clients, and providing job placement. Examples of privatization include:

- continuing to privatize some mental health and corrections activities in Missouri;
- privatizing the municipal statistics collection program in Pennsylvania; and
- continuing efforts to privatize services throughout the majority of agencies in Virginia.

To reduce personnel costs, many states have reduced the number of positions or have offered early retirement incentives. Other states, including Georgia, Maryland, and Rhode Island, have recently reformed their personnel systems. States also are 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 during the past few years, while thirty-nine

states have initiated total quality management. Examples of state changes to workforce policies include:

- considering civil service reforms in California;
- continuing to increase work hours to forty hours per week for a number of employees and converting a hiring freeze into a permanent reduction in agency personnel in Connecticut;
- eliminating more than 1,352 positions as part of the Productivity Realization Task Force in Maine;
- allowing state employees of certain ages and with certain years of state employment to retire with full pension benefits in Michigan;
- freezing full-time equivalent positions for agencies under the Governor's control in Nebraska;
- reducing the number of full-time equivalent positions by approximately 345 in Rhode Island; and
- providing a transitional severance benefits package to eligible employees who are involuntarily separated in Virginia.

States are conducting statewide reviews of expenditures and revenues as part of an effort to maintain long-term balance in their budgets. These efforts may take the form of a statewide commission to review overall operations. Other activities focus on providing adequate funding for infrastructure and reviewing needs and funding for transportation projects. Examples include:

- enacting an infrastructure fund in Iowa;
- reviewing highways and transportation needs and funding in Missouri;
- reviewing and implementing recommendations from a commission report on improving the efficiency of state operations, led by the lieutenant governor, through a process of deciding whether to privatize, retain, innovate, modify, and eliminate (PRIME) operations; seeking changes to the state's procurement code; and proposing amendments to the administrative code that governs the encumbrance, expenditure, and return of unspent funds to allow greater administrative flexibility in Pennsylvania;
- implementing the first phase of a pay-as-you-go asset protection program to be funded through the state's capital fund; and proposing the first phase of increasing allocations from the gasoline tax for transportation programs in Rhode Island; and

funding a ten-year transportation plan from reconstruction of Interstate 15, construction, and upgrades of other state and local roads in Utah.

Performance-based budgeting continues to be the most significant trend in state budgeting. States often proceed incrementally by establishing a strategic plan, assessing goals and objectives for agencies and programs, and developing performance measures. Many states have been working on some type of performance budgeting for several years, recognizing that systemic change requires a multiyear commitment. Examples include:

- implementing budget reform by comprehensively examining eighteen programs to decide whether to retain, eliminate, or modify the programs' funding and statutory references in Arizona;
- conducting performance budgeting in four pilot departments in California;
- implementing results-based budgeting as required by statute in Georgia;
- implementing a budget for results program in Iowa;
- implementing Empower Kentucky, a statewide reengineering initiative in Kentucky;
- enacting pilot performance budgets in the next biennium to coincide with strategic plans in Maine;
- relating the Governor's budget recommendations to strategic objectives, reviewing the Governor's budget process, and improving automation in the design phase in Nebraska;
- coordinating training for agencies on performance indicators by the budget division and dividing the budget into base, maintenance, and enhancement categories in Nevada;
- changing the budget structure to better separate previous appropriation level from current service level elements such as inflation, caseload growth, and program phase-ins or phase-outs in Oregon;
- implementing the first phase of performance measurement with the development of measures for approximately half of the state's programs in Rhode Island;
- placing a greater emphasis on a performance budgeting model for the fiscal 1998 budget process in Vermont; and

continuing performance budgeting by evaluating programs and services to assess whether they are appropriate for government and are delivered in the most effective and efficient manner in Virginia.

States are continuing to consolidate and review their operations to make government more effective and efficient. The most prevalent change in state management practices is the continued emphasis on integrating performance measures into budgeting. Performance budgeting often is being implemented incrementally, so it may be several years before the full impact of this effort is felt within state government.

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**Appendix Tables** 

TABLE A-1

# Fiscal 1996 State General Fund, Actual (Millions)

Region/State	Beginning Balance	Revenues	Adiustments	Pacauross	Evponditures	A witten a man	Ending	Budget Stabilization
NEW ENGLAND	24.4.100	Ticvenues	Aujustments	Resources	Expenditures	Adjustments	Balance	Fund
Connecticut	\$ 0	© D 111						
Maine*	<u> </u>	\$ 9,111 1,766		\$ 9,111	\$ 8,861		\$ 250	\$241
Massachusetts*	726	17,328	\$-48	1,723	1,682	\$ 28	13	37
New Hampshire*	. 0	852	-22	18,054	16,881		1,172	543
Rhode Island*	5	1,723	-22	830 1,729	874 1,702		-44	20
Vermont*	-15	715	7	707	702		27	<u>53</u>
MID-ATLANTIC	<del></del>	710		707	702	5	00	5
Delaware*	374	1,656		2,030	1,651		379	
Maryland*	133	7,211	57	7,401	7,387		379 13	
New Jersey*	952	15,282	<u></u>	16,234	15,532	-165	867	461
New York*	158	33,173		33,331	33,044	-100	287	
Pennsylvania*	429	15,822	96	16,347	16,279	88	156	211
GREAT LAKES				.0,071	10,273	00	199	211
Illinois*	331	18,136	-200	18,267	18,041	-200	426	0
Indiana*	679	7,570		8,249	7,202	22	1,025	440
Michigan*	0	8,374	68	8,442	8,422	20	1,023	
Ohio*	70	16,575		16,645	15,858	537	251	1,120 828
Wisconsin*	401	8,384		8,785	8,132	71	582	025
PLAINS				<u></u>	<u> </u>		702	
lowa*	0	4,141	-46	4,095	3,781	61	253	358
Kansas*	367	3,448	3	3,818	3,439	<u> </u>	379	0
Minnesota*	1,020	9,401		10,421	9.078		1,343	<del></del>
Missouri*	473	5,813		6,286	5,822		464	29
Nebraska*	176	1,837	-7	2,005	1,758	<del></del>	248	18
North Dakota*	31	668		699	651		48	
South Dakota*	0	605	25	631	616	15	0	18
SOUTHEAST								10
Alabama	54	4,244		4,298	4,240		58	0
Arkansas*	0	2,533	99	2,632	2,632		0	0
Florida	129	14,868		14,997	14,710		287	411
Georgia	320	10,608		10,928	10,439		489	313
Kentucky*	261	5,385	143	5,789	5,286	280	223	200
Louisiana*	146	5,157	8	5,311	5,090	-97	318	0
Mississippi	115	2,702		2,816	2,731		86	204
North Carolina*	321	10,090		10,411	9,685	436	291	501
South Carolina*	589	4,346		4,935	4,336		599	•
Tennessee*	138	5,302	31	5,471	5,326	20	125	, ,
Virginia*	17	7,742		7,759	7,655		104	85
West Virginia*	127	2,334	35	2,496	2,338	34	124	88
SOUTHWEST Arizona*								
	270	4,664		4,934	4,533		400	233
New Mexico* Oklahoma*	59	2,818	61	2,937	2,773	20	144	•
	195	3,705	-62	3,838	3,549		289	114
POCKY MOUNTAIN	1,852	24,831		26,682	24,636		2,046	9
ROCKY MOUNTAIN Colorado*	400							
	489	4,269		4,757	4,411	-23	369	•
ldaho* _Montaпа*	3	1,351	-5	1,349	1,337		12	32
Utah	46	963	7	1,016	986		30	NA
	61	2,731		2,793	2,595		197	72
Wyoming*	26	437	50	512	459		53	4
AR WEST	_			-				
Alaska California*	0	2,216	290	2,506	2,506		0	2,518
	807	46,296	-1,025	46,078	45,393		685	*
Hawaii Nevada*	90	3,194		3,284	3,124		161	0
Nevada* Oregon*	102	1,291	<del></del>	1,393	1,259	-25	159	123
Washington	496	3,531		4,027	3,531		496	36
ERRITORIES	559	8,616		9,175	8,619		556	0
Puerto Rico	400	E 000						
otal	126	5,386		5,512	5,495		17	67
V141	\$13,584	\$375,813		\$388,960	\$371,574	\$	14,438	\$9,324

NOTE: NA indicates data are not available.

<sup>\*</sup>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.

In addition to the general fund ending balance and the balance in the budget stabilization fund, there was \$14 million in a medical services stabilization fund. Arizona

Arkansas Revenue adjustments reflect a transfer made to reserve funds for services and capital infrastructure.

Revenue adjustments reflect \$1,025 million of the twenty-two month deficit elimination plan. Ending balance includes California

a budget stabilization fund of \$235 million.

Colorado Expenditure adjustments include reversions. Ending balance includes a constitutional emergency reserve and a budget stabilization fund of \$340.4 million, which includes a statutory 4 percent reserve.

Figures include federal reimbursements such as Medicaid. Per Special Act No. 98-6, up to \$89.5 million of the fiscal 1996 surplus shall be deemed to be appropriated for the fiscal 1997 economic recovery notes payment. Connecticut

Delaware Ending balance includes a budget stabilization fund of \$79.1 million.

Idaho Revenue adjustments include one-time transfers to and/or from other funds.

Illinois Revenue and expenditure adjustments reflect cash flow borrowing amounts for the general fund—\$200 million in fiscal

1996.

Revenue adjustments include \$46.2 million in gaming revenues diverted to the Rebuild Iowa Infrastructure fund. Expenditure adjustments include \$61.0 million in additional property tax relief. The ending balance includes \$13.4 million to be deposited in the cash reserve fund, \$58.8 million to be set aside in an economic emergency fund under current law, and \$180.6 million to be returned to the general fund in fiscal 1997. lowa

Revenue adjustments are adjusted for released encumbrances. Kansas

Revenue adjustments include continuing appropriations and fund transfers. Expenditure adjustments include the reserve for continued appropriation, including the budget reserve trust fund. Kentucky

Louisiana Revenue adjustment is a carry-forward balance. Expenditure adjustments reflect the comprehensive annual financial

report fund balance reconciliation.

Maine Revenue adjustments reflect prior-year transactions and balances carried forward. Revenue figures were adjusted

for the change to a modified accrual basis.

Maryland Revenue adjustments reflect a transfer from the reserve fund.

Massachusetts Ending balance includes a budget stabilization fund of \$543.3 million.

Michigan Revenue adjustments include a revenue-sharing freeze of \$81.4 million, a tuition tax credit of \$-12.6 million, and

various sales tax exemptions, totaling \$68 million. Expenditure adjustments include supplementals of \$58 million, a projected Medicaid lapse of \$-73.3 million, and other adjustments of \$35.4 million, totaling \$20.1 million.

The rainy day fund balance includes \$350 million from the cash flow account and \$220 million from the budget reserve, totaling \$570 million. Minnesota

General revenue includes refunds to income taxpayers required by the Missouri Constitution for revenues received in excess of the revenue limit, which is \$229.1 million for fiscal 1996. Missouri

Revenue adjustments represent primarily residual equity transfers. Montana

Revenue adjustments are transfers between the general fund and other funds. Expenditure adjustments are carryovers, midbiennium changes, and proposed fiscal 1998 tax reductions. Nebraska

Fiscal 1996 expenditures include a \$34 million one-time expenditure for primary and secondary education, a \$23 million transfer to the rainy day fund, and an \$8 million contingency fund for prisons. Expenditure adjustments are primarily reversions of the general fund expenditures. The ending balance does not include the rainy day fund. Nevada

New Hampshire Fiscal 1996 revenue adjustments are for a \$21.8 million transfer to the health transition fund. The balance in the health care transition fund was \$89.9 million.

New Jersey The ending balance includes a budget stabilization fund of \$272.3 million.

New Mexico Revenue adjustments include a risk fund transfer. Expenditure adjustments include appropriations from reserves. disaster allotments, and transfers from risk reserves. The ending balance includes a budget stabilization fund of

\$144.1 million.

New York The ending balance includes a budget stabilization fund of \$237 million.

The beginning balance is the unreserved balance as of July 1, 1995. Expenditure adjustments are transfers to reserves, including \$77.3 million to the budget stabilization reserve, \$130 million to the repairs and renovation reserve, \$47.2 million to the clean water management trust fund, \$39.5 million to the capital improvement reserve, \$26.2 million to the federal retiree refund reserve, \$115.5 million to the reserve for disaster relief, and \$0.3 million to the library North Carolina

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.

TABLE A-2

# Fiscal 1997 State General Fund, Estimated (Millions)

			•	•				
	Beginning						Ending	Budget Stabilization
Region/State	Balance	Revenues	Adjustments	Resources	Expenditures	Adiustments	Balance	Fund
NEW ENGLAND					****			
Connecticut*	\$ 0	\$ 9,238		\$ 9,238	\$ 9,237		\$ 2	\$243
Maine*	13	1,789	\$22	1,823	1,812		. 11	NA
Massachusetts*	1,172	17,394		18,566	17,704		863	563
New Hampshire*	-44	886	13	899	880		-26	20
Rhode Island*	27	1,760		1,787	1,761		26	55
Vermont* MID-ATLANTIC	0_	727		727	721	\$ 6	0	11
Delaware*	379	1,742		0.404	4 700		000	_
Maryland*	13	7,456	15	2,121 7,485	1,789 7,382		333	400
New Jersey*	867	15,431	. 13	16,298	7,382 15,401	-9	103 907	490
New York*	287	32,966		33,253	32,895	-3	358	•
Pennsylvania*	156	16,419	50	16,625	16,466	19	178	253
GREAT LAKES				10,020	10,400		170	200
Illinois	426	18,618		19,044	18,569		475	0
Indiana*	1,025	7,838		8,863	7,512	393	958	462
Michigan*	0	8,918	-687	8,231	8,209	20	2	1,182
Ohio*	251	17,155		17,406	16,916	333	157	858
Wisconsin*	582	8,826		9,408	9,265	4	139	•
PLAINS								
lowa*	181	4,356	-57	4,480	4,027	107	346	430
Kansas	379	3,615		3,994	3,577		417	0
Minnesota*	1,343	9,924	· · · · · · · · · · · · · · · · · · ·	11,267	9,651		1,616	*
Missouri*	464	6,182		6,646	6,426	<del> </del>	220	120
Nebraska*	248	1,958	-31	2,174	1,885	119	171	41
North Dakota* South Dakota*	48 0	705		753	690		63	0
SOUTHEAST	<u> </u>	641	5	645	641	5	0	25
Alabama*	58	4,450		4 500	4,458	4	46	•
Arkansas*	0	2,685	40	4,508 2,725	2,725	4	46	<u>0</u>
Florida	287	15,686		15,973	15,582	<del></del>	391	629
Georgia*	489	10,824	-175	11,138	11,113		25	322
Kentucky*	223	5,488	280	5,991	5,652	280	60	200
Louisiana*	318	5,488	13	5,818	5,259	559	0	0
Mississippi	86	2,832		2,917	2,855		63	211
North Carolina*	291	10,564	2	10,857	10,452	257	147	447
South Carolina*	599	4,480		5,079	4,776		303	•
Tennessee*	125	5,564	48	5,737	5.635	1	101	•
Virginia	104	8,292		8,395	8,180		216	152
West Virginia*	124	2,383	33	2,540	2,540		0	78
SOUTHWEST								
Arizona*	400	4,776		<u>5,176</u>	4,921	- 46	255	238
New Mexico* Oklahoma*	144 289	2,963	40 -184	3,147 4,108	2,956	12	179	
Texas	2,046	4,003	-184	26,559	3,851		257	288
ROCKY MOUNTAIN	2,046	24,513		20,555	24,850	<del></del>	1,709	10
Colorado*	369	4,565		4,934	4,422	115	396	•
Idaho*	12	1,374	19	1,405	1,405	119	0	15
Montana*	30	996	5	1,031	999		32	NA NA
Utah*	197	2,833		3,030	3,012		18	74
Wyoming*	53	456	37	546	497		49	6
FAR WEST								
Alaska	0	2,449		2,449	2,437		. 0	3,241
California*	685	48,406		49,091	48,443		648	*
Hawaii	161	3,179		3,340	3,227		114	0
Nevada*	159	1,361	75	1,595	1,551	-38	82	133
Oregon*	496	3,930		4,426	3,826		600	18
Washington	556	8,978		9,534	9,129		405	0
TERRITORIES								
		_						
Puerto Rico Total	17 \$16,116	5,608 \$388,060		5,625 · \$403,780	5,620 \$388,165		\$13,412	\$10,813

NOTE: NA indicates data are not available.

<sup>\*</sup>See Notes to Table A-2.

# NOTES TO TABLE A-1 (continued)

Ohio

Ohio includes federal reimbursements for Medicaid, Temporary Assistance for Needy Families (TANF), and several other human service programs (but not all of them) in its general fund. Beginning balances are undesignated, unreserved fund balances net of designated transfers. The actual cash balance would be higher by the amount reserved for encumbrances, transfers to the rainy day fund, and other transfers in each year. Expenditures for fiscal 1996 and fiscal 1997 do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements from the general fund. Fiscal 1996 expenditure adjustments equal a transfer to the income tax reduction fund of \$400.8 million, a transfer to the state infrastructure bank fund of \$30.0 million, a transfer to the SchoolNet Plus fund of \$100 million, and other miscellaneous transfers-out, totaling \$32.7 million. These transfers-out are adjusted for a net change in encumbrances from fiscal 1995 levels of \$-27.0 million.

Oklahoma

Revenue adjustments reflect transfers to the rainy day fund.

Oregon

Biennial budget estimation for total expenditures is assumed to be 48 percent for year one and 52 percent for year two. The rainy day fund balance reflects figures at the beginning of the fiscal year.

Pennsylvania

Revenue adjustments include adjustments to the beginning balance and lapses from prior-year appropriations. Expenditures reflect total amounts appropriated. Expenditure adjustments include the current-year lapses (\$116 million) and the transfer to the rainy day fund (\$28 million) that actually occurred in the following fiscal year.

Rhode Island

The general fund reflects only general revenue receipts and appropriations. Total resources are net of transfers to the budget reserve fund and other financing uses. Fiscal 1996 is still preliminary and reflects no audit adjustments.

South Carolina

The ending balance includes a budget stabilization fund of \$120.7 million.

South Dakota

Revenue adjustments include transfers from the budget reserve fund and obligated cash carried forward.

Tennessee

Revenue adjustments include a \$31 million transfer to the general fund from the debt service fund unexpended appropriations. Expenditure adjustments include a \$20 million transfer to the capital projects fund from the general fund revenues. The ending balance includes a budget stabilization fund of \$101 million.

√ermont

Revenue adjustments are a transfer from the transportation fund. Expenditure adjustments are a transfer to the budget stabilization reserve.

√irginia

The rainy day fund was appropriated in fiscal 1995.

Nest Virginia

The beginning balance includes thirty-one-day expenditures of \$22.1 million, reappropriations of \$61.6 million, and surplus appropriations of \$43.1 million, totaling \$126.8 million. Total expenditures include regular appropriations of \$2,243.7 million, reappropriations of \$18.1 million, surplus appropriations of \$54.2 million, and thirty-one-day expenditures of \$22.1 million, totaling \$2,338.1 million. Revenue adjustments include \$0.2 million in prior-year deposits and a \$34.8 million transfer from the rainy day fund. Expenditure adjustments include a transfer to the rainy day fund.

**Visconsin** 

Fiscal 1996 revenues are adjusted to include a residual equity transfer. Expenditure adjustments reflect the biennial appropriations carried forward. The ending balance includes a budget stabilization fund of \$82.6 million, which includes 1 percent of gross appropriations and compensation reserves.

**Vyoming** 

Revenue adjustments represent budgeted interfund transfers.

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.

Arizona In addition to the general fund ending balance and the balance in the budget stabilization fund, there is expected to

be \$60.2 million in a medical services stabilization fund.

Arkansas Revenue adjustments reflect a transfer made to reserve funds for services and capital infrastructure.

Alabama Expenditures adjustments reflects the amount in the fiscal 1997 supplemental bills.

California The ending balance includes a budget stabilization fund of \$197 million.

Connecticut Figures include federal reimbursements such as Medicaid.

Expenditure adjustments include a transfer to the transportation reserve. The ending balance includes a constitutional emergency reserve and a budget stabilization fund of \$361.1 million, which includes a statutory 4 percent reserve. Colorado

Delaware The ending balance includes a budget stabilization fund of \$87.2 million.

Georgia Revenue adjustments reflect a phase-out of the sales tax on groceries effective October 1, 1996.

Idaho Revenue adjustments reflect one-time transfers to and/or from other funds, including a \$17 million transfer from the

state's budget reserve fund.

Indiana Expenditure adjustments reflect appropriations by the 1996 general assembly to fund an automobile excise tax cut; an increase in the homestead credit, which reduced the property tax paid by homeowners; and one-time contributions

to the teachers' pension funds and local police and fire pension funds.

The beginning balance represents excess balances in the economic emergency fund over the 5 percent required by current law. Revenue adjustments include \$53.5 million in gaming revenues diverted to the Rebuild lowa Infrastructure fund and \$3.1 million to reduce personal income tax rates. Expenditure adjustments include \$85.0 million in additional property tax relief. Also, \$15.0 million was approved for technology assistance for local schools. The ending balance includes \$346.1 million to be returned to the general fund in fiscal 1998. lowa

Revenue adjustments include continuing appropriations and fund transfers, while the expenditure adjustments include the reserve for continued appropriation, including the budget reserve trust fund. Kentucky

The revenue adjustment is a carry-forward balance. Expenditure adjustments include a \$318 million anticipated advance payment of debt and a \$241 million anticipated supplemental appropriation. Louisiana

Maine Revenue adjustments reflect prior-year transactions and balances carried forward. Revenue figures were adjusted

for the change to a modified accrual basis.

Maryland Revenue adjustments reflect proposed revenue, principally a cigarette tax increase effective June 1, 1997.

Massachusetts The ending balance includes a budget stabilization fund of \$563.3 million.

Revenue adjustments include an incremental impact earmarking increase of \$-582.2 million, an intangibles tax reduction of \$-41.5 million, an indexed exemption increase of \$-17.2 million, and other adjustments, totaling \$-686.8 million. Expenditure adjustments include net lock box amounts of \$88.1 million, projected lapses in Medicaid Michigan

of \$-93.7 million, and other adjustments, totaling \$20.4 million.

Minnesota The rainy day fund balance includes \$350 million from the cash flow account and \$261 million from the budget reserve, totaling \$611 million.

Missouri General revenue includes refunds to income taxpayers required by the Missouri Constitution for revenues received

in excess of the revenue limit, which is \$155 million for fiscal 1997.

Montana Revenue adjustments represent primarily residual equity transfers.

Revenue adjustments are transfers between the general fund and other funds. Expenditure adjustments are carryovers, midbiennium changes, and proposed fiscal 1998 tax reductions. Nebraska

Nevada

Revenue adjustments are reversions from the distributive school account. Fiscal 1997 expenditures include \$110 million for a capital improvement program, \$69 million for one-time appropriations, \$24 million for a technology improvement program, \$10 million for the biennial legislature, and \$9 million for a transfer to the rainy day fund. Expenditure adjustments are primarily reversions of the general fund expenditures. The ending balance does not

include the rainy day fund.

New Hampshire Fiscal 1997 revenue adjustments include the revenue maximization project of \$6 million and a transfer of \$7 million

from the health care transition fund. The balance in the health care transition fund is \$82.9 million.

New Jersey The ending balance includes a budget stabilization fund of \$272.3 million.

New Mexico

Revenue adjustments include a risk fund transfer and interest on risk reserve. Expenditure adjustments include appropriations from reserves, disaster allotments, and transfers from risk reserves. The ending balance includes a budget stabilization fund balance of \$179.1 million.

New York The ending balance includes a budget stabilization fund of \$317 million.

North Carolina

Revenue adjustments reflect the general assembly's authorization of the \$1.6 million transfer of disproportionate share hospital receipts to the reserve. Total expenditures reflect a \$151.3 million reversion of general fund appropriations. Expenditure adjustments are authorized transfers to reserves, including \$-0.3 million to the library reserve, \$101.2 million to the budget stabilization reserve, \$130 million to the repair and renovation reserve, and \$26.3 million to the clean water management trust fund. The budget stabilization reserve balance of \$446.8 million reflects a pending reduction of \$155.4 million for intangible tax refunds and the transfer of cash balance to the reserve of \$101.2 million as of June 20, 1997.

### **NOTES TO TABLE A-2 (continued)**

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, Temporary Assistance for Needy Families (TANF), and several other human service programs (but not all of them) in its general fund. Beginning balances are undesignated, unreserved fund balances net of designated transfers. The actual cash balance would be higher by the amount reserved for encumbrances, transfers to the rainy day fund, and other transfers in each year. Expenditures for fiscal 1996 and fiscal 1997 do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements from the general fund. Fiscal 1997 expenditure adjustments equal an estimated transfer to the income tax reduction fund of \$285.7 million, an estimated transfer to the budget stabilization fund of \$29.5 million, and other miscellaneous transfers-out, totaling \$4.4 million. These transfers-out are adjusted for an estimated net change in encumbrances from fiscal 1996 levels of \$13.4 million.

Oklahoma

Revenue adjustments are for a transfer to the rainy day fund and the cash flow reserve fund.

Oregon

Biennial budget estimation for total expenditures is assumed to be 48 percent for year one and 52 percent for year two. The rainy day fund balance reflects the figures at the beginning of the fiscal year.

Pennsylvania

Revenue adjustments include adjustments to the beginning balance and lapses from prior-year appropriations. Expenditures reflect total amounts appropriated. Expenditure adjustments include the current-year lapses (\$50 million) and the transfer to the rainy day fund (\$31 million), which is expected to occur in the following fiscal year.

Rhode Island

The general fund reflects only general revenue receipts and appropriations. Total resources are net of transfers to the budget reserve fund and other financing uses. Fiscal 1997 includes all reappropriations recommended by the Governor.

South Carolina

The ending balance includes a budget stabilization fund of \$127.0 million.

South Dakota

Revenue adjustments include transfers from the budget reserve fund and obligated cash carried forward.

Tennessee

Revenue adjustments include a \$42 million transfer to the general fund from the debt service fund unexpended appropriations and a \$6 million transfer to the general fund from reserves. Expenditure adjustments include a \$1 million transfer to the capital projects fund from general fund revenues. The ending balance includes a budget stabilization fund of \$101 million.

Final legislative action resulted in a beginning balance of \$197.1 million, revenues of \$2,844.8 million, total resources of \$3,041.9 million, expenditures of \$3,013.8 million, and an ending balance of \$28.1 million.

Vermont

Utah

Expenditure adjustments are a transfer to the budget stabilization reserve.

West Virginia

The beginning balance includes thirty-one-day expenditures of \$27.5 million, reappropriations of \$89.2 million, and surplus appropriations of \$7.2 million, totaling \$123.9 million. Total expenditures include regular appropriations of \$2,361.5 million, reappropriations of \$84.2 million, surplus appropriations of \$45.2 million, and thirty-one-day expenditures of \$27.5 million, totaling \$2,539.8 million. Revenue adjustments include \$0.1 million in prior-year deposits and a \$33 million transfer from the rainy day fund.

Wisconsin

Fiscal 1997 figures are from the general fund condition statement used in the Governor's budget. Expenditure adjustments are reserved for separate legislation. The ending balance includes a budget stabilization fund of \$92.0 million, which includes 1 percent of gross appropriations and compensation reserves.

Wyoming

Revenue adjustments represent budgeted interfund transfers.

Fiscal 1998 State General Fund, Recommended (Millions)

Total	\$13,415	\$398,345		\$411,049	\$401,995		\$9,292	\$11,324
Puerto Rico	5	6,016		6,021	6,014		7	22
TERRITORIES					<u> </u>		<u> </u>	<u> </u>
Washington	405	9,344		9,749	9,374		375	0
Oregon*	600	3,838	444	4,882	4,367	-20	139 516	133 40
Nevada*	82	1,497		1,579	1,460	-20	110	0
Hawaii	114	3,265		51,305 3,379	50,301 3,269		1,004	
California*	648	50,657	305	2,429	<u>2,429</u>		0	3,332
Alaska	0	2.124	205	0.400	0.400		_	
FAR WEST	48	464	37	551	508		43	6
Wyoming*	18 49	3,018		3,036	3,036		0	77
Utah*	32	1,012	13	1,057	1,020		37	NA
Idaho Montana*	0	1,450		1,450	1,449		1	15
Colorado*	396	4,853	-81	5,169	4,677	180	311	•
ROCKY MOUNTAIN	200		<b>.</b>					
Texas	1,708	24,979		26,687	26,187		500	10
		4,158	-25	4,390	4,179		211	288
New Mexico* Okiahoma*	179 257	3,022	6	3,207	2,976	21	209	*
Arizona*	<u>255</u>	4,839		5,094	5,083	***************************************	11	247
SOUTHWEST				_	··· <del></del>			
West Virginia	0	2,440		2,440	2,440		0	78
Virginia	216	8,526		8,741	8,721		21	210
Tennessee*	101	5,799	123	6,023	5,922		101	, •
South Carolina*	303	4,669		4,971	4,766		206	•
North Carolina*	147	11,097		11,245	11,240		5	447
Mississippi*	63	2,944	-63	2,944	2,944		0	221
Louisiana	0	5,490	`	5,490	5,490		0	<u> 200</u> 0
Kentucky	60	5,726		5,786	5,732		<u>54</u>	200
Georgia*	25	11,489	-222	11,292	11,267		25	337
Florida	391	16,326		16,717	16,717		0	668
Arkansas	0	2,837		2,837	2,837	····	0	0
Alabama	46	4,608		4,654	4,633		21	0
SOUTHEAST				707	707		<u> </u>	25 .
South Dakota*	Ō	707		707	707		0	25 .
North Dakota*	63	721		784	717	- 9	67	0
Nebraska*	171	2,044	-81	2,134	1,966	5	164	124 41
Missouri	220	6,281		6,501	6,446		55 55	104
Minnesota*	1,616	9,309		4,036 10,925	10,001		283 924	<u> </u>
Kansas	417	3,619	-2/3	4,036	4,207 3,753	130	272	426
lowa*	350	4,537	-279	4,609	4 207	100	070	400
PLAINS	133	3,322		9,661	9,531		130	
Wisconsin*	139	9,522		17,847	17,635	6	213	858
Ohio*	157	17,690		8,527	8,525		2	1,246
_ Michigan*	2	8,735	-209		7,986	191	864	475
Indiana*	958	8,083		9,041	<u> 19,424</u>	404	400	0
Illinois	475	19,349		19,824	40.404		400	•
GREAT LAKES	1/8	10,741		16,919	16,916		3	264
Pennsylvania*	178	32,878 16,741		33,236	32,839		397	•
New Jersey* New York*	907 358	15,677		16,583	16,027	. 7	550	•
Maryland*	103	7,697	66	7,865	7,858		8	631
Delaware*	333	1,808		2,141	1,823		318	•
MID-ATLANTIC								
Vermont*	0	745		745	735	11	0	22
Rhode Island*	26	1,765	-7	1,784	1,784		1	55
New Hampshire*		935	24	959	934		-1	20
Massachusetts*	863	17,998	\$74	18,072	18,150	\$74	711	586
Maine*	11	1,854		1,865	1,830		34	NA NA
Connecticut*	\$ 0	\$ 9,182		\$ 9,182	\$ 9,182		\$0	\$243
NEW ENGLAND								
Region/State	Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Balance	Fund
5	Beginning						Ending	Stabilizatio

NOTE: NA indicates data are not available.

<sup>\*</sup>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.

Arizona

In addition to the general fund ending balance and the balance in the budget stabilization fund, there is expected to be \$76.9 million in a medical services stabilization fund. The Governor is also recommending that a portion of the Temporary Assistance for Needy Families (TANF) block grant be set aside as a temporary assistance stabilization fund. This would be an additional \$17.8 million.

California

The ending balance includes a budget stabilization fund of \$554 million.

Connecticut

Figures include federal reimbursements such as Medicaid.

Colorado

Expenditure adjustments include \$29.8 million for lawsuits, \$125 million for transportation, and \$25 million for technology. The ending balance includes a constitutional emergency reserve and a budget stabilization fund of \$380.3 million, which includes a statutory 4 percent reserve.

Delaware

The ending balance includes a budget stabilization fund of \$92.9 million.

Georgia

Revenue adjustments reflect a phase-out of the sales tax on groceries effective October 1, 1996.

Indiana

Expenditure adjustments reflect recommendations to the 1997 general assembly to fund an automobile excise tax cut; an increase in the homestead credit, which reduces property tax paid by homeowners; a year 2000 contingency fund; a one-time information technology quality improvement investment in higher education; and several one-time capital projects.

lowa

Fiscal 1998 revenue adjustments include \$58.1 million in gaming revenues diverted to the Rebuild lowa Infrastructure Fund, \$196.0 million to reduce personal income tax rates, \$18.2 million to eliminate inheritance taxes on family members, a \$4.0 million reduction in the sales tax on machinery and equipment, and \$2.2 million in other tax reductions. Fiscal 1998 expenditure adjustments include \$129.5 million in property tax relief. The ending balance includes \$10.3 million to be deposited in the cash reserve fund, \$10.2 million to be set aside in an economic emergency fund under current law, and \$251.4 million to be returned to the general fund in fiscal 1998. The beginning balance represents excess balances in the economic emergency fund of more than the 5 percent required by current law.

Maine

Revenue figures were adjusted for the change to a modified accrual basis.

Maryland

Revenue adjustments reflect proposed revenue, principally a cigarette tax increase net of an income tax reduction.

Massachusetts

The ending balance includes a budget stabilization fund of \$585.8 million. The revenue and spending adjustments reflect the elimination of transfers to and from off-budget funds proposed in the Governor's budget submission, to allow easy comparison to figures from fiscal 1996 and fiscal 1997.

Michigan

Revenue adjustments include an intangibles tax reduction of \$-87.5 million, income tax exemption increase of \$-38.6 million, income tax senior citizens dividend and interest exclusion of \$-38.0 million, and other adjustments, totaling \$-209.4 million.

Minnesota

The rainy day fund balance includes \$350 million from the cash flow account and \$522 million from the budget reserve, totaling \$872 million.

Mississippi

Revenue adjustments reflect the income tax law change that affected the 2 percent budget limitation.

Montana

Revenue adjustments represent primarily residual equity transfers.

Nebraska

Revenue adjustments are transfers between the general fund and other funds. Expenditure adjustments are carryovers, midbiennium changes, and proposed fiscal 1998 tax reductions.

Nevada

Expenditure adjustments are primarily reversions of the general fund expenditures. The ending balance does not include the rainy day fund.

New Hampshire

Fiscal 1998 revenue adjustments reflect the revenue maximization project of \$24 million. The balance in the health care transition fund is estimated at \$82.9 million.

New Jersey

The ending balance includes a budget stabilization fund of \$272.3 million.

**New Mexico** 

Revenue adjustments include a risk fund transfer and interest on risk reserve. Expenditure adjustments include appropriations from reserves, disaster allotments, and transfers from risk reserves.

New York

Ending balance includes a budget stabilization fund of \$332 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 budgets biennially. Therefore, fiscal 1998 information is based on the Governor's budget recommendations for the fiscal 1998—99 biennium. Ohio includes federal reimbursements for Medicaid, Temporary Assistance for Needy Families (TANF), and several other human service programs (but not all of them) in its general fund. Beginning balances are undesignated, unreserved fund balances net of designated transfer. The actual cash balance would be higher by the amount reserved for encumbrances, transfers to the rainy day fund, and other transfers in each year. Expenditures for fiscal 1998 are based on the Governor's executive budget-recommended appropriations for that year. Fiscal 1998 expenditure adjustments equal an estimated transfer of \$5.6 million.

Oklahoma

Revenue adjustments are for the transfer to the cash flow reserve fund.

Oregon

The beginning balance for fiscal 1998 includes the March 1997 forecast combined with the revised Governor's budget. Revenue adjustments reflect the Governor's proposal of keeping the "2 percent kicker" income tax refund due from taxpayers for schools. Biennial budget estimation for total expenditures is assumed to be 48 percent for year one and 52 percent for year two. The rainy day fund balance reflects the figures at the beginning of the fiscal year.

### **NOTES TO TABLE A-3 (continued)**

Pennsylvania Expenditure adjustments include a transfer to the rainy day fund (less than \$1 million), which is expected to occur in the following fiscal year.

Rhode Island

The general fund reflects only general revenue receipts and appropriations. Total resources are net of transfers to the budget reserve fund and other financing uses. For fiscal 1998, resources are net of the \$7.0 million reserved for

anticipated audit adjustments.

South Carolina The ending balance includes a budget stabilization fund of \$130.4 million.

Revenue adjustments include transfers from the budget reserve fund and obligated cash carried forward. Expenditure adjustments include transfers to the budget reserve fund and other funds. Also included in expenditures are future South Dakota

obligations against cash.

Revenue adjustments include an \$88 million transfer to the general fund from the housing development authority reserves and earmarked tax revenues, a \$30 million transfer to the general fund from the debt service fund unexpended appropriations, and a \$5 million transfer to the general fund from the state taxes shared with local governments. The ending balance includes a budget stabilization fund of \$101 million. Tennessee

Final legislative action resulted in a beginning balance of \$28.1 million, revenues of \$3,004.2 million, total resources of \$3,032.3 million, expenditures of \$3,032.0 million, and an ending balance of \$0.3 million. Utah

Vermont Expenditure adjustments are a transfer to the budget stabilization reserve.

Fiscal 1998 figures are from the general fund condition statement used in the Governor's budget. The ending balance includes a budget stabilization fund of \$95.7 million, which includes 1 percent of gross appropriations and Wisconsin

compensation reserves.

Wyoming Revenue adjustments represent budgeted interfund transfers.

# Nominal Percentage Expenditure Change, Fiscal 1997 and Fiscal 1998\*\*

	Fiscal	Fiscal
Region/State	1997	1998
NEW ENGLAND		
Connecticut	4.2%	-0.6%
Maine	7.7	1.0
Massachusetts	4.9	2.5
New Hampshire	0.7	6.1
Rhode Island	3.4	1.3
Vermont MID-ATLANTIC	2.6	1.9
Delaware	0.0	
Maryland	<u>8.3</u> -0.1	<u></u>
New Jersey	-0.8	6.4
New York	-0.5	<u>4.1</u> -0.2
Pennsylvania	11	2.7
GREAT LAKES		
lllinois	2.9	4.6_
Indiana	4.3	6.3
<u> Michigan</u>	-2.5	3.9
Ohio Nico	6.7	4.3
Wisconsin	13.9	2.9
PLAINS		
lowa Kansas	6.5	4.5
Minnesota	4.0	4.9
Missouri	6.3	3.6
Nebraska	10.4 7.2	0.3
North Dakota	6.0	4.3
South Dakota	4.0	3.9 10.3
SOUTHEAST	4,0	10.3
_ Alabama	5.1	3.9
Arkansas	3.5	4.1
Florida	5.9	$\frac{7.1}{7.3}$
Georgia	6.5	1.4
Kentucky	6.9	1.4
Louisiana	3.3	4.4
Mississippi	4.5	3.1
North Carolina	7.9	7.5
South Carolina	10.1	-0.2
Tennessee	5,8	5.1
Virginia West Virginia	6.9	6.6
SOUTHWEST	8.6	-3.9
_Arizona	0.6	
New Mexico	8.6 6.6	<u>3.3</u>
Oklahoma	8.5	0.7 8.5
Texas	0.9	5.4
ROCKY MOUNTAIN		<u> </u>
Colorado	0.2	5.8
_ldaho	5.1	3.1
Montana	1.3	2.1
Utah*	16.0	0.8
Wyoming	8.1	2.3
FAR WEST	• •	
Alaska	-2.8 6.7	-0.3
California	5.7	3.8
Hawaji Nevada*	3.3 23.2	1.3
Oregon Oregon	<u> </u>	<u>-5.9</u>
Washington	8.3 5.0	14.1
TERRITORIES	5.9	2.7
Puerto_Rico	2.3	7.0
Average	4.5%	3.6%
	710 /0	3.076

NOTES: See Notes to Table A-4.

\*\*Fiscal 1997 reflects changes from fiscal 1996 expenditures (actual) to fiscal 1997 expenditures (estimated). Fiscal 1998 reflects changes from fiscal 1997 expenditures (estimated) to fiscal 1998 (recommended).

Nevada

Total expenditures for fiscal 1997 include substantially more recommended one-time expenditures than the totals for fiscal 1996 or fiscal 1998. The growth rate of continuing operating appropriations is 10.6 percent for fiscal 1997 and 9.8 percent for fiscal 1998.

Utah

Fiscal 1997 expenditures included \$197 million carried over from fiscal 1996, thus overstating the 1997 increase. The majority of the carry-forward funds were one-time dollars spent on one-time expenditures.

### Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 1997

Across-the-Board **Programs** Percentage Early Programs Region/State Fees Eliminated Layoffs Cuts Retirement Reorganized Privatization **NEW ENGLAND** Connecticut Maine Massachusetts New Hampshire Rhode Island\* Vermont MID-ATLANTIC Delaware Maryland New Jersey New York Pennsylvania GREAT LAKES Illinois Indiana Michigan Ohio Wisconsin **PLAINS** <u>lowa</u> Kansas 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 Oklahoma Texas ROCKY MOUNTAIN Colorado Idaho Montana Utah Wyoming FAR WEST Alaska\* California\* Hawaii\* Nevada Oregon' Washington\* TERRITORIES Puerto Rico Total 3 4 3 3

<sup>\*</sup>See Notes to Table A-5.

Alaska

Data are not available.

California

Other strategies include various health and welfare reductions, extended suspension of the renter's tax relief program,

and no employee compensation proposal.

Hawaii

Other strategies include selected program cuts identified by departments.

New Hampshire Specific cuts were made to selected programs.

Oregon

Cuts were made prior to the fiscal year because of the biennial budget and special session actions.

Rhode Island

The fiscal 1997 budget utilizes revenues dedicated to the accelerated payment of Depositors Economic Protection Corporation debt.

Washington

There were selected program reductions in general fund programs.

### Changes Contained in Proposed Fiscal 1998 Budgets

		Increased Employee	Increased Employee
Region/State	Medicaid Reductions	Share: Health	Share: Pension
NEW ENGLAND			
Connecticut*			X
Maine			
Massachusetts		X	
New Hampshire Rhode Island*			
MID-ATLANTIC			
Delaware			
Marviand			
New Jersev			
New York			
Pennsylvania*	X		
GREAT LAKES			
Illinois •			
Indiana			
Michigan*	X	X	
Ohio			
Wisconsin	X		
PLAINS			
lowa			
Kansas			
Minnesota		X	
Missouri Nebraska			
North Dakota			
South Dakota			
SOUTHEAST			
Alabama			
Arkansas			
Florida*	×		
Georgia	<u> </u>		
Kentucky			
Louisiana			
Mississippi			
North Carolina			
South Carolina			
Tennessee			
Virginia			
West Virginia			
SOUTHWEST			
Arizona			
New Mexico			
Oklahoma			
Texas			<del></del>
ROCKY MOUNTAIN  Colorado			•
ldaho			
Montana			
Utah			
Wyoming			
FAR WEST			
_Alaska*			
California*	Χ		
Hawaii			
Nevada*			X
Oregon*			
Washington			
TERRITORIES			
Puerto Rico			
Total	5 .	3	2

<sup>\*</sup>See Notes to Table A-6.

Data are not available. Alaska

Benefits are limited to emergency services only for "qualified nonexempt aliens" who arrived in the country after August 22, 1996. Consistent with federal law, prenatal benefits for illegal immigrants will be discontinued July 1, 1997. California

Connecticut New hires receive 2 percent pension contributions for nonhazardous duty and 5 percent pension contributions for

hazardous duty.

Florida

The Governor did not propose any reduction in Medicaid eligibility. The only reduction in optional services covered was a savings/cost avoidance issue for expanding on the fraud and abuse detection and prevention initiatives implemented in fiscal 1997, which also included some savings for mandatory services. This did not change policy for service coverage or reimbursement. The expanded fraud and abuse initiatives are estimated to save \$51.3 million in

Deductibles for the state's health plan were increased, but the percentage of coverage for services and the premium division still remains at 95 percent for the employer and 5 percent for the employee. Michigan

The increase for health insurance costs is only for fiscal 1999. Nevada

The Governor's budget does not cover increased health insurance costs, which are expected to be from 10 percent to 12 percent higher on average than in the prior biennium. The benefits boards that provide coverage to all employees have reserves that they may use for this purpose, though the decision to do so has not yet been made. Oregon

Pennsylvania

The state will expand its mandatory managed care program for medical assistance clients from five to fifteen counties and separate physical and behavioral health services. Beginning in February 1997, funding for behavioral health services will flow to the first five counties, which will select the providers. In fiscal 1998, \$293 million will be paid to all fifteen counties based on a fixed rate per recipient enrolled in a mandatory managed care program. In addition, the budget proposes to establish a special limited benefits program for general assistance clients who require health-sustaining medications but are otherwise able to work.

Rhode Island A potential change could occur with respect to medical costs.

TABLE A-7

Region/State	Across- the-Board	Merit	Other	Notes
NEW ENGLAND				
Connecticut	2.0%	•••	***	The state negotiating pattern includes a 2 percent general wage increase effective in January and anniversary increases deferred five months from the historical effective date.
Maine	2.0%	2.0%	***	Merit is a weighted average. Employees who reach the top step in their range do not receive a merit increase.
Massachusetts				Collective bargaining agreements covering roughly three quarters of classified employees, excluding those in public higher education, expire prior to or during fiscal 1998, and compensation changes for this segment of the workforce have not been finalized. Agreements covering the remaining quarter of these employees provide for fiscal 1998 across-the-board increases averaging just below 4 percent. Most classified employees are eligible for annual step increases that are tied to performance evaluations.
New Hampshire				Employees receive a flat pay raise of \$1,400.
Rhode Island	3.0%			The fiscal 1998 cost-of-living adjustment is contingent on union agreement with negotiated medical benefits.
Vermont				Employee contracts currently are under negotiation.
MID-ATLANTIC			1	
Delaware		2.0%	•••	Employees at or above the maximum for their grade receive 1 percent. Employees near the maximum receive the amount to reach the maximum or 1 percent, whichever is greater.
Maryland		1.25%		Approximately 40 percent of classified employees will receive a step increase. Figures do not include a proposed 10 percent pay increase for state police, park police, and park rangers.
New Jersey	•		***	Across-the-board represents a \$1,260 annualized raise—\$840 in July 1997 and \$420 in January 1998.
				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 eight years in a given range.
New York	3.5%	1.0%		In addition to a 3.5 percent across-the-board increase in October 1997, most state employees will receive a \$700 lump-sum payment in April 1997.
				A small number—approximately 23,000—of state employees will receive a 2 percent salary increase effective April 1, 1997. Merit increases are provided only to eligible employees.
Pennsylvania	3.0%		2.2%	Most employees will receive a 3 percent across-the-board increase effective July 1, 1997. Those employees not at the maximum pay step will receive a 2.2 percent longevity increase effective January 1, 1998.

TABLE A-7 (continued)

Region/State	Across- the-Board	Merit	Other	Notes
GREAT LAKES			,	
Illinois		•	•	Includes a 3 percent cost-of-living adjustment for bargaining uni employees and an average increase of 3 percent for merit employees.
Indiana				Fiscal 1998 package has not been finalized.
Michigan	2.9%	***	0.1%	All eligible employees receive step increases. "Other" payments are for a lump-sum payment for one of seven bargaining units. The lump-sum payment equals \$200 per employee for each employee who was employed the entire prior year by the state.
Ohio	3.0%	NA	2.0%	"Other" 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 in any given year.
Wisconsin	NA	NA	NA	State compensation will provide for some across-the-board increases for state employees. Compensation increases vary by employee classification and bargaining unit. Actual compensation increases are not yet known.
PLAINS				
lowa	3.0%	0.72%		
Kansas	1.0%		2.5%	The 2.5 percent under "other" is for step movement on the pay matrix.
Minnesota	2.5%	0.25%	0.5%	Fiscal year 1998 contracts currently are in the initial steps of negotiation. Most employees are eligible for step increases if they have not reached the end step within a specific labor contract.
Missouri	1.0%	***	3.0%	"Other" is marketplace within-grade increases 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, with increases averaging 2 percent per step. Individuals one step below, at, or above the marketplace will get one-step increases.
	,			Also provides \$10 per month for flexible benefits plan effective January 1, 1998.
Nebraska	2.75%	***		The collective bargaining agreement with the primary employee unit includes an across-the-board increase of 2.75 percent for the fiscal year beginning July 1, 1997.
North Dakota	1.5%	1.5%		
South Dakota	3.0%		2.5%	All state employees receive a 3 percent across-the-board pay increase. The other 2.5 percent is for employees who are below the midpoint of their job class.

Region/State	Across- the-Board	Merit	Other	Notes
SOUTHEAST			**	
Alabama	***	5.0%	^	Merit raises are based on employee performance and many 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%		***	Employee compensation package is pending before the legislature.
Florida	3.0%			Pay package includes a \$1,000 annual guaranteed minimum for all employees, except for those in law enforcement, subject to negotiations with employee unions. It was recommended that law enforcement employees receive the equivalent of a step increase, which averages 4.5 percent.
				Recommended effective date for all of above is January 1, 1998.
Georgia		4.2%		The Georgia pay-for-performance compensation system will be effective October 1, 1997.
				The increase is based on 0 percent for those who do not meet expectations, 4.0 percent for those who meet expectations, 5.5 percent for those who exceed expectations, and 7.0 percent for those who far exceed expectations.
				The funding was based on a 2 percent, 83 percent, 10 percent, and 5 percent occurrence rate, respectively. (Based on industry average for this type of pay-for-performance system.)
Kentucky	5.0%			
Louisiana	**-	*		All classified employees are eligible to receive an annual merit increase of 4 percent, if such increases are warranted. Approximately 33 percent of state employees are at the top end of the pay scale and will not qualify for further merit increases.
				A proposal submitted to the Governor would raise the minimum pay scale by 4 percent and increase the maximum pay scale by 10 percent.
Mississippi	1.0%		2.0%	The "other" category includes a \$300 across-the-board raise for full-time employees and realignment of certain positions with the regional average for those positions.
North Carolina	•		444	A reserve is recommended for the purpose of providing an 8 percent funding compensation package for public school teachers and school-based administrators, and 3 percent funding for all other state employees effective July 1, 1997.
				The recommended reserve totals are \$356.7 million for fiscal 1998 and \$362.8 million for fiscal 1999.
				It is also recommended that a reserve be funded for fiscal 1998 at \$12.6 million and for fiscal 1999 at \$12.6 million to provide a 3 percent compensation package for highway fund-supported positions.
South Carolina	1.5%	1.5%	•••	The Governor's budget recommendation includes provisions for an average 3.0 percent increase for employee pay. Of this, an average 1.5 percent is for merit increases and the remaining 1.5 percent is for base-pay increases.
•				State agencies are to use job savings realized through employee attrition to fund the employee pay increases.
Tennessee		<b></b>	1.0%	Increase reflects salary range and market-driven adjustments.
Virginia	2.0%			Fiscal 1998 pay increases are effective December 1, 1997.
West Virginia			***	

Region/State	Across- the-Board	Merit	Other	Notes
SOUTHWEST				
Arizona	<del></del>	2.0%	2.0%	The merit pay is funded January 1, 1998 for all employees. "Other" is to review of employment classifications that are not being compensated a market rates. Funded January 1, 1998.
				The market adjustments are intended to be targeted for "mission critical classifications with significant turnover.
New Mexico	***		***	The executive did not propose a state employee compensation package.
Oklahoma		**-		The only proposal is for employees in data processing and health-related fields.
Texas				
ROCKY MOUNTAIN				
Colorado	2.5%	5.0%	***	The state currently is looking at converting to a pay-for-performance compensation system, which would change current across-the-board and step and grade increases. Legislation is pending.
Idaho		2.0%		, and grant and an arrange
Montana	1.0%		0.5%	Includes a 1 percent across-the-board increase in pay matrices plus progression to target "market ratio" for individual employees. The total increase will not exceed 4 percent for any employees.
				Market ratio is based on market survey for salary levels and years of service. Includes increase of \$20 per month in state health insurance contribution.
Utah			<b>*</b>	The Governor did not recommend specific components of the compensation package but proposed a 3 percent increase in the total package.
				Final legislative action resulted in a total compensation package of 3 percent. This includes a 2.67 percent cost-of-living adjustment and a 0.33 percent increase in health and dental premiums. A surviving spouse benefit also was added.
Wyoming	***	2.0%		Reflects a base-pay merit increase of \$45 per month for permanent employees.
FAR WEST				
Alaska	NA	NA	NA	
California			***	To date, the state has reached agreement with one of the state's twenty- one collective bargaining units to replace the contracts that expired June 30, 1995.
				Specifically, in 1995, an agreement was reached with the California Association of Highway Patrolmen (CHP) that included education and seniority incentive pay increases only for patrolmen. The CHP contract is scheduled to expire June 30, 1997.
				In the absence of new agreements, the terms and conditions of employment that were in effect prior to expiration of the latest contracts will remain in effect until new agreements are reached.
Hawaii				State employee compensation package is still being negotiated.
Nevada	3.0%	5.0%		Classified employees receive automatic merit increases of 5 percent per year until they reach the top of their pay grade. As of January 1997, 44 percent of employees have reached their maximum.
Oregon	•	•		The Governor proposes a \$95 million package for the 1997–99 biennium, which would be phased in as determined by legislative action and collective bargaining outcomes. It is intended to cover across-the-board increases and selective salary adjustments.
				Merit increases averaging 5 percent are included in agency budgets; about half of the workforce is expected to receive merit increases.
Vashington FERRITORIES	2.5%	**-	•••	
Puerto Rico				

NOTE: NA indicates data are not available.

### Number of Filled Full-Time Equivalent Positions at the End of Fiscal 1996 to Fiscal 1998, in All Funds\*\*

	Fiscal	Fiscal	Fiscal	Percent Change,	Percent Change,	Includes Higher	State-Administered
Region/State	1996	1997	1998	1996–1998	1997-1998	Education Faculty	Welfare System
NEW ENGLAND							
Connecticut	41,185	42,783	41,931	1.81%	-1.99%		X
Maine	14,109	13,877	13,676	-3.07%	-1.44%		X
Massachusetts	64,541	64,688	NA	NA	NA NA		
New Hampshire	11,479	11,475	11,406	-0.64%	-0.60%		X
Rhode Island*	16,538	15,948	15,503	-6.26%	-2.79%	X	X
Vermont	6,961	6,956	7,076	1.65%	1.75%		X
MID-ATLANTIC							
<u>Delaware</u>	24,916	25,247	25,855	3.77%	2.41%	X	X
Maryland*	72,289	71,468	71,674	-0.85%	0.29%	X	X
New Jersey*	69,363	68,000	67,500	-2.69%	-0.74%		
New York*	233.000	228,500	226,800	-2.66%	-0.74%	X	
Pennsylvania*	86,656	85,535	84,750	-2.20%	-0.92%		X
GREAT LAKES							
Illinois	67,089	NA NA	NA_	NA NA	NA NA	<del></del>	X
<u>Indiana</u>	37,610	36,765	36,538	-2.85%	-0.62%		X
<u>Michigan</u>	63,181	64,859	64,694	2.39%	-0.25%		<u>X</u>
Ohio*	62,336	62.071	63,360	1.64%	2.08%		
Wisconsin	64,162	62,010	63,323	-1.31%	2.12%	<u> </u>	
PLAINS	00.500	00 575	04.000	0.504	0.000/		v
lowa	22,586 44,672	23,575	24,060	6.53%	2.06%		<u> </u>
Kansas	32,611	43,570 33,014	42,649	-4.53%	-2.11%	<u> </u>	
Minnesota Missouri*	55,692	55,656	33,200 56,713	1.81% 1.83%	0.56% 1.90%		X
Nebraska	15,777	55,656 NA	56.713 NA	1.83% NA	1.90% NA		X
North Dakota	11,696	11.696	11,348	-2.98%	-2.98%		
South Dakota*	13,972	13,181	12,954	-7.29%	-1.72%	X	X
SOUTHEAST	19,972	13,101	12,334	-7.2376	-1./ <u>L</u> /0	^	
Alabama	40,297	42,247	42,247	4.84%	0.00%		X
Arkansas	27,323	27,323	28,008	2.51%	2.51%		<del></del>
Florida	124,145	125,475	127,079	2.36%	1.28%		X
Georgia	59,131	57,412	55.394	-6.32%	-3.51%		X
Kentucky	33.855	35.576	35,576	5.08%	0.00%		X
Louisiana*	58,423	58,395	58,808	0.66%	0.71%		X
Mississippi	28,614	28,777	29,087	1.65%	1.08%		X
North Carolina	233,347	240,142	NA	NA NA	NA NA	X	X
South Carolina	67,787	68,247	68,247	0.68%	0.00%	X	X
Tennessee	41,900	41,900	41,900	0.00%	0.00%		X
Virginia*	93.068	93,816	93,000	-0.07%	-0.87%	X	
West Virginia	31,302	31,423	31,423	0.39%	0.00%	X	×
SOUTHWEST							
Arizona*	40,901	41,698	44,795	9.52%	7.43%	XX	X
New Mexico*	23.824	23,228	22,771	-4.42%	-1.97%		X
Oklahoma	62,735	63,511	63,926	1.90%	0.65%	X	X
Texas	264,801	267,792	NA	NA	NA	X	X
<b>ROCKY MOUNTAIN</b>							
Colorado	27.298	27,648	28,399	4.03%	2.72%		x
Idaho ·	16,319	16.337	16.541	1.36%	1.25%	X	X •
Montana	10.032	9,995	10,238	2.05%	2.43%		X
Utah*	18.267	18,727	18.970	3.85%	1.30%		X
Wyoming	12,600	12,500	12,500	-0.79%	0.00%	X	X
FAR WEST							
Alaska	NA	NA_	NA NA	NA	NA	NA NA	NA
California	271,076	275,446	277,903	2.52%	0.89%	<u> </u>	X
Hawaii*	40.589	40,744	38,685	-4.69%	-5.05%	X	<u> </u>
Nevada*	12,671	13,122	14,050	10.88%	7.07%		X
Oregon*	41,730	41,925	44,281	6.11%	5.62%		X
Washington	91,892	93,953	95,115	3.51%	1.24%	X	X
TERRITORIES							.,
Puerto Rico	229,514	240.703	235.703	2,70%	-2.08%	X	X
Total	2,906,347	2,838,232	2,273,952	0.6%	0.4%	20	41

NOTES: NA indicates data are not available.

<sup>\*</sup>See Notes to Table A-8.

<sup>\*\*</sup>Unless otherwise noted, fiscal 1996 reflects actual figures, fiscal 1997 reflects estimated figures, and fiscal 1998 reflects recommended figures.

The fiscal 1998 recommendation includes 2,115.7 full-time equivalent (FTE) positions that, for the first time, are included in the executive budget. Approximately 50 percent of these positions are the result of funds being moved from an unappropriated status to being subject to annual appropriation. The other half is the result of welfare reform. Federal monies have not been subject to appropriation, but the new block grant monies will be appropriated. After adjusting for the above, the fiscal 1998 increase for the new FTE is 981.7, or 2.4 percent growth over fiscal 1997. Arizona

Hawaii Figures reflect authorized filled and vacant full-time equivalent positions.

Louisiana Figures reflect appropriated positions.

Maryland Figures reflect authorized filled and vacant positions. Missouri

Figures reflect authorized full-time equivalent appropriations. Nevada

Figures reflect positions that are filled during the middle of the fiscal year.

New Jersey Figures reflect full-time paid employees.

**New Mexico** Figures reflect total positions, including approximately 10 percent that are typically vacant.

Figures reflect end-of-year counts for annual and nonannual salaried full-time equivalent employees in the executive, New York legislative, and judicial branches. New York's welfare system is state-supervised but locally administered.

Ohio does not "appropriate" full-time equivalent positions. The amounts provided for fiscal 1997 are estimates for the end of the year. Amounts provided for fiscal 1998 are based on funding recommended in the Governor's executive Ohio

budget proposal.

Fiscal 1996 actuals reflect FTE positions as of August 23, 1996. FTE estimates for fiscal 1997 and fiscal 1998 come from the 1995–97 biennium estimate and 1997–99 biennium recommendation in the Governor's 1997–99 budget Oregon

document.

Pennsylvania Figures reflect authorized rather than filled full-time equivalent salaried positions.

Figures reflect authorized position cap. Rhode Island

South Dakota Figures are budgeted numbers, not actual numbers.

Utah Figures reflect funded, not filled, positions. Data on filled positions are not available.

Virginia The statewide hiring freeze is still in effect.

Fiscal 1997 Tax Collections Compared With Projections Used in Adopting Fiscal 1997 Budgets (Millions)\*\*

	Sai	es Tax	Personal	I Income Tax	Corporate	Income Tax	
Region/State	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Original Estimate	Current	Total Revenue
NEW ENGLAND			Lomate	Latinate	Estimate	Estimate	Collection**
Connecticut	\$2,560	\$2,589	\$2,849	\$3.006	\$682	e707	
Maine*	663	682	676	690	<del>5082</del> 64	<u>\$707</u> 71	<u> </u>
Massachusetts	2,745	2,795	6,587	6,689	927	895	H
New Hampshire	NA	NA NA	NA NA	NA	151	160	<u>H</u> T
Rhode Island*	473	484	582	596	61		
Vermont	191	189	280	283	47	55 44	H
MID-ATLANTIC				200	4/	44	<u>-</u>
Delaware	NA	NA NA	654	655	82	86	Т
Maryland*	2,045	2.092	3,641	3,695	224	240	<del>-</del>
New Jersey	4,403	4,385	4,610	4,710	1,288	1,199	
New York	5,172	5,208	17,101	16,564	1,754	1,944	н
Pennsylvania	5,851	5,943	5,509	5,524	1,677		H
GREAT LAKES	7.1.7.	VIV-V	2,000	7,724	1,0//	1,726	н
Illinois	4,973	4,943	5,907	6.009	4 000	000	_
Indiana	2,988	2,993	2,956		1,006	996	<u>_</u>
Michigan	1,395	1,404	4,237	3,056 4,253	947	1,063	
Ohio*	4,925	4.961	5,465		2,369	2.318	<u> </u>
Wisconsin	2,892	2,860	5,465 4,417	5,428	1,109	1,142	
PLAINS		£.000	4,41/	4,465	627	640	н
lowa	1,250	1,275	0.050	0.400			_
Kansas	1,394	1,400	2.059	2,109	273	294	T
Minnesota	2,977	3.041	1,416	1,450	219	250	Н
Missouri	1,685	1,705	4.099	4,546	645	668	Н
Nebraska	757	757	3,247	3,315	498	494	Н
North Dakota	317	757	863	900	131	135	<u> </u>
South Dakota	364	321	152	159	44	45	H
OUTHEAST	304	366	NA_	NA_	NA NA	NA NA	H
Alabama							
Arkansas	4 400				W		
Arkansas	1,422	1,408	1.375	1,398	217	238	H
Florida	11.954	12,082	NA NA	NA	1,169	1,261	H
Georgia	3,860	3,942	4,345	4,316	787	738	Ŧ
Kentucky	1,871	1.871	2,110	2,110	304	304	Н
Louisiana	1.966	1,999	1,203	1,214	289	322	Н
Mississippi	1,123	1.136	772	792	280	280	Н
North Carolina	3,090	3,105	4,965	5,099	664	689	H
South Carolina	1,605	1,621	1,836	1,921	256	234	H
Tennessee	3.913	3,873	112	118	591	555	Ť
Virginia*	1,807	1,813	4,497	4,584	408	391	H
West Virginia	779	779	775	782	145	146	Н
OUTHWEST						<u>!-7</u>	···
Arizona	2.211	2,210	1,501	1,560	408	485	H
New Mexico	1,336	1,283	674	675	190	155	·····
Oklahoma	1,168	1,196	1,583	1.636	181	175	H
Texas	11,138	11,138	NA.	NA	1.703	1,703	<u> </u>
OCKY MOUNTAIN				100	1,700	1,700	
Colorado	1,262	1,280	2,522	2,530	205	197	Н
Idaho	485	487	673	687	175	117	
Montana*	NA	ŇA	404	402	74	70	
Utah "	1,241	1,257	1,196	1,210	175		<u> </u>
Wyoming	215	216	NA NA	NA		173	<u> </u>
R WEST		<u> </u>	137	INA	NA	NA	T
Alaska	NA	NA	NA	NA	A I A	514	A. A
California	16,486	16,485	22,218	22,660	NA F 900	NA F 705	<u>NA</u>
Hawaii	1,455				5.862	5.795	н
Nevada*		1,456	1,011	1,023	38	52	<u> </u>
Oregon*	469	502	NA 0.000	NA 2 200	NA 122	NA NA	Ţ
	NA 4 070	NA NA	3.089	3.326	123	260	H
Washington*	4,370	4.366	NA	NA	1.666	1,682	T
RRITORIES							
Dunda Dia-	4~~						
Puerto Rico Ital	420 \$125,246	439 \$125,898	1,744 \$134,167	1,860 \$136,144	1,452 \$30,732	1,317 \$31,192	Ť

NOTES: NA indicates data are not available because, in most cases, these states do not have this type of tax.
\*See Notes to Table A-9.

<sup>\*\*</sup>Unless otherwise noted, original estimates reflect the figures used when the fiscal 1997 budget was adopted, and current estimates reflect the most recent figures.

<sup>\*\*\*</sup>KEY: L=Revenues lower than estimates. H=Revenues higher than estimates. T=Revenues on target.

Maine Fiscal 1997 revenues are 2.9 percent higher than projected.

Maryland The corporate income tax reflects only the general fund share.

The expected revision to current fiscal 1997 estimates may place them at or above the adopted budget level. Montana

The original fiscal 1997 estimate for gaming taxes and fee collections was \$490 million; the current fiscal 1997 Nevada

estimate is \$491 million.

Amounts presented for the income tax are net of the impact of the income tax reduction fund (ITRF). They represent baseline revenues adjusted for permanent tax changes without any adjustments for reimbursed reductions due to the ITRF. Current fiscal 1997 estimates reflect the impact of tax reduction initiatives enacted after the original biennial budget was enacted. These amounts are considered to be "on target" based on the estimates for the revenue loss of Ohio

Oregon Original fiscal 1997 estimates reflect the numbers at the close of the 1995 legislative session.

Rhode Island Estimates were adopted by the December 1996 revenue estimating conference.

Final legislative action resulted in a sales tax final estimate of \$1,157 million, a personal income tax final estimate of \$1,135 million, and a corporate income tax final estimate of \$177 million. Utah

Virginia The original fiscal 1997 figures were estimated on April 17, 1996, while the current fiscal 1997 figures were estimated

on January 27, 1997.

Washington Corporate income tax collections are for the business and occupation tax.

## Fiscal 1997 Tax Collections Compared With Projections Used in Proposed Fiscal 1998 Budgets (Millions)\*\*

	Sale	s Tax	Personal I	ncome Tax	Corporate Income Tax		
Region/State	Fiscal 1996 Fiscal 1997		Fiscal 1996	Fiscal 1997	Fiscal 1996	Fiscal 1997	
NEW ENGLAND						713021 7337	
Connecticut	\$2,589	\$2,697	\$3,006	\$3,140	\$707	6000	
Maine	682	738	690	676	3707 71	\$663 74	
Massachusetts	2,795	2.932	6,689	7,011	895		
New Hampshire	NA	NA	NA NA	NA NA	160	872	
Rhode_island*	484	500	596	617	55	168	
Vermont MID-ATLANTIC	189	166	283	296	44	55 46	
<u>Delaware</u>	NA	NA	655	686	96		
Maryland*	2.092	2,171	3.695	3.836	86	92	
New Jersey	4,385	4,557	4,710		240	251	
New York	5,208	5.397	16,564	4,830	1,199	1,215	
Pennsylvania	5,943	6,096		17,154	1,944	1,864	
GREAT LAKES Illinois	4,943		5,524	5,711	1,726	1,764	
Indiana	2,002	5,140	6,009	6.309	996	1,036	
Michigan	2,993	3,102	3.056	3,183	1,063	1,082	
Ohio*	1,404	1,471	4,253	4,494	2,318	2,425	
Wisconsin	4,961	5,172	5,428	5.695	1,142	1,163	
PLAINS	2,860	3,005	4,465	4,740	640	637	
lowa	1,275	1,340	2,109	2,233	294	294	
Kansas	1,400	1,459	1,450	1,535	250	230	
Minnesota	3.041	3,200	4,546	4,642	668	693	
Missouri	1,705	1,795	3,315	3,531	494		
Nebraska	757	795	900	955		510	
North Dakota	321	314	159	165	135	134	
South Dakota SOUTHEAST	366	386	NA NA	NA NA	45 NA	45 NA	
Alabama							
Arkansas	1,408	1,451	1,398	1 485			
Florida	12.082	12,822		1,485	238	242	
Georgia	3.942	4,102	NA NA	ŅA	1,261	1,290	
Kentucky	1,871		4,316	4,619	738	725	
Louisiana	1,999	1.976	2.110	2,208	304	309	
Mississippi		1,963	1,214	1,296	322	316	
North Carolina	1,136	1,183	792	843	280	284	
South Carolina	3,105	3.223	5,099	5.507	689	670	
	1,621	1,701	1,921	2.021	234	233	
Tennessee	3.873	4.057	118	122	555	577	
Virginia*	1.813	1,904	4.584	4.809	391	395	
West Virginia	779	801	782	811	146	153	
Arizona	2,210	2.280	1,560	1,735	485	470	
New Mexico	1,283	1,344	675	723	155	160	
Oklahoma	1,196	1,257	1,636	1,728	175	177	
Texas OCKY MOUNTAIN	11,138	11,601	NA	NA NA	1,703	1,788	
Colorado	1,280	1,344	2,530	2,734	197	600	
Idaho	487	514	687	732		208	
Montana*	NA NA	NA NA	402		117	123	
Utah*	1,257	1,313	1,210	424	70	72	
Wyoming	216	223	NA NA	1,327 NA	173 · NA	178 NA	
AR WEST							
Alaska	NA NA	NA NA	NA NA	NA NA	NA NA	NA	
California	16,485	17,325	22,660	24,240	5,795	5.860	
Hawaii	1,456	1,489	1.023	1,047	52	55	
Nevada*	502	543	NA NA	NA	NA NA	NA	
Oregon	NA	NA	3,326	3,234	260	313	
Washington* ERRITORIES	4,366	4,572	NA	NA	1,682	1,735	
Puerto Rico	439	469	1,860	2,039	1,317	1,335	
otal	\$125,898	\$131,420	\$136,144	\$143,083	\$31,192	1,000	

NOTES: NA indicates data are not available because, in most cases, these states do not have this type of tax. \*See Notes to Table A-10.

<sup>\*\*</sup>Unless otherwise noted, the fiscal 1997 figures reflect the most recent tax collection estimates as shown in Table A-9, and fiscal 1998 figures reflect the estimates used in the proposed budgets.

Maryland The corporate income tax reflects only the general fund share.

Montana The expected revision to current fiscal 1997 estimates may place them at or above the adopted budget level.

Nevada The current fiscal 1997 estimate for gaming taxes and fee collections is \$491 million; the current law estimate for

fiscal 1998 is \$518 million.

Ohio

Amounts presented for the income tax are net of the impact of the income tax reduction fund (ITRF). They represent baseline revenues adjusted for permanent tax changes without any adjustments for reimbursed reductions due to the ITRF. Current fiscal 1997 estimates reflect the impact of tax reduction initiatives enacted after the original biennial budget was enacted. These amounts are considered to be "on target" based on the estimates for the revenue loss of the tax changes.

the tax changes.

Rhode Island Estimates were adopted by the December 1996 revenue estimating conference.

Utah Final legislative action for fiscal 1998 resulted in a sales tax final estimate of \$1,280 million, a personal income tax final estimate of \$1,323 million, and a corporate income tax final estimate of \$179 million.

Virginia Figures for fiscal 1997 were estimated on January 27, 1997. Figures for fiscal 1998 were estimated on December 20,

Washington Corporate income tax collections are for the business and occupation tax.

State*	Tax Change Description	Effective Date	Proposed Changes (Millions)
	SALES TAX		
Florida	Exempts repair parts on large aircraft as an economic development incentive.	7/97	\$-2.9
	Increases monthly maximum allowance to \$50 to more fully offset private sector costs of sales tax administration.	1/98	-2.4
	Simplifies application of sales tax to groceries and other food items.	7/97	2.5
	Expands types of activities for which equipment can qualify for the 3 percent tax rate.	7/97	-1.5
	Imposes the sales tax on admissions to adult entertainment establishments.	7/97	3.4
	Clarifies taxation of tangible personal property as part of advertiser services to resolve current differences in legal interpretation.	7/97	-0.5
	Exempts cost price of complimentary meals to reduce tax pyramiding.	7/97	-1.9
3eorgia	Removes sales tax on groceries.	10/96	-222.0
owa	Reduces tax on machinery and equipment.	7/97	-4.0
Cansas	Eliminates sales tax on commercial and residential remodeling.	7/97	-28.0
	Adds a food credit.	7/97	-5.0
Minnesota	Eliminates tax on replacement capital equipment.	7/97	-4.4
	Adds tax on prepared foods.	7/97	3.0
Aissouri	Eliminates 3 percent general revenue sales tax on groceries.	7/97	-218.0
lew York	Changes registration costs for passenger vehicles to a flat fee.	7/97	26
	Doubles the boat registration fees.	4/97	2.6
	Charges \$5.50 for a new set of license plates.	4/97	13.4
	Increases the photo image fee for licenses.	4/97	3.1
	Doubles the fee for retail licenses from \$100 to \$200 per year.	9/97	2.6
	Reflects current-year phase of prior tax cuts.	Various	-21.6
ennsylvania	Partially exempts computer services.	7/97	-21.8
ermont	Maintains sales tax rate at 5 percent.	7/97	33.6
	Expands sales tax to cover added goods and services.	7/97	15.3
isconsin/	Repeals sales and use tax exemption on coin-operated laundry services.	7/97	2.3
	Applies the sales and use tax to interstate calls terminating in Wisconsin.	7/97	3.3
	Repeals the sales tax exemption for telephone answering services.	7/97	0.8

State*	Tax Change Description	Effective Date	Proposed Change: (Millions)
	PERSONAL INCOME TAX	•	
Arizona	Decreases all tax rates.	1/97	\$-100.0
Connecticut	increases the levels of taxable income subject to 3 percent rate and eliminates the taxation of social security income.	1/97	-219.5
Hawaii	Provides tax relief of from 25 percent to 100 percent for taxpayers with a modified adjusted gross income under \$22,000, and repeals food credit.	1/97	-10.0
Indiana	Provides increased renters' deduction.	1/97	-23.2
	Provides a low income deduction.	1/97	-14.0
	Provides increased property tax credit.	1/97	-62.4
lowa	Reduces personal tax rate by 10 percent.	1/97	-196.0
Kansas	Creates equity between single and married rates.	7/97	-16.5
	Adds an adoption credit.	7/97	-3.8
Kentucky	Increases standard deduction to \$1,700 from the current \$650 over four years.	1/97	-13.8
Maine	Repeals limitation on the amount of individual income tax that can be credited to the general fund.	7/97	48.2
Maryland	Decreases personal income tax rate by 2 percent on January 1, 1998; by an additional 3 percent on January 1, 1999; and by an additional 5 percent on January 1, 2000.	1/98	-39.0
Massachusetts	Temporarily increases personal income tax exemption.	1/97	-84.0
	Taxes unearned income at same rate as earned income; five year phase-in.	7/97	-27.0
	Increases child dependent deduction to \$1,600.	7/97	-12.0
	Exempts military retirement pay from income tax.	7/97	-7.0
Minnesota	Provides income tax rebate.	Based on 1996 tax liability	-750.0
	Provides education tax credits.	1/97	-73.0
	Reflects federal update.	Various	-14.2
	Provides tax-free savings accounts for higher education (EdVest).	1/97	-14.3
lississippi	Eliminates the marriage penalty.	7/97	-2.5
Aissouri	Provides for "challenge scholarship," a tax credit for years thirteen and fourteen of education past high school. Credit would be phased in—\$500 for calendar year 1998 taxes, \$1,000 for calendar year 1999 taxes, and \$1,500 for calendar year 2000 taxes. Cost impact first felt in fiscal 1999 (\$21 million), then in fiscal 2000 (\$46 million), and fully phased in in fiscal 2001 (\$76 million).	1/98	0.0
lebraska	Provides for an across-the-board income tax reduction for tax years beginning January 1, 1997. The reduction rate is approximately 5.5 percent.	1/97	-65.9
	Provides a refundable tax credit for property tax payments for tax years beginning in 1997. The amount of the credit is \$160 for returns filed as single, head of household, and married filing jointly.	1/97	-56.0
lew Mexico	Reduces personal income tax by \$15 million.	NA	-15.0
ew York	Reflects first-year exemption of senior citizen school property tax.	7/97	-110.0
	Earmarks for job-creating tax relief.	4/97	-50.0
	Reflects current-year phase of prior tax cuts.	Various	-1.601.0
hio*	Reduces annual income tax based on surpluses.	NA	-285.7
	Provides changes in personal exemption.	NA	-51.0
klahoma	Provides various tax cuts.	1/98	-2.4
ennsylvania	Expands the tax exemption for low-income taxpayers.	1/97	-25.4
hode Island	Reduces rate from 27.5 percent to 27.0 percent.	1/98	-5.6
	Increases investment tax credit from 4 percent to 10 percent.	1/98	-1.0
outh Carolina	Provides a double tax exemption for children below six years of age. Final step of the four-year phase-in.	1/97	-10.0
	Provides a deduction of up to \$50,000 for taxpayers ages sixty-five and older; phased in over a five-year period.	1/97	-2.7

TABLE A-11 (continued)

State*	Tax Change Description	Effective Date	Proposed Change: (Millions)
	CORPORATE TAX		
California	Reduces rate by 10 percent, phased in over two years, and conforms with a new federal subchapter S corporation provision.	1/98	\$-93.0
Connecticut	Extends tax to out-of-state banks conducting business in Connecticut.	1/97	5.0
Kansas	Adds credit on purchase of business machinery and equipment.	7/97	-11.2
Maine	Amends laws to eliminate reference to 80-20 corporations.	7/97	1.8
	Eliminates eligibility of property purchased after April 1, 1995, for the investment tax credit.	7/97	6.6
Massachusetts	Eliminates telecommunications service sales tax; five-year phase-in.	7/97	-16.0
	Eliminates life insurance net investment tax on domestic life insurance companies.	7/97	-15.0
	Makes 3 percent investment tax credit permanent; will sunset without action.	7/97	0.0
	Creates a job training tax credit.	7/97	-5.0
Minnesota	Repeals alternative minimum tax.	1/97	-13.2
	Reflects estimated tax payment conformity.	1/98	-5.5
	Modifies alternative minimum tax carryover credit.	1/97	-2.4
	Reflects federal update.	Various	-11.0
New York	Reflects current-year phase of prior tax cuts.	Various	-197.0
Oklahoma	Repeals franchise tax.	1/98	-2.0
	Provides various tax cuts.	1/98	-5.2
Rhode Island	Increases investment tax credit from 4 percent to 10 percent.	1/98	-1.8
<u> Washington</u>	Provides targeted tax exemption.	7/97	-0.8
	CIGARETTE AND TOBACCO TAXES		
Florida	Increases the cigarette tax by ten cents per pack for the tobacco, education and child health (teach) project.	7/97	120.9
ławaii	Increases the cigarette tax from three cents to five cents per cigarette.	7/97	5.0
Maryland	Doubles the cigarette tax from thirty-six cents to seventy-two cents per pack.	6/97	99.1
New Hampshire	Increases the cigarette tax by twenty-five cents per pack.	4/97	47.0
Jtah*	Increases the cigarette tax by nine cents.	5/97	8.2
Vashington	Clarifies the application of the cigarette tax.	7/97	6.7
Visconsin	Increases the cigarette tax by five cents per pack.	7/97	20.4
<del></del> .	MOTOR FUELS TAXES		
Connecticut	Reduces the gasoline tax from thirty-nine cents to thirty-four cents per gallon and increases the diesel fuel tax from eighteen cents to twenty-one cents per gallon.	7/97	-60.2
elaware	Increases motor fuels tax by two cents per gallon.	9/97	6.4
fichigan	Eliminates the evaporation allowance.	NA ·	15.0
ltah*	Increases gasoline tax by 4.5 cents per gallon.	7/97	51.8
ermont	Increases gasoline tax by 7.0 cents per gallon.	7/97	20.9

Recommended Revenue (	Changes by Type of Revenue, Fiscal 199	8	
State*	Tax Change Description	Effective Date	Propo (

State*	Tax Change Description	Effective Date	Proposed Changes (Millions)
	OTHER TAXES		
Connecticut	Escheats unclaimed bottle deposit money.	7/97	\$10.0
Florida	Imposes a 2.5 percent use tax on natural gas purchased out of state and used in state.	7/97	5.7
Illinois	Eliminates hospital provider tax.	4/97	-150.0
Iowa	Reduces inheritance tax.	NA	-18.2
Kansas	Eliminates insurance tax on annuities.	7/97	-1.4
	Extends unemployment contribution moratorium for another year.	7/97	-49.6
	Increases homestead property tax refunds.	7/97	-5.8
Maine	Permanently establishes real estate transfer tax as three quarters to the general fund and one quarter to the Maine State Housing Authority.	7/97	2.5
Montana	Provides property tax relief to offset cyclical reappraisal increase.	7/97	-46.0
New Jersey	Revises taxation of public utilities from a gross receipts and franchise tax on sales, corporations, and transitional assessment. This is budget neutral in both fiscal 1997 and fiscal 1998 and has not been enacted.	NA	0.0
New York	Converts the state estate tax to a "pickup tax." This is the first year of the three-year phase-in.	7/97	-7.5
	Gradually repeals the gift tax over three years.	1/97	-2.5
	Reflects current-year phase of prior tax cuts.	Various	-29.0
Oklahoma	Repeals state tax on workers' compensation insurance payment.	NA	-1.7
Oregon	Adds an excise tax on returnable beverage containers and adds a new or increases existing revenue sources for transportation needs.	NA	216.0
Pennsylvania	Increases exemption from capital stock and franchise tax from $100,000$ to $125,000$ .	1/97	-9.7
	Adds a research and development tax credit.	7/97	-10.0
Rhode Island	Increases realty transfer tax from 1.40/\$500 to 1.70/\$500.	7/97	1.4
	Phases out the telecommunication rate.	NA	-3.1
	Phases out the manufacturing energy tax.	NA	-0.6
	Phases out the bank deposits tax.	NA	-4.7
outh Carolina	Phases out soft drinks tax. (Fiscal 1998 is the second step of a six-year phase-out.)	7/97	-4.6
ermont	Maintains purchase and use tax rate at 5 percent.	7/97	* 8.6
-	Reflects sharing of local property tax.	7/97	8.0
'irginia	Changes the formula used to calculate the unemployment insurance trust fund's adequate fund balance from the average of the highest three cost rates of the last twenty-five years to twenty years, and changes the reserve multiplier from 1.5 years to 1.33 years.	7/97	-32.6
/ashington	Reduces property taxes and other adjustments.	7/97	-112.4

TABLE A-11 (continued)

State*	ded Revenue Changes by Type of Revenue, Fiscal 1998  Tax Change Description	Effective Date	Proposed Changes (Millions)
	FEES		
California	Increases various driver's licensing fees.	7/97	\$50.0
Connecticut	Imposes various fee changes.	7/97	8.2
Delaware	Increases the motor vehicle document fee from \$2.75 to \$3.00.	7/97	2.9
	Imposes a motor vehicle registration fee surcharge based on year or weight of vehicle.	7/97	2.1
Florida	Equally applies a \$4.00 auto title insurance fee on original title certificates of all vehicles to equalize tax treatment between new and long-time residents of the state.	7/97	5.3
	Increases assessment fee by seven cents to fund fire assessment control activities and reduce general revenue subsidization.	7/97	1.3
	Increases charge for three-year report by \$1.00 and seven-year report by \$2.00 to fund activities of the department of highway safety and motor vehicles. Reduces general revenue subsidization.	7/97	9.6
	Requires additional annual registration decal for starboard side of vessels (\$2.00) to improve boating law enforcement.	7/97	1.5
	Establishes a fee for each box of citrus fruit to fully fund the cost of the citrus budwood program.	7/97	0.5
	Increases food inspection fees to fully fund and expand the inspection program.	7/97	1.2
	Increases the overweight/overdimensional truck fee per excess pound from ten cents to twenty cents to expand transportation funding and reduce premature destruction of highways and roads.	7/97	4.4
	Equally applies a \$4.00 vessel title fee on original title certificates of all vehicles to equalize tax treatment between new and long-time residents of the state.	7/97	0.2
	Increases permit fees by \$20.00 for small wildlife exhibits and by \$75.00 for large wildlife exhibits to fully fund costs of the inspection program.	7/97	0.2
Maryland	Increases the insurance fees.	7/97	1.2
	Increases miscellaneous fees.	7/97	2.0
lew York	Increases the assessment rate on hospitals and home care facilities.	4/97	66.1
	Doubles the petroleum storage fee.	4/97	4.0
	Increases the fees on stationary sources of air pollution.	4/97	2.9
Ohio	Increases various regulatory fees.	NA	3.0
	Increases recordation fees.	NA	16.5
	Increases driver's license reinstatement fees.	NA	8.5
outh Dakota	Increases the fees charged by the secretary of state.	7/97	1.0
Jtah*	Increases motor vehicle registration fees.	7/97	19.0

NOTES: NA indicates data are not available.

\*See Notes to Table A-11.

Alaska

Data are not available.

Ohio

Tax decreases for fiscal 1997 are not the recommendations of the Governor but rather are based on legislation passed in 1996, approved by the Governor, and already effective. Fiscal 1997 is the first year of impact of the reductions. Legislation passed in both 1995 and 1996 modified the personal exemption to the state income tax using a phase-in process.

Utah

Final legislative action resulted in a sales tax decrease of 1/8 cents, totaling \$34.5 million; an increase in the motor fuels tax by five cents per gallon, totaling \$57.5 million; and an increase in vehicle registration fees of \$16.1 million. Effective dates are July 1997.

TABLE A-12

### Recommended Revenue Measures, Fiscal 1998

State*	Description	Effective Date	Proposed Changes (Millions)
California	Automates tax compliance system and participates in Internal Revenue Service (IRS) offset program if federally authorized.	1/97	24.0
	Reflects federal legislation that would provide California with the authority to establish an IRS offset program.	1/98	80.0
	Augments tax enforcement program that will generate additional revenues.	7/97	6.0
Connecticut	Repeals the motor vehicle property tax credit.	7/97	42.0
	Repeals the sunset of tire fee and deposits it into the special transportation fund.	7/97	4.0
Hawaii	Reallocates rental vehicle surcharge tax to the general fund.	Upon Approval	0.0
	Provides tax relief for long-term care expenses for disabled individuals.	1/97	-11.4
	Repeals 1 percent insurance premium tax credit.	7/97	29.0
	Suspends for eighteen months general excise tax collections for Kauai and Molokai.	7/97	2.0
Indiana	Continues the corporate estimated payment schedule.	1/98	-125.0
Maine	Continues the exclusion from municipal revenue sharing of tax revenues from sales at restaurants licensed for on- premises consumption of liquor.	NA	2.5
	Reflects liquor privatization.	7/97	3.6
Nevada	Replaces current funding of railway industry with an inspection fee on the rail industry because the industry, as well as the general public, receives the benefits of the program.	NA	0.1
	Combines all federal child care programs from JOBS, ACE, the existing child care block grant, and at-risk child care program into one federal child care block grant.	NA	2.3
	Increases microwave channel charges from \$1,137.50 to \$1,342.25 and increases communications site per rack space rental from \$900 to \$1,200 for nonstate agencies and from \$750 to \$1,000 for state agencies.	NA	NA
New Jersey	Changes subchapter S corporation marginal rates.	NA	-5.0
New Mexico	Transfers \$10 million of highway-related revenues from operating budgets of several state agencies to the general fund. This provides an additional \$10 million for roads and highways in the highway department.	NA	0.0
New York	Increases the period of original issuance to five years.	NA	2.7
	Ceases granting prorated refunds for second year of registration.	4/97	14.0
	Extends current provisions of law pertaining to commercial banks.	1/97	575.0
	Extends current provisions pertaining to regional business tax surcharge.	4/97	482.0
	Extends provisions on simulcasting.	4/97	2.0
	Extends assessments on health facility providers.	4/97	388.0
	Extends additional assessments on residential nursing homes.	4/97	257.0
,	Extends imposition of mandatory surcharges and crime victims assistance fee.	11/97	20.0
Ohio	Extends environmental protection agency fees scheduled to sunset.	NA	17.0
Oregon*	Temporarily suspends the 2 percent kicker law for personal income.	NA NA	334.0
	Temporarily suspends the 2 percent kicker law for corporate income.	NA 1/07	. 110.0
Pennsylvania	Reallocates one cent of existing cigarette tax to children's health insurance program.	1/97	-10.8
Rhode Island	Extends hospital license fee at current rate of 2.2 percent.	7/97	37.5
12. 1 .	Extends nursing home provider tax at current 3.75 percent.	7/97	· 11.0
Utah* Washington	Adds staff to increase collection of sales tax.	7/97	20.0

NOTES: NA indicates data are not available.

<sup>\*</sup>See Notes to Table A-12.

Alaska

Data are not available.

Oregon

The "2 percent kicker" law requires a refund to taxpayers of all income tax revenues that exceed the revenue estimate used at the close of the last legislative session, if those revenues exceed that estimate by more than 2 percent for the biennium. The Governor has recommended suspending the kicker law to keep \$444 million, which would otherwise be paid out in fiscal 1998, to use for schools during the fiscal 1997-99 biennium.

Utah

Final legislative action includes a motor fuels tax increase of \$10 million and a provision to change the collection point of the diesel fuel tax from the point of sale to the distributor.

## Total Balances and Balances as a Percentage of Expenditures, Fiscal 1996 to Fiscal 1998\*

	Total Balances (Millions)**		Balances as a Percent of Expenditures			
Region/State	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1996	Fiscal 1997	Fiscal 1998
NEW ENGLAND						
Connecticut	\$491	\$244	\$243	5.5%	2.6%	2.7%
Maine	50	11	34	3.0	0.6	1.9
Massachusetts New Hampshire	1.716	1.426	1.296	10.2	8.1	7.1
Rhode Island	-24 80	<u>-6</u>	19	-2.8	-0.7	2.0
Vermont	<u> </u>	81 11	56 22	4.7	4.6	3.1
MID-ATLANTIC				0.7	1.5	2.9
Delaware	379	333	318	23.0	18.6	17.4
Maryland	474	592	639	6.4	8.0	8.1
New Jersey	867	907	550	5.6	5.9	3.4
New York	287	358	397	0.9	1.1	1.2
Pennsylvania GREAT LAKES	367	431	267	2.3	2.6	1.6
Illinois	426	475	400	5.4	• •	
Indiana	1.464	1,420	1,339	2.4 20.3	2.6 18.9	2.1 16.8
Michigan	1,120	1.183	1.247		14.4	14.6
Ohio	1.079	1.015	1.070	6.8	6.0	6.1
Wisconsin	582	139	130	7.2	1.5	1.4
PLAINS						
lowa	<u>610</u>	776	698	16.1	19.3	16.6
Kansas Minnesota	379	417	283	11.0	11.7	7.5
Minnesora Missouri	1.343	1.616	924	<u> 14.8</u>	16.7	9.2
Nebraska	493 266	340 212	179 205	8.5	5.3	2.8
North Dakota	48	63	67	15.1 7.4	11.3 9.1	10.4 9.3
South Dakota	18	25	25	3.0	3.9	3.5
SOUTHEAST						0.0
Alabama	58	46	21	1.4	1.0	0.4
Arkansas	0	00	0	0.0	0.0	0.0
Florida	698	1.020	668	4.7	6.5	4.0
Georgia	803	347	362	7.7	3.1	3.2
Kentucky Louisiana	423	260 0	254	8.0	4.6	4.4
Mississippi	318 289	273	0 221	6.2 10.6	0.0	<u> 9.0</u>
North Carolina	791	594	452	8.2	9.6 5.7	7.5 4.0
South Carolina	599	303	206	13.8	6.3	4.3
Tennessee	125	101	101	2.3	1.8	1.7
Virginia	189	367	231	2.5	4.5	2.6
West Virginia	212	78	78	9.1	3.1	3.2
SOUTHWEST	200	400				<b>.</b> .
Arizona New Mexico	633	493	258 209	<u> 14.0</u>	10.0	<u>5.1</u>
Oklahoma ·	144 403	179 545	209 499	5,2 11,4	6.1	7.0
Texas	2.055	1.718	510	8.3	14.2 6.9	11.9 1.9
ROCKY MOUNTAIN		1,7,10	<u> </u>	6,3	0.9	
Colorado	369	396	311	8.4	9.0	6.7
ldaho	44	15	16	3.3	1.1	1.1
Montana	30	32	37	3.0	3.2	3.6
Utah	269	92		10.3	3.1	2.5
Wyoming FAR WEST	56	55	49	12.3	11.2	9.6
	2 510	2 241	2 222	100 E	100 0	127.0
Alaska California	2.518 685	3,241 648	3.332 1.004	100.5 1.5	133.0 1.3	137.2 2.0
Hawaii	161	114	110	5.2	3.5	3.4
Nevada	282	215	272	22.4	13.9	18.6
Oregon	531	618	556	15.0	16.2	12.7
Washington	556	405	375	6.4	4.4	4.0
TERRITORIES						
Puerto Rico	84	13	29	1.5	0.2	0.5
Total	\$25,762	\$24,225	\$20,616	6.9%	6.2%	5.1%

NOTES: NA indicates data are not available.

<sup>\*</sup>Fiscal 1996 are actual figures, fiscal 1997 are estimated figures, and fiscal 1998 are recommended figures.

<sup>&</sup>quot;"Total balances include both the ending balance and balances in budget stabilization funds.