

2000

SUMMER 2001

STATE EXPENDITURE REPORT

NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

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PREFACE

Since its inception thirteen years ago, the State Expenditure Report has developed into a definitive baseline for the analysis of state spending. Expenditures reflected in this report represent over 99 percent of total state spending.

Expenditure data are provided by program area so that trends in state spending can be evaluated. The funding sources for state expenditures also are identified. In addition to state data sources, data were drawn from other organizations to highlight emerging policy issues.

Readers are cautioned that a more complete understanding of service levels within a given state would require comparisons of spending by both state and local government, which is not the purpose of this report. In addition, the data are self-reported by the states. Further information on report methodology is provided in the Appendix.

Web sites that are related to each expenditure category can be found within appropriate sections of the report and provide a good starting point for finding further information. Some key sites are listed below:

- National Association of State Budget Officers
www.nasbo.org
- National Governors Association
www.nga.org
- Library of Congress—"Thomas"
<http://thomas.loc.gov>
- Budget of the U.S. Government
http://access.gpo.gov/su_docd/budget
- Congressional Budget Office
www.cbo.gov
- Senate Budget Committee
www.senate.gov/~budget
- House Budget Committee
www.house.gov/budget
- The White House (links to all federal departments and agencies)
www.whitehouse.gov
- Supreme Court Decisions
<http://supct.law.cornell.edu:8080/supct/>
- The Bureau of the Census
www.census.gov

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EXECUTIVE SUMMARY

Economic Outlook, Summer 2001

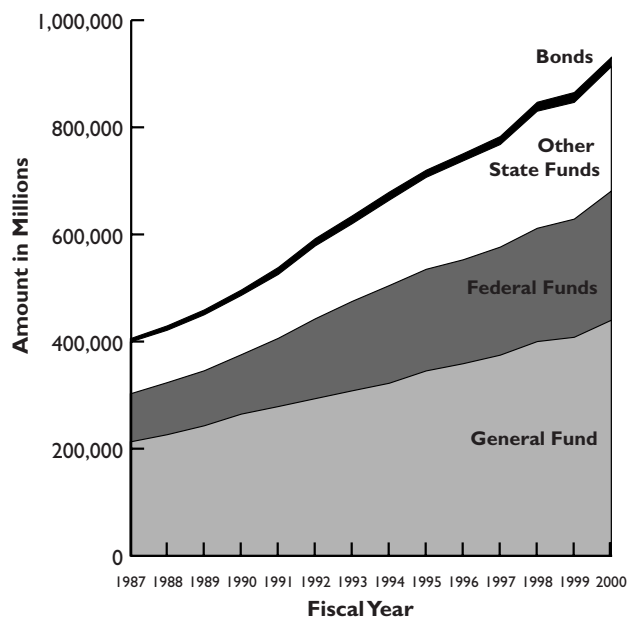
States ended fiscal year 2000 in increasingly difficult fiscal positions. Since then, fiscal deterioration has become more serious in some states. According to NASBO's most recent *The Fiscal Survey of States*, a slowdown in state revenue growth and escalating expenditures, particularly state health care costs, will cause many state budgets to tighten. With health care spending accounting for 27 percent of all state expenditures, the resurgence of health care cost pressures significantly affect states' fiscal health.

In addition, a downturn in the financial markets and slower national economic growth lead analysts to predict deteriorating economic growth for states in the near future as compared to recent years' robust growth. According to *The Fiscal Survey of States*, states completed fiscal year 2000 with general fund balances that will help weather the present economic downturn, although fewer states reported budget surpluses than the previous year. States have built up rainy day funds to help prevent major disruptions in services to citizens during periods of slower economic growth. However, few states have tapped into these funds.

State Expenditures

Total state spending in fiscal 2000, which captures both operating and capital expenditures, was approximately \$945.3 billion, up 7.4 percent from 1999. Federal funds reflect an 8.7 percent increase, while state funds reflect a 7.3 percent increase. From fiscal 2000 to

Figure 1
TOTAL STATE SPENDING BY FUND SOURCE,
FISCAL 1987 TO 2000



fiscal 2001, states estimate that spending will increase 7.2 percent, to just more than \$1 trillion, while federal funds are projected to increase 9.2 percent. (See Tables 1 and 2). It should be noted that 23 states use a biennial budget cycle. In most cases, funds are not expended evenly in the two-year cycle. This may affect total expenditures in some states from year to year.

State Spending Trends

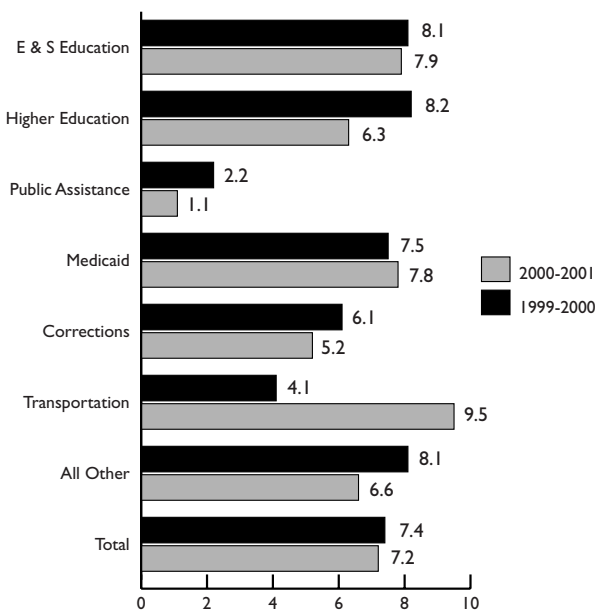
This report examines the functional areas of state spending: elementary and secondary education, higher education, public assistance, Medicaid, corrections, and transportation. Since 1995, elementary and secondary education has gained a larger share of state expenditures. One of the largest state expenditures, Medicaid commands an increasingly significant share of state spending, 19.5 percent. Medicaid spending increases have leveled off the last few years; however, according to the Congressional Budget Office, the program is expected to experience renewed growth over the next few years. State expenditures for public assistance through cash payments continued to drop in fiscal 2000 due to welfare reform efforts and declining caseloads. It is important to note, however, that this function represents just 2.4 percent of total state spending. Another cost driver for states is construction and operating costs for new prison facilities.

Total state spending in fiscal year 2000 increased 7.4 percent. Details of state expenditures include:

- The share of total state spending financed by federal funds was 25.2 percent in fiscal year 1999 and 26 percent in fiscal 2000. Figure 1 reflects fiscal 1987 through 2000 state spending by fund source.
- Elementary and secondary education spending grew at 8.1 percent and higher education spending at 8.2 percent between fiscal years 1999 and 2000. The growth rate for elementary and secondary education and higher education is greater than the growth rate for total state spending in 2000.
- The share of state spending for Medicaid has grown from just less than 11 percent of state spending in 1988 to 19.5 percent in 2000.
- The percent change for public assistance expenditures between 1999 and 2000 reflects an increase of 2.2 percent. State welfare reform efforts, an improved economy, and decreased caseloads have caused public assistance expenditures to decrease 8.7 percent from 1998 and 1999.
- Total corrections spending increased 6.1 percent from 1999 to 2000. Corrections as a share of state spending is projected to increase 6.5 percent between fiscal year 2000 and 2001.

- Transportation spending in 2000 increased 4.1 percent. However, it is important to note that less than 1 percent of state spending on transportation comes from the general fund; the majority of transportation spending comes from other state funds.

Figure 2
ALL FUNDS PERCENT CHANGES FROM PREVIOUS FISCAL YEAR
FOR MAJOR SPENDING CATEGORIES, FISCAL 2000 AND 2001



Outlook for the States

With the national economy slowing considerably, many states are facing a widening gap between revenues and expenditures. According to an ad-hoc survey conducted in conjunction with *The Fiscal Survey of the States*, revenue growth for the next fiscal year is likely to fall below current-year levels for about one-half of the states. Lately, a number of states have had to make downward adjustments to their fiscal 2001 revenue estimates and fiscal 2002 forecasts. Medicaid growth, which represents almost 20 percent of the average state budget, is growing faster than expected in more than half of the states.

Although the slowing national economy contributes most greatly to states' fiscal conditions, other factors affect state budgets including federal budget uncertainty, federal mandates, court ordered expenditures, and federal policy changes. The appropriate sources of funding and balance of responsibilities between states and the federal government continues to be debated. The federal budget and federal legislation affects states mainly in three areas: jointly funded state-federal programs, federal entitlement programs administered by states, and federal tax changes that affect state tax systems.

Federal Policy Changes

The Balanced Budget Act of 1997 created the State Children's Health Insurance Program for states to design comprehensive health insurance programs for uninsured, low-income children; by 2002, it will have provided more than \$24 billion in federal grants. The law allows states to use these funds to expand insurance coverage under their existing Medicaid programs, or create new state children's health insurance programs (S-CHIP), or a combination of both.

In 1996, The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) replaced the 60-year old Aid to Families with Dependent Children (AFDC) and several related programs and replaced them with the Temporary Assistance for Needy Families (TANF) block grant. It also moved state reimbursement from a system based on strict federal rules of eligibility and entitlement to a single state block grant based on historical funding levels. The new law gave states greater flexibility in creating programs that move welfare recipients into the workplace. A strong economy and aggressive state efforts to move recipients toward self sufficiency has brought about a decline in welfare caseloads that has far exceeded expectations.

Tobacco Settlement Spending Initiatives

In 1998, 46 states, five commonwealths and territories, and the District of Columbia entered into a Master Settlement Agreement (MSA) with the five major tobacco companies to recoup medical costs of treating tobacco-related illnesses. Four states—Florida, Minnesota, Mississippi, and Texas—settled separately from the MSA. Since that time, states have begun receiving funds and implementing plans for spending that money. Governors' top use of tobacco settlement monies has been to fund health initiatives, including tobacco prevention and control programs, followed by education initiatives.

All 46 states that have made spending decisions have allocated some portion of their tobacco settlement funds to health priorities. The top priorities are tobacco prevention and control, elderly health programs including prescription drug program, State Children's Health Insurance Programs (SCHIP), maternal and child health (MCH), Medicaid, biomedical and health research, and chronic disease prevention programs.

Twenty-two states are spending some portion of their tobacco settlement on education initiatives. These include scholarships, school construction, technology, and literacy. In addition, while

receiving much less than health or education, welfare and social service programs received a substantial amount of tobacco settlement funding to improve or implement social services. Ten states allocated money for substance abuse or mental health programs. Early childhood development or children's social services received tobacco settlement funds in 7 states.

Many states invested their tobacco settlement monies in trust funds and economic development systems to yield future financial benefits. Twenty-two states allocated money to economic development, commerce and information technology. Also, although tobacco growing states and tobacco companies entered into a separate settlement, often called Phase II, six states allocate MSA funds to assist tobacco growers and quota holders or to assist the overall economies of tobacco dependent regions.

To date, only four states—Alaska, Arkansas, Louisiana and South Carolina—have approved plans to securitize their tobacco settlement funds. In Alaska and Arkansas, tobacco settlement money will be used primarily to fund school and university construction and renovation.

Total State Expenditures

While state balanced budget requirements are diverse, and governors are given significant powers to ensure a balanced budget, states operate within stricter revenue/expenditure limitations than the federal government. Governors in 45 states must submit a balanced budget; in 41 states, the legislature must pass a balanced budget. States are required to make spending choices within available resources and must reduce spending when revenues come in under estimates. For the most part, states cannot incur a deficit, and must monitor their debt financing in order to avoid jeopardizing their bond ratings.

Components of State Expenditures and Organization of Report

The *2000 State Expenditure Report* reflects three years of data: actual fiscal year 1999, actual fiscal year 2000, and estimated fiscal year 2001. The text of this report focuses on actual fiscal year 2000 data.

For purposes of this report, the categories of state spending include elementary and secondary education, higher education, public assistance, Medicaid, corrections, and transportation. The "All Other" category includes state functions not tracked individually in this report, such as hospitals, economic development, housing, environmental programs, health programs (including the State Child

Health Insurance Program), parks and recreation, natural resources, air transportation, and water transport and terminals. Chapters One through Seven discuss state expenditures in the following categories, respectively: elementary and secondary education, higher education, public assistance, Medicaid, corrections, transportation, and all other. Table 5 shows the proportion of each state's budget spent on these categories.

Capital spending is included with operating expenditures within each functional category, unless noted otherwise. Capital expenditures also have been collected separately in the following categories: corrections, environmental projects, higher education, housing, transportation and all other. Capital expenditure data can be found in Chapter Eight. The major sources of state revenue, including sales taxes, personal income taxes, corporate income taxes, gaming taxes, and other taxes and fees, are illustrated in Chapter Nine.

The Appendix contains Table A-1, which details total state expenditures by fund source, excluding bonds. In this table, general funds and other state funds are combined into one total called "state funds." The Appendix also contains Table A-2, detailing the Child Health Insurance Block Grant, and further information on the report methodology.

State governments have specific functional responsibilities that vary among states depending on the role of local governments in providing services. For example, elementary and secondary education often is considered a primarily local function with states' financial support nearing, on average, half of total spending in this area. However, there are exceptions, such as Hawaii, where the state government fully funds elementary and secondary education.

A more complete understanding of programs and service levels within a given state would require comparisons of spending by both state and local government, which is not the purpose of this report. In addition, because the data are self-reported by the states, some may be incomplete. These omissions can affect aggregate and regional tables.

Definitions

General funds: Predominant fund for financing a state's operations. Revenues are received from broad-based state taxes. There are differences in how specific functions are financed from state to state, however.

Federal funds: Funds received directly from the federal government.

Other state funds: Expenditures from revenue sources that are restricted by law for particular governmental functions or activities. For example, a gasoline tax dedicated to a highway trust fund would appear in the "Other State Funds" column. For Medicaid, other state funds include provider taxes, fees, donations, assessments, and local funds.

Bonds: Expenditures from the sale of bonds, generally for capital projects.

State funds: General fund plus other state fund spending, excluding state spending from bonds.

The fund source breakdown for fiscal 2000 state spending is provided in Figure 3. State general funds have remained stable, from 47.7 percent in 1998 and 1999 and 48.1 percent in 2000. The share of state spending from federal funds has increased slightly, from 25.2 percent in 1999 to 26.0 percent in 2000.

Figure 3
TOTAL STATE EXPENDITURES BY FUNDING SOURCE, FISCAL 2000

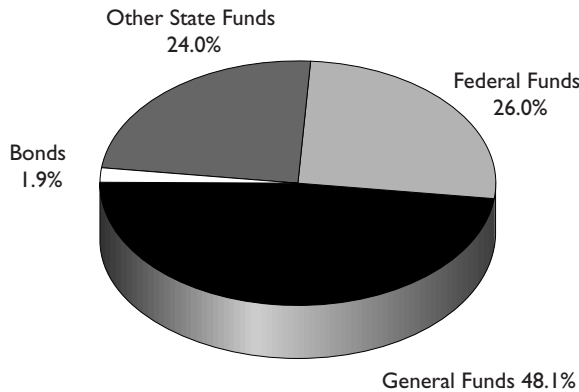


Figure 4 reflects total state expenditures by functional areas. For fiscal 2000, state spending shares are as follows: 22.5 percent for elementary and secondary education, 19.5 percent for Medicaid, 10.9 percent for higher education, 8.8 percent for transportation, 2.4 percent for public assistance, and 3.8 percent for corrections.

Figure 4
TOTAL STATE EXPENDITURES BY FUNCTION, FISCAL 2000

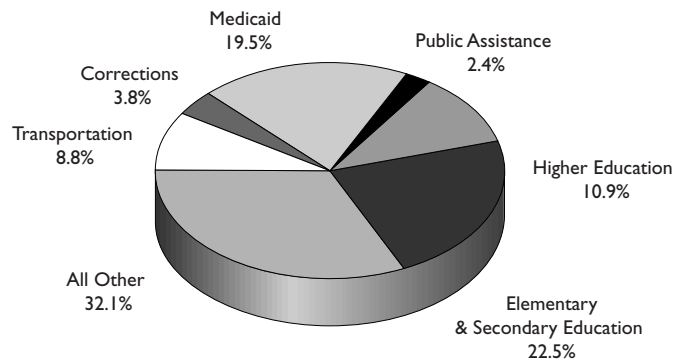
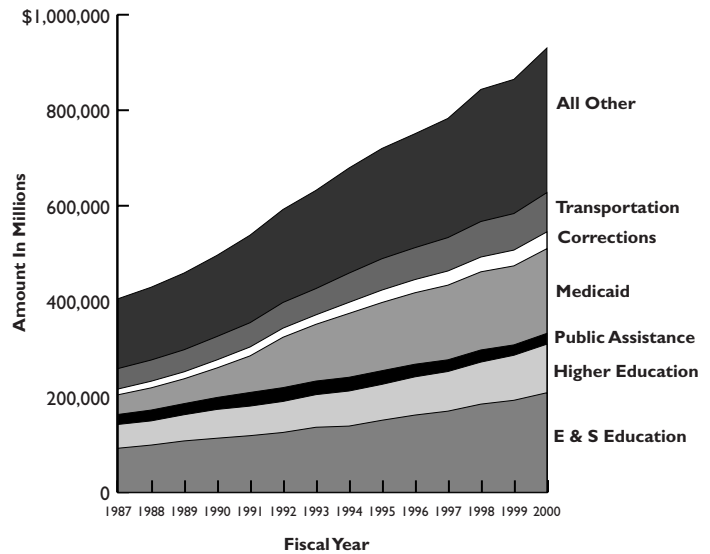


Figure 5
COMPOSITION OF TOTAL STATE EXPENDITURES BY FUNCTION, FISCAL 1987 TO 2000



The shares of state spending for functional areas have shifted since 1987. For example, Medicaid surpassed higher education as the second largest state program in 1990 and has remained in this position throughout the 1990's. Of all the functional areas, only Medicaid and corrections represent a larger share of total state spending in fiscal 2000 than they represented in 1987, when this survey began. Figure 5 charts these changes.

Table 3 reflects shares of state spending on functional areas, by fund source, from 1988 to 2001. Also, Table 5, at the end of the Executive Summary, highlights the share of each state's budget represented by various programs in fiscal 2000 and shows the wide variation among states in their spending patterns.

Table 1

TOTAL STATE EXPENDITURES—CAPITAL INCLUSIVE (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999					Actual Fiscal 2000					Estimated Fiscal 2001				
	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total
NEW ENGLAND															
Connecticut	\$10,251	\$2,839	\$1,525	\$1,145	\$15,760	\$11,201	\$2,985	\$2,617	\$1,293	\$18,096	\$11,281	\$3,230	\$2,361	\$1,332	\$18,204
Maine	2,154	1,356	897	72	4,479	2,317	1,495	986	48	4,846	2,696	1,786	1,405	98	5,985
Massachusetts	16,214	5,456	1,488	1,000	24,158	18,109	5,721	1,712	990	26,532	17,709	5,921	1,886	1,248	26,764
New Hampshire	941	923	625	55	2,544	1,046	974	1,323	52	3,395	1,078	1,004	1,351	61	3,494
Rhode Island	1,863	1,231	806	73	3,973	2,037	1,291	849	94	4,271	2,215	1,521	914	144	4,794
Vermont	772	722	488	38	2,020	859	831	504	37	2,231	866	887	582	46	2,381
MID-ATLANTIC															
Delaware	2,153	682	1,733	133	4,701	2,246	749	1,849	171	5,015	2,482	780	1,850	156	5,268
Maryland	8,544	3,533	4,596	443	17,116	9,032	3,780	5,055	449	18,316	10,110	4,278	5,147	472	20,007
New Jersey	18,070	5,372	2,669	843	26,954	19,459	5,597	3,748	868	29,672	20,768	6,888	3,043	1,070	31,769
New York	33,717	20,680	15,037	1,906	71,340	34,281	23,470	14,296	1,526	73,573	37,063	24,724	16,136	1,543	79,466
Pennsylvania	18,263	10,679	7,261	660	36,863	19,295	11,024	7,584	562	38,465	19,892	12,504	8,675	1,035	42,106
GREAT LAKES															
Illinois	15,701	6,830	8,330	515	31,376	17,163	7,405	9,576	940	35,084	18,087	7,954	10,797	1,466	38,304
Indiana	6,585	3,773	4,654	123	15,135	7,437	4,091	5,117	236	16,881	7,526	4,312	4,664	35	16,537
Michigan	9,273	7,320	16,797	316	33,706	9,360	7,965	17,222	400	34,947	9,741	9,777	17,433	323	37,274
Ohio	18,017	4,414	12,714	1,066	36,211	19,244	4,800	13,548	1,224	38,816	21,477	5,832	15,610	1,215	44,134
Wisconsin	9,846	4,349	8,602	0	22,797	11,270	5,035	9,880	0	26,185	11,076	4,700	5,028	0	20,804
PLAINS															
Iowa	4,529	2,516	3,604	35	10,684	4,763	2,770	4,086	33	11,652	4,882	2,865	3,707	33	11,487
Kansas	4,196	2,089	1,907	115	8,307	4,368	2,169	1,498	381	8,416	4,429	2,530	1,814	357	9,130
Minnesota	11,177	3,433	2,658	307	17,575	11,689	3,738	2,707	313	18,447	13,216	4,337	3,485	335	21,373
Missouri	7,063	3,899	4,202	64	15,228	7,350	4,421	4,162	82	16,015	7,812	4,871	4,062	342	17,087
Nebraska	2,235	1,355	1,768	0	5,358	2,345	1,503	1,953	0	5,801	2,459	1,574	1,659	0	5,692
North Dakota	776	810	534	3	2,123	773	917	527	39	2,256	826	835	584	22	2,267
South Dakota	730	706	499	2	1,937	764	783	558	4	2,109	794	910	596	4	2,304
SOUTHEAST															
Alabama	4,919	4,501	4,255	0	13,675	5,220	4,406	5,104	0	14,730	5,248	5,545	6,487	0	17,280
Arkansas	2,982	2,037	4,374	97	9,490	3,119	2,224	4,671	79	10,093	3,261	2,480	5,015	99	10,855
Florida	17,627	9,298	16,438	2,192	45,555	18,452	10,737	18,307	1,312	48,808	20,049	10,749	18,604	1,815	51,217
Georgia	13,540	8,774	968	955	24,237	14,960	9,328	1,012	565	25,865	14,472	9,710	892	664	25,738
Kentucky	6,337	4,221	4,136	0	14,694	6,549	4,633	1,471	0	12,653	7,040	4,953	1,790	0	13,783
Louisiana	5,818	4,204	4,857	363	15,242	5,811	4,295	5,312	218	15,636	6,134	4,782	5,593	109	16,618
Mississippi	3,147	2,824	2,519	330	8,820	3,450	3,092	2,855	258	9,655	3,596	3,514	3,094	507	10,711
North Carolina	12,962	6,122	4,162	450	23,696	14,094	6,942	4,601	200	25,837	14,050	6,134	4,017	650	24,851
South Carolina	5,128	5,184	3,090	85	13,487	5,636	5,987	4,949	320	16,892	5,759	6,672	5,012	705	18,148
Tennessee	6,506	5,229	2,812	245	14,792	6,807	5,780	3,098	124	15,809	7,568	6,719	3,430	185	17,902
Virginia	9,565	3,504	7,463	369	20,901	10,533	3,721	7,823	287	22,364	10,850	3,726	8,179	242	22,997
West Virginia	2,155	1,955	1,789	167	6,066	2,242	2,187	1,797	256	6,482	2,240	2,537	1,642	291	6,710
SOUTHWEST															
Arizona	5,906	3,444	4,798	224	14,372	6,012	3,545	5,116	251	14,924	6,385	3,788	5,398	287	15,858
New Mexico	3,028	2,091	1,739	0	6,858	3,526	2,269	2,474	0	8,269	3,810	2,837	2,463	0	9,110
Oklahoma	4,394	2,933	2,622	53	10,002	4,454	2,822	3,093	226	10,595	5,065	3,407	3,190	218	11,880
Texas	24,883	13,394	7,001	0	45,278	27,329	14,400	7,736	0	49,465	29,232	15,113	8,117	0	52,462
ROCKY MOUNTAIN															
Colorado	4,681	2,790	4,034	0	11,505	5,035	3,105	4,127	0	12,267	5,285	3,132	4,516	439	13,372
Idaho	1,611	1,018	738	5	3,372	1,681	1,099	851	5	3,636	1,844	1,364	1,008	5	4,221
Montana	1,037	955	625	0	2,617	1,101	1,027	655	0	2,783	1,249	1,252	645	0	3,146
Utah	3,248	1,480	1,388	289	6,405	3,364	1,539	1,535	123	6,561	3,792	1,625	1,723	15	7,155
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST															
Alaska	2,314	1,489	1,174	200	5,177	2,262	1,844	1,139	0	5,245	2,300	1,928	1,355	167	5,750
California	57,827	34,375	14,736	2,697	109,635	66,494	37,303	15,787	2,583	122,167	78,816	41,199	15,560	5,048	140,623
Hawaii	3,251	1,015	1,911	319	6,496	3,201	1,017	2,275	291	6,784	3,391	1,066	2,553	513	7,523
Nevada	1,583	959	4,405	228	7,175	1,573	1,029	1,992	0	4,594	1,629	1,182	2,502	100	5,413
Oregon	4,125	2,457	2,999	359	9,940	5,286	2,419	2,348	602	10,655	4,841	2,972	4,234	434	12,481
Washington	9,826	4,738	5,190	666	20,420	10,210	5,295	5,374	602	21,481	10,627	5,656	3,737	765	20,785
TOTAL	\$421,470	\$225,958	\$213,617	\$19,207	\$880,252	\$454,809	\$245,559	\$226,859	\$18,044	\$945,271	\$487,018	\$268,062	\$233,545	\$24,595	\$1,013,220
Puerto Rico	6,714	3,677	8,870	0	19,261	7,122	4,028	7,956	0	19,107	7,611	4,380	9,207	0	21,198

Note: See General Notes at the end of this chapter.

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 2

ANNUAL PERCENTAGE CHANGE IN TOTAL STATE EXPENDITURES

Region/State	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State	Federal	All	State	Federal	All
	Funds	Funds	Funds	Funds	Funds	Funds
NEW ENGLAND						
Connecticut	17.3%	5.1%	14.8%	-1.3%	8.2%	0.6%
Maine	8.3	10.3	8.2	24.2	19.5	23.5
Massachusetts	12.0	4.9	9.8	-1.1	3.5	0.9
New Hampshire	51.3	5.5	33.5	2.5	3.1	2.9
Rhode Island	8.1	4.9	7.5	8.4	17.8	12.2
Vermont	8.2	15.1	10.4	6.2	6.7	6.7
MID-ATLANTIC						
Delaware	5.4	9.8	6.7	5.8	4.1	5.0
Maryland	7.2	7.0	7.0	8.3	13.2	9.2
New Jersey	11.9	4.2	10.1	2.6	23.1	7.1
New York	-0.4	13.5	3.1	9.5	5.3	8.0
Pennsylvania	5.3	3.2	4.3	6.3	13.4	9.5
GREAT LAKES						
Illinois	11.3	8.4	11.8	8.0	7.4	9.2
Indiana	11.7	8.4	11.5	-2.9	5.4	-2.0
Michigan	2.0	8.8	3.7	2.2	22.7	6.7
Ohio	6.7	8.7	7.2	13.1	21.5	13.7
Wisconsin	14.6	15.8	14.9	-23.9	-6.7	-20.5
PLAINS						
Iowa	8.8	10.1	9.1	-2.9	3.4	-1.4
Kansas	-3.9	3.8	1.3	6.4	16.6	8.5
Minnesota	4.1	8.9	5.0	16.0	16.0	15.9
Missouri	2.2	13.4	5.2	3.1	10.2	6.7
Nebraska	7.4	10.9	8.3	-4.2	4.7	-1.9
North Dakota	-0.8	13.2	6.3	8.5	-8.9	0.5
South Dakota	7.6	10.9	8.9	5.1	16.2	9.2
SOUTHEAST						
Alabama	12.5	-2.1	7.7	13.7	25.9	17.3
Arkansas	5.9	9.2	6.4	6.2	11.5	7.5
Florida	7.9	15.5	7.1	5.2	0.1	4.9
Georgia	10.1	6.3	6.7	-3.8	4.1	-0.5
Kentucky	-23.4	9.8	-13.9	10.1	6.9	8.9
Louisiana	4.2	2.2	2.6	5.4	11.3	6.3
Mississippi	11.3	9.5	9.5	6.1	13.6	10.9
North Carolina	9.2	13.4	9.0	-3.4	-11.6	-3.8
South Carolina	28.8	15.5	25.2	1.8	11.4	7.4
Tennessee	6.3	10.5	6.9	11.0	16.2	13.2
Virginia	7.8	6.2	7.0	3.7	0.1	2.8
West Virginia	2.4	11.9	6.9	-3.9	16.0	3.5
SOUTHWEST						
Arizona	4.0	2.9	3.8	5.9	6.9	6.3
New Mexico	25.9	8.5	20.6	4.6	25.0	10.2
Oklahoma	7.6	-3.8	5.9	9.4	20.7	12.1
Texas	10.0	7.5	9.2	6.5	5.0	6.1
ROCKY MOUNTAIN						
Colorado	5.1	11.3	6.6	7.0	0.9	9.0
Idaho	7.8	8.0	7.8	12.6	24.1	16.1
Montana	5.7	7.5	6.3	7.9	21.9	13.0
Utah	5.7	4.0	2.4	12.6	5.6	9.1
Wyoming	—	—	—	—	—	—
FAR WEST						
Alaska	-2.5	23.8	1.3	7.5	4.6	9.6
California	13.4	8.5	11.4	14.7	10.4	15.1
Hawaii	6.1	0.2	4.4	8.5	4.8	10.9
Nevada	—	—	—	15.9	14.9	17.8
Oregon	7.2	-1.5	7.2	18.9	22.9	17.1
Washington	3.8	11.8	5.2	-7.8	6.8	-3.2
TOTAL						
	7.3%	8.7%	7.4%	5.7%	9.2%	7.2%
Puerto Rico	-3.2	9.5	-0.8	11.5	8.7	10.9

Note: State funds are defined as general funds and other state funds (bonds are excluded).

*See General Notes for explanation.

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 3

COMPARISON OF SHARES OF STATE SPENDING WITH FUND SOURCES, FISCAL 1988 TO 2001

Fund Type & Year	Elementary & Secondary Education	Higher Education	Public Assistance	Medicaid	Corrections	Transportation	All Other	Total
FY 1989:								
General Funds	34.6	15.2	5.0	9.0	5.3	1.3	29.7	100.0
Other State Funds	9.9	12.8	0.5	0.7	1.0	26.9	48.2	100.0
Federal Funds	11.3	3.4	10.4	28.7	0.1	12.8	33.4	100.0
Bond Funds	19.5	11.1	0.0	0.0	6.5	21.0	41.9	100.0
Total Funds	23.4	12.0	5.1	11.3	3.2	10.1	35.0	100.0
FY 1990:								
General Funds	33.5	14.6	4.9	9.5	5.5	1.3	30.8	100.0
Other State Funds	10.6	15.3	0.5	1.4	0.8	25.7	45.7	100.0
Federal Funds	11.5	3.2	10.4	31.8	0.1	12.8	30.2	100.0
Bond Funds	1.7	10.0	0.0	0.0	14.5	30.1	43.7	100.0
Total Funds	22.8	12.2	5.0	12.5	3.4	9.9	34.2	100.0
FY 1991:								
General Funds	33.4	14.1	5.3	10.5	5.7	1.1	29.9	100.0
Other State Funds	8.4	14.0	0.6	2.5	0.7	26.0	47.7	100.0
Federal Funds	10.8	3.6	10.3	34.7	0.1	10.2	30.4	100.0
Bond Funds	13.7	11.0	0.0	0.0	13.9	28.7	32.6	100.0
Total Funds	22.0	11.5	5.3	14.2	3.5	9.4	34.0	100.0
FY 1992:								
General Funds	34.0	13.5	5.1	12.1	5.6	0.8	28.8	100.0
Other State Funds	7.2	14.4	0.5	6.5	0.6	23.9	47.0	100.0
Federal Funds	10.3	2.6	8.9	40.9	0.1	9.5	27.7	100.0
Bond Funds	3.3	14.4	0.0	0.0	11.9	34.6	35.8	100.0
Total Funds	21.2	11.0	4.9	17.8	3.2	9.1	32.9	100.0
FY 1993:								
General Funds	34.8	13.1	5.1	13.3	5.7	0.9	27.2	100.0
Other State Funds	6.5	15.1	0.5	7.1	0.6	23.1	47.2	100.0
Federal Funds	10.2	2.6	7.3	40.8	0.1	9.5	29.6	100.0
Bond Funds	21.1	14.6	0.0	0.0	9.4	22.3	32.6	100.0
Total Funds	21.5	10.8	4.5	18.8	3.1	8.7	32.5	100.0
FY 1994:								
General Funds	33.9	13.0	4.9	14.2	6.2	0.9	27.0	100.0
Other State Funds	6.7	14.3	0.4	6.5	0.7	23.8	47.6	100.0
Federal Funds	9.8	2.7	6.7	42.5	0.1	9.5	28.6	100.0
Bond Funds	5.7	26.7	0.0	0.0	12.1	20.6	34.9	100.0
Total Funds	20.4	10.8	4.2	19.7	3.4	9.0	32.4	100.0
FY 1995:								
General Funds	33.4	12.9	4.4	14.4	6.7	0.7	27.4	100.0
Other State Funds	9.5	13.3	0.5	6.9	0.8	23.8	45.2	100.0
Federal Funds	9.8	2.7	6.5	42.7	0.1	9.8	28.3	100.0
Bond Funds	4.9	20.8	0.0	0.0	10.2	26.3	37.7	100.0
Total Funds	21.0	10.4	4.0	19.8	3.6	9.1	32.1	100.0
FY 1996:								
General Funds	34.4	12.9	3.9	14.7	6.9	0.9	27.3	100.0
Other State Funds	9.2	13.7	0.4	6.8	0.8	22.9	46.2	100.0
Federal Funds	9.9	2.9	5.9	43.5	0.2	9.5	28.0	100.0
Bond Funds	15.2	21.4	0.0	0.0	6.5	26.1	30.8	100.0
Total Funds	21.5	10.7	3.5	19.9	3.7	8.8	31.8	100.0
FY 1997:								
General Funds	34.5	13.0	3.6	14.6	6.8	0.8	26.7	100.0
Other State Funds	10.1	13.8	0.4	6.4	0.9	23.0	44.6	100.0
Federal Funds	9.8	2.9	5.1	44.1	0.4	8.8	28.9	100.0
Bond Funds	12.5	20.2	0.0	0.0	6.6	26.5	34.2	100.0
Total Funds	21.7	10.7	3.1	20.0	3.7	9.0	31.8	100.0
FY 1998:								
General Funds	35.2	13.1	3.0	14.8	6.9	0.7	26.4	100.0
Other State Funds	9.4	11.3	1.0	6.3	0.8	22.2	49.1	100.0
Federal Funds	10.5	3.4	5.0	43.3	0.4	8.7	28.8	100.0
Bond Funds	12.4	18.4	0.0	0.0	6.0	33.4	29.8	100.0
Total Funds	22.0	10.3	2.9	19.6	3.7	8.8	32.8	100.0
FY 1999:								
General Funds	35.7	12.4	2.7	14.4	7.1	0.9	26.7	100.0
Other State Funds	9.0	13.0	0.6	6.5	1.0	23.4	46.5	100.0
Federal Funds	10.2	5.2	4.3	42.9	0.4	9.3	27.7	100.0
Bond Funds	21.0	17.2	0.0	0.0	6.5	25.6	29.8	100.0
Total Funds	22.3	10.8	2.6	19.5	3.9	9.1	31.8	100.0
FY 2000:								
General Funds	35.7	12.2	2.5	14.4	7.0	0.9	27.3	100.0
Other State Funds	9.9	13.9	0.8	6.3	0.9	22.8	46.3	100.0
Federal Funds	10.5	5.2	4.0	42.6	0.4	9.3	28.0	100.0
Bond Funds	18.0	19.1	0.0	0.0	7.3	26.0	28.0	100.0
Total Funds	22.5	10.9	2.4	19.5	3.8	8.8	32.1	100.0
FY 2001:								
General Funds	35.7	12.2	2.4	14.7	6.9	1.3	26.9	100.0
Other State Funds	9.9	14.0	0.8	6.6	0.9	22.2	45.6	100.0
Federal Funds	10.5	5.0	3.7	41.7	0.4	9.7	29.0	100.0
Bond Funds	18.0	16.1	0.0	0.0	4.0	28.0	33.9	100.0
Total Funds	22.6	10.8	2.3	19.6	3.7	9.0	31.9	100.0
FY 1988-00 Combined Total:								
General Funds	34.5	12.3	4.1	13.1	6.3	0.9	27.9	100.0
Other State Funds	8.9	12.7	0.6	5.4	0.8	23.8	46.7	100.0
Federal Funds	10.4	3.3	6.8	40.0	0.2	10.0	29.1	100.0
Bond Funds	12.8	15.0	0.0	0.0	8.9	26.9	34.3	100.0
Total Funds	21.9	10.2	3.8	17.9	3.5	9.1	32.7	100.0

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

General Fund Expenditures

Elementary and secondary education absorb the largest portion of the general fund. As Figure 6 shows, 34.9 percent of fiscal 2000 general fund spending was directed toward elementary and secondary education. Higher education accounted for 12.2 percent of general fund spending while Medicaid accounted for 14.4 percent of general fund spending. Figure 7 reflects the percentage change for general fund spending in each of the functional categories.

Figure 6
GENERAL FUND EXPENDITURES, FISCAL 2000

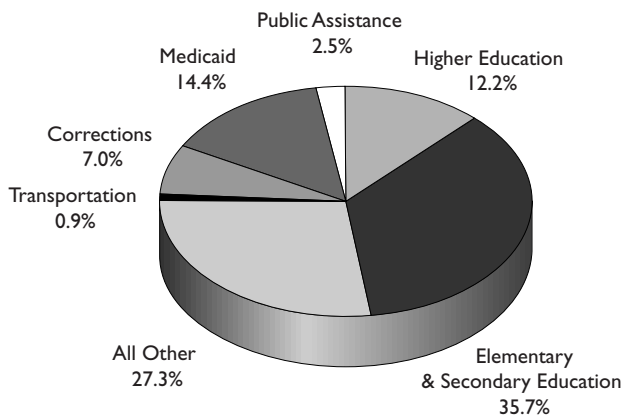
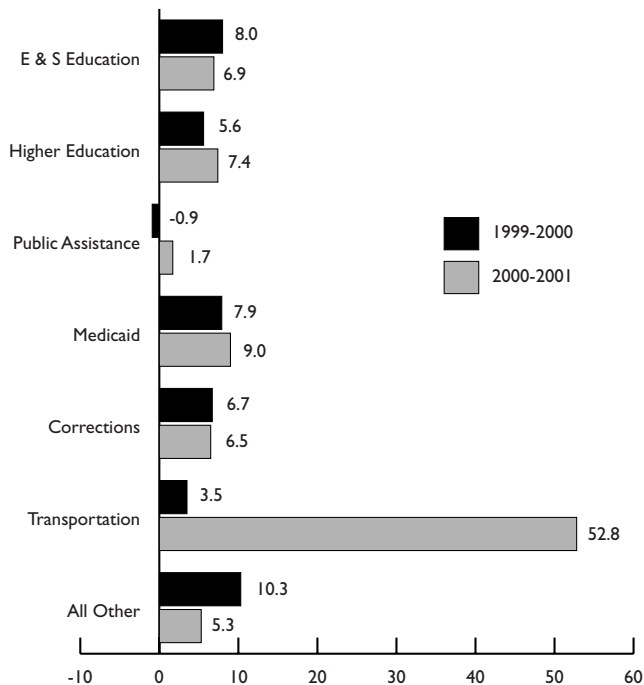


Figure 7
PERCENT CHANGE IN GENERAL FUND, FISCAL 2000 AND 2001



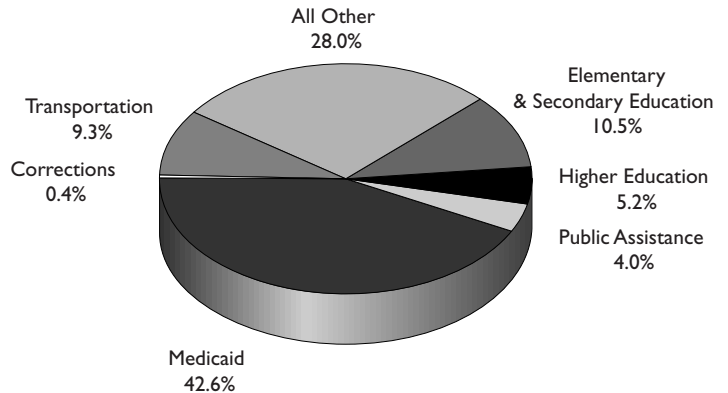
Other State Funds Expenditures

Transportation accounted for the second largest portion of other state funds spending, 22.8 percent, second only to the "all other" functional area. For transportation, these funds largely represent receipts from gasoline taxes earmarked for highways. Both elementary and secondary and higher education functions also accounted for significant portions of the spending from other state funds: elementary and secondary education at 9.9 percent, and higher education at 13.9 percent.

Federal Fund Expenditures

As reflected in Figure 8, Medicaid accounts for the largest portion of state spending from federal funds at 42.6 percent. Elementary and secondary education and transportation, at 10.5 and 9.3 percent respectively, follow. Medicaid's share of spending from federal funds increased steadily from 1988 through 1992, when it began leveling off in the 40 to 44 percent range (see Table 3). Expansions to the Medicaid program, increasing caseloads, and the increased use of provider taxes and voluntary contributions to secure matching federal funds all help to explain these increases.

Figure 8
FEDERAL FUND EXPENDITURES, FISCAL 2000



Regional Spending Trends

Table 4 shows growth rates for each region of the United States, separated by state funds (general fund plus other state funds, not including bond funds) and federal funds.

The 1999-2000 growth rates for all funds for Rocky Mountain, Plains and Mid Atlantic states are below the national average, with growth rates for the New England, Southeast, Southwest, and Great

Lakes states exceeding the national average. Growth rates for the Far West states almost mirror the national average. For state funds, growth rates in most regions are similar to the trends for all funds. The growth and decline of federal funds by region varies considerably.

Table 4
REGIONAL PERCENTAGE CHANGE IN TOTAL EXPENDITURES,
FISCAL 2000 AND 2001

Region	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
New England	14.6%	6.1%	12.2%	1.8%	7.9%	3.8%
Mid-Atlantic	4.3	9.0	5.1	7.1	10.2	8.2
Great Lakes	8.4	9.8	9.1	1.4	11.2	3.4
Plains	3.6	10.1	5.7	5.9	9.9	7.2
Southeast	7.0	9.5	6.7	3.9	6.6	5.3
Southwest	9.9	5.4	8.8	6.6	9.2	7.3
Rocky Mountain	5.7	8.4	5.6	9.3	8.9	10.5
Far West	7.9	8.6	7.6	11.5	10.4	12.7
ALL STATES	7.3%	8.7%	7.4%	5.7%	9.2%	7.2%

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Figure 9 shows the percentage change in state spending from state funds for 1999-2000 and 2000-2001. The New England region in particular experienced above average growth in 1999-2000.

Total state expenditure data can be found on Tables 1-5, along with related footnotes at the end of this chapter. Chapter Eight contains tables reflecting total capital spending data reported by the states, and Chapter Nine contains the major general revenue sources reported by the states.

Figure 9
REGIONAL PERCENT CHANGE IN STATE FUNDS,
FISCAL 2000 AND 2001

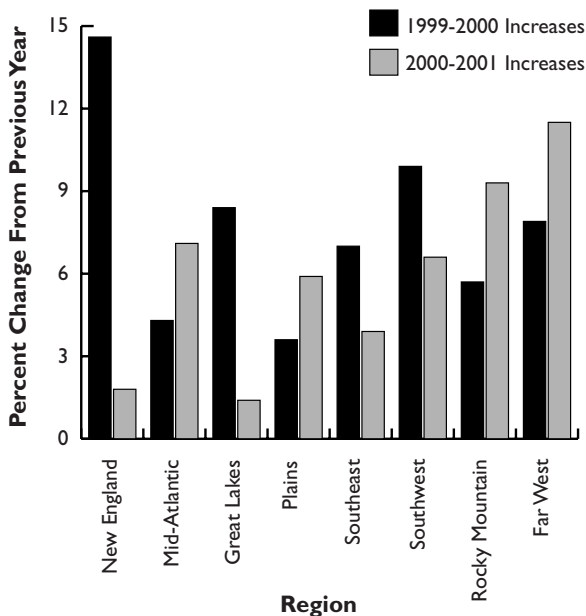


Table 5

STATE SPENDING BY FUNCTION AS A PERCENT OF TOTAL STATE EXPENDITURES, FISCAL 2000

Region/State	Elementary & Secondary Education	Higher Education	Public Assistance	Medicaid	Corrections	Transportation	All Other	Total
NEW ENGLAND								
Connecticut	13.8%	9.4%	3.0%	26.2%	2.7%	6.2%	38.8%	100.0%
Maine	19.9	4.3	4.5	24.8	2.0	9.1	35.5	100.0
Massachusetts	14.4	5.3	2.3	19.3	2.9	10.7	45.1	100.0
New Hampshire	28.7	4.4	1.3	24.2	2.3	12.0	27.2	100.0
Rhode Island	16.6	10.4	4.7	25.8	3.4	7.0	32.2	100.0
Vermont	20.5	3.1	3.0	23.5	3.1	12.2	34.6	100.0
MID-ATLANTIC								
Delaware	22.3	5.5	1.3	10.1	4.0	8.1	48.8	100.0
Maryland	17.5	15.8	0.8	16.5	4.6	13.2	31.6	100.0
New Jersey	22.5	7.6	1.1	14.1	3.5	7.1	44.2	100.0
New York	20.7	7.0	4.8	34.5	4.0	6.0	22.9	100.0
Pennsylvania	18.8	5.2	2.8	27.9	3.9	10.0	31.5	100.0
GREAT LAKES								
Illinois	20.9	7.4	1.8	21.5	3.8	9.3	35.3	100.0
Indiana	25.6	9.5	0.7	17.6	3.7	9.6	33.5	100.0
Michigan	31.6	6.8	1.3	19.4	5.3	8.2	27.4	100.0
Ohio	18.2	7.0	1.0	18.9	4.8	8.4	41.7	100.0
Wisconsin	19.5	11.9	0.9	11.0	3.3	7.3	46.2	100.0
PLAINS								
Iowa	19.7	25.1	1.2	13.0	2.6	10.3	28.2	100.0
Kansas	29.5	17.3	0.6	7.2	3.6	9.0	32.8	100.0
Minnesota	24.9	10.7	2.2	18.5	2.1	9.2	32.5	100.0
Missouri	24.1	6.8	1.2	18.4	2.9	9.1	37.5	100.0
Nebraska	16.7	22.6	0.9	16.8	3.1	10.0	29.9	100.0
North Dakota	17.3	10.8	0.6	17.3	1.8	14.6	37.7	100.0
South Dakota	13.7	15.7	0.5	19.4	2.5	17.1	31.1	100.0
SOUTHEAST								
Alabama	25.0	24.3	0.2	19.3	2.1	6.9	22.2	100.0
Arkansas	19.5	15.9	2.9	16.2	2.0	6.7	36.8	100.0
Florida	18.7	9.5	0.5	15.7	3.4	13.0	39.1	100.0
Georgia	24.7	14.5	1.5	14.3	4.5	7.0	33.4	100.0
Kentucky	26.3	18.4	1.7	24.3	3.2	4.2	21.9	100.0
Louisiana	19.5	13.4	0.4	22.0	3.7	7.4	33.7	100.0
Mississippi	21.1	18.5	0.8	21.2	2.8	9.8	25.9	100.0
North Carolina	23.6	13.0	1.8	19.4	3.6	11.3	27.3	100.0
South Carolina	16.9	16.1	0.3	16.1	3.1	7.7	39.8	100.0
Tennessee	18.6	12.5	0.7	28.7	2.7	6.8	29.9	100.0
Virginia	18.1	14.3	0.6	12.2	4.5	12.9	37.4	100.0
West Virginia	26.0	18.3	0.8	21.5	1.4	15.9	16.2	100.0
SOUTHWEST								
Arizona	19.6	13.9	0.8	13.9	4.6	11.0	36.1	100.0
New Mexico	24.1	21.0	3.5	14.5	2.1	8.5	26.3	100.0
Oklahoma	24.3	15.6	1.6	15.5	3.8	9.6	29.6	100.0
Texas	30.3	13.6	0.5	22.8	5.7	9.3	17.8	100.0
ROCKY MOUNTAIN								
Colorado	19.0	11.5	2.8	17.1	3.6	16.3	29.7	100.0
Idaho	28.6	9.4	1.2	16.6	3.9	10.3	30.0	100.0
Montana	20.6	10.5	1.0	15.9	3.5	16.2	32.3	100.0
Utah	27.2	12.2	1.4	11.8	4.1	11.9	31.4	100.0
Wyoming	—	—	—	—	—	—	—	0.0
FAR WEST								
Alaska	17.8	8.2	2.5	9.3	3.6	23.9	34.8	100.0
California	27.4	9.5	7.3	16.5	4.1	5.9	29.4	100.0
Hawaii	17.1	8.3	2.6	8.5	2.1	11.6	49.7	100.0
Nevada	17.0	9.4	0.8	12.6	3.6	11.4	45.2	100.0
Oregon	29.5	9.8	2.7	21.4	8.1	6.8	23.2	100.0
Washington	23.9	16.3	2.7	20.0	3.4	6.6	27.0	100.0
ALL STATES	22.5%	10.9%	2.4%	19.5%	3.8%	8.8%	32.1%	100.0%
Puerto Rico	11.9	5.1	0.5	1.9	2.4	7.1	71.2	100.0

Note: Percentages may not add to 100.

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

General Notes

In reviewing the tables, please note the following:

- Small dollar amounts, when rounded, cause an aberration in the percentage increase. In these instances, the actual dollar amounts should be consulted to determine the exact percentage increase.
- "State funds" refers to general funds plus other state fund spending. State spending from bonds is excluded.
- "Total funds" refers to funding from all sources-general fund, federal funds, other state funds, and bonds.
- The report methodology is detailed in the Appendix.

All States: Medicaid reflects provider taxes, fees, assessments, donations, and local funds in Other State Funds.

Massachusetts: "General Funds" encompasses Massachusetts's three major funds-General, Highway and Local Aid Funds. Massachusetts uses all three funds in the manner that most states, which typically have far fewer dedicated funds, use just their General Fund.

Missouri: General revenue includes refunds required by the Missouri Constitution for revenues received in excess of the revenue limit: in fiscal 1999, this totaled \$98.9 million. Federal and other funds for fiscal 2001 represent appropriations available to state agencies. These appropriations establish ceilings on what agencies may spend. These appropriations are often established at higher levels to provide agencies with appropriation authority in the event that revenues are available for various programs. Final expenditures will be substantially lower. Other funds include federal reimbursements received by the Department of Highways and Transportation and the Department of Conservation that have constitutionally created funds. With implementation of the state's new financial management system substantial changes have been made to reclassify federal and other funds and eliminate double counting of expenditures.

Nebraska: Fiscal 2001 "Other Funds" figures do not include trust funds because those funds are not appropriated. They are recorded as expenditures in the state accounting system and the amounts spent are included in the totals for both fiscal 1999 and fiscal 2000.

In fiscal 2000 the trust fund amounts included \$28.6 million for K-12 education, \$207.5 million for higher education, \$10.3 million for corrections and \$243.9 million for all other state agencies. For comparison purposes with prior years, the "Other Funds" figures should be increased by the trust fund amounts for fiscal 2000.

Ohio: Certain federal reimbursements and block grants for certain human services programs (Medicaid, TANF, etc.) are deposited into the state's General Revenue Fund. Expenditures of these federal funds are contained in the General Fund number in this report to be consistent with other portrayals of Ohio's general fund. This amounts to \$3,589.1 million fiscal 1999 and \$3,830.2 million in fiscal 2000. This has an impact on percentage of total general fund expenditure calculations as well as on comparisons of Ohio's federal funding levels.

Also, inherent in Ohio's budgetary accounting environment are significant overstatements of total spending due to two phenomena. First, fiduciary fund expenditures represent the distribution of funds collected by the state on behalf of other entities. These are not operating, program, or subsidy expenditures for the state. These expenditures total \$4,898 million in fiscal 1999 and \$5,016 million in fiscal 2000.

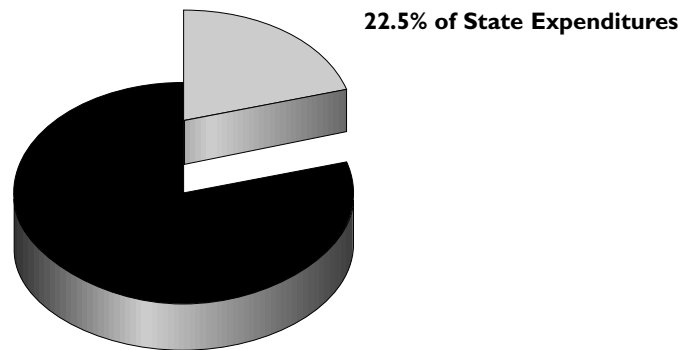
Additionally, "double counting" of revenue and expenditures related to intrastate transactions overstates overall state expenditure activity. The overstatement is primarily found in general services and intergovernmental service funds. Expenditure activity from these funds totals \$752.9 million in fiscal 1999 and \$851.3 million in fiscal 2000. This results in Ohio's "All Other" expenditures as a percentage of the total being overstated, and consequently other areas being understated.

Ohio appropriates capital appropriations on a biennial basis rather than an annual basis, therefore, the amounts shown for fiscal 2001 are estimates. Footnotes for fiscal 2000 are also applicable to fiscal 2001 estimates, but amounts cannot be provided at this time.

Tennessee: Tennessee collects personal income tax on income from dividends on stocks and interest on certain bonds.

Tax revenue estimates do not include federal funds and other departmental revenues. However, federal funds and other departmental revenues are included in the budget as funding sources for the general fund, along with state tax revenues.

CHAPTER ONE ELEMENTARY & SECONDARY EDUCATION



Elementary and secondary education constitute the largest state expenditure category with \$212.7 billion in total expenditures for 2000. Its growth outpaced that of total state expenditures: overall state expenditures between 1999 to 2000 increased 7.4 percent, while elementary and secondary education spending increased 8.1 percent.

On average, elementary and secondary education constitute 22.5 percent of total state spending and nearly 35 percent of state general fund spending. Between 1999 and 2000, nine states had at least double-digit percentage increases. Despite the current economic slowdown, governors in many states are making elementary and secondary education their highest priority, indicating continued growth in spending for fiscal year 2002.

States' focus on elementary and secondary education includes increased efforts to ensure accountability, provide teacher training, reduce classroom size and provide more technology instruction. States also are grappling with the need to provide adequate funds for school construction and renovation and the relative roles of state and local governments in providing the funds needed for school repairs.

The following areas are the focus of many states' efforts to improve elementary and secondary education:

- Establishing assessment and accountability standards to set clear expectations for learning;
- Creating or revising school finance structures, including funding for facilities;
- Providing some opportunities for public school choice, often through intra-district enrollment or charter schools;
- Improving teacher quality through professional development;
- Expanding early childhood development education programs;
- Expanding technology capacities;
- Promoting extra learning opportunities such as summer reading programs.

At the federal level, the President's fiscal 2002 budget contains proposals to increase resources for elementary and secondary education. These funds would: increase accountability for student performance with annual state reading and math assessments in grades 3-8; focus on what works by using targeted funds to improve schools and enhance teacher quality; reduce bureaucracy

and increase flexibility with flexible funding increased at the local level; and empower parents by giving students in persistently low-performing schools choice to attend other schools.

This year, the reauthorization of the Elementary and Secondary Education Act also will focus federal attention on education. The law contains both formula and competitive programs to support education activities at the state and local level. Through these programs, the federal contribution to education spending is an estimated 7 percent of the overall funding for education activities.

The president's proposed reform consolidates many of the education programs into several goal-oriented programs: Achieving Excellence through High Standards and Accountability; Improving Teacher Quality; Moving Limited English Proficient Students to English Fluency; Promoting Parental Options and Innovative Programs; Encouraging Safe Schools for the 21st Century; Providing Impact; and Encouraging Freedom and Accountability.

The President also has proposed to increase funding for the Individuals with Disabilities Education Act (IDEA). The law was enacted in 1990 as amendments to the Education for All Handicapped Children Act. This law provides states with funding as well as mandates to provide a free and appropriate education and procedural safeguards for all children with disabilities without regard to costs incurred by states and localities. Although the federal government committed to provide funding for 40 percent of Part B services under IDEA, it currently contributes only 12.6 percent.

School Litigation

Courts continue to play a role in setting funding policies for education. Since 1971, most states have been subject to lawsuits seeking to reform their funding systems for education. These cases are litigated on the basis of state rather than federal constitutional language and generally either seek greater equity in funding among school districts or a guaranteed level of "adequate" funding for education. Eighteen state supreme courts have found the finance systems unconstitutional and many states are still actively involved in litigation. Even in states where litigation has not occurred or has not succeeded, the prospect of lawsuits has prompted revisions of state funding policy.

In addition to challenges focusing on school operating budgets, in at least 37 states school construction and renovation of facilities are the focus of legal challenges. The listing on the next pages provide details regarding litigation.

Sources of Funding

States fund almost 50 percent of total school costs, while local governments contribute approximately 43 percent and the federal government contributes the remaining 7 percent. Local government contributions primarily are from local property taxes while state contributions primarily are raised through income and sales taxes. State funds for education as a percentage of total funding range from nearly 89.1 percent in Hawaii to 8.2 percent in New Hampshire.

A number of states have moved toward increasing their share of funding for elementary and secondary education by substituting state funds for local funds, often in order to reduce the reliance on local property taxes. Funds are distributed to schools as both general funds on a per-pupil basis and as categorical grants to support specific programs or needs. The federal share is a source of supplemental funding for poor school districts and also helps pay the cost of educating handicapped children.

Distributing State Funds to School Districts

The average amount of state funds provided on a per pupil basis varies greatly from one state to another. States may use a variety of methods to provide aid to school districts. The most common methods are by flat grants, foundation programs, guaranteed tax base programs, percentage equalization programs, full state funding, and pupil weights.

The National Governors Association, in "Financing America's Public Schools," suggests that policymakers consider the following issues when redesigning a school finance system:

- Guarantee districts a minimum level of funding per student supplemented by additional funds raised by the district;
- Use funding formulas to drive education reform rather than merely allocating money to school districts;
- More closely link school funding formulas with school finance, governance and program reforms to improve student performance;
- Provide local school districts with greater flexibility on how funds are spent and hold them accountable for the expenditure of the funds;
- Provide financial assistance for school construction.

Charter Schools

More and more states are moving quickly to set up charter schools while some states and school districts are debating their merits. The charter school movement developed out of a belief that schools formed by teachers, parents, school boards, and community members will provide new models of schooling and incentives that will improve the current system of public education.

A contract specifies how each charter school will operate and what must be done in order for it to receive funding. The charter school is accountable for improving student performance and achieving the goals of the charter. In several states, charter schools are not subject to most regulations that otherwise apply to public schools; however, in other states, charter laws are more restrictive. Research on the impact of charter schools remains inconclusive, with some researchers maintaining that it is difficult to measure the overall impact school choice has had on students or the education system.

Since the first charter school opened in St. Paul, Minnesota, in September 1992, the charter school movement has grown substantially. Currently, 36 states and the District of Columbia have charter schools, and the U.S. Department of Education estimates that over charter schools were in operation during the 2000-2001 school year. Charter schools face substantial challenges in financing and business operations as many state charter school laws do not provide start-up or capital funds and provide limited operational resources.

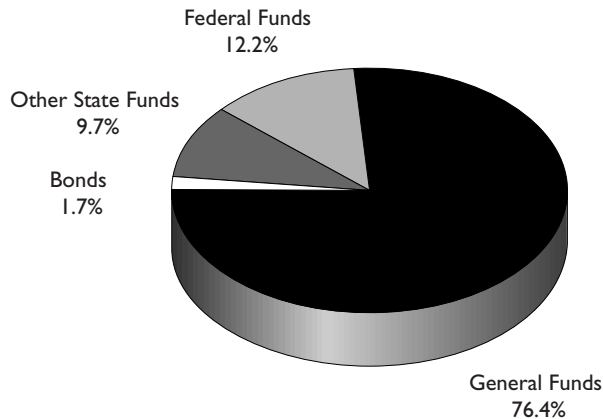
Selected Web Resources

- U.S. Department of Education
www.ed.gov
- Education Commission of the States
www.ecs.org
- National Education Association
www.nea.org
- U.S. Charter Schools Home Page
www.uscharterschools.org
- Council of Great City Schools
www.cgcs.org

Fund Shares

Relative fund shares for 2000 are shown in the figure below.

Figure 10
STATE EXPENDITURES FOR ELEMENTARY AND SECONDARY EDUCATION BY FUND SOURCE, FISCAL 2000



Elementary and Secondary Education—Expenditure Exclusions

When comparing resources spent on elementary and secondary education, it is important to understand the types of programs states include in these figures. For this report, 40 states wholly or partially included employer contributions for teacher pensions and 30 states wholly or partially included contributions for health benefits. Among the states reporting, items that are excluded or partially excluded are: day care programs (40), school health care (38), Head Start (30), and libraries (22).

Summary expenditure data can be found on Tables 7-9, accompanied by explanatory notes. Table 10 lists programs excluded from the expenditure data.

Regional Expenditures

The following table shows percentage changes in expenditures for elementary and secondary education for fiscal 1999-2000 and 2000-2001. For 2000, states in the New England, Southwest and Far West are well above the national average, while the Mid-Atlantic, Great Lakes, Plains, Southeast and Rocky Mountain states are below the national average.

Table 6
REGIONAL PERCENTAGE CHANGE IN STATE ELEMENTARY AND SECONDARY EDUCATION EXPENDITURES, FISCAL 2000 AND 2001

Region	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
New England	19.3%	12.4%	18.8%	6.0%	4.1%	5.6%
Mid-Atlantic	4.2	12.5	5.1	7.3	9.0	7.5
Great Lakes	5.9	9.1	6.9	7.3	9.4	8.0
Plains	4.5	11.4	5.3	5.6	15.5	6.8
Southeast	5.7	11.3	5.0	5.8	7.9	7.7
Southwest	9.9	12.5	10.2	9.0	6.1	8.6
Rocky Mountain	3.5	10.1	4.2	9.7	8.5	9.6
Far West	14.6	18.0	13.6	9.0	9.7	8.4
ALL STATES	8.0%	12.6%	8.1%	7.4%	8.8%	7.9%

Table 7

ELEMENTARY AND SECONDARY EDUCATION EXPENDITURES (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999					Actual Fiscal 2000					Estimated Fiscal 2001				
	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total
NEW ENGLAND															
Connecticut	\$1,684	\$237	\$15	\$313	\$2,249	\$1,825	\$259	\$5	\$404	\$2,493	\$1,840	\$270	\$5	\$393	\$2,508
Maine	813	95	1	5	914	847	112	1	2	962	956	105	1	1	1,063
Massachusetts*	3,159	315	11	3	3,488	3,444	363	11	5	3,823	3,741	363	11	11	4,126
New Hampshire*	58	90	65	5	218	51	96	825	4	976	55	98	825	4	982
Rhode Island*	563	89	1	5	658	615	94	1	1	711	670	120	2	8	800
Vermont	255	63	84	4	406	280	75	98	5	458	270	84	109	9	472
MID-ATLANTIC															
Delaware	654	70	271	36	1,031	698	80	301	38	1,117	720	90	330	35	1,175
Maryland	2,630	441	1	0	3,072	2,709	492	2	0	3,203	2,774	537	78	0	3,389
New Jersey	5,940	407	12	0	6,359	6,202	448	15	0	6,665	6,759	546	17	0	7,322
New York	10,975	1,814	1,584	0	14,373	11,851	2,001	1,408	0	15,260	12,908	1,963	1,456	0	16,327
Pennsylvania*	6,134	889	2	0	7,025	6,194	1,053	2	0	7,249	6,490	1,303	2	0	7,795
GREAT LAKES															
Illinois	5,177	1,139	121	91	6,528	5,582	1,346	102	297	7,327	5,832	1,382	205	400	7,819
Indiana	2,473	380	1,249	0	4,102	2,613	401	1,300	0	4,314	2,730	380	1,417	0	4,527
Michigan*	462	862	9,137	0	10,461	460	887	9,685	0	11,032	422	1,090	10,439	0	11,951
Ohio*	4,722	852	940	141	6,655	5,050	899	936	164	7,049	5,539	1,047	1,058	257	7,901
Wisconsin	4,333	357	139	0	4,829	4,648	384	62	0	5,094	4,959	385	58	0	5,402
PLAINS															
Iowa	1,825	260	84	0	2,169	1,929	288	75	0	2,292	1,990	303	82	0	2,375
Kansas	2,178	227	46	0	2,451	2,221	245	20	0	2,486	2,274	259	37	0	2,570
Minnesota	3,738	449	28	17	4,232	4,019	534	30	19	4,602	4,391	621	34	20	5,066
Missouri	2,214	481	967	0	3,662	2,250	533	1,076	0	3,859	2,378	681	1,183	0	4,242
Nebraska	753	168	45	0	966	760	165	43	0	968	739	178	26	0	943
North Dakota	268	68	30	0	366	283	77	31	0	391	285	85	29	0	399
South Dakota	286	0	0	0	286	287	0	1	0	288	300	0	3	0	303
SOUTHEAST															
Alabama	2,694	458	334	0	3,486	2,817	504	359	0	3,680	2,952	654	384	0	3,990
Arkansas	1,431	215	217	0	1,863	1,494	251	220	0	1,965	1,549	273	239	0	2,061
Florida	6,749	948	355	674	8,726	7,087	1,116	476	455	9,134	7,598	1,152	494	712	9,956
Georgia	4,829	815	321	86	6,051	5,112	905	268	93	6,378	5,499	914	420	106	6,939
Kentucky	2,822	406	28	0	3,256	2,850	446	28	0	3,324	2,976	487	31	0	3,494
Louisiana	2,250	552	225	0	3,027	2,300	587	166	0	3,053	2,351	694	191	0	3,236
Mississippi	1,213	370	228	0	1,811	1,352	375	307	5	2,039	1,426	431	371	0	2,228
North Carolina	5,038	510	54	450	6,052	5,451	587	57	0	6,095	5,836	490	41	395	6,762
South Carolina	1,552	326	489	0	2,367	1,742	367	631	121	2,861	1,846	395	564	250	3,055
Tennessee	2,405	422	12	0	2,839	2,467	464	13	0	2,944	2,567	499	22	0	3,088
Virginia	3,577	263	12	0	3,852	3,763	283	5	0	4,051	3,906	301	3	0	4,210
West Virginia	1,351	196	30	75	1,652	1,381	213	40	52	1,686	1,425	289	48	74	1,836
SOUTHWEST															
Arizona	2,242	410	87	0	2,739	2,401	447	78	0	2,926	2,507	459	88	0	3,054
New Mexico*	1,647	143	62	0	1,852	1,761	158	76	0	1,995	1,785	174	192	0	2,151
Oklahoma	1,716	294	458	0	2,468	1,771	316	488	0	2,575	1,990	341	587	0	2,918
Texas	10,989	1,921	448	0	13,358	12,218	2,192	597	0	15,007	13,305	2,329	672	0	16,306
ROCKY MOUNTAIN															
Colorado	1,914	222	84	0	2,220	2,036	242	51	0	2,329	2,156	266	115	0	2,537
Idaho	816	94	68	0	978	841	109	89	0	1,039	897	131	86	0	1,114
Montana	469	73	2	0	544	486	85	2	0	573	513	85	3	0	601
Utah	1,488	212	49	0	1,749	1,535	226	21	0	1,782	1,722	236	60	0	2,018
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST															
Alaska	744	111	35	0	890	770	119	44	0	933	764	133	41	0	938
California	23,528	3,511	56	1,849	28,944	27,638	4,132	51	1,655	33,476	30,603	4,570	46	1,707	36,926
Hawaii*	939	127	28	125	1,219	903	120	28	111	1,162	1,181	125	39	28	1,373
Nevada*	507	68	197	0	772	553	113	117	0	783	571	128	140	0	839
Oregon	1,852	212	175	150	2,389	2,437	296	303	112	3,148	2,068	293	453	15	2,829
Washington	4,508	337	250	3	5,098	4,604	372	168	0	5,144	4,829	405	273	0	5,507
TOTAL	\$150,564	\$22,969	\$19,137	\$4,032	\$196,702	\$162,588	\$25,857	\$20,713	\$3,543	\$212,701	\$173,844	\$28,144	\$23,010	\$4,425	\$229,423
Puerto Rico	1,494	570	10	0	2,074	1,502	690	83	0	2,275	1,635	743	5	0	2,383

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 8
ELEMENTARY AND SECONDARY EDUCATION EXPENDITURES
AS A PERCENT OF TOTAL EXPENDITURES

Region/State	Fiscal 1999	Fiscal 2000	Fiscal 2001
NEW ENGLAND			
Connecticut	14.3%	13.8%	13.8%
Maine	20.4	19.9	17.8
Massachusetts	14.4	14.4	15.4
New Hampshire	8.6	28.7	28.1
Rhode Island	16.6	16.6	16.7
Vermont	20.1	20.5	19.8
MID-ATLANTIC			
Delaware	21.9	22.3	22.3
Maryland	17.9	17.5	16.9
New Jersey	23.6	22.5	23.0
New York	20.1	20.7	20.5
Pennsylvania	19.1	18.8	18.5
GREAT LAKES			
Illinois	20.8	20.9	20.4
Indiana	27.1	25.6	27.4
Michigan	31.0	31.6	32.1
Ohio	18.4	18.2	17.9
Wisconsin	21.2	19.5	26.0
PLAINS			
Iowa	20.3	19.7	20.7
Kansas	29.5	29.5	28.1
Minnesota	24.1	24.9	23.7
Missouri	24.0	24.1	24.8
Nebraska	18.0	16.7	16.6
North Dakota	17.2	17.3	17.6
South Dakota	14.8	13.7	13.2
SOUTHEAST			
Alabama	25.5	25.0	23.1
Arkansas	19.6	19.5	19.0
Florida	19.2	18.7	19.4
Georgia	25.0	24.7	27.0
Kentucky	22.2	26.3	25.4
Louisiana	19.9	19.5	19.5
Mississippi	20.5	21.1	20.8
North Carolina	25.5	23.6	27.2
South Carolina	17.6	16.9	16.8
Tennessee	19.2	18.6	17.2
Virginia	18.4	18.1	18.3
West Virginia	27.2	26.0	27.4
SOUTHWEST			
Arizona	19.1	19.6	19.3
New Mexico*	27.0	24.1	23.6
Oklahoma	24.7	24.3	24.6
Texas	29.5	30.3	31.1
ROCKY MOUNTAIN			
Colorado	19.3	19.0	19.0
Idaho	29.0	28.6	26.4
Montana	20.8	20.6	19.1
Utah	27.3	27.2	28.2
Wyoming	—	—	—
FAR WEST			
Alaska	17.2	17.8	16.3
California	26.4	27.4	26.3
Hawaii	18.8	17.1	18.3
Nevada	10.8	17.0	15.5
Oregon	24.0	29.5	22.7
Washington	25.0	23.9	26.5
ALL STATES			
	22.3%	22.5%	22.6%
Puerto Rico	10.8	11.9	11.2

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 9

ANNUAL PERCENTAGE CHANGE IN ELEMENTARY AND SECONDARY EDUCATION EXPENDITURES

Region/State	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
NEW ENGLAND						
Connecticut	7.7%	9.3%	10.8%	0.8%	4.2%	0.6%
Maine	4.2	17.9	5.3	12.9	-6.3	10.5
Massachusetts	9.0	15.2	9.6	8.6	0.0	7.9
New Hampshire	612.2	6.7	347.7	0.5	2.1	0.6
Rhode Island	9.2	5.6	8.1	9.1	27.7	12.5
Vermont	11.5	19.0	12.8	0.3	12.0	3.1
MID-ATLANTIC						
Delaware	8.0	14.3	8.3	5.1	12.5	5.2
Maryland	3.0	11.6	4.3	5.2	9.1	5.8
New Jersey	4.5	10.1	4.8	9.0	21.9	9.9
New York	5.6	10.3	6.2	8.3	-1.9	7.0
Pennsylvania	1.0	18.4	3.2	4.8	23.7	7.5
GREAT LAKES						
Illinois	7.3	18.2	12.2	6.2	2.7	6.7
Indiana	5.1	5.5	5.2	6.0	-5.2	4.9
Michigan	5.7	2.9	5.5	7.1	22.9	8.3
Ohio	5.7	5.5	5.9	10.2	16.5	12.1
Wisconsin	5.3	7.6	5.5	6.5	0.3	6.0
PLAINS						
Iowa	5.0	10.8	5.7	3.4	5.2	3.6
Kansas	0.8	7.9	1.4	3.1	5.7	3.4
Minnesota	7.5	18.9	8.7	9.3	16.3	10.1
Missouri	4.6	10.8	5.4	7.1	27.8	9.9
Nebraska	0.6	-1.8	0.2	-4.7	7.9	-2.6
North Dakota	5.4	13.2	6.8	0.0	10.4	2.0
South Dakota	0.7	—	0.7	5.2	—	5.2
SOUTHEAST						
Alabama	4.9	10.0	5.6	5.0	29.8	8.4
Arkansas	4.0	16.7	5.5	4.3	8.8	4.9
Florida	6.5	17.7	4.7	7.0	3.2	9.0
Georgia	4.5	11.0	5.4	10.0	1.0	8.8
Kentucky	1.0	9.9	2.1	4.5	9.2	5.1
Louisiana	-0.4	6.3	0.9	3.1	18.2	6.0
Mississippi	15.1	1.4	12.6	8.3	14.9	9.3
North Carolina	8.2	15.1	0.7	6.7	-16.5	10.9
South Carolina	16.3	12.6	20.9	1.6	7.6	6.8
Tennessee	2.6	10.0	3.7	4.4	7.5	4.9
Virginia	5.0	7.6	5.2	3.7	6.4	3.9
West Virginia	2.9	8.7	2.1	3.7	35.7	8.9
SOUTHWEST						
Arizona	6.4	9.0	6.8	4.7	2.7	4.4
New Mexico*	7.5	10.5	7.7	7.6	10.1	7.8
Oklahoma	3.9	7.5	4.3	14.1	7.9	13.3
Texas	12.0	14.1	12.3	9.1	6.3	8.7
ROCKY MOUNTAIN						
Colorado	4.5	9.0	4.9	8.8	9.9	8.9
Idaho	5.2	16.0	6.2	5.7	20.2	7.2
Montana	3.6	16.4	5.3	5.7	0.0	4.9
Utah	1.2	6.6	1.9	14.5	4.4	13.2
Wyoming	—	—	—	—	—	—
FAR WEST						
Alaska	4.5	7.2	4.8	-1.1	11.8	0.5
California	17.4	17.7	15.7	10.7	10.6	10.3
Hawaii	-3.7	-5.5	-4.7	31.0	4.2	18.2
Nevada	—	—	—	6.1	13.3	7.2
Oregon	35.2	39.6	31.8	-8.0	-1.0	-10.1
Washington	0.3	10.4	0.9	6.9	8.9	7.1
ALL STATES						
	8.0%	12.6%	8.1%	7.4%	8.8%	7.9%
Puerto Rico	5.4	21.1	9.7	3.5	7.7	4.7

Note: State funds are defined as general funds and other state funds (bonds are excluded).
 Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 10

ITEMS EXCLUDED FROM ELEMENTARY & SECONDARY EDUCATION EXPENDITURES

Region/State	Employer Contributions to Pensions	Employer Contributions to Health Benefits	Head Start	Libraries	Day Care Programs	School Health Care/ Immunization
NEW ENGLAND						
Connecticut	X	X		X	X	X
Maine						
Massachusetts	X	X	P	P	P	P
New Hampshire			P	P	P	
Rhode Island		X	X	X	X	X
Vermont			X	X	X	X
MID-ATLANTIC						
Delaware						
Maryland	X	X	X	X	X	P
New Jersey		P			X	P
New York					X	X
Pennsylvania			X	X	X	X
GREAT LAKES						
Illinois		P		P	X	X
Indiana	P	P	X		X	X
Michigan			X	X	X	X
Ohio				X	X	X
Wisconsin					X	X
PLAINS						
Iowa			X			
Kansas		X	X	P	X	X
Minnesota		X				P
Missouri	X	X	X	X	X	X
Nebraska			X	X	X	X
North Dakota			X	X	X	X
South Dakota				X	X	X
SOUTHEAST						
Alabama			X	X	X	X
Arkansas	P	P	X		X	X
Florida	P	P	X		X	X
Georgia		X			X	X
Kentucky		X		X	X	
Louisiana			X	P	X	X
Mississippi						
North Carolina					X	X
South Carolina			X	X		X
Tennessee					P	P
Virginia			X		X	
West Virginia			X	X	X	X
SOUTHWEST						
Arizona		X	X		X	X
New Mexico		X	P		P	P
Oklahoma						
Texas	P	X	P		X	X
ROCKY MOUNTAIN						
Colorado			X		X	
Idaho			X		X	X
Montana		X	X		X	X
Utah			X		X	X
Wyoming						
FAR WEST						
Alaska				P		
California			X		X	X
Hawaii	X	X	X		X	X
Nevada						
Oregon					X	X
Washington	P	P	P	X	X	X
ALL STATES	10	20	30	22	40	38
Puerto Rico			X			

Excluded=X

Partially Excluded=P

Not Applicable=N/A

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Elementary and Secondary Education Notes

Small dollar amounts, when rounded, cause an aberration in the percentage increase. In these instances, the actual dollar amounts should be consulted to determine the exact percentage increase.

Hawaii: Employer contributions to pensions and employer contributions to health benefits are excluded in fiscal 1999 and fiscal 2000 figures but included in fiscal 2001.

Massachusetts: The state appropriation for school libraries is in the form of a recommended spending level that the localities may adopt or not and is included. The balance of funding for school libraries is from the localities and is excluded.

Michigan: Figures reflect K-12 education, the Michigan Department of Education, adult education and pre-school.

Nevada: Vocational education is included, but reflects only private sector regulation.

New Mexico: Actual expenditure data for all funding sources are not available at this time. Therefore, rather than fiscal 1999 actual, fiscal 2000 budgeted is reported. Similarly in the fiscal 2000 column, fiscal 2001 budgeted is reported, and in the fiscal 2001 estimated column, fiscal 2002 estimated is reported.

New Hampshire: The increase in fiscal 2000 expenditures reflects outlays from the state's Education Trust Fund, which was established to provide adequacy grants to support statewide school funding.

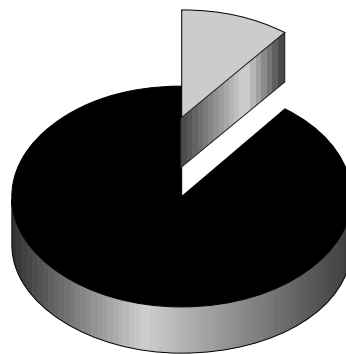
Ohio: See General Notes for discussion of double counting issues that affect percentage of total expenditure amounts.

Pennsylvania: Figures reflect funding in support of K-12 education and the operation of the Pennsylvania Department of Education.

Rhode Island: Local funds are excluded.

CHAPTER TWO

HIGHER EDUCATION



10.9% of State Expenditures

Higher education spending generally reflects state support of community colleges, vocational education institutions, and state university systems. In 2000, states estimate they spent \$103 billion on higher education. While higher education spending accounts for 10.9 percent of state budgets, it represents less than half of the amount spent on elementary and secondary education. The primary funding source for higher education is general funds, providing nearly 54 percent to the total funding (See Figure 11). Thirty-nine states include tuition and fees and thirty-two states include student loan programs in the state expenditures reported here (See Table 15).

States report higher education spending growth between 1999 and 2000 to be 8.2 percent—slightly more than the growth in total state spending for the same period. Growth in higher education spending between 2000 and 2001 is estimated to increase by 6.3 percent—this reflects an anticipated 6.2 percent increase in state funds and a 5.2 percent increase in federal funds.

Financing Issues

Spending on higher education increased again this year. The caveat for higher education, however, is that the pattern continues to prove that state spending is closely tied to economic cycles and fluctuates widely as tax revenues rise or fall with changing economic conditions. Because higher education is one of the few remaining areas within state budgets for which spending is strictly discretionary, and because in most states higher education institutions have discretion to decide how reductions or adjustments will be implemented, funding remains vulnerable to these outside factors.

As spending has increased for higher education, so have costs. The most common response to the increased costs has been, and continues to be, tuition increases. According to a survey by the Washington State Coordinating Board for Higher Education, tuition and fees for undergraduates at public four-year colleges and universities increased about 5 percent from 1999 to 2000. This increasing reliance on tuition as a revenue source could have significant financial implications for students in the future as states must manage their budgets during a cycle of falling revenues.

Performance and Accountability

There is a growing trend by state policymakers and the public to ensure greater quality, productivity, and effectiveness among

postsecondary institutions. To hold colleges and universities accountable for the funds they receive from the state, thirty-seven states now have programs that in part fund public campus based on performance. Many public institutions are required to report on outcome and other measures, and two other methods which link performance to budgeting are performance funding, with allocations linked directly to performance, and performance budgeting, where performance is one of the factors considered in the allocation process. These methods are often added to the traditional considerations of current costs, student enrollments, and inflationary increases. The increased use of these methods by states demonstrates a growing belief that performance and accountability should play a role in allocating state resources to public education.

Community Colleges

Policy makers are increasingly looking at two-year colleges with greater interest because of the variety of students they can serve and their relative low cost. Community colleges provide access to increasing numbers of students, retraining for displaced workers, training for those leaving the welfare rolls, and play pivotal roles in economic development efforts. Furthermore, community colleges often bear the responsibility for providing employment and language skills to growing immigrant communities, and for retraining current workers who must meet changing skill requirements in a more knowledge-based economy. Full-time tuition at community colleges, on average, is less than half of the average tuition at a public four-year institution, making it affordable to a wider population than four-year institutions.

Enrollments in community colleges reached 10.5 million students in 1998 and, from all indications, enrollment will continue to grow. With this increased demand for community college services come questions regarding access and costs. In about half of the states, state funds provide the largest share of public two-year institutions' total operating revenue; and every state community college system receives some level of state appropriations. Although state support has grown during the 1990s, community college leaders assert that these increases do not compensate for the enrollment growth that they have experienced. To compensate for the budget gaps, many states and community colleges have been forced to raise tuition. This, in turn, can price-out some students. States will be faced with budgetary challenges in helping to accommodate the increased utilization of community colleges.

Distance Learning

Distance learning is becoming a common feature offered by a growing number of post-secondary institutions, and research indicates that it will become more common in the future. Through the use of many technologies, including Internet-based technologies and two-way interactive video, institutions are providing alternative opportunities to individuals with time and place constraints, such as working parents, students with disabilities, and workers seeking additional training for advancement.

A National Center for Education Statistics (NCES) study reported that 34 percent of all higher education institutions offered distance education course during the 1997-1998 school year (most recent year for which data is available) and enrolled more than 1.6 million students. An estimated 54,000 different distance education courses were offered, most of which were college-level, credit granting courses. Distance education is more likely to be conducted by public institutions—78 percent of public four year institutions and 62 percent of public two year institutions offered distance education courses.

The trend to increase distance learning opportunities, particularly at public institutions, raises several fiscal questions for states, colleges and universities, and students. Some view distance learning as a cost savings approach to providing postsecondary education, but the costs in developing, implementing, and delivering the courses can also be substantial. Many institutions do not receive appropriations for these projects, rather, they reallocate funds within their existing budgets.

Students may also be impacted by the costs of developing distance education programs. The NCES study found that the additional costs or cost savings were not passed on to the students using this technology; about three-quarters of institutions charged the same tuition for the distance education courses as for comparable on-campus courses. Furthermore, federal financial aid often is not available to students using distance learning opportunities because of the nature of the institution offering the courses, the student being less than part-time, or both. Therefore, program costs and financial aid regulations can limit access to those non-traditional students who can be best served through distance learning.

States and institutions will face many questions and challenges as the demand increases for distance learning opportunities. In addition to meeting the fiscal challenges of developing and implementing distance learning opportunities, and providing

assistance to those who use the services, they will also have to answer other questions regarding equity of access to postsecondary education, accreditation and quality assurance, and pressures on existing organizational structures and arrangements.

Capital Spending

In 2000 many states committed more spending to construction and renovation on public college and university campuses. The additional funds for capital spending are in large part due to strong state economies and budget surpluses. Also contributing to the increase is the ability of states to obtain low interest rates on construction related debt. While the additional funds for construction projects are welcomed, some college administrators are concerned about the costs and available funding to maintain existing facilities. One state noted that 4 percent of their state appropriation must be reserved for maintenance.

Selected Web Resources

- American Association of Community Colleges
www.aacc.nche.edu
- American Association of State Colleges and Universities
www.aascu.org
- American Council on Education
www.acenet.edu
- Education Commission of the States
www.ecs.org
- The Institute for Higher Education Policy
www.ihep.com
- National Association of State University and Land-Grant Colleges
www.nasulgc.org
- U.S. Department of Education
www.ed.gov
- Washington Higher Education Secretariat
www.whes.org

Figure 11
STATE EXPENDITURES FOR HIGHER EDUCATION BY
FUND SOURCE, FISCAL 2000

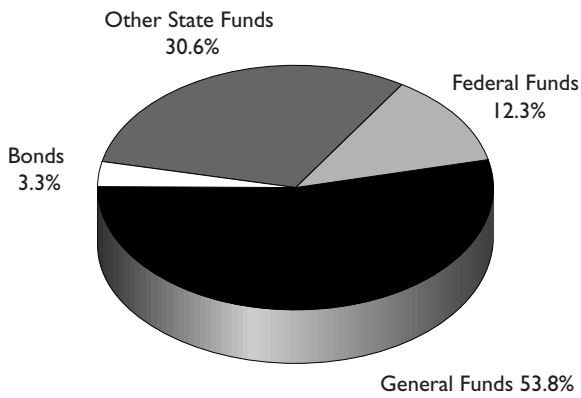


Table 11
REGIONAL PERCENTAGE CHANGE IN STATE HIGHER EDUCATION
EXPENDITURES, FISCAL 2000 AND 2001

Region	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
New England	47.7%	42.5%	45.6%	4.6%	3.0%	5.4%
Mid-Atlantic	5.5	-36.6	2.3	11.1	16.6	11.5
Great Lakes	6.8	6.7	9.4	4.0	26.3	4.6
Plains	4.4	9.3	5.1	3.8	3.9	3.9
Southeast	10.2	21.4	9.6	2.9	3.1	4.6
Southwest	13.3	10.9	12.8	1.1	17.5	2.3
Rocky Mountain	5.1	8.5	6.4	10.7	18.8	9.2
Far West	-0.6	6.6	2.3	18.1	1.6	0.8
ALL STATES	8.4%	7.9%	8.2%	6.2%	5.2%	6.3%

Table 12
HIGHER EDUCATION EXPENDITURES—CAPITAL INCLUSIVE (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999					Actual Fiscal 2000					Estimated Fiscal 2001				
	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total
NEW ENGLAND															
Connecticut	\$499	\$0	\$0	\$88	\$587	\$566	\$80	\$948	\$98	\$1,692	\$550	\$80	\$1,018	\$99	\$1,747
Maine	187	0	1	4	192	204	0	1	4	209	242	0	1	23	266
Massachusetts*	1,002	200	71	38	1,311	1,064	209	75	47	1,395	1,090	215	77	48	1,430
New Hampshire	91	9	33	5	138	98	8	34	8	148	101	7	34	13	155
Rhode Island*	161	3	251	13	428	160	5	264	15	444	170	9	288	29	496
Vermont	59	0	0	3	62	65	0	0	4	69	67	0	0	10	77
MID-ATLANTIC															
Delaware	197	17	34	18	266	212	19	39	4	274	225	20	35	10	290
Maryland*	953	373	1,222	88	2,636	1,068	403	1,305	113	2,889	1,369	462	1,422	155	3,408
New Jersey	1,560	14	532	14	2,120	1,663	15	568	2	2,248	1,975	20	616	0	2,611
New York	2,635	123	2,017	171	4,946	2,531	117	2,246	241	5,135	2,760	131	2,370	175	5,436
Pennsylvania*	1,642	416	117	102	2,277	1,739	44	137	61	1,981	1,867	64	142	149	2,222
GREAT LAKES															
Illinois*	2,231	6	169	102	2,508	2,345	5	139	115	2,604	2,473	131	85	179	2,868
Indiana*	1,321	3	4	26	1,354	1,396	3	7	191	1,597	1,470	4	14	35	1,523
Michigan*	1,923	3	0	46	1,972	2,038	4	153	195	2,390	2,107	4	188	130	2,429
Ohio*	2,301	5	4	264	2,574	2,432	5	1	268	2,706	2,559	8	2	399	2,968
Wisconsin	1,106	561	1,264	0	2,931	1,145	600	1,367	0	3,112	1,193	632	1,369	0	3,194
PLAINS															
Iowa	861	253	1,634	0	2,748	901	269	1,752	0	2,922	930	274	1,781	0	2,985
Kansas	533	240	599	6	1,378	638	241	567	6	1,452	673	241	597	6	1,517
Minnesota	1,746	42	12	87	1,887	1,793	39	24	117	1,973	1,893	40	38	115	2,086
Missouri	965	1	141	0	1,107	927	2	161	0	1,090	1,067	5	186	0	1,258
Nebraska	455	120	614	0	1,189	480	166	666	0	1,312	536	185	509	0	1,230
North Dakota	160	0	90	3	253	159	1	80	3	243	174	1	86	15	276
South Dakota	117	44	145	2	308	125	47	156	4	332	126	49	157	4	336
SOUTHEAST															
Alabama*	1,035	525	1,821	0	3,381	1,100	567	1,913	0	3,580	1,159	519	1,818	0	3,496
Arkansas	492	1	1,003	53	1,549	526	1	1,049	31	1,607	543	2	1,101	34	1,680
Florida	2,746	145	1,132	493	4,516	3,022	150	1,168	307	4,647	3,207	157	1,369	402	5,135
Georgia	1,908	1,096	234	174	3,412	1,933	1,277	333	202	3,745	2,082	1,331	321	271	4,005
Kentucky	1,057	269	1,417	0	2,743	910	297	1,119	0	2,326	1,059	308	1,503	0	2,870
Louisiana	863	120	910	103	1,996	916	128	975	71	2,090	974	144	923	48	2,089
Mississippi	610	80	845	51	1,586	694	87	905	99	1,785	703	108	957	119	1,887
North Carolina	2,209	37	900	0	3,146	2,365	37	949	0	3,351	2,353	33	939	250	3,575
South Carolina	746	21	103	58	928	804	350	1,510	57	2,721	781	356	1,122	217	2,476
Tennessee	973	90	802	196	2,061	992	76	877	27	1,972	1,062	116	907	67	2,152
Virginia	1,321	318	1,152	171	2,962	1,540	343	1,165	149	3,197	1,445	343	1,206	116	3,110
West Virginia	373	236	461	36	1,106	393	254	505	32	1,184	409	262	520	33	1,224
SOUTHWEST															
Arizona	890	293	776	0	1,959	892	341	845	0	2,078	918	349	886	0	2,153
New Mexico*	517	196	857	0	1,570	544	221	975	0	1,740	569	346	764	0	1,679
Oklahoma	887	134	273	48	1,342	813	136	690	17	1,656	941	140	777	27	1,885
Texas	3,997	105	1,833	0	5,935	4,512	109	2,091	0	6,712	4,466	113	2,165	0	6,744
ROCKY MOUNTAIN															
Colorado	666	15	667	0	1,348	711	15	687	0	1,413	743	16	749	0	1,508
Idaho	246	3	87	0	336	259	2	81	1	343	273	3	120	1	397
Montana*	116	36	124	0	276	125	37	130	0	292	132	52	130	0	314
Utah	527	5	172	11	715	546	10	199	43	798	690	5	195	0	890
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST															
Alaska	169	50	197	54	470	176	56	198	0	430	186	78	281	62	607
California	5,142	4,711	678	295	10,826	5,469	5,016	686	435	11,606	6,587	5,006	685	366	12,644
Hawaii*	306	19	214	44	583	281	10	196	75	562	392	10	223	28	653
Nevada	316	9	150	132	607	306	5	122	0	433	315	7	137	0	459
Oregon	518	49	917	0	1,484	612	51	293	93	1,049	610	65	619	29	1,323
Washington	1,135	734	1,052	301	3,222	1,222	799	1,173	315	3,509	1,323	865	1,322	298	3,808
TOTAL	\$52,470	\$11,730	\$27,731	\$3,300	\$95,231	\$55,412	\$12,657	\$31,524	\$3,450	\$103,043	\$59,539	\$13,316	\$32,754	\$3,962	\$109,571
Puerto Rico	520	169	317	0	1,006	567	161	249	0	977	634	169	252	0	1,055

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 13
HIGHER EDUCATION EXPENDITURES AS A
PERCENT OF TOTAL EXPENDITURES

Region/State	Fiscal 1999	Fiscal 2000	Fiscal 2001
NEW ENGLAND			
Connecticut	3.7%	9.4%	9.6%
Maine	4.3	4.3	4.4
Massachusetts	5.4	5.3	5.3
New Hampshire	5.4	4.4	4.4
Rhode Island	10.8	10.4	10.3
Vermont	3.1	3.1	3.2
MID-ATLANTIC			
Delaware	5.7	5.5	5.5
Maryland	15.4	15.8	17.0
New Jersey	7.9	7.6	8.2
New York	6.9	7.0	6.8
Pennsylvania	6.2	5.2	5.3
GREAT LAKES			
Illinois	8.0	7.4	7.5
Indiana	8.9	9.5	9.2
Michigan	5.9	6.8	6.5
Ohio	7.1	7.0	6.7
Wisconsin	12.9	11.9	15.4
PLAINS			
Iowa	25.7	25.1	26.0
Kansas	16.6	17.3	16.6
Minnesota	10.7	10.7	9.8
Missouri	7.3	6.8	7.4
Nebraska	22.2	22.6	21.6
North Dakota	11.9	10.8	12.2
South Dakota	15.9	15.7	14.6
SOUTHEAST			
Alabama	24.7	24.3	20.2
Arkansas	16.3	15.9	15.5
Florida	9.9	9.5	10.0
Georgia	14.1	14.5	15.6
Kentucky	18.7	18.4	20.8
Louisiana	13.1	13.4	12.6
Mississippi	18.0	18.5	17.6
North Carolina	13.3	13.0	14.4
South Carolina	6.9	16.1	13.6
Tennessee	13.9	12.5	12.0
Virginia	14.2	14.3	13.5
West Virginia	18.2	18.3	18.2
SOUTHWEST			
Arizona	13.6	13.9	13.6
New Mexico	22.9	21.0	18.4
Oklahoma	13.4	15.6	15.9
Texas	13.1	13.6	12.9
ROCKY MOUNTAIN			
Colorado	11.7	11.5	11.3
Idaho	10.0	9.4	9.4
Montana	10.5	10.5	10.0
Utah	11.2	12.	12.4
Wyoming	—	—	—
FAR WEST			
Alaska	9.1	8.2	10.6
California	9.9	9.5	9.0
Hawaii	9.0	8.3	8.7
Nevada	8.5	9.4	8.5
Oregon	14.9	9.8	10.6
Washington	15.8	16.3	18.3
ALL STATES			
	10.8%	10.9%	10.8%
Puerto Rico	5.2	5.1	5.0

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 14

ANNUAL PERCENTAGE CHANGE IN HIGHER EDUCATION EXPENDITURES

Region/State	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
NEW ENGLAND						
Connecticut	203.4%	0.0%	188.2%	3.6%	0.0%	3.3%
Maine	9.0	—	8.9	18.5	—	27.3
Massachusetts	6.2	4.5	6.4	2.5	2.9	2.5
New Hampshire	6.5	-11.1	7.2	2.3	-12.5	4.7
Rhode Island	2.9	66.7	3.7	8.0	80.0	11.7
Vermont	10.2	—	11.3	3.1	—	11.6
MID-ATLANTIC						
Delaware	8.7	11.8	3.0	3.6	5.3	5.8
Maryland	9.1	8.0	9.6	17.6	14.6	18.0
New Jersey	6.6	7.1	6.0	16.1	33.3	16.1
New York	2.7	-4.9	3.8	7.4	12.0	5.9
Pennsylvania	6.7	-89.4	-13.0	7.1	45.5	12.2
GREAT LAKES						
Illinois	3.5	-16.7	3.8	3.0	2,520.0	10.1
Indiana	5.9	0.0	17.9	5.8	33.3	-4.6
Michigan	13.9	33.3	21.2	4.7	0.0	1.6
Ohio	5.6	0.0	5.1	5.3	60.0	9.7
Wisconsin	6.0	7.0	6.2	2.0	5.3	2.6
PLAINS						
Iowa	6.3	6.3	6.3	2.2	1.9	2.2
Kansas	6.4	0.4	5.4	5.4	0.0	4.5
Minnesota	3.4	-7.1	4.6	6.3	2.6	5.7
Missouri	-1.6	100.0	-1.5	15.2	150.0	15.4
Nebraska	7.2	38.3	10.3	-8.8	11.4	-6.3
North Dakota	-4.4	—	-4.0	8.8	0.0	13.6
South Dakota	7.3	6.8	7.8	0.7	4.3	1.2
SOUTHEAST						
Alabama	5.5	8.0	5.9	-1.2	-8.5	-2.3
Arkansas	5.4	0.0	3.7	4.4	100.0	4.5
Florida	8.0	3.4	2.9	9.2	4.7	10.5
Georgia	5.8	16.5	9.8	6.0	4.2	6.9
Kentucky	-18.0	10.4	-15.2	26.3	3.7	23.4
Louisiana	6.7	6.7	4.7	0.3	12.5	0.0
Mississippi	9.9	8.8	12.5	3.8	24.1	5.7
North Carolina	6.6	0.0	6.5	-0.7	-10.8	6.7
South Carolina	172.6	1,566.7	193.2	-17.8	1.7	-9.0
Tennessee	5.3	-15.6	-4.3	5.4	52.6	9.1
Virginia	9.4	7.9	7.9	-2.0	0.0	-2.7
West Virginia	7.7	7.6	7.1	3.5	3.1	3.4
SOUTHWEST						
Arizona	4.3	16.4	6.1	3.9	2.3	3.6
New Mexico	10.6	12.8	10.8	-12.2	56.6	-3.5
Oklahoma	29.6	1.5	23.4	14.3	2.9	13.8
Texas	13.3	3.8	13.1	0.4	3.7	0.5
ROCKY MOUNTAIN						
Colorado	4.9	0.0	4.8	6.7	6.7	6.7
Idaho	2.1	-33.3	2.1	15.6	50.0	15.7
Montana	6.3	2.8	5.8	2.7	40.5	7.5
Utah	6.6	100.0	11.6	18.8	-50.0	11.5
Wyoming	—	—	—	—	—	—
FAR WEST						
Alaska	2.2	12.0	-8.5	24.9	39.3	41.2
California	5.8	6.5	7.2	18.1	-0.2	8.9
Hawaii	-8.3	-47.4	-3.6	28.9	0.0	16.2
Nevada	—	-44.4	—	5.6	40.0	6.0
Oregon	-36.9	4.1	-29.3	35.8	27.5	26.1
Washington	9.5	8.9	8.9	10.4	8.3	8.5
ALL STATES						
	8.4%	7.9%	8.2%	6.2%	5.2%	6.3%
Puerto Rico	-2.5	-4.7	-2.9	8.6	5.0	8.0

Note: State funds are defined as general funds and other state funds (bonds are excluded).
 Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 15

ITEMS EXCLUDED FROM HIGHER EDUCATION EXPENDITURES

Region/State	Employer Contributions to Pensions	Employer Contributions to Health Benefits	Tuition and Fees	Student Loan Programs	University Research Grants	Vocational Education	Assistance To Private Colleges & Universities
NEW ENGLAND							
Connecticut	X	X	X	X	X	X	
Maine	P	P	X	P			X
Massachusetts	X	X	P	X	X	X	X
New Hampshire	P	P	P	P	X		X
Rhode Island				X		X	X
Vermont	X	X			X	X	X
MID-ATLANTIC							
Delaware			P	P			X
Maryland				X		X	
New Jersey					X	X	
New York					X	X	
Pennsylvania	X	X			X	P	
GREAT LAKES							
Illinois		P	X	P	X		P
Indiana	X	X	X		X		X
Michigan	X	X	X	X	P	X	
Ohio			X	P	P	X	
Wisconsin							
PLAINS							
Iowa							X
Kansas		X					
Minnesota		X			X	P	P
Missouri	P	P	X		X	X	
Nebraska					X		
North Dakota				X	X	X	
South Dakota						X	X
SOUTHEAST							
Alabama							
Arkansas					P		X
Florida	P	P			P	P	
Georgia		X					
Kentucky		X					
Louisiana			P		X		P
Mississippi					X		
North Carolina					X		
South Carolina				X			
Tennessee					X		
Virginia				X			
West Virginia				X	P	P	
SOUTHWEST							
Arizona		X					X
New Mexico							P
Oklahoma							
Texas				P	X		
ROCKY MOUNTAIN							
Colorado				X	X		P
Idaho				X	X		X
Montana		X		P	X		X
Utah					X		X
Wyoming							
FAR WEST							
Alaska					X	X	X
California					X		
Hawaii	X	X			X		X
Nevada							
Oregon							
Washington							X
ALL STATES	11	18	11	18	30	17	22
Puerto Rico						X	P

Excluded=X

Partially Excluded=P

Not Applicable=N/A

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Higher Education Notes

Small dollar amounts, when rounded, cause an aberration in the percentage increase. In these instances, the actual dollar amounts should be consulted to determine the exact percentage increase.

Alabama: Capital expenditure figures for higher education are not captured at the state level.

Hawaii: Employer contributions to pensions and employer contributions to health plans are excluded in fiscal 1999 and fiscal 2000 but included in fiscal 2001.

Illinois: Federal funds expenditures have increased due to a restructuring between federal and state funds.

Indiana: Bond figures include project appropriations approved during the fiscal year.

Maryland: Figures include all University System of Maryland campuses, Morgan State University, St. Mary's College of Maryland, all community college campuses including Baltimore City Community College, the Southern Maryland Higher Education Center, the Eastern Shore Higher Education Center, grants to the Johns Hopkins University and grants to the state's independent colleges through the Maryland Independent Colleges and Universities Association grant program.

Massachusetts: Federal fund expenditures are non-budgeted fund expenditures. Effective with fiscal 2001, each higher education campus is required to expend 5 percent-up from 4 percent-of its combined total state appropriation and student retained revenues for maintenance.

Michigan: Expenditure fluctuations are due to the inclusion of bond funds and the cyclical nature of capital construction projects.

Montana: An accounting change in the guaranteed student loan program increases the federal expenditure in fiscal 2001 by \$12 million.

New Mexico: Assistance to private colleges and universities includes student choice general fund scholarships only.

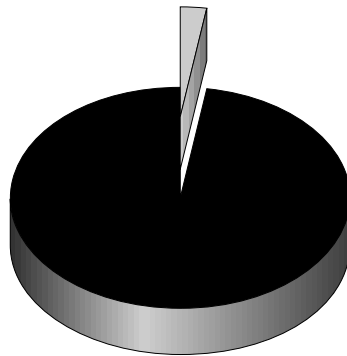
Ohio: See General Notes for discussion of double counting issues that affect percentage of total expenditure amounts.

Pennsylvania: Figures include state funding for a student financial assistance program that helps students pay tuition and fees. Funding for vocational education is also included in Elementary and Secondary Education.

Rhode Island: Sponsored research grants are completely excluded from the survey. Sponsored research grants totaled \$56.4 million in fiscal 1999, \$63.5 million in fiscal 2000, and are estimated to total \$56.9 million in fiscal 2001.

CHAPTER THREE

PUBLIC ASSISTANCE



2.4% of State Expenditures

This report contains data on cash assistance provided through the Temporary Assistance for Needy Families (TANF) and other programs. Spending for these categories totaled \$23 billion in 2000 and represented 2.4 percent of total state expenditures. State spending for total cash assistance increased by 2.2 percent from 1999 to 2000. This slow growth reflects welfare reform efforts and a strong economy, which have led to a decline in TANF cases and, subsequently, a decline in cash assistance payments.

The primary source of public assistance funding is general funds, providing 49.2 percent, followed by federal funds at 42.8 percent (See Figure 13).

In general, states reported TANF expenditures for cash assistance. However, one state reported total TANF expenditures, and another state included costs for the food stamp program.

The "other cash assistance" category, which includes optional state programs for Supplemental Security Income (SSI) and General Assistance, are not funded in all states, and when funded, are relatively small programs.

Welfare Reform

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, signed on August 22, 1996, replaced the 60-year old Aid to Families with Dependent Children with the Temporary Assistance for Needy Families (TANF) program. PRWORA significantly reformed the nation's welfare system into one that requires work in exchange for time-limited cash assistance. The new law shifted state reimbursement from a system based on strict federal rules of eligibility and entitlement to a single state block grant based on historical funding levels. PRWORA gives states more flexibility and responsibility in the design and operation of welfare programs. Within limitations, states have the authority to decide how to best serve the needs and improve the employment prospects of their needy citizens.

Since the creation of the TANF program in 1996, welfare caseloads have declined in every state. According to the latest U.S. Department of Health and Human Services (HHS) figures, welfare rolls dropped 59 percent nationwide between August 1996 and June 2000. Further, caseloads in thirty-eight states declined by more than 50 percent in that timeframe.

Strong national and state economies and state welfare reform efforts appear to have contributed to these significant caseload

declines. The nation's unemployment rate for 2000 was 4.0 percent, and in many parts of the country employers are finding it difficult to hire sufficient numbers of qualified low-skilled workers. Many welfare recipients are able to take advantage of these increased job opportunities. States can use the flexibility of the TANF block grant to provide work supports and incentives.

The combination of falling caseloads and fixed funding presents states with increased options as well as planning challenges. The flexibility of TANF funds provides states with increased opportunities to help needy families overcome barriers to work and remain employed. States are also faced with the challenge of serving persons who continue to receive time-limited cash assistance, many of whom face multiple barriers to employment. In addition, states are challenged to establish appropriate levels for "rainy day" funds to address potential caseload increases if the economy falters.

Expenditure data on total cash assistance, AFDC/TANF cash assistance, and other cash assistance can be found on Tables 18-26, accompanied by explanatory notes.

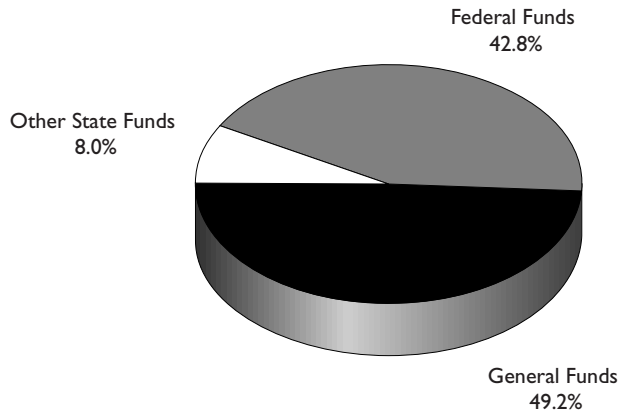
Selected Web Resources

- Administration for Children and Families
www.acf.dhhs.gov
- American Public Human Services Association
www.aphsa.org
- Brookings Institution
www.brookings.edu/wrb
- Center on Budget and Policy Priorities
www.cbpp.org
- Center for Law and Social Policy
www.clasp.org
- National Governors Association
www.nga.org
- The Urban Institute's New Federalism Project
www.newfederalism.urban.org
- Welfare Information Network
www.welfareinfo.org

Fund Shares

The figure below provides fund shares for 2000.

Figure 12
STATE EXPENDITURES FOR TOTAL PUBLIC ASSISTANCE BY
FUND SOURCE, FISCAL 2000



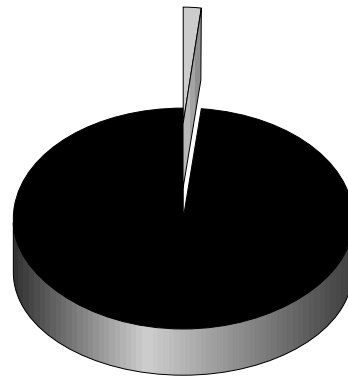
Regional Expenditures

The following table shows percentage changes in expenditures for total cash assistance for fiscal 1999-2000 and 2000-2001.

TABLE 16
REGIONAL PERCENTAGE CHANGE IN STATE TOTAL PUBLIC ASSISTANCE
EXPENDITURES, FISCAL 2000 AND 2001

Region	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
New England	-2.7%	-9.5%	-5.5%	1.2%	-0.7%	0.4%
Mid-Atlantic	15.7	-12.3	4.8	0.1	-16.2	-5.2
Great Lakes	-5.9	9.0	-2.2	-4.6	-21.0	-9.1
Plains	-3.4	15.6	7.2	2.1	20.9	13.4
Southeast	-13.9	15.7	0.4	4.7	13.4	9.5
Southwest	8.5	-2.6	1.2	1.6	12.2	8.3
Rocky Mountain	0.6	1.5	1.2	1.2	-20.3	-13.2
Far West	3.7	2.6	3.2	4.1	2.6	3.5
ALL STATES	3.3%	0.7%	2.2%	1.9%	0.0%	1.1%

CASH ASSISTANCE UNDER THE TEMPORARY ASSISTANCE FOR NEEDY FAMILIES PROGRAM



1.5% of State Expenditures

This section references cash assistance provided through the Temporary Assistance for Needy Families (TANF) program. Welfare reform legislation passed in 1996 replaced the Aid to Families with Dependent Children (AFDC) program with TANF. Since that time, states have experienced significant drops in their welfare caseloads and their spending on cash assistance. Funding levels, however, remain relatively constant because the block grant nature of the TANF program guarantees certain levels of federal funding. As the need for cash assistance expenditures declines, states are free to use the TANF funds for other services to assist families in making the transition from welfare to work and assist low-income families in general.

The nation has experienced a significant decline in the number of cases receiving cash assistance since August 1996 when the Personal Responsibility and Work Opportunity and Reconciliation Act of 1996 (PRWORA) was enacted. Prior to the enactment of PRWORA, there were 12.8 million welfare recipients. As of June 2000, the caseload was 5.78 million recipients, a 55 percent decrease. Welfare caseloads have declined in every state, and in thirty-eight states the caseloads declined by more than 50 percent during that time.

Spending on cash assistance has dropped with the declining caseloads. State and federal funds for TANF cash assistance expenditures decreased by 1.5 percent from 1999 to 2000 after having decreased 12 percent the previous year (see Table 23), and data from the U.S. Department of Health and Human Services (HHS) shows that the portion of TANF funds spent on cash and work-based assistance has dropped from 74 percent of all TANF/AFDC expenditures in 1997 to 52 percent of all TANF expenditures in 2000.

Furthermore, few states have increased their cash assistance benefit levels. In fiscal year 2000, nine states increased cash benefit levels between 2.0 and 7 percent.

Under AFDC, declining caseloads would have resulted in automatic declines in federal and state spending. Yet while caseloads and cash assistance expenditures have declined, the amount of federal TANF funding remains constant and the amount of state funding has decreased only slightly. PRWORA specified that the annual TANF block grant allocations to states would be based on 1994 federal funding levels. A total of \$16.5 billion was authorized annually for TANF through federal fiscal year 2002.

In order for states to receive their full allotment of the TANF block grant, they must meet a maintenance of effort (MOE) requirement and therefore do not realize proportionate savings from the declining caseloads. Under the MOE requirement, states must continue to spend state funds at a level equal to at least 80 percent of state spending for AFDC-related programs in 1994. A state's MOE may be reduced to 75 percent if the state meets applicable TANF participation rates, thus possibly lowering the amount of state spending. In fiscal year 2000, all states met the 75 percent MOE level, and twenty-five states reported spending at or above the 80 percent level. Final fiscal 2000 MOE figures were not available from HHS at the time this report was published.

If states fail to meet their MOE requirements, the amount of that state's block grant will be reduced on a dollar for dollar basis. Furthermore, the state must make up the MOE shortfall with state funds or suffer a penalty reduction. The replacement of federal TANF dollars with state dollars may further depress any savings on the part of the state from lower caseload levels.

Taking advantage of the financial resources available because of declining welfare caseloads, many states are expending federal TANF funds and their MOE funds on a variety of services and benefits. States have provided funding for programs to address child care services, training and education, transportation needs, transitional rental assistance, substance abuse, job readiness and job retention training, and domestic violence.

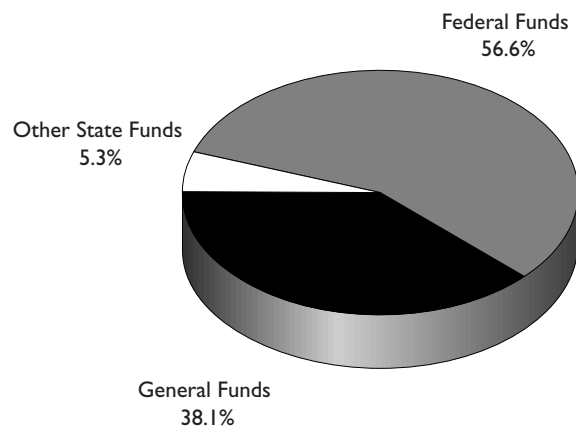
For example, HHS reports that states transferred a cumulative total of \$2.43 billion in TANF funds to the Child Care Development Fund (CCDF) during fiscal year 2000. In addition, states spent \$1.99 billion of TANF funds on child care services—\$1.38 billion in state MOE funds and \$604 million in federal funds, bringing the total amount of state and federal funds available for child care to \$4.43 billion.

States reported spending \$1.75 billion in federal and state funds on work activities in fiscal year 2000—an increase over fiscal year 1999. According to HHS data, states also reported spending \$3 billion for programs including emergency assistance, domestic violence services, child welfare, staff training, and fraud control. For this report, states reported that total state spending for cash assistance under TANF was \$14.8 billion in 2000, a decrease of 12 percent from 1999. TANF cash assistance represented 1.7 percent of total state expenditures in 2000. Expenditure data for TANF cash assistance can be found on Tables 21-23.

Fund Shares

The figure below provides fund shares for 2000.

Figure 13
STATE EXPENDITURES FOR TEMPORARY ASSISTANCE FOR
NEEDY FAMILIES BY FUND SOURCE, FISCAL 2000



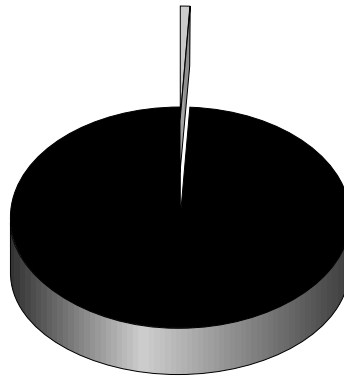
Regional Expenditures

The following table shows percentage changes in expenditures for TANF cash assistance for fiscal 1999-2000 and 2000-2001.

Table 17
REGIONAL PERCENTAGE CHANGE IN STATE AFDC EXPENDITURES,
FISCAL 2000 AND 2001

Region	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
New England	-8.2%	-11.0%	-9.7%	-1.0%	-1.5%	-1.2%
Mid-Atlantic	4.9	-15.1	-6.7	1.9	-18.7	-8.9
Great Lakes	-10.1	8.2	-5.0	-6.2	-24.4	-12.0
Plains	-13.4	15.4	5.5	10.9	21.2	18.3
Southeast	-16.5	17.6	-0.2	4.3	13.8	9.6
Southwest	12.6	4.9	7.9	0.4	2.1	1.4
Rocky Mountain	-5.1	9.4	4.8	-5.3	31.0	20.6
Far West	-2.9	3.5	1.0	3.6	0.5	1.7
ALL STATES	-4.9%	1.3%	-1.5%	1.5%	-0.5%	0.4%

OTHER CASH ASSISTANCE



0.8% of State Expenditures

The second component of cash assistance for public welfare reported here is other cash assistance, including state participation in the Supplemental Security Income (SSI) program, General Assistance (GA), and emergency assistance. For example, in 1999 twenty-eight states provided and administered supplemental payments to certain categories of SSI recipients. Each state determines the structure of its own program, resulting in significant variations in programs and funding. Thirty-five states, including the District of Columbia, have some form of GA program in which state government is involved. Some have statewide uniform eligibility rules while others simply require some form of county participation.

Other cash assistance programs accounted for only 0.9 percent of total state spending in 2000. States spent \$8.2 billion for other cash assistance, with 69.1 percent funded from state general funds. Two states (New York and California) accounted for nearly 65 percent of total general fund spending on other cash assistance.

Expenditure data for other cash assistance can be found on Tables 24-26.

Table 18

TOTAL PUBLIC ASSISTANCE EXPENDITURES (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999				Actual Fiscal 2000				Estimated Fiscal 2001			
	General Fund	Federal Funds	Other State Funds	Total	General Fund	Federal Funds	Other State Funds	Total	General Fund	Federal Funds	Other State Funds	Total
NEW ENGLAND												
Connecticut	\$326	\$267	\$0	\$593	\$281	\$267	\$0	\$548	254	267	0	521
Maine	49	71	72	192	52	77	89	218	59	87	98	244
Massachusetts*	458	218	0	676	460	151	0	611	495	120	0	615
New Hampshire	23	26	5	54	19	19	5	43	22	22	6	50
Rhode Island*	72	130	0	202	72	127	0	199	55	138	0	193
Vermont	36	32	1	69	35	32	1	68	36	34	1	71
MID-ATLANTIC												
Delaware	29	32	1	62	32	35	0	67	35	39	0	74
Maryland	67	85	25	177	68	60	21	149	65	45	16	126
New Jersey	263	166	0	429	179	133	0	312	132	176	0	308
New York	1,426	1,030	777	3,233	1,352	850	1,352	3,554	1,388	617	1,388	3,393
Pennsylvania*	387	597	27	1,011	442	597	27	1,066	426	527	27	980
GREAT LAKES												
Illinois	302	276	0	578	378	242	0	620	315	176	0	491
Indiana	36	42	13	91	44	62	13	119	43	64	13	120
Michigan*	360	95	61	516	242	146	53	441	267	107	48	422
Ohio*	438	0	0	438	393	0	0	393	376	0	0	376
Wisconsin	173	41	0	214	178	45	0	223	179	44	0	223
PLAINS												
Iowa	32	67	23	122	55	65	16	136	56	72	13	141
Kansas	36	10	4	50	34	13	0	47	35	14	0	49
Minnesota	149	187	0	336	131	268	0	399	137	362	0	499
Missouri	61	130	15	206	56	122	15	193	53	121	16	190
Nebraska	25	31	0	56	20	34	0	54	23	42	0	65
North Dakota	0	12	1	13	5	6	2	13	3	3	6	12
South Dakota	6	6	0	12	6	4	0	10	5	5	0	10
SOUTHEAST												
Alabama	2	24	9	35	2	22	8	32	4	22	6	32
Arkansas	112	146	5	263	116	170	5	291	119	207	19	345
Florida*	278	0	34	312	242	0	0	242	245	0	0	245
Georgia	181	213	0	394	173	224	0	397	173	341	0	514
Kentucky	75	112	0	187	74	142	5	221	73	123	3	199
Louisiana	58	23	0	81	6	51	0	57	48	68	0	116
Mississippi	31	39	0	70	38	36	0	74	38	36	0	74
North Carolina	63	284	93	440	62	321	93	476	62	321	93	476
South Carolina	29	25	0	54	23	22	0	45	23	22	0	45
Tennessee	28	77	4	109	10	102	6	118	0	112	6	118
Virginia	67	78	0	145	53	81	0	134	49	76	0	125
West Virginia	34	7	0	41	34	18	0	52	34	20	0	54
SOUTHWEST												
Arizona	43	86	0	129	66	53	0	119	66	59	0	125
New Mexico	16	288	0	304	20	271	0	291	21	332	0	353
Oklahoma	89	57	0	146	89	77	0	166	90	78	0	168
Texas	134	108	0	242	131	124	0	255	134	120	0	254
ROCKY MOUNTAIN												
Colorado	15	232	105	352	17	230	102	349	17	140	106	263
Idaho	13	19	0	32	13	31	0	44	13	31	0	44
Montana	10	21	0	31	9	19	0	28	9	28	0	37
Utah	26	68	0	94	29	65	0	94	27	76	0	103
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST												
Alaska	87	28	28	143	87	19	26	132	89	23	27	139
California	4,718	3,811	0	8,529	4,993	3,887	0	8,880	5,265	3,926	0	9,191
Hawaii	114	79	0	193	104	74	0	178	99	71	0	170
Nevada	20	13	0	33	19	18	0	37	19	18	0	37
Oregon	83	165	17	265	104	180	8	292	89	167	9	265
Washington	368	245	0	613	297	274	0	571	274	363	0	637
TOTAL	\$11,448	\$9,799	\$1,320	\$22,567	\$11,345	\$9,866	\$1,847	\$23,058	\$11,539	\$9,862	\$1,901	\$23,302
Puerto Rico	16	65	0	81	16	71	0	87	18	65	0	83

Note: This table reflects TANF and other cash assistance expenditures.

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 19
TOTAL PUBLIC ASSISTANCE EXPENDITURES AS A
PERCENT OF TOTAL EXPENDITURES

Region/State	Fiscal 1999	Fiscal 2000	Fiscal 2001
NEW ENGLAND			
Connecticut	3.8%	3.0%	2.9%
Maine	4.3	4.5	4.1
Massachusetts	2.8	2.3	2.3
New Hampshire	2.1	1.3	1.4
Rhode Island	5.1	4.7	4.0
Vermont	3.4	3.0	3.0
MID-ATLANTIC			
Delaware	1.3	1.3	1.4
Maryland	1.0	0.8	0.6
New Jersey	1.6	1.1	1.0
New York	4.5	4.8	4.3
Pennsylvania	2.7	2.8	2.3
GREAT LAKES			
Illinois	1.8	1.8	1.3
Indiana	0.6	0.7	0.7
Michigan	1.5	1.3	1.1
Ohio	1.2	1.0	0.9
Wisconsin	0.9	0.9	1.1
PLAINS			
Iowa	1.1	1.2	1.2
Kansas	0.6	0.6	0.5
Minnesota	1.9	2.2	2.3
Missouri	1.4	1.2	1.1
Nebraska	1.0	0.9	1.1
North Dakota	0.6	0.6	0.5
South Dakota	0.6	0.5	0.4
SOUTHEAST			
Alabama	0.3	0.2	0.2
Arkansas	2.8	2.9	3.2
Florida	0.7	0.5	0.5
Georgia	1.6	1.5	2.0
Kentucky	1.3	1.7	1.4
Louisiana	0.5	0.4	0.7
Mississippi	0.8	0.8	0.7
North Carolina	1.9	1.8	1.9
South Carolina	0.4	0.3	0.2
Tennessee	0.7	0.7	0.7
Virginia	0.7	0.6	0.5
West Virginia	0.7	0.8	0.8
SOUTHWEST			
Arizona	0.9	0.8	0.8
New Mexico	4.4	3.5	3.9
Oklahoma	1.5	1.6	1.4
Texas	0.5	0.5	0.5
ROCKY MOUNTAIN			
Colorado	3.1	2.8	2.0
Idaho	0.9	1.2	1.0
Montana	1.2	1.0	1.2
Utah	1.5	1.4	1.4
Wyoming	—	—	—
FAR WEST			
Alaska	2.8	2.5	2.4
California	7.8	7.3	6.5
Hawaii	3.0	2.6	2.3
Nevada	0.5	0.8	—
Oregon	2.7	2.7	2.1
Washington	3.0	2.7	3.1
ALL STATES			
	2.6%	2.4%	2.3%
Puerto Rico	0.4	0.5	0.4

Note: This table reflects TANF and other cash assistance expenditures.

Table 20

ANNUAL PERCENTAGE CHANGE IN TOTAL PUBLIC ASSISTANCE EXPENDITURES

Region/State	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
NEW ENGLAND						
Connecticut	-13.8%	0.0%	-7.6%	-9.6%	0.0%	-4.9%
Maine	16.5	8.5	13.5	11.3	13.0	11.9
Massachusetts	0.4	-30.7	-9.6	7.6	-20.5	0.7
New Hampshire	-14.3	-26.9	-20.4	16.7	15.8	16.3
Rhode Island	0.0	-2.3	-1.5	-23.6	8.7	-3.0
Vermont	-2.7	0.0	-1.4	2.8	6.3	4.4
MID-ATLANTIC						
Delaware	6.7	9.4	8.1	9.4	11.4	10.4
Maryland	-3.3	-29.4	-15.8	-9.0	-25.0	-15.4
New Jersey	-31.9	-19.9	-27.3	-26.3	32.3	-1.3
New York	22.7	-17.5	9.9	2.7	-27.4	-4.5
Pennsylvania	13.3	0.0	5.4	-3.4	-11.7	-8.1
GREAT LAKES						
Illinois	25.2	-12.3	7.3	-16.7	-27.3	-20.8
Indiana	16.3	47.6	30.8	-1.8	3.2	0.8
Michigan	-29.9	53.7	-14.5	6.8	-26.7	-4.3
Ohio	-10.3	—	-10.3	-4.3	—	-4.3
Wisconsin	2.9	9.8	4.2	0.6	-2.2	0.0
PLAINS						
Iowa	29.1	-3.0	11.5	-2.8	10.8	3.7
Kansas	-15.0	30.0	-6.0	2.9	7.7	4.3
Minnesota	-12.1	43.3	18.8	4.6	35.1	25.1
Missouri	-6.6	-6.2	-6.3	-2.8	-0.8	-1.6
Nebraska	-20.0	9.7	-3.6	15.0	23.5	20.4
North Dakota	600.0	-50.0	0.0	28.6	-50.0	-7.7
South Dakota	0.0	-33.3	-16.7	-16.7	25.0	0.0
SOUTHEAST						
Alabama	-9.1	-8.3	-8.6	0.0	0.0	0.0
Arkansas	3.4	16.4	10.6	14.0	21.8	18.6
Florida	-22.4	—	-22.4	1.2	—	1.2
Georgia	-4.4	5.2	0.8	0.0	52.2	29.5
Kentucky	5.3	26.8	18.2	-3.8	-13.4	-10.0
Louisiana	-89.7	121.7	-29.6	700.0	33.3	103.5
Mississippi	22.6	-7.7	5.7	0.0	0.0	0.0
North Carolina	-0.6	13.0	8.2	0.0	0.0	0.0
South Carolina	-20.7	-12.0	-16.7	0.0	0.0	0.0
Tennessee	-50.0	32.5	8.3	-62.5	9.8	0.0
Virginia	-20.9	3.8	-7.6	-7.5	-6.2	-6.7
West Virginia	0.0	157.1	26.8	0.0	11.1	3.8
SOUTHWEST						
Arizona	53.5	-38.4	-7.8	0.0	11.3	5.0
New Mexico	25.0	-5.9	-4.3	5.0	22.5	21.3
Oklahoma	0.0	35.1	13.7	1.1	1.3	1.2
Texas	-2.2	14.8	5.4	2.3	-3.2	-0.4
ROCKY MOUNTAIN						
Colorado	-0.8	-0.9	-0.9	3.4	-39.1	-24.6
Idaho	0.0	63.2	37.5	0.0	0.0	0.0
Montana	-10.0	-9.5	-9.7	0.0	47.4	32.1
Utah	11.5	-4.4	0.0	-6.9	16.9	9.6
Wyoming	—	—	—	—	—	—
FAR WEST						
Alaska	-1.7	-32.1	-7.7	2.7	21.1	5.3
California	5.8	2.0	4.1	5.4	1.0	3.5
Hawaii	-8.8	-6.3	-7.8	-4.8	-4.1	-4.5
Nevada	—	—	—	0.0	0.0	0.0
Oregon	12.0	9.1	10.2	-12.5	-7.2	-9.2
Washington	-19.3	11.8	-6.9	-7.7	—	11.6
ALL STATES	3.3%	0.7%	2.2%	1.9%	2.9%	1.1%
Puerto Rico	0.0	9.2	7.4	12.5	-8.5	-4.6

Notes: State funds are defined as general funds and other state funds (bonds are excluded).

This table reflects TANF and other cash assistance expenditures.

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 21

CASH EXPENDITURES UNDER TEMPORARY ASSISTANCE TO NEEDY FAMILIES EXPENDITURES (TANF) (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999				Actual Fiscal 2000				Estimated Fiscal 2001			
	General Fund	Federal Funds	Other State Funds	Total	General Fund	Federal Funds	Other State Funds	Total	General Fund	Federal Funds	Other State Funds	Total
NEW ENGLAND												
Connecticut	\$213	\$267	\$0	\$480	\$168	\$267	\$0	\$435	\$146	\$267	\$0	\$413
Maine	21	42	70	133	23	40	86	149	23	46	95	164
Massachusetts*	187	174	0	361	172	122	0	294	196	91	0	287
New Hampshire	17	26	0	43	13	19	0	32	16	22	0	38
Rhode Island*	42	73	0	115	41	67	0	108	22	80	0	102
Vermont	19	27	1	47	19	27	1	47	19	28	1	48
MID-ATLANTIC												
Delaware	6	15	1	22	2	17	0	19	2	20	0	22
Maryland	39	78	21	138	41	58	17	116	39	43	14	96
New Jersey	129	166	0	295	64	133	0	197	2	176	0	178
New York	429	978	422	1,829	458	850	458	1,766	509	617	509	1,635
Pennsylvania*	141	392	0	533	206	325	0	531	195	268	0	463
GREAT LAKES												
Illinois	257	271	0	528	327	237	0	564	264	171	0	435
Indiana	33	42	13	88	44	59	13	116	43	60	13	116
Michigan*	250	92	57	399	133	144	48	325	154	100	44	298
Ohio*	423	0	0	423	377	0	0	377	363	0	0	363
Wisconsin	43	8	0	51	25	7	0	32	26	7	0	33
PLAINS												
Iowa	32	67	23	122	34	65	16	115	36	72	13	121
Kansas	35	10	0	45	30	12	0	42	30	14	0	44
Minnesota	85	187	0	272	69	268	0	337	94	362	0	456
Missouri	31	129	0	160	25	121	0	146	20	120	0	140
Nebraska	19	31	0	50	14	34	0	48	16	42	0	58
North Dakota	0	12	1	13	5	6	2	13	3	3	6	12
South Dakota	6	6	0	12	6	4	0	10	5	5	0	10
SOUTHEAST												
Alabama	2	24	9	35	2	22	8	32	4	22	6	32
Arkansas	16	42	0	58	16	65	0	81	11	84	11	106
Florida*	278	0	34	312	242	0	0	242	245	0	0	245
Georgia	181	213	0	394	173	224	0	397	173	341	0	514
Kentucky	75	112	0	187	74	142	5	221	73	123	3	199
Louisiana	58	23	0	81	6	51	0	57	48	68	0	116
Mississippi	6	17	0	23	12	14	0	26	12	14	0	26
North Carolina	63	284	93	440	62	321	93	476	62	321	93	476
South Carolina	14	25	0	39	9	22	0	31	9	22	0	31
Tennessee	28	77	4	109	10	102	6	118	0	112	6	118
Virginia	61	54	0	115	46	50	0	96	41	45	0	86
West Virginia	30	5	0	35	31	17	0	48	32	20	0	52
SOUTHWEST												
Arizona	37	83	0	120	61	51	0	112	61	57	0	118
New Mexico	8	118	0	126	16	132	0	148	14	137	0	151
Oklahoma	51	57	0	108	51	77	0	128	51	78	0	129
Texas	134	108	0	242	131	124	0	255	134	120	0	254
ROCKY MOUNTAIN												
Colorado	4	69	35	108	6	76	29	111	5	114	28	147
Idaho	7	15	0	22	9	27	0	36	9	27	0	36
Montana*	10	21	0	31	9	19	0	28	9	28	0	37
Utah	23	66	0	89	22	65	0	87	20	76	0	96
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST												
Alaska	40	27	7	74	37	18	5	60	37	22	6	65
California	2,022	3,250	0	5,272	1,991	3,353	0	5,344	2,105	3,295	0	5,400
Hawaii	19	79	0	98	13	74	0	87	12	71	0	83
Nevada	5	13	0	18	13	10	0	23	14	10	0	24
Oregon*	66	165	12	243	98	180	0	278	88	167	0	255
Washington	273	242	0	515	216	272	0	488	197	360	0	557
TOTAL	\$5,968	\$8,282	\$803	\$15,053	\$5,652	\$8,390	\$787	\$14,829	\$5,689	\$8,348	\$848	\$14,885
Puerto Rico	12	34	0	46	12	35	0	47	12	34	0	46

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

TABLE 22
TANF EXPENDITURES FOR CASH ASSISTANCE AS A PERCENT
OF TOTAL EXPENDITURES

Region/State	Fiscal 1999	Fiscal 2000	Fiscal 2001
NEW ENGLAND			
Connecticut	3.0%	2.4%	2.3%
Maine	3.0	3.1	2.7
Massachusetts	1.5	1.1	1.1
New Hampshire	1.7	0.9	1.1
Rhode Island	2.9	2.5	2.1
Vermont	2.3	2.1	2.0
MID-ATLANTIC			
Delaware	0.5	0.4	0.4
Maryland	0.8	0.6	0.5
New Jersey	1.1	0.7	0.6
New York	2.6	2.4	2.1
Pennsylvania	1.4	1.4	1.1
GREAT LAKES			
Illinois	1.7	1.6	1.1
Indiana	0.6	0.7	0.7
Michigan	1.2	0.9	0.8
Ohio	1.2	1.0	0.8
Wisconsin	0.2	0.1	0.2
PLAINS			
Iowa	1.1	1.0	1.1
Kansas	0.5	0.5	0.5
Minnesota	1.5	1.8	2.1
Missouri	1.1	0.9	0.8
Nebraska	0.9	0.8	1.0
North Dakota	0.6	0.6	0.5
South Dakota	0.6	0.5	0.4
SOUTHEAST			
Alabama	0.3	0.2	0.2
Arkansas	0.6	0.8	1.0
Florida	0.7	0.5	0.5
Georgia	1.6	1.5	2.0
Kentucky	1.3	1.7	1.4
Louisiana	0.5	0.4	0.7
Mississippi	0.3	0.3	0.2
North Carolina	1.9	1.8	1.9
South Carolina	0.3	0.2	0.2
Tennessee	0.7	0.7	0.7
Virginia	0.6	0.4	0.4
West Virginia	0.6	0.7	0.8
SOUTHWEST			
Arizona	0.8	0.8	0.7
New Mexico	1.8	1.8	1.7
Oklahoma	1.1	1.2	1.1
Texas	0.5	0.5	0.5
ROCKY MOUNTAIN			
Colorado	0.9	0.9	1.1
Idaho	0.7	1.0	0.9
Montana	1.2	1.0	1.2
Utah	1.4	1.3	1.3
Wyoming	—	—	—
FAR WEST			
Alaska	1.4	1.1	1.1
California	4.8	4.4	3.8
Hawaii	1.5	1.3	1.1
Nevada	0.3	0.5	0.4
Oregon	2.4	2.6	2.0
Washington	2.5	2.3	2.7
ALL STATES			
	1.7%	1.6%	1.5%
Puerto Rico	0.2	0.2	0.2

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 23

ANNUAL PERCENTAGE CHANGE IN TANF CASH ASSISTANCE EXPENDITURES

Region/State	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
NEW ENGLAND						
Connecticut	-21.1%	0.0%	-9.4%	-13.1%	0.0%	-5.1%
Maine	19.8	-4.8	12.0	8.3	15.0	10.1
Massachusetts	-8.0	-29.9	-18.6	14.0	-25.4	-2.4
New Hampshire	-23.5	-26.9	-25.6	23.1	15.8	18.8
Rhode Island	-2.4	-8.2	-6.1	-46.3	19.4	-5.6
Vermont	0.0	0.0	0.0	0.0	3.7	2.1
MID-ATLANTIC						
Delaware	-71.4	13.3	-13.6	0.0	17.6	15.8
Maryland	-3.3	-25.6	-15.9	-8.6	-25.9	-17.2
New Jersey	-50.4	-19.9	-33.2	-96.9	32.3	-9.6
New York	7.6	-13.1	-3.4	11.1	-27.4	-7.4
Pennsylvania	46.1	-17.1	-0.4	-5.3	-17.5	-12.8
GREAT LAKES						
Illinois	27.2	-12.5	6.8	-19.3	-27.8	-22.9
Indiana	23.9	40.5	31.8	-1.8	1.7	0.0
Michigan	-41.0	56.5	-18.5	9.4	-30.6	-8.3
Ohio	-10.9	—	-10.9	-3.7	—	-3.7
Wisconsin	-41.9	-12.5	-37.3	4.0	0.0	3.1
PLAINS						
Iowa	-9.1	-3.0	-5.7	-2.0	10.8	5.2
Kansas	-14.3	20.0	-6.7	0.0	16.7	4.8
Minnesota	-18.8	43.3	23.9	36.2	35.1	35.3
Missouri	-19.4	-6.2	-8.8	-20.0	-0.8	-4.1
Nebraska	-26.3	9.7	-4.0	14.3	23.5	20.8
North Dakota	600.0	-50.0	0.0	28.6	-50.0	-7.7
South Dakota	0.0	-33.3	-16.7	-16.7	25.0	0.0
SOUTHEAST						
Alabama	-9.1	-8.3	-8.6	0.0	0.0	0.0
Arkansas	0.0	54.8	39.7	37.5	29.2	30.9
Florida	-22.4	—	-22.4	1.2	—	1.2
Georgia	-4.4	5.2	0.8	0.0	52.2	29.5
Kentucky	5.3	26.8	18.2	-3.8	-13.4	-10.0
Louisiana	-89.7	121.7	-29.6	700.0	33.3	103.5
Mississippi	100.0	-17.6	13.0	0.0	0.0	0.0
North Carolina	-0.6	13.0	8.2	0.0	0.0	0.0
South Carolina	-35.7	-12.0	-20.5	0.0	0.0	0.0
Tennessee	-50.0	32.5	8.3	-62.5	9.8	0.0
Virginia	-24.6	-7.4	-16.5	-10.9	-10.0	-10.4
West Virginia	3.3	240.0	37.1	3.2	17.6	8.3
SOUTHWEST						
Arizona	64.9	-38.6	-6.7	0.0	11.8	5.4
New Mexico	100.0	11.9	17.5	-12.5	3.8	2.0
Oklahoma	0.0	35.1	18.5	0.0	1.3	0.8
Texas	-2.2	14.8	5.4	2.3	-3.2	-0.4
ROCKY MOUNTAIN						
Colorado	-10.3	10.1	2.8	-5.7	50.0	32.4
Idaho	28.6	80.0	63.6	0.0	0.0	0.0
Montana	-10.0	-9.5	-9.7	0.0	47.4	32.1
Utah	-4.3	-1.5	-2.2	-9.1	16.9	10.3
Wyoming	—	—	—	—	—	—
FAR WEST						
Alaska	-10.6	-33.3	-18.9	2.4	22.2	8.3
California	-1.5	3.2	1.4	5.7	-1.7	1.0
Hawaii	-31.6	-6.3	-11.2	-7.7	-4.1	-4.6
Nevada	—	—	—	7.7	0.0	4.3
Oregon	25.6	9.1	14.4	-10.2	-7.2	-8.3
Washington	-20.9	12.4	-5.2	-8.8	32.4	14.1
ALL STATES						
	-4.9%	1.3%	-1.5%	1.5%	-0.5%	0.4%
Puerto Rico	0.0	2.9	2.2	0.0	-2.9	-2.1

Note: State funds are defined as general funds and other state funds (bonds are excluded).
 Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 24

OTHER CASH ASSISTANCE EXPENDITURES (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999				Actual Fiscal 2000				Estimated Fiscal 2001			
	General Fund	Federal Funds	Other State Funds	Total	General Fund	Federal Funds	Other State Funds	Total	General Fund	Federal Funds	Other State Funds	Total
NEW ENGLAND												
Connecticut	\$114	\$0	\$0	\$114	\$113	\$0	\$0	\$113	\$108	\$0	\$0	\$108
Maine	28	30	2	60	29	37	4	70	35	42	3	80
Massachusetts*	271	44	0	315	288	29	0	317	299	29	0	328
New Hampshire	6	0	5	11	6	0	5	11	6	0	6	12
Rhode Island*	30	57	0	87	31	60	0	91	33	58	0	91
Vermont	16	5	0	21	16	5	0	21	17	6	0	23
MID-ATLANTIC												
Delaware	24	17	0	41	30	18	0	48	33	19	0	52
Maryland	28	7	4	39	27	1	5	33	26	2	2	30
New Jersey	134	0	0	134	115	0	0	115	130	0	0	130
New York	997	52	355	1,404	894	0	894	1,788	879	0	879	1,758
Pennsylvania	246	205	27	478	236	272	27	535	231	260	27	518
GREAT LAKES												
Illinois	45	5	0	50	51	5	0	56	52	5	0	57
Indiana	3	1	0	4	1	3	0	4	0	4	0	4
Michigan*	110	3	5	118	109	2	5	116	113	7	4	124
Ohio	15	0	0	15	16	0	0	16	14	0	0	14
Wisconsin	130	33	0	163	153	39	0	192	153	37	0	190
PLAINS												
Iowa	0	0	0	0	20	0	0	20	20	0	0	20
Kansas	1	0	4	5	4	0	0	4	5	0	0	5
Minnesota	64	0	0	64	62	0	0	62	43	0	0	43
Missouri	31	1	15	47	31	1	15	47	32	1	16	49
Nebraska	6	0	0	6	6	0	0	6	7	0	0	7
North Dakota	0	0	0	0	0	0	0	0	0	0	0	0
South Dakota	0	0	0	0	0	0	0	0	0	0	0	0
SOUTHEAST												
Alabama	0	0	0	0	0	0	0	0	0	0	0	0
Arkansas	96	105	5	206	101	105	5	211	108	123	8	239
Florida	0	0	0	0	0	0	0	0	0	0	0	0
Georgia	0	0	0	0	0	0	0	0	0	0	0	0
Kentucky	0	0	0	0	0	0	0	0	0	0	0	0
Louisiana	0	0	0	0	0	0	0	0	0	0	0	0
Mississippi	26	23	0	49	26	22	0	48	26	22	0	48
North Carolina	0	0	0	0	0	0	0	0	0	0	0	0
South Carolina	15	0	0	15	14	0	0	14	14	0	0	14
Tennessee	0	0	0	0	0	0	0	0	0	0	0	0
Virginia	6	24	0	30	7	31	0	38	8	32	0	40
West Virginia	4	2	0	6	3	1	0	4	2	0	0	2
SOUTHWEST												
Arizona	5	4	0	9	5	2	0	7	6	2	0	8
New Mexico	8	170	0	178	5	140	0	145	7	195	0	202
Oklahoma	39	0	0	39	39	0	0	39	39	0	0	39
Texas	0	0	0	0	0	0	0	0	0	0	0	0
ROCKY MOUNTAIN												
Colorado	11	163	70	244	11	154	73	238	12	26	78	116
Idaho	6	4	0	10	4	4	0	8	5	4	0	9
Montana	0	0	0	0	0	0	0	0	0	0	0	0
Utah	3	2	0	5	7	0	0	7	7	0	0	7
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST												
Alaska	47	1	21	69	49	1	20	70	52	1	21	74
California	2,696	561	0	3,257	3,001	534	0	3,535	3,160	631	0	3,791
Hawaii	95	0	0	95	90	0	0	90	87	0	0	87
Nevada	14	0	0	14	5	8	0	13	6	8	0	14
Oregon	16	0	5	21	7	0	8	15	0	0	9	9
Washington	95	3	0	98	80	2	0	82	77	3	0	80
TOTAL	\$5,481	\$1,522	\$518	\$7,521	\$5,692	\$1,476	\$1,061	\$8,229	\$5,852	\$1,517	\$1,053	\$8,422
Puerto Rico	4	30	0	34	5	36	0	41	6	30	0	36

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 25**OTHER CASH ASSISTANCE EXPENDITURES AS A PERCENT OF
TOTAL EXPENDITURES**

Region/State	Fiscal 1999	Fiscal 2000	Fiscal 2001
NEW ENGLAND			
Connecticut	0.7%	0.6%	0.6%
Maine	1.3	1.4	1.3
Massachusetts	1.3	1.2	1.2
New Hampshire	0.4	0.3	0.3
Rhode Island	2.2	2.1	1.9
Vermont	1.0	0.9	1.0
MID-ATLANTIC			
Delaware	0.9	1.0	1.0
Maryland	0.2	0.2	0.1
New Jersey	0.5	0.4	0.4
New York	2.0	2.4	2.2
Pennsylvania	1.3	1.4	1.2
GREAT LAKES			
Illinois	0.2	0.2	0.1
Indiana	0.0	0.0	0.0
Michigan	0.4	0.3	0.3
Ohio	0.0	0.0	0.0
Wisconsin	0.7	0.7	0.9
PLAINS			
Iowa	0.0	0.2	0.2
Kansas	0.1	0.0	0.1
Minnesota	0.4	0.3	0.2
Missouri	0.3	0.3	0.3
Nebraska	0.1	0.1	0.1
North Dakota	0.0	0.0	0.0
South Dakota	0.0	0.0	0.0
SOUTHEAST			
Alabama	0.0	0.0	0.0
Arkansas	2.2	2.1	2.2
Florida	0.0	0.0	0.0
Georgia	0.0	0.0	0.0
Kentucky	0.0	0.0	0.0
Louisiana	0.0	0.0	0.0
Mississippi	0.6	0.5	0.4
North Carolina	0.0	0.0	0.0
South Carolina	0.1	0.1	0.1
Tennessee	0.0	0.0	0.0
Virginia	0.1	0.2	0.2
West Virginia	0.1	0.1	0.0
SOUTHWEST			
Arizona	0.1	0.0	0.1
New Mexico	2.6	1.8	2.2
Oklahoma	0.4	0.4	0.3
Texas	0.0	0.0	0.0
ROCKY MOUNTAIN			
Colorado	2.1	1.9	0.9
Idaho	0.3	0.2	0.2
Montana	0.0	0.0	0.0
Utah	0.1	0.1	0.1
Wyoming	—	—	—
FAR WEST			
Alaska	1.3	1.3	1.3
California	3.0	2.9	2.7
Hawaii	1.5	1.3	1.2
Nevada	0.2	0.3	0.3
Oregon	0.2	0.1	0.1
Washington	0.5	0.4	0.4
ALL STATES			
	0.9%	0.9%	0.8%
Puerto Rico	0.2	0.2	0.2

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 26

ANNUAL PERCENTAGE CHANGE IN OTHER CASH ASSISTANCE EXPENDITURES

Region/State	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
NEW ENGLAND						
Connecticut	-0.9%	—%	-0.9%	-4.4%	—%	-4.4%
Maine	10.0	23.3	16.7	15.2	13.5	14.3
Massachusetts	6.3	-34.1	0.6	3.8	0.0	3.5
New Hampshire	0.0	—	0.0	9.1	—	9.1
Rhode Island	3.3	5.3	4.6	6.5	-3.3	0.0
Vermont	0.0	0.0	0.0	6.3	20.0	9.5
MID-ATLANTIC						
Delaware	25.0	5.9	17.1	10.0	5.6	8.3
Maryland	0.0	-85.7	-15.4	-12.5	100.0	-9.1
New Jersey	-14.2	—	-14.2	13.0	—	13.0
New York	32.2	-100.0	27.4	-1.7	—	-1.7
Pennsylvania	-3.7	32.7	11.9	-1.9	-4.4	-3.2
GREAT LAKES						
Illinois	13.3	0.0	12.0	2.0	0.0	1.8
Indiana	-66.7	200.0	0.0	-100.0	33.3	0.0
Michigan	-0.9	-33.3	-1.7	2.6	250.0	6.9
Ohio	6.7	—	6.7	-12.5	—	-12.5
Wisconsin	17.7	18.2	17.8	0.0	-5.1	-1.0
PLAINS						
Iowa	—	—	—	0.0	—	0.0
Kansas	-20.0	—	-20.0	25.0	—	25.0
Minnesota	-3.1	—	-3.1	-30.6	—	-30.6
Missouri	0.0	0.0	0.0	4.3	0.0	4.3
Nebraska	0.0	—	0.0	16.7	—	16.7
North Dakota	—	—	—	—	—	—
South Dakota	—	—	—	—	—	—
SOUTHEAST						
Alabama	—	—	—	—	—	—
Arkansas	5.0	0.0	2.4	9.4	17.1	13.3
Florida	—	—	—	—	—	—
Georgia	—	—	—	—	—	—
Kentucky	—	—	—	—	—	—
Louisiana	—	—	—	—	—	—
Mississippi	0.0	-4.3	-2.0	0.0	0.0	0.0
North Carolina	—	—	—	—	—	—
South Carolina	-6.7	—	-6.7	0.0	—	0.0
Tennessee	—	—	—	—	—	—
Virginia	16.7	29.2	26.7	14.3	3.2	5.3
West Virginia	-25.0	-50.0	-33.3	-33.3	-100.0	-50.0
SOUTHWEST						
Arizona	0.0	-50.0	-22.2	20.0	0.0	14.3
New Mexico	-37.5	-17.6	-18.5	40.0	39.3	39.3
Oklahoma	0.0	—	0.0	0.0	—	0.0
Texas	—	—	—	—	—	—
ROCKY MOUNTAIN						
Colorado	3.7	-5.5	-2.5	7.1	-83.1	-51.3
Idaho	-33.3	0.0	-20.0	25.0	0.0	12.5
Montana	—	—	—	—	—	—
Utah	133.3	-100.0	40.0	0.0	—	0.0
Wyoming	—	—	—	—	—	—
FAR WEST						
Alaska	1.5	0.0	1.4	5.8	0.0	5.7
California	11.3	-4.8	8.5	5.3	18.2	7.2
Hawaii	-5.3	—	-5.3	-3.3	—	-3.3
Nevada	—	—	—	20.0	0.0	7.7
Oregon	-28.6	—	-28.6	-40.0	—	-40.0
Washington	-15.8	-33.3	-16.3	-3.8	50.0	-2.4
ALL STATES						
	12.6%	-3.0%	9.4%	2.3%	2.8%	2.3%
Puerto Rico	25.0	20.0	20.6	20.0	-16.7	-12.2

Note: State funds are defined as general funds and other state funds (bonds are excluded).

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Public Assistance Notes

Small dollar amounts, when rounded, cause an aberration in the percentage increase. In these instances, the actual dollar amounts should be consulted to determine the exact percentage increase.

Florida: The overall reduction in expenditures over the three years reported in the survey is due to declining caseload. In fiscal 1999 and thereafter, the Florida Legislature appropriated more funds in general revenue rather than federal funds so that the state could preserve its maintenance of effort. In fiscal 2000, the Legislature directed that child support enforcement collections ("other funds") be deposited in general revenue for use in cash assistance payments.

Massachusetts: "Other Cash Assistance" includes EAEDC benefits and SSI state supplement. Fiscal 1999 data have been adjusted to include \$8.7 million previously unreported for SSI for the blind.

Michigan: TANF Maintenance of Effort (MOE) requirements specify that Michigan must spend down a specific amount in state funds in order to draw down the annual federal block grant amount. Therefore, despite a caseload reduction of more than 18,000 between fiscal 1999 and fiscal 2000 (more than 50,000 between fiscal 1998 and fiscal 2000) the MOE requirement has

remained the same, prompting Michigan to maintain most general fund spending on public assistance in order to draw down the entire TANF grant and to avoid other penalties.

"Other Cash Assistance" figures do not include expenditures for day care, a large part of Michigan's public assistance program. Day care expenditures for the survey are estimated at the following levels: \$400 million for fiscal 1999; \$427 million for fiscal 2000; and \$461 for fiscal 2001.

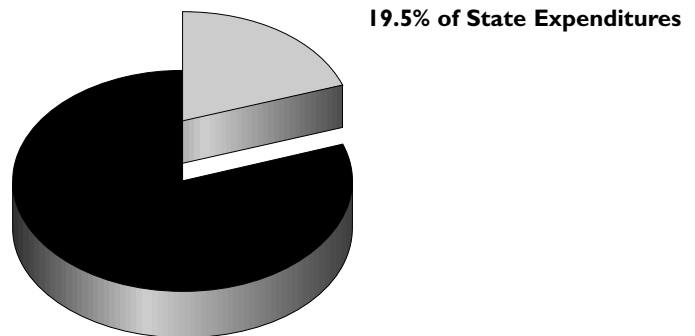
Ohio: Federal funds deposited to the state General Fund and shown as General Fund expenditures for TANF amount to \$451.6 million in fiscal 1999 and \$519.3 million in fiscal 2000. Amounts shown for TANF represent all TANF costs, not just cash assistance. TANF cash assistance was \$423.3 million in fiscal 1999 and \$377.2 million in fiscal 2000. Also, see General Notes for Ohio on this issue and for discussion of double counting issues that affect percentage of total expenditure amounts.

Pennsylvania: Fiscal 2000 and fiscal 2001 are based on 75 percent Maintenance of Effort (MOE) for TANF programs. The MOE was 80 percent at the beginning of fiscal 1999. It was reduced to 75 percent effective October 1, 1998.

Rhode Island: Federal funds for Other Cash Assistance include federal food stamp grants.

CHAPTER FOUR

MEDICAID



Medicaid Continues to be an Important Budget Issue for States

Medicaid, a means-tested entitlement program financed by the states and the federal government, provides medical care for about 40 million low-income individuals. Medicaid spending—approximately \$184.4 billion in fiscal 2000—accounts for 19.5 percent of all state spending. Mirroring national health care trends, Medicaid expenditures have escalated and are consuming a greater portion of states' budgets. The pressure from escalating Medicaid costs coincides with the revenue slowdown in the states.

States must provide Medicaid coverage to certain population groups (members of families with children and pregnant women, and persons who are aged, blind, or disabled) and have the option of covering other populations. Certain basic medical services must be provided while additional services may be covered if the state chooses. These basic services include inpatient hospital care, nursing homes, state facilities for the mentally retarded, home health care, physician services, outpatient hospital care, and prescription drugs.

Total Medicaid spending in fiscal year 2000, excluding administrative costs, totaled approximately \$184.4 billion, or 7.5 percent more than the 1999 level. Medicaid expenditures have increased as a percent of total state expenditures, rising from 10.8 percent in 1988 to 19.5 percent in 2000. Figures 14 and 15 provide actual and projected Medicaid costs for total spending and for state spending from 1970 to 2000. In addition to Medicaid, state spending on other health services accounts for another 8.3 percent of general fund spending.

Medicaid Expenditures

The governors' recommended budgets for fiscal 2002 contain an estimated average annual increase of 7.8 percent for the Medicaid program. By comparison, states estimate a growth rate of 9.8 percent for fiscal 2001. A recent ad-hoc survey shows that about two-thirds of the states estimate that Medicaid expenditures in the current fiscal year will exceed the budgeted amounts. While current growth rates in Medicaid are less than the double-digit rates that states experienced in the early 1990s, they far exceed the 3 percent to 4 percent rate of general fund revenue growth.

Medicaid is projected to grow at an average annual rate of 8.6 percent from 2001 through 2011 according to the Congressional Budget Office (CBO). This follows a 9 percent rate of growth in 2000 and 6.7 percent in 1999 (the year that the recent upward spiral in Medicaid costs began). According to CBO, factors affecting the program's growth include the cost and use of medical services,

most notably from prescription drugs. States have also seen greatly increased enrollment of children in Medicaid due to the extensive outreach campaigns conducted in the State Children's Health Insurance Program (S-CHIP) and also from efforts to reenroll eligible individuals who had left the program following welfare reform.

Other factors affecting long-term Medicaid costs include wage pressures in the health care industry, continued demand for prescription drugs, and legal challenges under the Americans with Disabilities Act that may result in more individuals receiving long-term care services at home.

Medicaid Expenditures for Prescription Drugs

Medicaid expenditures for prescription drugs rose by 50 percent between 1993 and 1998, rising from \$8 billion to almost \$12 billion. Prescription drugs expenditures represent the third largest component of the Medicaid budget—approximately 10 percent. The growth rate of prescription drug prices—approximately 18 percent per year—is almost double the rate of the Medicaid program.

Under Medicaid, coverage of prescription drugs is an optional service that all states have elected to provide. Prescription drug prices have risen nationwide and, according to the National Institute of Health Care Management, escalating sales from 23 relatively new medications accounted for about half of the spending increase in prescription drugs in 2000. Growth in direct-to-consumer advertising by drug companies also has affected the demand for prescription drugs. The Health Care Financing Administration (HCFA) estimates that prescription drug spending will increase by 17.4 percent and 16 percent in fiscal 2001 and 2002, respectively.

In the governors' recommended budgets for fiscal 2002, the total amount for Medicaid prescription drugs is estimated at \$25.1 billion, or about double the amount spent on prescription drugs under Medicaid in fiscal 1998. Prescription drugs accounted for about 10 percent of spending in fiscal 1998; estimates for fiscal 2002 are about 14 percent.

Medicaid Expenditures for Long-Term Care

Another key component in Medicaid expenditures is the cost of long-term institutional care and the use of waivers for home- and community-based care. The estimated costs for long-term

institutional care are \$42.1 billion in fiscal 2002, or 20 percent above the fiscal 1998 level. Twenty percent growth in this expensive component is in addition to the faster growth in home and community based alternatives to institutional care. In fiscal 2002, estimated expenditures are \$15.8 billion, or almost double the expenditures in fiscal 1998.

Governors' Proposals to Manage Medicaid Costs

As Medicaid costs escalate, states are proposing various cost-containing measures. These measures include prior approval of certain services, anti fraud and abuse efforts, implementing pharmacy benefit management programs, and reducing optional benefits.

States are seeking larger discounts from manufacturers to purchase prescription drugs and reductions in reimbursement rates for some health care providers, such as nursing homes and hospitals. States also are using buying pools to leverage lower prices.

Because of the large percentage of state budgets that Medicaid commands, Medicaid spending increases are felt throughout state government, affecting resources allocated for other key services, such as education.

Figure 14
ACTUAL AND PROJECTED TOTAL MEDICAID SPENDING, 1970 TO 2000 (IN BILLIONS)

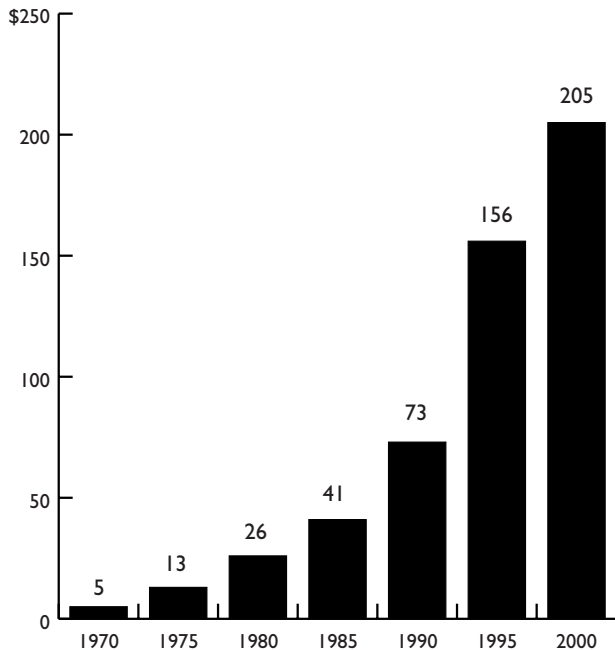


Figure 14, based on projections by the Congressional Budget Office (CBO) in January 2001, assumes a 57 percent federal share of total Medicaid costs. Figures for 1990 and prior years are from the Federal Funds Information for States Issue Brief 94-14, Recent Trends in Medicaid Spending.

Figure 15
ACTUAL AND PROJECTED STATE MEDICAID SPENDING, 1970 TO 2000 (IN BILLIONS)

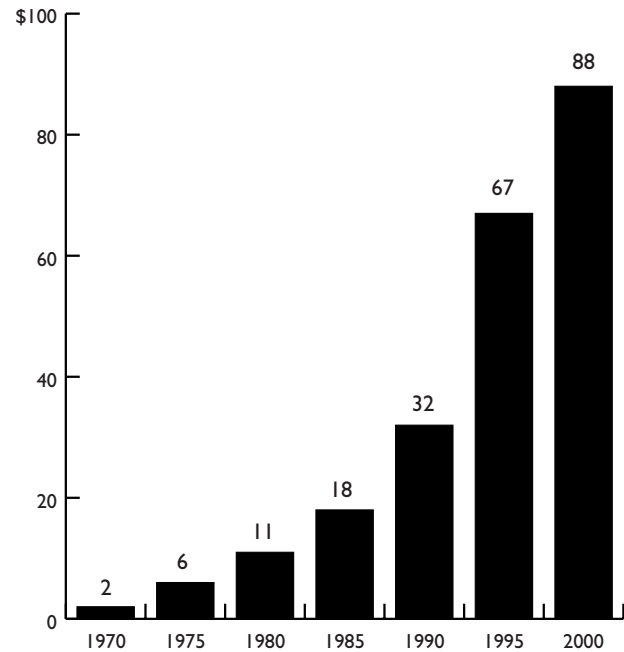


Figure 15, also based on projections by the CBO in January 2001, assumes a 57 percent federal share of total Medicaid costs. Figures for 1990 and prior years are from the Federal Funds Information for States Issue Brief 94-14, Recent Trends in Medicaid Spending.

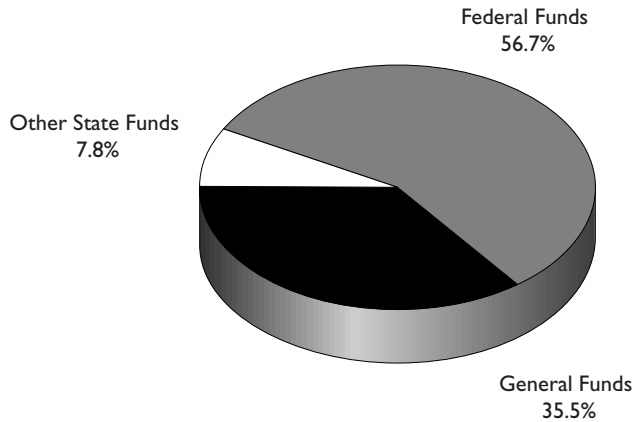
Selected Web Resources

- Health Care Financing Administration
www.hcfa.gov
- Center for Health Care Strategies
www.chcs.org
- The Medicaid Clearinghouse
www.handsnet.org/medicaid
- Kaiser Commission on the Future of Medicaid
www.kff.org/medicaid
- The Urban Institute
www.urban.org

Fund Share

The figure below provides fund shares for 2000.

Figure 16
STATE EXPENDITURES FOR MEDICAID BY
FUND SOURCE, FISCAL 2000



Regional Expenditures

The following table shows percentage changes in expenditures for Medicaid for fiscal 1999-2000 and 2000-2001. For 2000, the Rocky Mountain, Great Lakes, Southeast, and Far West regions are well above the national average and the Plains and Southwest regions are well below the national average.

Additional expenditure data on Medicaid can be found on Tables 28-30, accompanied by explanatory notes.

Table 27
REGIONAL PERCENTAGE CHANGE IN STATE MEDICAID EXPENDITURES,
FISCAL 2000 AND 2001

Region Funds	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
New England	6.6%	6.7%	6.7%	7.0%	7.7%	7.3%
Mid-Atlantic	5.6	6.1	5.9	5.9	5.2	5.5
Great Lakes	9.5	8.5	9.0	11.0	6.5	9.0
Plains	-0.1	7.6	4.4	10.2	11.9	11.3
Southeast	6.4	10.3	8.9	6.4	6.3	6.3
Southwest	3.3	2.8	3.0	11.5	6.6	8.4
Rocky Mountain	8.6	8.9	8.8	9.4	8.9	9.1
Far West	12.2	9.4	10.5	12.8	8.9	10.5
ALL STATES	7.1%	7.8%	7.5%	8.8%	7.0%	7.8%

Table 28

MEDICAID EXPENDITURES (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999				Actual Fiscal 2000				Estimated Fiscal 2001			
	General Fund	Federal Funds	Other State Funds	Total	General Fund	Federal Funds	Other State Funds	Total	General Fund	Federal Funds	Other State Funds	Total
NEW ENGLAND												
Connecticut	\$2,589	\$1,488	\$341	\$4,418	\$2,813	\$1,616	\$314	\$4,743	\$3,008	\$1,763	\$315	\$5,086
Maine	363	744	0	1,107	403	797	0	1,200	439	902	7	1,348
Massachusetts*	2,299	2,436	146	4,881	2,426	2,552	149	5,127	2,575	2,650	155	5,380
New Hampshire	258	411	133	802	284	418	121	823	303	447	129	879
Rhode Island*	471	549	8	1,028	507	585	9	1,101	568	666	10	1,244
Vermont	118	272	48	438	126	327	71	524	126	353	90	569
MID-ATLANTIC												
Delaware	205	226	16	447	233	256	16	505	243	289	16	548
Maryland	1,417	1,431	25	2,873	1,506	1,515	9	3,030	1,633	1,638	15	3,286
New Jersey	2,010	1,941	0	3,951	2,133	2,053	0	4,186	2,245	2,150	0	4,395
New York	5,645	13,612	4,811	24,068	5,783	14,532	5,093	25,408	5,693	15,073	5,653	26,419
Pennsylvania*	3,788	5,437	860	10,085	4,032	5,669	1,023	10,724	4,383	6,128	1,126	11,637
GREAT LAKES												
Illinois	2,457	3,431	728	6,616	3,017	3,630	888	7,535	3,257	3,989	992	8,238
Indiana	993	1,687	52	2,732	1,070	1,845	48	2,963	1,112	1,971	50	3,133
Michigan*	1,842	3,309	1,104	6,255	1,764	3,741	1,269	6,774	1,919	3,949	1,343	7,211
Ohio*	5,655	1,049	289	6,993	6,026	1,033	288	7,347	7,059	1,024	270	8,353
Wisconsin	928	1,663	29	2,620	989	1,837	52	2,878	1,045	1,944	58	3,047
PLAINS												
Iowa	389	849	166	1,404	422	909	184	1,515	407	1,039	205	1,651
Kansas	176	336	318	830	211	375	22	608	216	401	40	657
Minnesota	1,548	1,586	0	3,134	1,697	1,709	0	3,406	2,008	1,933	0	3,941
Missouri	560	1,875	368	2,803	615	1,994	342	2,951	620	2,362	356	3,338
Nebraska	304	601	0	905	317	658	2	977	362	616	2	980
North Dakota	106	250	0	356	113	277	0	390	120	292	0	412
South Dakota	116	274	0	390	121	289	0	410	124	309	0	433
SOUTHEAST												
Alabama	206	1,775	600	2,581	245	1,981	622	2,848	236	1,941	609	2,786
Arkansas	314	1,109	99	1,522	349	1,187	95	1,631	365	1,281	113	1,759
Florida*	2,365	3,916	643	6,924	2,534	4,475	663	7,672	2,803	4,762	766	8,331
Georgia	1,218	2,076	112	3,406	1,350	2,260	100	3,710	1,259	2,130	128	3,517
Kentucky	599	1,933	207	2,739	626	2,178	271	3,075	696	2,182	220	3,098
Louisiana	818	2,316	144	3,278	755	2,428	250	3,433	879	2,492	150	3,521
Mississippi	178	1,419	246	1,843	171	1,572	302	2,045	188	1,641	300	2,129
North Carolina	1,302	2,989	644	4,935	1,430	3,325	264	5,019	1,658	3,857	273	5,788
South Carolina	371	1,716	374	2,461	445	1,892	377	2,714	419	2,239	444	3,102
Tennessee*	1,190	2,718	71	3,979	1,415	2,983	141	4,539	1,684	3,416	176	5,276
Virginia	1,190	1,268	0	2,458	1,323	1,409	0	2,732	1,247	1,350	0	2,597
West Virginia	213	989	129	1,331	216	1,039	136	1,391	234	1,117	139	1,490
SOUTHWEST												
Arizona	462	1,378	255	2,095	463	1,360	258	2,081	520	1,517	284	2,321
New Mexico	232	795	50	1,077	242	890	64	1,196	235	1,015	103	1,353
Oklahoma	434	937	112	1,483	338	1,140	162	1,640	436	947	112	1,495
Texas	3,783	6,883	382	11,048	4,047	6,886	324	11,257	4,535	7,478	354	12,367
ROCKY MOUNTAIN												
Colorado	890	962	67	1,919	955	1,036	103	2,094	1,003	1,097	129	2,229
Idaho	153	357	23	533	163	406	34	603	205	486	20	711
Montana	97	290	10	397	108	326	9	443	116	355	8	479
Utah	134	526	89	749	145	557	72	774	153	595	104	852
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST												
Alaska	133	269	3	405	148	320	18	486	146	332	24	502
California	7,471	11,023	0	18,494	8,065	12,064	0	20,129	9,254	13,250	0	22,504
Hawaii	311	299	3	613	287	287	2	576	287	308	8	603
Nevada	229	290	15	534	247	313	17	577	269	347	20	636
Oregon	660	1,241	145	2,046	767	1,369	148	2,284	860	1,525	153	2,538
Washington	1,505	2,059	0	3,564	2,049	2,255	0	4,304	2,230	2,319	0	4,549
ALL STATES	\$60,695	\$96,990	\$13,865	\$171,550	\$65,491	\$104,555	\$14,332	\$184,378	\$71,382	\$111,867	\$15,469	\$198,718
Puerto Rico	172	172	0	344	178	178	0	356	184	184	0	368

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 29

MEDICAID EXPENDITURES AS A PERCENT OF TOTAL EXPENDITURES

Region/State	Fiscal 1999	Fiscal 2000	Fiscal 2001
NEW ENGLAND			
Connecticut	28.0%	26.2%	27.9%
Maine	24.7	24.8	22.5
Massachusetts	20.2	19.3	20.1
New Hampshire	31.5	24.2	25.2
Rhode Island	25.9	25.8	25.9
Vermont	21.7	23.5	23.9
MID-ATLANTIC			
Delaware	9.5	10.1	10.4
Maryland	16.8	16.5	16.4
New Jersey	14.7	14.1	13.8
New York	33.7	34.5	33.2
Pennsylvania	27.4	27.9	27.6
GREAT LAKES			
Illinois	21.1	21.5	21.5
Indiana	18.1	17.6	18.9
Michigan	18.6	19.4	19.3
Ohio	19.3	18.9	18.9
Wisconsin	11.5	11.0	14.6
PLAINS			
Iowa	13.1	13.0	14.4
Kansas	10.0	7.2	7.2
Minnesota	17.8	18.5	18.4
Missouri	18.4	18.4	19.5
Nebraska	16.9	16.8	17.2
North Dakota	16.8	17.3	18.2
South Dakota	20.1	19.4	18.8
SOUTHEAST			
Alabama	18.9	19.3	16.1
Arkansas	16.0	16.2	16.2
Florida	15.2	15.7	16.3
Georgia	14.1	14.3	13.7
Kentucky	18.6	24.3	22.5
Louisiana	21.5	22.0	21.2
Mississippi	20.9	21.2	19.9
North Carolina	20.8	19.4	23.3
South Carolina	18.2	16.1	17.1
Tennessee	26.9	28.7	29.5
Virginia	11.8	12.2	11.3
West Virginia	21.9	21.5	22.2
SOUTHWEST			
Arizona	14.6	13.9	14.6
New Mexico	15.7	14.5	14.9
Oklahoma	14.8	15.5	12.6
Texas	24.4	22.8	23.6
ROCKY MOUNTAIN			
Colorado	16.7	17.1	16.7
Idaho	15.8	16.6	16.8
Montana	15.2	15.9	15.2
Utah	11.7	11.8	11.9
Wyoming	—	—	—
FAR WEST			
Alaska	7.8	9.3	8.7
California	16.9	16.5	16.0
Hawaii	9.4	8.5	8.0
Nevada	7.4	12.6	11.7
Oregon	20.6	21.4	20.3
Washington	17.5	20.0	21.9
ALL STATES			
	19.5%	19.5%	19.6%
Puerto Rico	1.8	1.9	1.7

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 30

ANNUAL PERCENTAGE CHANGE IN MEDICAID EXPENDITURES

Region/State	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
NEW ENGLAND						
Connecticut	6.7%	8.6%	7.4%	6.3%	9.1%	7.2%
Maine	11.0	7.1	8.4	10.7	13.2	12.3
Massachusetts	5.3	4.8	5.0	6.0	3.8	4.9
New Hampshire	3.6	1.7	2.6	6.7	6.9	6.8
Rhode Island	7.7	6.6	7.1	12.0	13.8	13.0
Vermont	18.7	20.2	19.6	9.6	8.0	8.6
MID-ATLANTIC						
Delaware	12.7	13.3	13.0	4.0	12.9	8.5
Maryland	5.1	5.9	5.5	8.8	8.1	8.4
New Jersey	6.1	5.8	5.9	5.3	4.7	5.0
New York	4.0	6.8	5.6	4.3	3.7	4.0
Pennsylvania	8.8	4.3	6.3	9.0	8.1	8.5
GREAT LAKES						
Illinois	22.6	5.8	13.9	8.8	9.9	9.3
Indiana	7.0	9.4	8.5	3.9	6.8	5.7
Michigan	3.0	13.1	8.3	7.6	5.6	6.5
Ohio	6.2	-1.5	5.1	16.1	-0.9	13.7
Wisconsin	8.8	10.5	9.8	6.0	5.8	5.9
PLAINS						
Iowa	9.2	7.1	7.9	1.0	14.3	9.0
Kansas	-52.8	11.6	-26.7	9.9	6.9	8.1
Minnesota	9.6	7.8	8.7	18.3	13.1	15.7
Missouri	3.1	6.3	5.3	2.0	18.5	13.1
Nebraska	4.9	9.5	8.0	14.1	-6.4	0.3
North Dakota	6.6	10.8	9.6	6.2	5.4	5.6
South Dakota	4.3	5.5	5.1	2.5	6.9	5.6
SOUTHEAST						
Alabama	7.6	11.6	10.3	-2.5	-2.0	-2.2
Arkansas	7.5	7.0	7.2	7.7	7.9	7.8
Florida	6.3	14.3	10.8	11.6	6.4	8.6
Georgia	9.0	8.9	8.9	-4.3	-5.8	-5.2
Kentucky	11.3	12.7	12.3	2.1	0.2	0.7
Louisiana	4.5	4.8	4.7	2.4	2.6	2.6
Mississippi	11.6	10.8	11.0	3.2	4.4	4.1
North Carolina	-12.9	11.2	1.7	14.0	16.0	15.3
South Carolina	10.3	10.3	10.3	5.0	18.3	14.3
Tennessee	23.4	9.7	14.1	19.5	14.5	16.2
Virginia	11.2	11.1	11.1	-5.7	-4.2	-4.9
West Virginia	2.9	5.1	4.5	6.0	7.5	7.1
SOUTHWEST						
Arizona	0.6	-1.3	-0.7	11.5	11.5	11.5
New Mexico	8.5	11.9	11.0	10.5	14.0	13.1
Oklahoma	-8.4	21.7	10.6	9.6	-16.9	-8.8
Texas	4.9	0.0	1.9	11.9	8.6	9.9
ROCKY MOUNTAIN						
Colorado	10.6	7.7	9.1	7.0	5.9	6.4
Idaho	11.9	13.7	13.1	14.2	19.7	17.9
Montana	9.3	12.4	11.6	6.0	8.9	8.1
Utah	-2.7	5.9	3.3	18.4	6.8	10.1
Wyoming	—	—	—	—	—	—
FAR WEST						
Alaska	22.1	19.0	20.0	2.4	3.8	3.3
California	8.0	9.4	8.8	14.7	9.8	11.8
Hawaii	-8.0	-4.0	-6.0	2.1	7.3	4.7
Nevada	8.2	7.9	8.1	9.5	10.9	10.2
Oregon	13.7	10.3	11.6	10.7	11.4	11.1
Washington	36.1	9.5	20.8	8.8	2.8	5.7
ALL STATES	7.1%	7.8%	7.5%	8.8%	7.0%	7.8%
Puerto Rico	3.5	3.5	3.5	3.4	3.4	3.4

Note: State funds are defined as general funds and other state funds (bonds are excluded)

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Medicaid Notes

States were asked to report Medicaid expenditures as follows: General funds: all general funds appropriated to the Medicaid agency and any other agency which are used for direct Medicaid matching purposes under Title XIX. Other state funds: other funds and revenue sources used as Medicaid match, such as local funds and provider taxes, fees, donations, assessments (as defined by the Health Care Finance Administration). Federal Funds: all federal matching funds provided pursuant to Title XIX.

As noted above, the figures reported as Other State Funds reflect the amounts reported as provider taxes, fees, donations, assessments and local funds by states. State Medicaid agencies report these amounts to the Health Care Financing Administration (HCFA) on form 37, as defined by the Medicaid Voluntary Contribution and Provider-specific Tax Amendments of 1991 (PL 102-234). However, some state budget offices are unable to align their financial reporting to separate these costs for the NASBO State Expenditure Report. Thus this report does not capture 100 percent of state provider taxes, fees, donations, assessments and local funds. Small dollar amounts, when rounded, cause an aberration in the percentage increase. In these instances, the actual dollar amounts should be consulted to determine the exact percentage increase.

The states were asked to separately detail the amount of provider taxes, fees, donations, assessments and local funds reported as other state funds.

Florida: For fiscal 1999, Other State Funds include the following: provider assessments \$400.9 million, estate recovery \$3.5 million, local county funds \$92.4 million, pharmacy rebates \$74.3 million, tobacco settlement, \$53.8 million, and state fraud recoupment \$17.6 million. For fiscal 2000, Other State Funds include: provider assessments \$379.9 million, estate recovery \$0.1 million, local county funds \$94.1 million, pharmacy rebates \$114.2 million, tobacco settlement, \$67.9 million, and state fraud recoupment \$7.2 million. For fiscal 2001, Other State Funds include: provider assessments \$380.3 million, estate recovery \$0.1 million, local county funds \$181.8 million, pharmacy rebates \$113.4 million, tobacco settlement, \$69.6 million, and state fraud recoupment \$21.1 million.

Massachusetts: Fiscal 2000 data are estimates only.

Michigan: Other state funds include local funds in the following amounts: \$905.9 million for fiscal 1999; \$1,219.6 million for fiscal 2000; \$1,261.0 million for fiscal 2001. Public health and community and institutional care for mentally and developmentally disabled persons are partially reported in the Medicaid totals.

Ohio: Federal funds deposited to the state General Fund and shown as General Fund expenditures for Medicaid amount to \$3,083.2 million in fiscal 1999 and \$3,279.5 million in fiscal 2000. See General Notes for Ohio on this issue. Also, interagency transfers of \$579.9 million in fiscal 1999 and \$604.0 fiscal 2000 tend to overstate the size of Ohio's Medicaid program. Also see General Notes for discussion of double counting issues that affect percentage of total expenditure amounts.

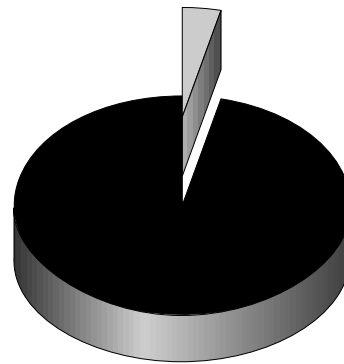
Dollars that are generated at the local level that are then used to draw down federal match are not included in Ohio's numbers for purposes of making the numbers reported here consistent with other reports for Ohio General Fund and All Fund spending.

Pennsylvania: Intergovernmental transfer (IGT) funds are included in the Other State Funds category and total \$833 million in fiscal 1999, \$997 million in fiscal 2000 and \$1,089 million in fiscal 2001. State expenditures for Medicaid match are not accounted for separately from the state's overall medical assistance program. Therefore, the state match has been derived based upon federal reimbursement rates for individual programs. These figures include some payments on behalf of general assistance clients who do not qualify under Title XIX. A portion of the IGT funds provide the 10 percent local match required by Pennsylvania law for Medicaid clients in nursing homes. Other local funds used as match are not included in this report.

Rhode Island: Other State Funds include local match for education only. Provider taxes totaled \$24.0 million in fiscal 1999, \$24.6 million in fiscal 2000, and are estimated to total \$27.3 million in fiscal 2001. Provider taxes are not reported discretely in the survey and are not used for state match. Local funds are used for state match, and are reported as Other State Funds. They are the only expenditure in that category.

Tennessee: Regarding premium revenue: fiscal 1999 totals \$43.7 million, fiscal 2000 totals \$52.7 million, and fiscal 2001 totals \$50.0 million. Regarding Certified Public Expenditures—Local funds from hospitals: fiscal 1999 totals \$184.8 million, fiscal 2000 totals \$192.9 million, and fiscal 2001 totals \$171.5 million. Regarding the Nursing Home Tax: fiscal 1999 totals \$102.6 million, fiscal 2000 totals 102.8 million, and fiscal 2001 totals \$102.8 million. Regarding the ICF/MR 6 percent Gross Receipts Tax: fiscal 1999 totals \$14.8 million, fiscal 2000 totals \$13.4 million, and fiscal 2001 totals \$13.4 million. Regarding intergovernmental transfers: fiscal 1999 totals \$0, fiscal 2000 totals \$105.9 million, and fiscal 2001 totals \$104.0 million.

CHAPTER FIVE STATE CORRECTIONS EXPENDITURES



3.8% of State Expenditures

Total fiscal 2000 state spending for corrections is estimated to total \$36.1 billion, a 6.1 percent increase from last year, but not nearly as large as 1995 when spending increased by more than 17 percent. Between fiscal 1992, the first year NASBO collected corrections expenditure data, and fiscal 2000, corrections spending increased an average of 8.4 percent. State corrections spending reflect the costs to build and operate prison systems and may include spending on juvenile justice programs and alternatives to incarceration such as probation and parole.

Overall, spending for corrections has remained relatively constant over the years. For fiscal 2000, spending for corrections was 3.8 percent of total expenditures and 7.0 percent of all state general fund spending. State spending for corrections primarily has been in the form of general fund dollars, averaging 87.1 percent of all corrections spending since fiscal 1992. State general fund shares for corrections in fiscal 2000 are 88 percent, or \$31.7 billion. Since 1992, the federal shares of state's corrections spending has averaged less than 1.4 percent, and totaled \$1.1 billion in state corrections spending in fiscal 1999.

Many states also face major demands for increased construction and operating costs for existing facilities. State capital expenditure data for corrections can be found in Chapter Eight and indicate that in fiscal 2000 over \$2 billion will be spent on capital construction for corrections, most of it (over \$1.3 billion) financed by bond proceeds. Capital spending for corrections decreased by 2.9 percent in 2000, it is expected to decrease by 4.4 percent in fiscal 2001.

Regional Expenditures

The following table shows percentage changes in expenditures for corrections for fiscal 1999 to 2000 and 2000 to 2001. Between fiscal 1999 and fiscal 2000, the Great Lakes and Far West regions showed the largest increases of 12.6 percent and 7.1 percent, respectively.

In contrast, the Rocky Mountain region experienced a decrease in state corrections expenditures of 5.2 percent, while the Southeast and Plains regions had the lowest increases in corrections spending (3.3 percent and 4.5 percent, respectively) and were well below the national average in fiscal 2000.

Corrections Expenditures Exclusions

For this report, twenty states wholly or partially excluded juvenile delinquency counseling from their corrections figures and twelve states wholly or partially excluded spending on juvenile institutions.

Nineteen states wholly or partially excluded spending on drug abuse rehabilitation centers, nineteen states excluded spending for local jails, and thirty-three excluded spending for institutions for the criminally insane.

Corrections expenditure data and a table listing programs excluded from the expenditure figures can be found on Tables 32-36, accompanied by explanatory notes. Also see Chapter Eight for details on corrections capital expenditure data.

Inmate Population Continues to Rise as Crime Decreases

While violent and property crime rates have decreased over the past seven years, state prison populations have continued to climb and each year states continue to spend more on prisons. The FBI's preliminary 2000 uniform crime statistics show that the crime rate overall was relatively unchanged in 2000 from 1999. Index crime rate consist of violent crimes and property crimes. Violent crimes, consisting of murders, rapes, aggravated assaults and robberies were up 0.1 percent. Property crimes, consisting of burglaries, thefts, motor vehicle thefts and arsons were unchanged. Index crime rates dropped by 2.4 percent in the Northeast, 1.1 percent in the Midwest, and increased in the south by 1 percent, and 1.1 percent in the West.

The crime rate has stabilized, yet the number of inmates in custody continues to increase, but at a much slower rate than seen in previous years. In the year ending June 30, 2000, the nation's state prison population grew by the smallest percentage in 29 years at 1.5 percent. During this period, the number of inmates held in local jails rose by 15,206, in state jails by 27,953, and in Federal prisons by 13,501. Between 1990 and 2000, the rate of incarceration increased from 1 in every 218 U.S. residents to 1 in every 142.

At midyear 2000, 1,931,859 persons were incarcerated in the nations prisons and jails, a 3 percent increase from 1999. Between 1999 and 2000, the number of persons held in state prisons grew from 1,151,261, to 1,179,214, a 2.4 percent rise. That increase is considerably less than the ten-year average increase of 5.9 percent. Inmates held in local jails increased by 2.5 percent from last year, totaling 621,149 in 2000.

States with the highest incarceration rate per 100,000 residents in 2000 include: Louisiana (793, a 3.8 percent increase from 1999); Texas (779, a 0.5 percent increase); Oklahoma (681, a 4.5 percent increase); and Mississippi (630, a 2.9 percent increase). States with the lowest incarceration rate per 100,000 residents include

Minnesota (129, a 6.9 percent increase from 1999); Maine (130, a -0.5 percent increase); North Dakota (146, a 10.5 percent increase); and New Hampshire (185, -0.1 percent increase).

Midwestern (2.6 percent) and Southern states (2.1 percent) led the nation in percentage growth in incarceration rates between 1999 and 2000. Twelve states realized declines in incarceration rates ranging from -0.1 to -10.8.

Adult Corrections Health Care Expenditures

According to NASBO's 1998-1999 State Health Care Expenditure Report—state health care spending for adult corrections in fiscal 1998 totaled \$2.62 billion, with states contributing \$2.54 billion. In fiscal 1999, spending totaled \$2.84 billion, with states contributing \$2.54 billion. In both years, states absorbed 97 percent of total costs. In terms of total amounts spent in fiscal 1998 and 1999 on adult corrections health care, state spending ranged from a high of \$504 million in California, to a low of 1.4 million in North Dakota. States spending the greatest amounts were California (\$504 million), Texas (\$359 million), Florida (\$229.7 million), and Michigan (\$173 million).

Figure 17
STATE EXPENDITURES FOR CORRECTIONS BY FUND SOURCE, FISCAL 2000

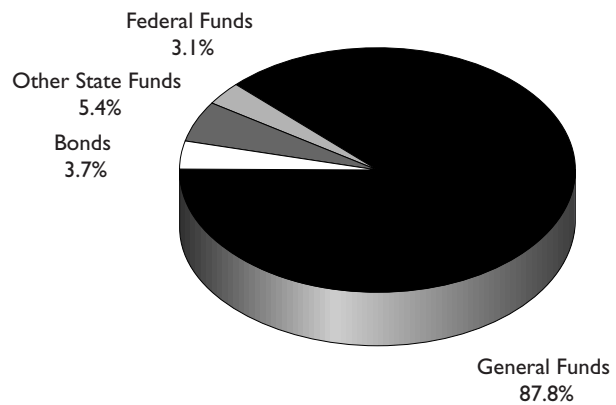


Table 31
REGIONAL PERCENTAGE CHANGE IN STATE CORRECTIONS EXPENDITURES, FISCAL 2000 AND 2001

Region	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	Funds
New England	5.6%	66.7%	6.2%	12.6%	40.0%	12.3%
Mid-Atlantic	4.0	88.0	5.0	10.4	-26.4	6.8
Great Lakes	10.9	35.7	12.6	6.5	9.5	3.9
Plains	5.3	14.6	4.5	6.1	20.0	5.7
Southeast	4.3	-17.6	3.3	2.4	27.3	3.7
Southwest	5.4	-13.4	4.9	4.7	36.9	5.3
Rocky Mountain	-5.0	33.3	-5.2	10.4	0.0	10.1
Far West	5.6	4.7	7.1	6.9	19.3	4.2
ALL STATES	5.6%	22.5%	6.1%	6.5%	4.1%	5.2%

Table 32

CORRECTIONS EXPENDITURES—CAPITAL INCLUSIVE (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999					Actual Fiscal 2000					Estimated Fiscal 2001				
	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total
NEW ENGLAND															
Connecticut	\$415	\$3	\$0	\$1	\$419	\$471	\$2	\$2	\$10	\$485	\$499	\$1	\$0	\$20	\$520
Maine	80	2	3	0	85	84	11	2	0	97	100	10	60	0	170
Massachusetts*	712	1	11	37	761	723	1	15	34	773	798	9	12	28	847
New Hampshire	49	1	4	16	70	57	1	5	15	78	63	1	5	4	73
Rhode Island	148	5	2	0	155	138	5	2	0	145	146	7	11	0	164
Vermont	59	0	1	1	61	67	0	1	1	69	70	0	1	4	75
MID-ATLANTIC															
Delaware	142	6	2	30	180	169	6	2	24	201	179	5	2	16	202
Maryland*	648	16	48	71	783	696	29	66	53	844	796	19	59	48	922
New Jersey*	948	19	0	1	968	1,010	31	0	7	1,048	1,066	17	0	1	1,084
New York	2,401	139	23	336	2,899	2,367	273	24	268	2,932	2,735	165	36	210	3,146
Pennsylvania	1,227	36	49	67	1,379	1,323	67	52	52	1,494	1,372	93	56	86	1,607
GREAT LAKES															
Illinois	1,038	0	61	50	1,149	1,113	0	74	151	1,338	1,175	0	78	145	1,398
Indiana	443	0	52	97	592	522	0	50	45	617	568	0	47	0	615
Michigan*	1,408	30	93	86	1,617	1,596	62	88	105	1,851	1,729	58	102	36	1,925
Ohio*	1,377	33	151	109	1,670	1,512	32	161	159	1,864	1,610	43	193	135	1,981
Wisconsin	620	7	137	0	764	710	1	141	0	852	713	3	139	0	855
PLAINS															
Iowa	219	5	45	10	279	238	6	51	9	304	251	7	47	8	313
Kansas	248	10	26	0	284	263	11	32	0	306	267	23	40	0	330
Minnesota	345	9	12	45	411	342	7	11	21	381	395	15	14	20	444
Missouri	429	3	32	0	464	423	4	30	8	465	428	9	49	0	486
Nebraska	102	10	21	0	133	144	18	20	0	182	133	1	12	0	146
North Dakota	24	7	5	0	36	28	5	5	2	40	35	6	11	0	52
South Dakota	41	4	5	0	50	44	4	5	0	53	48	5	6	0	59
SOUTHEAST															
Alabama	249	7	49	0	305	258	4	52	0	314	266	5	65	0	336
Arkansas	149	2	37	0	188	161	7	34	0	202	166	4	45	0	215
Florida	1,554	54	45	0	1,653	1,554	27	66	0	1,647	1,562	36	83	0	1,681
Georgia	1,002	27	32	35	1,096	1,091	22	31	18	1,162	1,152	29	0	29	1,210
Kentucky	307	17	96	0	420	338	17	48	0	403	364	21	35	0	420
Louisiana	459	4	84	19	566	517	8	46	12	583	565	7	50	2	624
Mississippi	216	12	9	0	237	245	8	10	3	266	243	0	13	22	278
North Carolina	888	4	26	0	918	900	4	27	0	931	876	0	7	0	883
South Carolina	399	18	75	2	494	431	13	80	4	528	420	32	82	27	561
Tennessee	375	11	29	0	415	395	13	21	0	429	454	30	28	21	533
Virginia	850	19	42	17	928	899	26	69	4	998	904	26	62	3	995
West Virginia	77	7	6	0	90	79	1	9	0	89	86	1	9	0	96
SOUTHWEST															
Arizona	586	22	97	0	705	622	15	52	0	689	658	23	63	0	744
New Mexico*	148	1	18	0	167	154	2	16	0	172	165	1	18	0	184
Oklahoma	322	5	38	0	365	365	5	31	0	401	366	8	36	0	410
Texas	2,364	69	240	0	2,673	2,629	62	150	0	2,841	2,754	83	147	0	2,984
ROCKY MOUNTAIN															
Colorado	339	7	180	0	526	382	7	50	0	439	419	5	69	0	493
Idaho	108	6	22	3	139	110	7	23	3	143	125	10	28	3	166
Montana	82	1	6	0	89	90	1	6	0	97	96	1	6	0	103
Utah	219	4	17	9	249	230	9	33	0	272	249	8	28	0	285
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST															
Alaska	161	7	7	1	176	165	7	16	0	188	166	8	20	0	194
California	4,547	201	16	12	4,776	4,748	220	16	9	4,993	5,179	257	18	0	5,454
Hawaii	145	2	7	3	157	132	1	8	3	144	135	0	17	1	153
Nevada*	161	16	33	52	262	147	0	19	0	166	157	0	41	0	198
Oregon	390	15	145	0	550	484	17	178	184	863	487	19	100	25	631
Washington	513	17	23	131	684	548	25	31	119	723	580	38	40	85	743
TOTAL	\$29,733	\$901	\$2,162	\$1,241	\$34,037	\$31,714	\$1,104	\$1,961	\$1,323	\$36,102	\$33,770	\$1,149	\$2,090	\$979	\$37,988
Puerto Rico	380	5	28	0	413	413	9	28	0	450	402	10	78	0	490

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 33
CORRECTIONS EXPENDITURES AS A PERCENT OF TOTAL
EXPENDITURES

Region/State	Fiscal 1999	Fiscal 2000	Fiscal 2001
NEW ENGLAND			
Connecticut	2.7%	2.7%	2.9%
Maine	1.9	2.0	2.8
Massachusetts	3.2	2.9	3.2
New Hampshire	2.8	2.3	2.1
Rhode Island	3.9	3.4	3.4
Vermont	3.0	3.1	3.1
MID-ATLANTIC			
Delaware	3.8	4.0	3.8
Maryland	4.6	4.6	4.6
New Jersey	3.6	3.5	3.4
New York	4.1	4.0	4.0
Pennsylvania	3.7	3.9	3.8
GREAT LAKES			
Illinois	3.7	3.8	3.6
Indiana	3.9	3.7	3.7
Michigan	4.8	5.3	5.2
Ohio	4.6	4.8	4.5
Wisconsin	3.4	3.3	4.1
PLAINS			
Iowa	2.6	2.6	2.7
Kansas	3.4	3.6	3.6
Minnesota	2.3	2.1	2.1
Missouri	3.0	2.9	2.8
Nebraska	2.5	3.1	2.6
North Dakota	1.7	1.8	2.3
South Dakota	2.6	2.5	2.6
SOUTHEAST			
Alabama	2.2	2.1	1.9
Arkansas	2.0	2.0	2.0
Florida	3.6	3.4	3.3
Georgia	4.5	4.5	4.7
Kentucky	2.9	3.2	3.0
Louisiana	3.7	3.7	3.8
Mississippi	2.7	2.8	2.6
North Carolina	3.9	3.6	3.6
South Carolina	3.7	3.1	3.1
Tennessee	2.8	2.7	3.0
Virginia	4.4	4.5	4.3
West Virginia	1.5	1.4	1.4
SOUTHWEST			
Arizona	4.9	4.6	4.7
New Mexico	2.4	2.1	2.0
Oklahoma	3.6	3.8	3.5
Texas	5.9	5.7	5.7
ROCKY MOUNTAIN			
Colorado	4.6	3.6	3.7
Idaho	4.1	3.9	3.9
Montana	3.4	3.5	3.3
Utah	3.9	4.1	4.0
Wyoming	—	—	—
FAR WEST			
Alaska	3.4	3.6	3.4
California	4.4	4.1	3.9
Hawaii	2.4	2.1	2.0
Nevada	3.7	3.6	3.7
Oregon	5.5	8.1	5.1
Washington	3.3	3.4	3.6
ALL STATES			
	3.9%	3.8%	3.7%
Puerto Rico	2.1	2.4	2.3

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 34

**CORRECTIONS GENERAL FUND EXPENDITURES AS A PERCENT
OF TOTAL GENERAL FUND EXPENDITURES**

Region/State	Fiscal 1999	Fiscal 2000	Fiscal 2001
NEW ENGLAND			
Connecticut	4.0%	4.2%	4.4%
Maine	3.7	3.6	3.7
Massachusetts	4.4	4.0	4.5
New Hampshire	5.2	5.4	5.8
Rhode Island	7.9	6.8	6.6
Vermont	7.6	7.8	8.1
MID-ATLANTIC			
Delaware	6.6	7.5	7.2
Maryland	7.6	7.7	7.9
New Jersey	5.2	5.2	5.1
New York	7.1	6.9	7.4
Pennsylvania	6.7	6.9	6.9
GREAT LAKES			
Illinois	6.6	6.5	6.5
Indiana	6.7	7.0	7.5
Michigan	15.2	17.1	17.7
Ohio	7.6	7.9	7.5
Wisconsin	6.3	6.3	6.4
PLAINS			
Iowa	4.8	5.0	5.1
Kansas	5.9	6.0	6.0
Minnesota	3.1	2.9	3.0
Missouri	6.1	5.8	5.5
Nebraska	4.6	6.1	5.4
North Dakota	3.1	3.6	4.2
South Dakota	5.6	5.8	6.0
SOUTHEAST			
Alabama	5.1	4.9	5.1
Arkansas	5.0	5.2	5.1
Florida	8.8	8.4	7.8
Georgia	7.4	7.3	8.0
Kentucky	4.8	5.2	5.2
Louisiana	7.9	8.9	9.2
Mississippi	6.9	7.1	6.8
North Carolina	6.9	6.4	6.2
South Carolina	7.8	7.6	7.3
Tennessee	5.8	5.8	6.0
Virginia	8.9	8.5	8.3
West Virginia	3.6	3.5	3.8
SOUTHWEST			
Arizona	9.9	10.3	10.3
New Mexico	4.9	4.4	4.3
Oklahoma	7.3	8.2	7.2
Texas	9.5	9.6	9.4
ROCKY MOUNTAIN			
Colorado	7.2	7.6	7.9
Idaho	6.7	6.5	6.8
Montana	7.9	8.2	7.7
Utah	6.7	6.8	6.6
Wyoming	—	—	—
FAR WEST			
Alaska	7.0	7.3	7.2
California	7.9	7.1	6.6
Hawaii	4.5	4.1	4.0
Nevada	10.2	9.3	9.6
Oregon	9.5	9.2	10.1
Washington	5.2	5.4	5.5
ALL STATES			
	7.1%	7.0%	6.9%
Puerto Rico	5.7	5.8	5.3

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 35

ANNUAL PERCENTAGE CHANGE IN CORRECTION EXPENDITURES

Region/State	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
NEW ENGLAND						
Connecticut	14.0%	-33.3%	15.8%	5.5%	-50.0%	7.2%
Maine	3.6	450.0	14.1	86.0	-9.1	75.3
Massachusetts	2.1	0.0	1.6	9.8	800.0	9.6
New Hampshire	17.0	0.0	11.4	9.7	0.0	-6.4
Rhode Island	-6.7	0.0	-6.5	12.1	40.0	13.1
Vermont	13.3	—	13.1	4.4	—	8.7
MID-ATLANTIC						
Delaware	18.8	0.0	11.7	5.8	-16.7	0.5
Maryland	9.5	81.3	7.8	12.2	-34.5	9.2
New Jersey	6.5	63.2	8.3	5.5	-45.2	3.4
New York	-1.4	96.4	1.1	15.9	-39.6	7.3
Pennsylvania	7.8	86.1	8.3	3.9	38.8	7.6
GREAT LAKES						
Illinois	8.0	—	16.4	5.6	—	4.5
Indiana	15.6	—	4.2	7.5	—	-0.3
Michigan	12.2	106.7	14.5	8.7	-6.5	4.0
Ohio	9.5	-3.0	11.6	7.8	34.4	6.3
Wisconsin	12.4	-85.7	11.5	0.1	200.0	0.4
PLAINS						
Iowa	9.5	20.0	9.0	3.1	16.7	3.0
Kansas	7.7	10.0	7.7	4.1	109.1	7.8
Minnesota	-1.1	-22.2	-7.3	15.9	114.3	16.5
Missouri	-1.7	33.3	0.2	5.3	125.0	4.5
Nebraska	33.3	80.0	36.8	-11.6	-94.4	-19.8
North Dakota	13.8	-28.6	11.1	39.4	20.0	30.0
South Dakota	6.5	0.0	6.0	10.2	25.0	11.3
SOUTHEAST						
Alabama	4.0	-42.9	3.0	6.8	25.0	7.0
Arkansas	4.8	250.0	7.4	8.2	-42.9	6.4
Florida	1.3	-50.0	-0.4	1.5	33.3	2.1
Georgia	8.5	-18.5	6.0	2.7	31.8	4.1
Kentucky	-4.2	0.0	-4.0	3.4	23.5	4.2
Louisiana	3.7	100.0	3.0	9.2	-12.5	7.0
Mississippi	13.3	-33.3	12.2	0.4	-100.0	4.5
North Carolina	1.4	0.0	1.4	-4.7	-100.0	-5.2
South Carolina	7.8	-27.8	6.9	-1.8	146.2	6.3
Tennessee	3.0	18.2	3.4	15.9	130.8	24.2
Virginia	8.5	36.8	7.5	-0.2	0.0	-0.3
West Virginia	6.0	-85.7	-1.1	8.0	0.0	7.9
SOUTHWEST						
Arizona	-1.3	-31.8	-2.3	7.0	53.3	8.0
New Mexico	2.4	100.0	3.0	7.6	-50.0	7.0
Oklahoma	10.0	0.0	9.9	1.5	60.0	2.2
Texas	6.7	-10.1	6.3	4.4	33.9	5.0
ROCKY MOUNTAIN						
Colorado	-16.8	0.0	-16.5	13.0	-28.6	12.3
Idaho*	2.3	16.7	2.9	15.0	42.9	16.1
Montana	9.1	0.0	9.0	6.3	0.0	6.2
Utah	11.4	125.0	9.2	5.3	-11.1	4.8
Wyoming	—	—	—	—	—	—
FAR WEST						
Alaska	7.7	0.0	6.8	2.8	14.3	3.2
California	4.4	9.5	4.5	9.1	16.8	9.2
Hawaii	-7.9	-50.0	-8.3	8.6	-100.0	6.3
Nevada	—	—	—	19.3	—	19.3
Oregon	23.7	13.3	56.9	-11.3	11.8	-26.9
Washington	8.0	47.1	5.7	7.1	52.0	2.8
ALL STATES						
	5.6%	22.5%	6.1%	6.5%	4.1%	5.2%
Puerto Rico	8.1	80.0	9.0	8.8	11.1	8.9

Note: State funds are defined as general funds and other state funds (bonds are excluded).
 Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 36

ITEMS EXCLUDED FROM CORRECTIONS EXPENDITURES

Region/State	Employer Contributions to Pensions	Employer Contributions to Health Benefits	Juvenile Delinquency Counseling	Juvenile Institutions	Aid to Local Govts. for Jails	Drug Abuse Rehab. Centers	Institutions for the Criminally Insane
NEW ENGLAND							
Connecticut	X	X	X	X	X		X
Maine							X
Massachusetts	X	X	X	X	P	P	
New Hampshire			X	X	X		
Rhode Island		X			X		
Vermont			X		X	X	X
MID-ATLANTIC							
Delaware			X	X	X		
Maryland			X	X		X	
New Jersey			X	X			X
New York						X	X
Pennsylvania							
GREAT LAKES							
Illinois		P			P		P
Indiana					X	P	P
Michigan			P			X	X
Ohio						P	P
Wisconsin					X		X
PLAINS							
Iowa					X		
Kansas		X					
Minnesota		X	P				X
Missouri	X	X	X	X	X		X
Nebraska			X			X	X
North Dakota						X	X
South Dakota					X	X	X
SOUTHEAST							
Alabama					X	X	X
Arkansas			X	X			X
Florida			X		X	P	X
Georgia							
Kentucky		X					
Louisiana						X	X
Mississippi			X	X			X
North Carolina					X		
South Carolina					X	X	X
Tennessee			X	X			P
Virginia							
West Virginia							
SOUTHWEST							
Arizona		X					P
New Mexico		X	X	X			X
Oklahoma							
Texas	X	X				X	X
ROCKY MOUNTAIN							
Colorado			X	P			
Idaho						X	X
Montana		X	X		X		P
Utah			X			X	X
Wyoming							
FAR WEST							
Alaska			P			P	X
California							X
Hawaii	P	P			X		X
Nevada							
Oregon							X
Washington					X	X	X
ALL STATES	5	13	20	12	19	19	33
Puerto Rico						P	

Excluded=X

Partially Excluded=P

Not Applicable=N/A

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Corrections Notes

Small dollar amounts, when rounded, cause an aberration in the percentage increase. In these instances, the actual dollar amounts should be consulted to determine the exact percentage increase.

Maryland: Figures include capital expenditures for the Department of Public Safety, state police, juvenile justice, and local jails. Fiscal 1998 and fiscal 1999 figures do not include the public safety training center.

Massachusetts: Corrections expenditures are inclusive of state spending for county corrections, of which the state pays approximately 96 percent or, typically, \$300 million or more annually.

Michigan: Figures include adult inmate and juvenile justice expenditures.

Nevada: Juvenile programs and institutions are excluded from fiscal 2000 and fiscal 2001 figures. For fiscal 1999, juvenile corrections reflected \$11.4 million in general funds, \$1.0 million in federal funds, and \$1.3 million in other state funds.

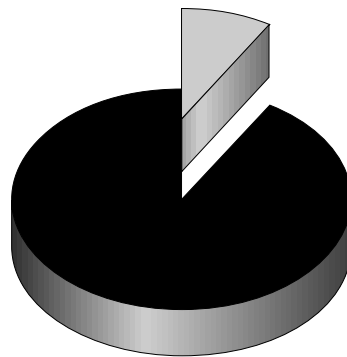
New Jersey: The State purchases jail space from the counties. This is included in Department of Corrections expenditures. Institutes for the criminally insane are funded through the Department of Human Services. The care and treatment of civilly committed sexual offenders are included in Department of Corrections expenditures. Juvenile institutions and programs are not included as part of the Department of Corrections. The Juvenile Justice Commission funds these institutions, which is included in the Department of Law and Public Safety.

New Mexico: Includes the federal violent offender incarceration truth in sentencing grant of \$5.4 million.

Ohio: See General Notes for discussion of double counting issues that affect percentage of total expenditure amounts.

CHAPTER SIX

TRANSPORTATION



8.8% of State Expenditures

Transportation represents 8.8 percent of total state expenditures. In 2000, states spent \$83.1 billion on transportation, a 4.1 percent increase from the 1999 level of \$79.8 billion. Figures for capital spending on transportation by states show actual 2000 expenditures of \$37 billion.

State transportation expenditures are primarily funded from earmarked revenues placed in special transportation (highway) trust funds, captured in the "Other State Funds" category. The major earmarked revenue source is the gasoline tax. Listed below are state gasoline excise tax rates. It is important to note that some states also apply sales tax for the purchase of gasoline; the two should be considered in combination when assessing the tax burden by state. Also, many gas tax rates change frequently. The tax rates below are as of January of 2001.

**STATE GASOLINE TAX RATES
(as of January 2001)**

Alabama	18.0	Montana	27.0
Alaska	8.0	Nebraska	24.8
Arizona	18.0	Nevada	24.0
Arkansas	20.7	New Hampshire	19.0
California	18.0	New Jersey	10.54
Colorado	22.0	New Mexico	18.0
Connecticut	25.0	New York	8.0
Delaware	23.0	North Carolina	24.55
Florida	13.3	North Dakota	21.0
Georgia	7.5	Ohio	22.0
Hawaii	16.0	Oklahoma	17.0
Idaho	26.0	Oregon	29.0
Illinois	19.3	Pennsylvania	25.9
Indiana	15.0	Rhode Island	29.0
Iowa	20.0	South Carolina	16.0
Kansas	20.0	South Dakota	22.0
Kentucky	16.4	Tennessee	21.4
Louisiana	20.0	Texas	20.0
Maine	22.0	Utah	24.75
Maryland	23.5	Vermont	20.0
Massachusetts	21.0	Virginia	17.5
Michigan	19.0	Washington	23.0
Minnesota	20.0	West Virginia	25.35
Mississippi	18.4	Wisconsin	26.4
Missouri	17.05	Wyoming	14.0

Source: Federation of Tax Administrators-February 2001

Although it continues to be a stable source of revenue, motor fuel taxes are not anticipated to increase, unless drastic changes in federal motor fuel tax rates occur as part of Transportation Equity Act for the 21st Century (TEA-21). An example of a drastic change to the federal motor fuel tax rate that may increase state gas tax rates would be a substantial reduction or repeal of all or a portion of the federal gas tax rate. Currently, eleven states have variable rate motor fuel taxes and are adjusted at specific intervals to sustain funding levels. Also, if the federal tax rate should decrease, four states (California, Nevada, Oklahoma, and Tennessee) have provisions in their statutes that will automatically trigger an increase in the state motor fuel tax rate. Other states require a change in legislation to adjust fuel tax rates.

TEA-21

In June 1998, President Clinton signed into law the Transportation Equity Act for the 21st Century (TEA-21). In July 1998, the TEA-21 Restoration Act was enacted to provide technical corrections to the original law.

TEA-21 authorized \$215 billion in budget authority for highway, transit, research and motor carrier programs over six years (1998-2003). This includes \$175 billion in highway programs, of which \$165 billion is guaranteed funding, and provides \$2.2 billion for highway safety and \$650 million for motor carrier safety grants.

TEA-21 is a major revision of the former Intermodal Surface Transportation and Efficiency Act of 1991 (ISTEA) and is the result of months of negotiations and compromises between Congress, the executive branch and the states. Prior to TEA-21, transportation funds were appropriated annually as part of the federal discretionary budget. Also, payments from the federal highway trust fund to the states were determined by separate formulas under individual programs and administered by the U.S. Department of Transportation. Under this funding scheme, the disparity between those states that collected more in motor fuel taxes than they received in federal funding, dubbed "donor" states, and states that receive more federal funding than they collected in fuel taxes, termed "donee" states, was considerable. This created criticism because many states received as little as 63 percent of what they contributed to federal gas taxes in federal transportation funding.

To address this issue, a new provision of TEA-21 was created to establish a 90 percent minimum level of transportation funding for each state. This was designed to eliminate the wide disparity between the "donor" and "donee" states under ISTEA. It

guaranteed “donor” states a minimum level of transportation funding by establishing budgetary “firewalls” between highway and transit programs and other discretionary programs. In addition to the “firewalls,” TEA-21 also removed the ability of Congress to shift reductions in total transportation spending to other federal discretionary programs. The result of these changes is an average increase or more than 40 percent in transportation funding.

In addition to higher overall funding levels, TEA-21 provides a guaranteed funding “floor” of \$198 billion for future highway spending (\$162.7 billion) and transit programs (\$36 billion). The \$36 billion funding guarantee for transit is fixed and will not vary over time. Actual funding levels may ultimately exceed \$36 billion, as they will be directly tied to actual federal gas tax receipts. There will still be “non-guaranteed” programs, such as AMTRAK, that will compete for funding in the federal budget.

TIFIA

The Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA), a new federal innovative finance program, was authorized under TEA-21. The program is under the direction of the Department of Transportation (DOT) and provides three forms of credit assistance for surface transportation projects of national or regional significance. TIFIA awards federal credit assistance rather than grants in the form of secured loans, loan guarantees, and standby lines of credit to public and private sponsors of major transportation projects. Sponsors consist of state departments of transportation, private entities, transit operators, local governments, and special authorities.

Since the inception of TIFIA, the DOT has selected 10 projects at a federal government budgetary cost of \$194 million and has provided \$3.14 billion in credit assistance supporting transportation investments worth nearly \$12 billion.

Fiscal 2000 projects selected for funding include:

- Staten Island Ferries and Terminals, New York City.
- Cooper River Bridge, Charleston, S.C.
- Tacoma Narrows Bridge, Pierce County, WA.

Fiscal 2001 projects selected for funding include:

- Central Texas Turnpike Project, TX. This is a \$3.2 billion project supported by an \$800 million TIFIA loan.
- Reno Transportation Rail Access Corridor Project, NV. This is a \$242 million project, supported by a \$79.5 million TIFIA loan.

Aviation Reauthorization

In April 2000, President Clinton signed into law the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), that will increase authorizations by more than \$10 billion to a level of \$40 billion over the three-year period from 2001-2003. The funds will be used for airport improvement programs to enhance facilities and equipment, airport operations and research. Of the funding, \$33 billion is guaranteed from the Aviation Trust Fund. A total of \$6.7 billion is subject to appropriations from the general fund.

The bill also authorizes airports to increase maximum passenger facility charges from \$3.00 to \$4.50 to be used for airport improvements that benefit passengers and communities. Examples of improvements consist of noise mitigation, security, safety, and building terminal and landside infrastructure to meet the growing need for air transportation.

Recently, the Federal Aviation Administration Office of Airports announced that 30 U.S. airports are approved to increase their passenger facility charge to \$4.50.

Total funding levels are listed below including a state-by-state breakdown for airport improvement programs.

AIR 21 FUNDING LEVELS (\$ IN BILLIONS)

	FY 2000	FY 2001	FY 2002	FY 2003
Airport Improvement Program	1.9	3.2	3.3	3.4
Facilities and Equipment	2	2.66	2.91	2.98
Operations	5.89	6.59	6.88	7.36
Research	0.156	0.237	0.249	0.255

Source: American Association of State Highway And Transportation Officials, April 7, 2000.

Selected Web Resources

- U.S. Department of Transportation
www.dot.gov
- Federal Highway Administration
www.fhwa.dot.gov/tea21
- American Association of State Highway & Transportation Officials
www.aashto.org/main
- House Committee on Transportation and Infrastructure
www.house.gov/transportation
- National Transportation Library
www.bts.gov/smart
- Federation of Tax Administrators
www.taxadmin.org
- Federal Aviation Administration
www.faa.gov

**TEA-21 VS. FY 1999 PAYMENTS BY STATES TO THE HIGHWAY TRUST FUND AND FEDERAL-AID
APPORTIONMENTS AND ALLOCATIONS FROM THE HIGHWAY TRUST FUND (\$ IN THOUSANDS)**

STATE	FY 1999 Payments into the Highway Account of the Fund	FY 1999 Apportionments And Allocations from the fund	FY 1999 Ratio	FY 1999 Donor/Donee Apportionment*	TEA-21 1998-2003 Average
Alabama	612,260	558,522	0.91	Donor	537,675
Alaska	64,697	367,961	5.69	Donee	314,599
Arizona	536,227	462,675	0.86	Donor	441,347
Arkansas	406,822	362,686	0.89	Donor	352,232
California	2,886,124	2,677,356	0.93	Donor	2,446,496
Colorado	369,498	365,751	0.99	Donor	311,089
Connecticut	290,176	406,538	1.4	Donee	400,966
Delaware	79,908	128,857	1.61	Donee	116,811
District of Columbia	32,621	113,325	3.47	Donee	104,452
Florida	1,490,090	1,239,478	0.83	Donor	1,250,768
Georgia	1,122,619	968,038	0.86	Donor	945,752
Hawaii	69,542	140,302	2.02	Donee	136,692
Idaho	160,970	225,039	1.4	Donee	204,616
Illinois	923,365	919,637	1	Donor	892,944
Indiana	773,522	668,621	0.86	Donor	646,610
Iowa	339,027	323,708	0.95	Donor	317,369
Kansas	328,532	312,517	0.95	Donor	309,372
Kentucky	563,865	486,403	0.86	Donor	470,793
Louisiana	508,607	455,011	0.89	Donor	430,165
Maine	146,102	146,530	1	Donee	140,630
Maryland	505,207	432,942	0.86	Donor	422,710
Massachusetts	529,496	501,766	0.95	Donor	496,277
Michigan	1,012,709	859,394	0.85	Donor	853,937
Minnesota	377,623	410,220	1.09	Donee	395,867
Mississippi	403,791	346,421	0.86	Donor	333,535
Missouri	755,878	686,292	0.91	Donor	642,585
Montana	129,785	286,689	2.21	Donee	262,162
Nebraska	234,422	207,740	0.89	Donor	205,101
Nevada	199,698	214,887	1.08	Donee	191,374
New Hampshire	133,486	143,089	1.07	Donee	136,747
New Jersey	836,696	685,089	0.82	Donor	699,672
New Mexico	253,446	272,217	1.07	Donee	260,975
New York	1,167,635	1,384,001	1.19	Donee	1,363,167
North Carolina	883,278	778,511	0.88	Donor	747,272
North Dakota	98,759	176,955	1.79	Donee	173,025
Ohio	1,065,646	1,012,846	0.95	Donor	921,081
Oklahoma	470,398	412,674	0.88	Donor	408,359
Oregon	366,268	361,540	0.99	Donor	327,570
Pennsylvania	1,188,016	1,341,275	1.13	Donee	1,333,863
Rhode Island	78,077	163,192	2.09	Donee	158,146
South Carolina	527,432	431,620	0.82	Donor	440,374
South Dakota	99,070	199,363	2.01	Donee	192,720
Tennessee	721,040	628,841	0.87	Donor	607,825
Texas	2,397,981	2,020,415	0.84	Donor	2,003,809
Utah	241,886	316,237	1.31	Donee	208,004
Vermont	75,296	124,470	1.65	Donee	120,742
Virginia	810,684	710,904	0.88	Donor	684,309
Washington	534,299	526,347	0.99	Donor	473,546
West Virginia	222,846	307,096	1.38	Donee	298,861
Wisconsin	581,319	535,470	0.92	Donor	525,854
Wyoming	163,936	202,830	1.24	Donee	184,365
Puerto Rico	-	150,289	-	Donee	
Virgin Islands	-	15,291	-	Donee	
Territories	-	21,000	-	Donee	
Total	\$28,770,677	\$28,196,868	0.98		26,845,212

Note: These numbers do not include tax receipts transferred to the Mass Transit account.

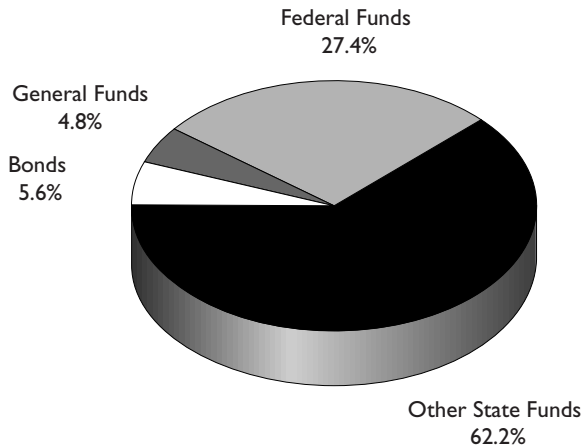
Source: Highway Statistics 1999, Federal Highway Administration, U.S. Department of Transportation.

* Represents the average estimated allocation as per TEA-21 for 1998 thru 2003. FY 1998 to FY2001 apportionments reflect actual apportionments. Apportionment estimates for FY 2002 and FY 2003 are based on factors used for FY 2000 apportionments.

Fund Shares

The figure below provides fund shares for 1999.

Figure 18
STATE EXPENDITURES FOR TRANSPORTATION BY FUND SOURCE, FISCAL 2000



Transportation—Expenditure Exclusions

Of the states reporting in this survey, sixteen wholly or partially excluded gas tax and fee collections from their transportation expenditure figures. Thirty-five states wholly or partially excluded port authority operations, twenty wholly or partially excluded motor vehicle licensing, and forty wholly or partially excluded state police/highway patrol.

Expenditure data on transportation can be found on Tables 37-41, accompanied by explanatory notes. Table 41 lists programs excluded from the expenditure figures. Details on capital expenditures for transportation can be found in Chapter Eight.

Regional Expenditures

The following table shows percentage change in transportation expenditures for fiscal 1999-2000 and fiscal 2000-2001. For fiscal 2000, the Southwest and Great Lakes states were well above the national average of 4.1 percent at 12.1 and 11.6 percent, respectively. Also, the percentage change in the Plains states was strikingly well above the national average for fiscal 2000 at 8.5 percent. The state of Illinois has included funds that will be used for a major highway improvement program that extends from 1999-2003. The Southeast and Mid-Atlantic states were well below national average.

Table 37
REGIONAL PERCENTAGE CHANGE IN STATE TRANSPORTATION EXPENDITURES, FISCAL 2000 AND 2001

Region	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
New England	11.7%	-5.1%	4.8%	-12.7%	30.8%	5.3%
Mid-Atlantic	-2.6	3.9	1.0	10.8	18.2	12.6
Great Lakes	8.8	20.6	11.6	5.8	9.4	6.7
Plains	3.1	8.8	8.5	16.2	7.8	18.0
Southeast	1.2	2.6	-0.9	-14.4	11.9	-4.5
Southwest	9.5	16.4	12.1	6.0	5.8	6.2
Rocky Mountain	6.8	9.6	2.5	4.0	-2.5	11.9
Far West	0.1	15.7	2.8	26.7	31.3	33.7
ALL STATES	3.3%	8.3%	4.1%	4.2%	14.9%	9.5%

Table 38

TRANSPORTATION EXPENDITURES—CAPITAL INCLUSIVE (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999					Actual Fiscal 2000					Estimated Fiscal 2001				
	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total
NEW ENGLAND															
Connecticut	\$0	\$505	\$440	\$166	\$1,111	\$0	\$473	\$460	\$188	\$1,121	\$35	\$561	\$416	\$181	\$1,193
Maine	2	130	243	41	416	8	146	268	19	441	14	205	385	26	630
Massachusetts	729	580	850	508	2,667	884	485	947	521	2,837	288	740	965	708	2,701
New Hampshire	2	125	231	7	365	2	145	257	3	407	3	143	275	9	430
Rhode Island	0	185	112	32	329	0	176	89	32	297	0	232	138	34	404
Vermont	0	113	127	1	241	0	129	142	1	272	0	152	149	0	301
MID-ATLANTIC															
Delaware	0	107	242	29	378	0	116	205	84	405	0	120	235	70	425
Maryland	0	420	1,901	0	2,321	0	473	1,936	0	2,409	0	707	2,173	0	2,880
New Jersey	925	580	0	531	2,036	930	554	0	613	2,097	1,245	643	0	736	2,624
New York	383	1,107	2,168	780	4,438	365	1,166	2,018	890	4,439	428	1,181	2,030	931	4,570
Pennsylvania*	288	892	2,579	142	3,901	302	917	2,506	128	3,853	317	1,163	2,727	155	4,362
GREAT LAKES															
Illinois	49	97	2,385	40	2,571	42	88	3,009	129	3,268	67	121	3,496	354	4,038
Indiana	90	257	1,155	0	1,502	103	345	1,170	0	1,618	103	447	1,094	0	1,644
Michigan	18	741	1,938	36	2,733	15	1,024	1,838	5	2,882	0	925	1,976	5	2,906
Ohio*	37	570	2,015	335	2,957	45	638	2,204	373	3,260	51	869	2,172	189	3,281
Wisconsin	0	547	1,294	0	1,841	0	572	1,345	0	1,917	0	556	1,381	0	1,937
PLAINS															
Iowa	14	283	682	0	979	14	383	802	0	1,199	14	282	771	0	1,067
Kansas	99	291	477	74	941	73	191	167	325	756	62	290	474	305	1,131
Minnesota	76	128	1,438	13	1,655	76	157	1,437	19	1,689	454	247	1,841	45	2,587
Missouri	18	32	1,143	0	1,193	17	27	1,406	0	1,450	23	31	1,137	260	1,451
Nebraska	1	2	510	0	513	1	2	575	0	578	1	3	547	0	551
North Dakota	0	158	125	0	283	0	201	129	0	330	0	158	162	0	320
South Dakota	0	160	141	0	301	0	186	175	0	361	1	226	174	0	401
SOUTHEAST															
Alabama	0	1,400	775	0	2,175	0	538	472	0	1,010	0	935	481	0	1,416
Arkansas	1	0	618	0	619	1	0	680	0	681	1	0	741	0	742
Florida*	0	695	4,152	697	5,544	0	1,015	5,125	218	6,358	200	1,074	2,936	369	4,579
Georgia	670	739	269	325	2,003	618	788	280	137	1,823	663	860	23	92	1,638
Kentucky	6	386	1,166	0	1,558	7	526	0	0	533	7	505	0	0	512
Louisiana	10	388	633	33	1,064	2	445	696	16	1,159	0	446	652	10	1,108
Mississippi	25	253	598	125	1,001	10	316	625	0	951	0	351	574	223	1,148
North Carolina	11	739	1,701	0	2,451	21	939	1,954	0	2,914	15	775	1,846	0	2,636
South Carolina	17	296	479	15	807	1	296	888	123	1,308	1	458	977	175	1,611
Tennessee*	0	457	459	0	916	0	625	368	84	1,077	0	648	364	88	1,100
Virginia	3	548	2,312	90	2,953	0	508	2,321	65	2,894	39	500	2,434	52	3,025
West Virginia	2	274	507	56	839	3	339	514	172	1,028	9	536	524	184	1,253
SOUTHWEST															
Arizona	1	384	873	224	1,482	0	431	967	251	1,649	20	437	1,299	287	2,043
New Mexico*	0	359	352	0	711	4	360	337	0	701	10	289	370	0	669
Oklahoma	49	281	633	1	964	50	314	654	0	1,018	55	546	447	0	1,048
Texas*	17	1,513	2,423	0	3,953	37	1,849	2,713	0	4,599	22	1,854	2,825	0	4,701
ROCKY MOUNTAIN															
Colorado	0	660	1,112	0	1,772	0	747	1,258	0	2,005	1	584	1,284	439	2,308
Idaho	0	141	250	0	391	0	166	209	0	375	0	237	242	0	479
Montana	8	221	178	0	407	8	244	200	0	452	8	305	166	0	479
Utah	111	244	361	240	956	124	231	359	68	782	135	227	409	6	777
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST															
Alaska	182	487	414	34	1,117	197	767	291	0	1,255	185	645	271	6	1,107
California	27	1,962	4,727	278	6,994	42	2,095	4,922	159	7,218	1,635	3,086	4,892	331	9,944
Hawaii	0	80	654	29	763	0	87	669	33	789	0	105	721	113	939
Nevada*	0	166	261	0	427	1	152	371	0	524	0	186	371	100	657
Oregon	0	12	859	0	871	4	14	707	0	725	16	77	1,287	58	1,438
Washington	5	278	1,128	28	1,439	6	338	1,052	27	1,423	5	436	1,088	343	1,872
TOTAL	\$3,876	\$20,973	\$50,090	\$4,910	\$79,849	\$4,013	\$22,724	\$51,717	\$4,683	\$83,137	\$6,133	\$26,104	\$51,942	\$6,884	\$91,063
Puerto Rico	64	227	1,107	0	1,398	81	341	932	0	1,354	72	558	664	0	1,294

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 39**TRANSPORTATION EXPENDITURES AS A PERCENT OF TOTAL EXPENDITURES**

Region/State	Fiscal 1999	Fiscal 2000	Fiscal 2001
NEW ENGLAND			
Connecticut	7.0%	6.2%	6.6%
Maine	9.3	9.1	10.5
Massachusetts	11.0	10.7	10.1
New Hampshire	14.3	12.0	12.3
Rhode Island	8.3	7.0	8.4
Vermont	11.9	12.2	12.6
MID-ATLANTIC			
Delaware	8.0	8.1	8.1
Maryland	13.6	13.2	14.4
New Jersey	7.6	7.1	8.3
New York	6.2	6.0	5.8
Pennsylvania	10.6	10.0	10.4
GREAT LAKES			
Illinois	8.2	9.3	10.5
Indiana	9.9	9.6	9.9
Michigan	8.1	8.2	7.8
Ohio	8.2	8.4	7.4
Wisconsin	8.1	7.3	9.3
PLAINS			
Iowa	9.2	10.3	9.3
Kansas	11.3	9.0	12.4
Minnesota	9.4	9.2	12.1
Missouri	7.8	9.1	8.5
Nebraska	9.6	10.0	9.7
North Dakota	13.3	14.6	14.1
South Dakota	15.5	17.1	17.4
SOUTHEAST			
Alabama	15.9	6.9	8.2
Arkansas	6.5	6.7	6.8
Florida	12.2	13.0	8.9
Georgia	8.3	7.0	6.4
Kentucky	10.6	4.2	3.7
Louisiana	7.0	7.4	6.7
Mississippi	11.3	9.8	10.7
North Carolina	10.3	11.3	10.6
South Carolina	6.0	7.7	8.9
Tennessee	6.2	6.8	6.1
Virginia	14.1	12.9	13.2
West Virginia	13.8	15.9	18.7
SOUTHWEST			
Arizona	10.3	11.0	12.9
New Mexico	10.4	8.5	7.3
Oklahoma	9.6	9.6	8.8
Texas	8.7	9.3	9.0
ROCKY MOUNTAIN			
Colorado	15.4	16.3	17.3
Idaho	11.6	10.3	11.3
Montana	15.6	16.2	15.2
Utah	14.9	11.9	10.9
Wyoming	—	—	—
FAR WEST			
Alaska	21.6	23.9	19.3
California	6.4	5.9	7.1
Hawaii	11.7	11.6	12.5
Nevada	6.0	11.4	12.1
Oregon	8.8	6.8	11.5
Washington	7.0	6.6	9.0
ALL STATES			
	9.1%	8.8%	9.0%
Puerto Rico	7.3	7.1	6.1

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 40

ANNUAL PERCENTAGE CHANGE IN TRANSPORTATION EXPENDITURES

Region/State	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
NEW ENGLAND						
Connecticut	4.5%	-6.3%	0.9%	-2.0%	18.6%	6.4%
Maine	12.7	12.3	6.0	44.6	40.4	42.9
Massachusetts	16.0	-16.4	6.4	-31.6	52.6	-4.8
New Hampshire	11.2	16.0	11.5	7.3	-1.4	5.7
Rhode Island	-20.5	-4.9	-9.7	55.1	31.8	36.0
Vermont	11.8	14.2	12.9	4.9	17.8	10.7
MID-ATLANTIC						
Delaware	-15.3	8.4	7.1	14.6	3.4	4.9
Maryland	1.8	12.6	3.8	12.2	49.5	19.6
New Jersey	0.5	-4.5	3.0	33.9	16.1	25.1
New York	-6.6	5.3	0.0	3.1	1.3	3.0
Pennsylvania	-2.1	2.8	-1.2	8.4	26.8	13.2
GREAT LAKES						
Illinois	25.3	-9.3	27.1	16.8	37.5	23.6
Indiana	2.2	34.2	7.7	-6.0	29.6	1.6
Michigan	-5.3	38.2	5.5	6.6	-9.7	0.8
Ohio	9.6	11.9	10.2	-1.2	36.2	0.6
Wisconsin	3.9	4.6	4.1	2.7	-2.8	1.0
PLAINS						
Iowa	17.2	35.3	22.5	-3.8	-26.4	-11.0
Kansas	-58.3	-34.4	-19.7	123.3	51.8	49.6
Minnesota	-0.1	22.7	2.1	51.7	57.3	53.2
Missouri	22.6	-15.6	21.5	-18.5	14.8	0.1
Nebraska	12.7	0.0	12.7	-4.9	50.0	-4.7
North Dakota	3.2	27.2	16.6	25.6	-21.4	-3.0
South Dakota	24.1	16.3	19.9	0.0	21.5	11.1
SOUTHEAST						
Alabama	-39.1	-61.6	-53.6	1.9	73.8	40.2
Arkansas	10.0	—	10.0	9.0	—	9.0
Florida	23.4	46.0	14.7	-38.8	5.8	-28.0
Georgia	-4.4	6.6	-9.0	-23.6	9.1	-10.1
Kentucky	-99.4	36.3	-65.8	0.0	-4.0	-3.9
Louisiana	8.6	14.7	8.9	-6.6	0.2	-4.4
Mississippi	1.9	24.9	-5.0	-9.6	11.1	20.7
North Carolina	15.4	27.1	18.9	-5.8	-17.5	-9.5
South Carolina	79.2	0.0	62.1	10.0	54.7	23.2
Tennessee	-19.8	36.8	17.6	-1.1	3.7	2.1
Virginia	0.3	-7.3	-2.0	6.5	-1.6	4.5
West Virginia	1.6	23.7	22.5	3.1	58.1	21.9
SOUTHWEST						
Arizona	10.6	12.2	11.3	36.4	1.4	23.9
New Mexico	-3.1	0.3	-1.4	11.4	-19.7	-4.6
Oklahoma	3.2	11.7	5.6	-28.7	73.9	2.9
Texas	12.7	22.2	16.3	3.5	0.3	2.2
ROCKY MOUNTAIN						
Colorado	13.1	13.2	13.1	2.1	-21.8	15.1
Idaho	-16.4	17.7	-4.1	15.8	42.8	27.7
Montana	11.8	10.4	11.1	-16.3	25.0	6.0
Utah	2.3	-5.3	-18.2	12.6	-1.7	-0.6
Wyoming	—	—	—	—	—	—
FAR WEST						
Alaska	-18.1	57.5	12.4	-6.6	-15.9	-11.8
California	4.4	6.8	3.2	31.5	47.3	37.8
Hawaii	2.3	8.8	3.4	7.8	20.7	19.0
Nevada	—	—	—	-0.3	22.4	25.4
Oregon	-17.2	16.7	-16.8	83.3	450.0	98.3
Washington	-6.6	21.6	-1.1	3.3	29.0	31.6
ALL STATES						
	3.3%	8.3%	4.1%	4.2%	14.9%	9.5%
Puerto Rico	-13.5	50.2	-3.1	-27.3	63.6	-4.4

Note: State funds are defined as general funds and other state funds (bonds are excluded).
 Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 41

ITEMS EXCLUDED FROM TRANSPORTATION EXPENDITURES

Region/State	Employer Contributions to Pensions	Employer Contributions to Health Benefits	Port Authority Operations	Gasoline Tax & Fee Collections	Truck Enforcement Reg. Programs	Train/Railroad Subsidy Programs	Road Assist. Subsidy Prog. for Local Govts.	Motor Vehicle Licensing	State Police/ Highway Patrol
NEW ENGLAND									
Connecticut				S					X
Maine			P	X	P				X
Massachusetts	X	X	P		X	P		X	X
New Hampshire								X	X
Rhode Island		X	X		X	X		X	
Vermont			X						X
MID-ATLANTIC									
Delaware			X		X			X	X
Maryland					P				X
New Jersey			X						X
New York			N/A	X					X
Pennsylvania			X	P					X
GREAT LAKES									
Illinois		P	X	P				X	X
Indiana			X						X
Michigan			X						X
Ohio									
Wisconsin									
PLAINS									
Iowa			X						
Kansas		X	X	X				X	P
Minnesota		X	P						
Missouri				X	X	X	X	X	X
Nebraska			X	X			X		X
North Dakota			X		X				X
South Dakota			X	X	X	X		X	X
SOUTHEAST									
Alabama			X		P	X	X	X	X
Arkansas			X		X	X		X	X
Florida			X	X		X		X	X
Georgia			P					X	X
Kentucky		X	X						X
Louisiana			X	P					X
Mississippi				P	P	X		X	X
North Carolina			X						
South Carolina			X		X	X	X	X	X
Tennessee				X	X			X	X
Virginia									
West Virginia			X						X
SOUTHWEST									
Arizona		X	P						X
New Mexico		X	X	X	X			X	X
Oklahoma									
Texas	X	X	X	X	P	P	P		X
ROCKY MOUNTAIN									
Colorado		X						X	X
Idaho					X				X
Montana		X	X						X
Utah						X	P	P	X
Wyoming									
FAR WEST									
Alaska			X	X		X	X	X	X
California			X						X
Hawaii			X	X		X	X	X	X
Nevada									
Oregon			X						X
Washington			X						X
ALL STATES	2	11	35	16	16	13	8	20	40
Puerto Rico									

Excluded=X

Partially Excluded=P

Not Applicable=N/A

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Transportation Notes

Small dollar amounts, when rounded, cause an aberration in the percentage increase. In these instances, the actual dollar amounts should be consulted to determine the exact percentage increase.

Florida: The Florida Legislature provided \$200.2 million in general revenue to the Florida Department of Transportation (DOT) in fiscal 2000 for projects related to the Mobility 2000 (Building Roads for the 21st Century) initiative. The funds were transferred to DOT and then placed in the State Transportation Trust Fund to be used for capital projects.

Massachusetts: Train/railroad subsidies are mostly excluded effective fiscal 2001.

Nevada: Nevada has no ports, and thus no port authority operations. There are also no train or railroad subsidies.

New Mexico: Does not include federal funds.

Pennsylvania: Gasoline taxes are collected by the Department of Revenue.

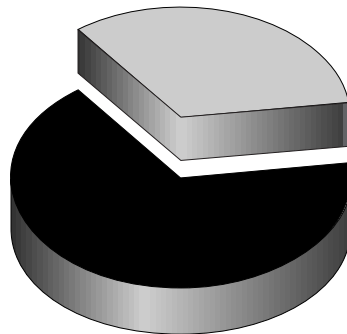
Ohio: See General Notes for discussion of double counting issues that affect percentage of total expenditure amounts.

Tennessee: Bond estimates represent bond authorizations, while actual bond figures represent bond proceeds utilized.

Texas: The gasoline tax is the major fund source for the Texas constitutionally dedicated state highway fund, from which expenditures are made.

CHAPTER SEVEN

ALL OTHER EXPENDITURES



32.1% of State Expenditures

To capture total state expenditures, NASBO collected data on state expenditures not included in the functional areas covered in the previous chapters. Depending on the state, this category could include spending for the State Child Health Insurance Program (S-CHIP), institutional and community care for mentally ill and developmentally disabled persons, public health programs, employer contributions to pensions and health benefits, economic development, environmental projects, state police, parks and recreation, housing, and general aid to local government. A list of items excluded from All Other Expenditures is shown in Table 46.

In the aggregate, such spending accounts for an estimated 32.1 percent of all state expenditures in 2000, totaling \$303.1 billion. For these types of functions, state spending increased 8.1 percent from 1999 to 2000. Data for All Other expenditures can be found on Tables 43 accompanied by explanatory notes.

State Child Health Insurance Program

The State Children's Health Insurance Program (S-CHIP), enacted in 1997, provides coverage to uninsured children in low-income families. The program was designed to reach children from working families with incomes too high to qualify for Medicaid but too low to afford private insurance. States may develop S-CHIP programs in one of three ways to serve the individual needs of their population: expand its Medicaid program, develop an alternative state program, or create a program that is a combination of the two options. With federal guidelines, each state determines its specific program design, eligibility categories, benefits covered, provider payments, and administrative and operating procedures.

Under S-CHIP, states receive an enhanced federal matching rate that exceeds their federal Medicaid match by about 30 percent, with the federal share capped at 85 percent. States have up to three years to use their yearly federal allotment. Although states are eligible to receive additional S-CHIP funds each year, they cannot use the new funds until the funds from the previous year are expended.

Nearly two million children were enrolled in S-CHIP during federal fiscal year 1999 (October 1, 1998 to September 30, 1999). During this time more than 1.2 million children were served by separate programs, and almost 700,000 children were served by Medicaid expansion programs. S-CHIP enrollment is expected to increase as states expand their programs, conduct effective outreach, streamline their application processes, and improve procedures to assure that eligible children retain coverage. In addition, S-CHIP programs help states identify and enroll children already eligible for Medicaid but not enrolled.

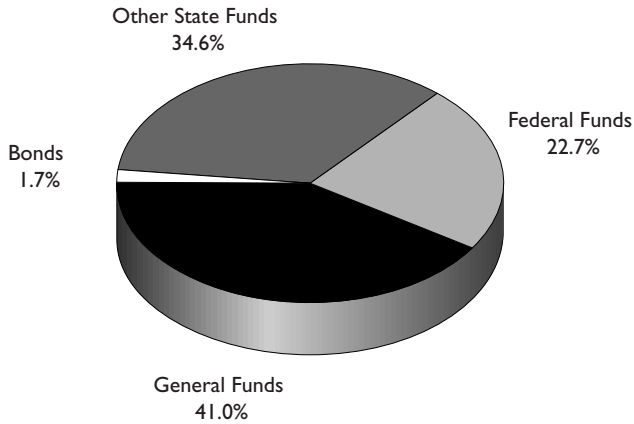
Of the states tracking S-CHIP-related Medicaid enrollment activities, most anticipate enrollment due to grow by 14.8 percent in fiscal 2001. On average, estimated S-CHIP-related Medicaid enrollment growth in fiscal 2000 was 26.5 percent.

Expenditures for S-CHIP programs totaled \$127 million in fiscal 1998, representing 0.1 percent of total state health spending and a negligible percent of all state spending in fiscal 1998. In fiscal 1999, these expenditures increased to \$989 million, representing 0.4 percent of total state health spending and 0.1 percent of all state spending. These amounts represent the combined expenditures for Medicaid expansion programs, stand-alone programs, and combination programs. State S-CHIP expenditures are detailed in Table A-2.

Fund Shares

The figure below provides fund shares for 2000.

Figure 19
STATE EXPENDITURES FOR ALL OTHER PROGRAMS BY
FUND SOURCE, FISCAL 2000



Regional Expenditures

The following table shows percentage changes for all other expenditures for fiscal 1999-2000 and 2000-2001. For 2000, the New England, Great Lakes, and Southwest states are well above the national average and the Plains and Far West states are well below the national average.

Table 42
REGIONAL PERCENTAGE CHANGE IN STATE ALL OTHER
EXPENDITURES, FISCAL 2000 AND 2001

Region	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
New England	13.5%	10.4%	12.4%	-0.9%	1.0%	0.1%
Mid-Atlantic	4.0	24.9	6.4	5.7	24.7	10.6
Great Lakes	10.3	9.0	9.9	-7.9	19.2	-2.9
Plains	3.6	12.3	6.0	2.8	6.2	3.5
Southeast	9.2	8.0	8.5	7.5	5.0	6.5
Southwest	11.7	1.5	9.9	6.4	15.7	8.8
Rocky Mountain	8.9	7.6	8.3	10.4	21.8	13.3
Far West	6.3	5.7	5.6	9.8	13.6	15.8
ALL STATES	8.1%	9.9%	8.1%	3.5%	12.8%	6.6%

Table 43

ALL OTHER EXPENDITURES—CAPITAL INCLUSIVE (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999					Actual Fiscal 2000					Estimated Fiscal 2001				
	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total
NEW ENGLAND															
Connecticut	\$4,738	\$339	\$730	\$577	\$6,384	\$5,245	\$288	\$888	\$594	\$7,015	\$5,095	\$289	\$608	\$640	\$6,632
Maine	660	314	578	22	1,574	719	352	626	23	1,720	887	477	852	48	2,264
Massachusetts	7,857	1,706	399	414	10,376	9,108	1,961	515	384	11,968	8,721	1,825	666	454	11,666
New Hampshire	461	261	154	22	898	535	288	77	22	922	530	287	79	31	927
Rhode Island*	447	271	433	23	1,174	545	300	484	46	1,375	606	350	465	73	1,494
Vermont	246	242	227	30	745	286	269	191	26	772	298	264	233	23	818
MID-ATLANTIC															
Delaware	926	224	1,168	21	2,339	902	237	1,287	22	2,448	1,080	217	1,232	25	2,554
Maryland*	2,829	767	1,375	285	5,256	2,985	808	1,716	282	5,791	3,473	871	1,383	268	5,995
New Jersey	6,424	2,245	2,125	298	11,092	7,341	2,364	3,165	247	13,117	7,346	3,336	2,410	333	13,425
New York*	10,252	2,855	3,657	619	17,383	10,033	4,532	2,155	127	16,847	11,152	5,595	3,202	227	20,176
Pennsylvania*	4,799	2,412	3,627	349	11,187	5,264	2,678	3,838	321	12,101	5,038	3,225	4,594	645	13,502
GREAT LAKES															
Illinois	4,447	1,881	4,866	232	11,426	4,687	2,093	5,364	248	12,392	4,968	2,156	5,942	389	13,455
Indiana	1,229	1,403	2,131	0	4,763	1,689	1,435	2,530	0	5,654	1,499	1,446	2,030	0	4,975
Michigan*	3,261	2,281	4,464	148	10,154	3,244	2,100	4,136	94	9,574	3,298	3,644	3,337	152	10,431
Ohio	3,487	1,905	9,317	217	14,926	3,785	2,193	9,958	259	16,195	4,284	2,842	11,915	235	19,276
Wisconsin	2,685	1,173	5,738	0	9,596	3,600	1,597	6,912	0	12,109	2,987	1,137	2,023	0	6,147
PLAINS															
Iowa	1,191	800	971	25	2,987	1,204	850	1,205	24	3,283	1,235	889	808	25	2,957
Kansas	926	975	437	35	2,373	928	1,095	691	49	2,763	901	1,302	627	45	2,875
Minnesota	3,575	1,032	1,168	145	5,920	3,631	1,024	1,205	137	5,997	3,938	1,119	1,558	135	6,750
Missouri*	2,816	1,377	1,536	64	5,793	3,061	1,739	1,132	74	6,006	3,244	1,661	1,135	82	6,122
Nebraska	597	424	578	0	1,599	624	460	648	0	1,732	666	549	565	0	1,780
North Dakota	219	313	282	0	814	185	351	280	35	851	209	291	290	6	796
South Dakota	164	219	208	0	591	181	253	222	0	656	192	316	255	0	763
SOUTHEAST															
Alabama	734	313	666	0	1,713	798	790	1,680	0	3,268	631	1,470	3,125	0	5,226
Arkansas	483	564	2,395	43	3,485	472	607	2,589	48	3,716	520	712	2,757	65	4,054
Florida	3,935	3,539	10,078	328	17,880	4,013	3,954	10,808	331	19,106	4,433	3,568	12,956	332	21,289
Georgia	3,732	3,809	0	335	7,876	4,683	3,852	0	116	8,651	3,644	4,105	0	167	7,916
Kentucky*	1,470	1,099	1,222	0	3,791	1,744	1,027	0	0	2,771	1,866	1,328	0	0	3,194
Louisiana	1,361	801	2,861	208	5,231	1,315	648	3,179	120	5,262	1,317	930	3,627	49	5,923
Mississippi	873	651	594	154	2,272	941	698	706	151	2,496	999	947	880	143	2,969
North Carolina	3,451	1,559	745	0	5,755	3,866	1,728	1,257	200	7,051	3,250	658	818	5	4,731
South Carolina	2,016	2,782	1,570	10	6,378	2,191	3,047	1,464	15	6,717	2,269	3,172	1,823	36	7,300
Tennessee	1,535	1,455	1,435	48	4,473	1,529	1,517	1,672	13	4,731	1,801	1,896	1,927	10	5,634
Virginia	2,558	1,010	3,945	92	7,605	2,955	1,071	4,263	69	8,358	3,261	1,129	4,473	71	8,934
West Virginia	106	247	656	0	1,009	136	323	594	0	1,053	43	312	402	0	757
SOUTHWEST															
Arizona	1,683	872	2,710	0	5,265	1,568	899	2,917	0	5,384	1,695	943	2,778	0	5,416
New Mexico	467	309	400	0	1,176	802	367	1,007	0	2,176	1,025	681	1,016	0	2,722
Oklahoma	896	1,225	1,108	4	3,233	1,029	834	1,069	209	3,141	1,187	1,347	1,232	191	3,957
Texas	3,600	2,795	1,675	0	8,070	3,754	3,178	1,861	0	8,793	4,017	3,136	1,953	0	9,106
ROCKY MOUNTAIN															
Colorado	856	691	1,819	0	3,366	935	828	1,877	0	3,640	946	1,024	2,064	0	4,034
Idaho	275	399	289	2	965	294	379	414	2	1,089	331	465	512	2	1,310
Montana*	255	313	305	0	873	275	315	308	0	898	375	426	332	0	1,133
Utah	743	423	701	29	1,896	756	442	851	12	2,061	816	478	928	9	2,231
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST															
Alaska	838	536	491	111	1,976	720	557	547	0	1,824	764	709	691	99	2,263
California	12,393	9,156	9,259	264	31,072	15,540	9,890	10,113	324	35,867	20,294	11,105	9,918	2,644	43,961
Hawaii*	1,436	408	1,005	119	2,968	1,494	438	1,373	69	3,374	1,298	448	1,546	343	3,635
Nevada	350	397	3,749	44	4,540	301	428	1,347	0	2,076	299	496	1,794	0	2,589
Oregon	622	763	742	209	2,336	878	492	889	213	2,472	712	825	1,612	306	3,455
Washington	1,793	1,068	2,737	203	5,801	1,485	1,231	2,950	142	5,808	1,385	1,229	1,014	39	3,667
TOTAL	\$112,697	\$62,603	\$99,326	\$5,729	\$280,355	\$124,256	\$68,807	\$104,960	\$5,048	\$303,071	\$130,825	\$77,627	\$106,387	\$8,347	\$323,186
Puerto Rico	4,069	2,470	7,408	0	13,947	4,367	2,579	6,664	0	13,610	4,665	2,652	8,208	0	15,525

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 44

ALL OTHER EXPENDITURES AS A PERCENT OF TOTAL EXPENDITURES

Region/State	Fiscal 1999	Fiscal 2000	Fiscal 2001
NEW ENGLAND			
Connecticut	40.5%	38.8%	36.4%
Maine	35.1	35.5	37.8
Massachusetts	43.0	45.1	43.6
New Hampshire	35.3	27.2	26.5
Rhode Island	29.5	32.2	31.2
Vermont	36.9	34.6	34.4
MID-ATLANTIC			
Delaware	49.8	48.8	48.5
Maryland	30.7	31.6	30.0
New Jersey	41.2	44.2	42.3
New York	24.4	22.9	25.4
Pennsylvania	30.3	31.5	32.1
GREAT LAKES			
Illinois	36.4	35.3	35.1
Indiana	31.5	33.5	30.1
Michigan	30.1	27.4	28.0
Ohio	41.2	41.7	43.7
Wisconsin	42.1	46.2	29.5
PLAINS			
Iowa	28.0	28.2	25.7
Kansas	28.6	32.8	31.5
Minnesota	33.7	32.5	31.6
Missouri	38.0	37.5	35.8
Nebraska	29.8	29.9	31.3
North Dakota	38.3	37.7	35.1
South Dakota	30.5	31.1	33.1
SOUTHEAST			
Alabama	12.5	22.2	30.2
Arkansas	36.7	36.8	37.3
Florida	39.2	39.1	41.6
Georgia	32.5	33.4	30.8
Kentucky	25.8	21.9	23.2
Louisiana	34.3	33.7	35.6
Mississippi	25.8	25.9	27.7
North Carolina	24.3	27.3	19.0
South Carolina	47.3	39.8	40.2
Tennessee	30.2	29.9	31.5
Virginia	36.4	37.4	38.8
West Virginia	16.6	16.2	11.3
SOUTHWEST			
Arizona	36.6	36.1	34.2
New Mexico	17.1	26.3	29.9
Oklahoma	32.3	29.6	33.3
Texas	17.8	17.8	17.4
ROCKY MOUNTAIN			
Colorado	29.3	29.7	30.2
Idaho	28.6	30.0	31.0
Montana	33.4	32.3	36.0
Utah	29.6	31.4	31.2
Wyoming	—	—	—
FAR WEST			
Alaska	38.2	34.8	39.4
California	28.3	29.4	31.3
Hawaii	45.7	49.7	48.3
Nevada	63.3	45.2	47.8
Oregon	23.5	23.2	27.7
Washington	28.4	27.0	17.6
ALL STATES			
	31.8%	32.1%	31.9%
Puerto Rico	72.4	71.2	73.2

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 45

ANNUAL PERCENTAGE CHANGE IN ALL OTHER EXPENDITURES

Region/State	Fiscal 1999 to 2000			Fiscal 2000 to 2001		
	State Funds	Federal Funds	All Funds	State Funds	Federal Funds	All Funds
NEW ENGLAND						
Connecticut	12.2%	-15.0%	9.9%	-7.0%	0.3%	-5.5%
Maine	8.6	12.1	9.3	29.3	35.5	31.6
Massachusetts	16.6	14.9	15.3	-2.5	-6.9	-2.5
New Hampshire	-0.5	10.3	2.7	-0.5	-0.3	0.5
Rhode Island	16.9	10.7	17.1	4.1	16.7	8.7
Vermont	0.8	11.2	3.6	11.3	-1.9	6.0
MID-ATLANTIC						
Delaware	4.5	5.8	4.7	5.6	-8.4	4.3
Maryland	11.8	5.3	10.2	3.3	7.8	3.5
New Jersey	22.9	5.3	18.3	-7.1	41.1	2.3
New York	-12.4	58.7	-3.1	17.8	23.5	19.8
Pennsylvania	8.0	11.0	8.2	5.8	20.4	11.6
GREAT LAKES						
Illinois	7.9	11.3	8.5	8.5	3.0	8.6
Indiana	25.6	2.3	18.7	-16.4	0.8	-12.0
Michigan	-4.5	-7.9	-5.7	-10.1	73.5	9.0
Ohio	7.3	15.1	8.5	17.9	29.6	19.0
Wisconsin	24.8	36.1	26.2	-52.3	-28.8	-49.2
PLAINS						
Iowa	11.4	6.3	9.9	-15.2	4.6	-9.9
Kansas	18.8	12.3	16.4	-5.6	18.9	4.1
Minnesota	2.0	-0.8	1.3	13.6	9.3	12.6
Missouri	-3.7	26.3	3.7	4.4	-4.5	1.9
Nebraska	8.3	8.5	8.3	-3.2	19.3	2.8
North Dakota	-7.2	12.1	4.5	7.3	-17.1	-6.5
South Dakota	8.3	15.5	11.0	10.9	24.9	16.3
SOUTHEAST						
Alabama	77.0	152.4	90.8	51.6	86.1	59.9
Arkansas	6.4	7.6	6.6	7.1	17.3	9.1
Florida	5.8	11.7	6.9	17.3	-9.8	11.4
Georgia	25.5	1.1	9.8	-22.2	6.6	-8.5
Kentucky	-35.2	-6.6	-26.9	7.0	29.3	15.3
Louisiana	6.4	-19.1	0.6	10.0	43.5	12.6
Mississippi	12.3	7.2	9.9	14.1	35.7	19.0
North Carolina	22.1	10.8	22.5	-20.6	-61.9	-32.9
South Carolina	1.9	9.5	5.3	12.0	4.1	8.7
Tennessee	7.8	4.3	5.8	16.5	25.0	19.1
Virginia	11.0	6.0	9.9	7.1	5.4	6.9
West Virginia	-4.2	30.8	4.4	-39.0	-3.4	-28.1
SOUTHWEST						
Arizona	2.1	3.1	2.3	-0.3	4.9	0.6
New Mexico	108.7	18.8	85.0	12.8	85.6	25.1
Oklahoma	4.7	-31.9	-2.8	15.3	61.5	26.0
Texas	6.4	13.7	9.0	6.3	-1.3	3.6
ROCKY MOUNTAIN						
Colorado	5.1	19.8	8.1	7.0	23.7	10.8
Idaho	25.5	-5.0	12.8	19.1	22.7	20.3
Montana	4.1	0.6	2.9	21.3	35.2	26.2
Utah	11.3	4.5	8.7	8.5	8.1	8.2
Wyoming	—	—	—	—	—	—
FAR WEST						
Alaska	-4.7	3.9	-7.7	14.8	27.3	24.1
California	18.5	8.0	15.4	17.8	12.3	22.6
Hawaii	17.5	7.4	13.7	-0.8	2.3	7.7
Nevada	—	—	—	27.0	15.9	24.7
Oregon	29.5	-35.5	5.8	31.5	67.7	39.8
Washington	-2.1	15.3	0.1	-45.9	-0.2	-36.9
ALL STATES						
	8.1	9.9	8.1	3.5	12.8	6.6
Puerto Rico	-3.9	4.4	-2.4	16.7	2.8	14.1

Note: State funds are defined as general funds and other state funds (bonds are excluded).

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 46

ITEMS EXCLUDED FROM ALL OTHER EXPENDITURES

Region/State	Employers Contribution to Pensions	Employer Contributions to Health Benefits	Child Health Insurance Program	Public Health	Community and Institutional for Mental Health	Community and Institutional for Dev. Disabled	Environmental Programs	Parks and Recreation	Housing	General Aid to Local Government
NEW ENGLAND										
Connecticut										
Maine										
Massachusetts							P	P	P	
New Hampshire										
Rhode Island		X								
Vermont										
MID-ATLANTIC										
Delaware										
Maryland										
New Jersey										
New York*	P	P								
Pennsylvania									P	
GREAT LAKES										
Illinois		P							P	P
Indiana										
Michigan*				X	X	X				
Ohio										
Wisconsin										
PLAINS										
Iowa										
Kansas		X								
Minnesota		X								
Missouri										
Nebraska									X	
North Dakota										
South Dakota										X
SOUTHEAST										
Alabama									P	P
Arkansas*			X							
Florida										
Georgia		X	X							
Kentucky		X							X	
Louisiana									X	
Mississippi									P	
North Carolina										
South Carolina										
Tennessee			X							X
Virginia										
West Virginia									X	
SOUTHWEST										
Arizona		X								X
New Mexico		X							X	
Oklahoma										
Texas		X								X
ROCKY MOUNTAIN										
Colorado										
Idaho									X	X
Montana		X								
Utah										
Wyoming										
FAR WEST										
Alaska							X		X	
California										
Hawaii*	P	P	X							
Nevada										
Oregon										
Washington				P						
ALL STATES	2	12	4	2	1	1	2	1	12	7
Puerto Rico										

Excluded=X Partially Excluded=P Not Applicable=N/A

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

All Other Expenditure Notes

Small dollar amounts, when rounded, cause an aberration in the percentage increase. In these instances, the actual dollar amounts should be consulted to determine the exact percentage increase.

Hawaii: Employer contributions to pensions and employer contributions to health benefits are excluded in fiscal 1999 and fiscal 2000 but included in fiscal 2001.

Kentucky: Capital expenditures are made from a separate capital fund. Once the originating funds are transferred into it, they lose their original fund source identity. Therefore, all capital expenditures are reported here as "all other."

Maryland: Figures include academic revenue bonds issued by the University System of Maryland, and bonds issued by the Maryland Environmental Service for the local government infrastructure program. They also include all appropriations in the Board of Public Works, the Departments of Aging, Business and Economic Development, Education, and Health and Mental Hygiene, Maryland Public Television, Maryland Historical Trust grants, Department of Housing and Community Development museum projects, and miscellaneous grants to local governments.

Michigan: Public health and community and institutional care for mentally and developmentally disabled persons are partially reported in the Medicaid totals.

Missouri: Except for higher education institutions and the Department of Transportation, all fringe benefits are appropriated and paid centrally and are therefore included in all other expenditures.

Montana: State general fund reimbursements to local governments for property tax were \$12 million fiscal 1999, \$25 million fiscal 2000, and \$67 million fiscal 2001. Fire costs in fiscal 2001 are anticipated at \$60 million in general funds and \$24 million in federal funds.

New York: While the state budgets most employer contributions to employees' benefits centrally, contributions have been estimated for each expenditure category and distributed accordingly. The portion of employer contributions to employees' benefits not distributed by expenditure category have been included in the "All Other Expenditures" category.

Pennsylvania: Housing excludes the activities of the Pennsylvania Housing Finance Agency.

Rhode Island: Figures include child care.

CHAPTER EIGHT

CAPITAL EXPENDITURES

Capital expenditures are expenditures made for new construction, major repairs and improvements, land purchases and the acquisition of major equipment and existing structures. Minor repairs and routine maintenance are reported as operating expenses. States often find it difficult to report capital expenditures. Given the long-term nature of capital projects, the amount of money appropriated when a project is undertaken will usually not be the amount spent in a single year. For additional information, see *Capital Budgeting in the States* in the publications section of the NASBO website at www.nasbo.org.

This chapter includes capital expenditures for higher education, corrections, transportation, environmental projects, and housing. Capital expenditures not included in these categories due to differences in states' reporting capabilities, or expenditures for items not easily classified are included in the "All Other" category. Tables 47-53 display capital expenditure data.

Total Capital Expenditures

Between fiscal 1999 and fiscal 2000, state capital spending increased by 4.8 percent. From 1991 to 2000, capital spending has increased by an average of 5.3 percent. Fiscal 2001 estimates reflecting capital spending on infrastructure are \$70.7 billion, which would represent an 15.4 percent increase.

Because of the nature of capital spending, such as long construction timetables and unforeseen or delayed project costs, increases in state spending on capital projects are generally followed by a significant slowdown or decrease.

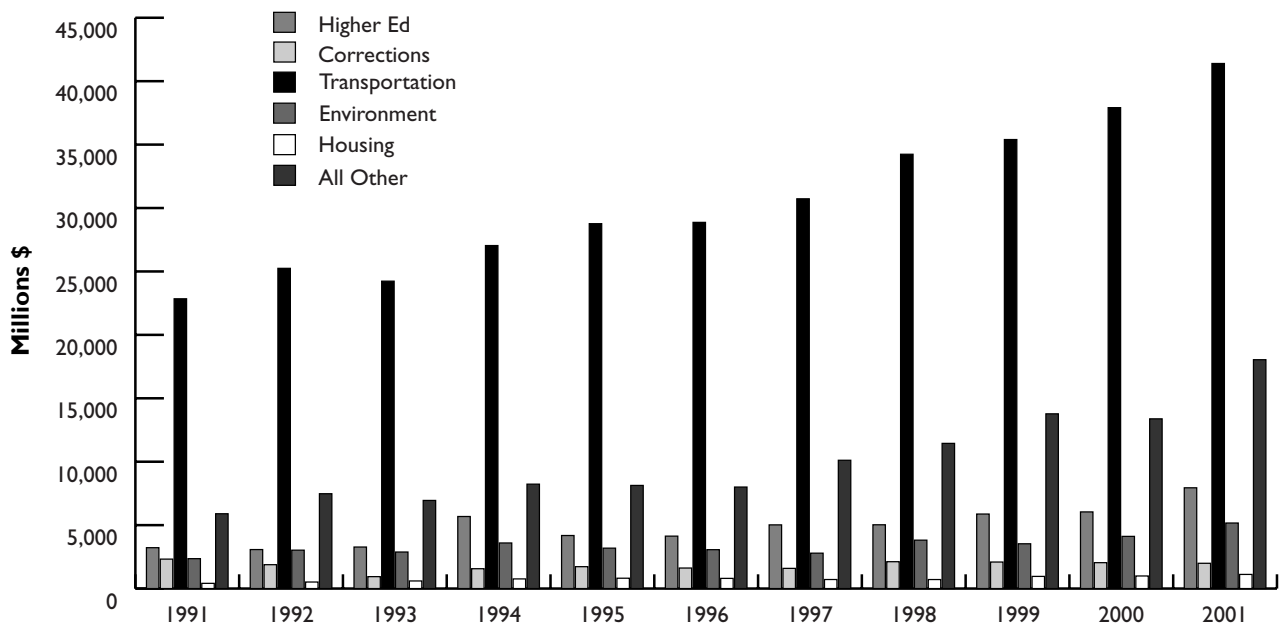
Capital Fund Sources

State spending on capital projects traditionally has come from non-general fund sources, namely bonds (25.7 percent in fiscal 2000) and other state funds such as fees and fund surpluses (43.9 percent in fiscal 2000). Since 1991, bonds and other state funds have comprised 69 percent of capital fund sources, while federal funds average 25.3 percent. State general funds account for only 5.8 percent of capital spending during the same period.

Capital Funds by Use

The single largest state capital expenditure category is **transportation**, comprising 60.3 percent (\$36.9 billion) of all capital expenditures in fiscal 2000. If estimated fiscal 2001 figures hold true, transportation-related capital spending will increase by 9.6 percent.

Figure 20
CAPITAL EXPENDITURES BY TYPE, FISCAL 1991 TO 2001



Higher education grew 3.4 percent from fiscal 1999 levels, totaling approximately \$6 billion, or 9.8 percent of fiscal 2000 total capital spending. It is estimated to grow 32.2 percent in fiscal 2001.

Corrections capital expenditures shrank slightly in fiscal 2000, totaling \$2 billion, a 2.9 percent decrease compared to fiscal 1999.

State capital spending for **environmental** purposes in fiscal 2000 is \$4 billion, 6.7 percent of total capital spending and a 17.4 percent increase over fiscal 1999.

Housing capital expenditures account for just 1.2 percent of total fiscal 2000 capital spending, at \$716 million, an 11.6 percent decrease from the previous year.

State spending for **all other** purposes totaled \$11.2 billion, amounting to 18.4 percent of total capital spending, and reflecting a 2.7 percent decrease from fiscal 1999.

Figure 21
TOTAL CAPITAL EXPENDITURES BY FUNDING SOURCE,
FISCAL 2000

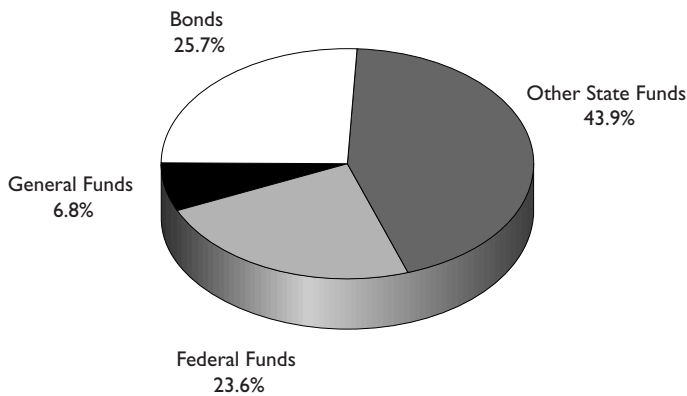


Table 47

TOTAL CAPITAL EXPENDITURES (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999					Actual Fiscal 2000					Estimated Fiscal 2001				
	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total
NEW ENGLAND															
Connecticut	\$0	\$505	\$10	\$1,145	\$1,660	\$0	\$473	\$47	\$1,293	\$1,813	\$35	\$561	\$12	\$1,332	\$1,940
Maine	6	100	38	31	174	22	116	37	15	191	25	164	196	37	422
Massachusetts*	109	586	993	1,000	2,687	80	487	1,049	990	2,606	52	781	1,117	1,248	3,198
New Hampshire	0	12	130	55	197	0	9	157	52	217	0	9	158	61	228
Rhode Island	80	108	95	73	356	99	103	108	94	403	118	141	192	144	595
Vermont	0	0	0	38	38	0	0	1	37	38	0	0	2	46	47
MID-ATLANTIC															
Delaware	77	112	197	133	519	81	119	148	171	519	83	128	148	156	515
Maryland*	210	402	717	491	1,820	321	460	832	504	2,118	593	680	796	529	2,598
New Jersey	680	558	0	843	2,081	741	533	0	868	2,141	1,186	621	0	1,070	2,876
New York	0	1,232	924	1,905	4,061	0	1,438	925	1,861	4,224	0	1,394	1,082	1,863	4,339
Pennsylvania*	0	0	0	660	660	0	0	0	562	562	0	0	0	1,035	1,035
GREAT LAKES															
Illinois	42	0	1,052	482	1,577	35	0	1,479	830	2,343	32	0	1,502	1,259	2,793
Indiana*	191	251	1,087	123	1,652	200	337	1,192	195	1,924	269	440	510	35	1,253
Michigan*	443	890	1,588	316	3,237	442	1,182	1,467	400	3,491	336	1,103	1,604	323	3,366
Ohio	18	581	446	1,109	2,154	24	659	560	1,174	2,417	65	903	507	1,249	2,723
Wisconsin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PLAINS															
Iowa	0	0	123	35	158	0	0	136	33	170	0	0	244	33	277
Kansas	102	222	108	80	512	78	161	108	29	375	63	308	125	251	747
Minnesota	299	106	573	307	1,285	153	90	536	313	1,092	408	254	741	335	1,738
Missouri	202	37	1,234	64	1,537	101	25	1,736	90	1,952	167	1	1,183	342	1,693
Nebraska	35	1	531	0	568	74	9	618	0	701	46	0	554	0	601
North Dakota	16	146	72	3	238	16	182	72	39	308	17	191	75	22	305
South Dakota	7	158	114	2	280	11	185	125	4	325	7	224	111	4	345
SOUTHEAST															
Alabama*	1	NA	560	0	561	1	NA	670	0	671	0	NA	2,179	0	2,179
Arkansas	2	4	89	53	148	0	8	144	31	182	0	3	175	34	212
Florida*	276	963	5,092	2,192	8,522	277	1,218	6,515	1,312	9,322	642	1,262	3,669	1,815	7,388
Georgia	22	658	269	955	1,904	13	648	280	565	1,506	2	713	23	664	1,402
Kentucky*	0	0	393	0	393	0	0	330	0	330	0	0	2,110	0	2,110
Louisiana	17	429	529	363	1,339	52	451	643	218	1,363	31	424	578	109	1,143
Mississippi	41	204	463	230	939	48	228	417	253	946	44	273	416	420	1,153
North Carolina	337	0	4	450	791	167	0	11	200	378	83	0	9	650	742
South Carolina	37	41	610	85	774	19	50	546	199	814	55	43	745	455	1,299
Tennessee*	18	469	489	245	1,221	15	636	376	124	1,150	26	679	374	185	1,264
Virginia	80	4	105	255	444	137	5	100	186	428	117	3	131	146	397
West Virginia	27	301	309	92	730	16	362	321	204	903	14	559	280	217	1,070
SOUTHWEST															
Arizona	414	341	278	224	1,257	220	383	280	251	1,133	506	346	320	287	1,459
New Mexico*	0	0	279	0	279	4	6	12	0	22	10	4	25	0	39
Oklahoma	67	309	654	53	1,083	44	369	559	175	1,146	70	590	429	151	1,240
Texas*	NA	NA	NA	NA	690	NA	NA	NA	NA	758	NA	NA	NA	NA	NA550
ROCKY MOUNTAIN															
Colorado	0	340	1,131	0	1,470	0	440	1,241	0	1,680	0	335	1,063	439	1,836
Idaho	0	113	65	5	183	0	141	109	5	254	0	211	128	5	343
Montana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utah	301	219	278	289	1,086	306	204	271	123	903	429	209	340	15	992
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST															
Alaska	86	586	305	226	1,203	83	849	205	0	1,136	77	811	165	172	1,225
California	169	1,195	514	575	2,453	244	1,099	796	681	2,820	2,248	1,744	-607	1,592	4,977
Hawaii	0	89	202	319	610	0	84	220	291	595	0	142	206	513	861
Nevada*	6	170	177	156	510	0	152	186	0	338	0	186	200	100	486
Oregon	0	0	0	359	359	0	0	0	602	602	0	0	0	434	434
Washington	0	322	1,043	666	2,031	0	371	997	602	1,970	0	509	1,056	765	2,330
TOTAL	\$4,420	\$12,766	\$23,868	\$16,686	\$58,430	\$4,122	\$14,269	\$26,557	\$15,575	\$61,281	\$7,852	\$16,948	\$24,872	\$20,539	\$70,760
Puerto Rico	36	425	3,128	0	3,590	87	593	2,833	0	3,513	25	845	4,304	0	5,174

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 48

HIGHER EDUCATION CAPITAL EXPENDITURES (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999					Actual Fiscal 2000					Estimated Fiscal 2001				
	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total
NEW ENGLAND															
Connecticut	\$0	\$0	\$0	\$88	\$88	\$0	\$0	\$0	\$98	\$98	\$0	\$0	\$0	\$182	\$182
Maine	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Massachusetts	0	0	69	38	107	0	0	73	47	120	0	0	75	48	123
New Hampshire	0	0	0	5	5	0	0	0	8	8	0	0	0	13	13
Rhode Island	11	0	5	13	29	0	0	13	15	28	0	0	22	29	51
Vermont	0	0	0	3	3	0	0	0	4	4	0	0	0	10	10
MID-ATLANTIC															
Delaware	6	0	1	18	25	10	0	5	4	19	15	5	4	10	34
Maryland	12	0	32	88	132	25	0	25	113	163	194	0	25	155	374
New Jersey	9	0	0	14	23	3	0	0	2	5	11	0	0	0	11
New York	0	0	60	171	231	0	0	75	241	316	0	0	108	175	283
Pennsylvania	0	0	0	102	102	0	0	0	61	61	0	0	0	149	149
GREAT LAKES															
Illinois	5	0	0	102	107	2	0	0	112	114	0	0	0	175	175
Indiana	73	0	0	26	99	69	0	1	191	261	80	0	5	35	120
Michigan*	40	0	0	46	86	56	0	0	195	251	0	0	0	130	130
Ohio	0	0	0	264	264	0	0	0	268	268	0	0	0	399	399
Wisconsin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PLAINS															
Iowa	0	0	47	0	47	0	0	20	0	20	0	0	41	0	41
Kansas	1	0	34	6	41	1	0	25	6	32	0	0	44	6	50
Minnesota	35	5	0	87	127	39	1	0	117	157	35	5	0	115	155
Missouri	129	0	11	0	140	48	0	38	0	86	134	0	6	0	140
Nebraska	15	0	41	0	56	12	0	57	0	69	11	0	10	0	21
North Dakota	10	0	5	3	18	12	0	0	3	15	13	0	0	15	28
South Dakota	2	1	35	2	40	6	2	18	4	30	2	1	11	4	18
SOUTHEAST															
Alabama	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Arkansas	0	0	14	53	67	0	0	28	31	59	0	0	57	34	91
Florida	21	0	66	493	580	66	0	32	307	405	58	0	16	402	476
Georgia	0	0	0	174	174	0	0	0	202	202	0	0	0	271	271
Kentucky	0	0	117	0	117	0	0	134	0	134	0	0	1,192	0	1,192
Louisiana	4	0	220	103	327	2	0	257	71	330	20	2	108	48	178
Mississippi	17	1	85	51	154	21	2	42	99	164	22	4	93	119	238
North Carolina	189	0	0	0	189	104	0	0	0	104	46	0	0	250	296
South Carolina	2	17	146	58	223	1	1	101	57	160	17	10	85	217	329
Tennessee	6	0	10	196	212	7	0	0	27	34	16	0	0	67	83
Virginia	49	0	73	169	291	99	1	62	147	309	84	1	97	116	298
West Virginia	0	0	51	36	87	0	0	63	32	95	0	0	65	33	98
SOUTHWEST															
Arizona	40	0	0	0	40	10	0	0	0	10	10	0	0	0	10
New Mexico	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oklahoma	3	0	59	48	110	0	0	41	17	58	0	0	106	27	133
Texas	224	0	0	0	224	224	0	0	0	224	224	0	0	0	224
ROCKY MOUNTAIN															
Colorado	0	2	296	0	298	0	11	499	0	510	0	7	267	0	274
Idaho	0	0	16	0	16	0	0	14	1	15	0	0	20	1	21
Montana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utah	20	0	0	11	31	18	5	1	43	67	122	0	0	0	122
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST															
Alaska	1	0	7	54	62	1	0	4	0	5	0	5	16	62	83
California	16	0	0	295	311	0	0	0	435	435	156	0	0	366	522
Hawaii	0	0	0	44	44	0	0	1	75	76	0	1	0	28	29
Nevada	6	1	34	86	127	0	0	0	0	0	0	0	0	0	0
Oregon	0	0	0	0	0	0	0	0	93	93	0	0	0	29	29
Washington	0	1	25	301	327	0	3	44	315	362	0	3	94	298	395
TOTAL	\$946	\$28	\$1,559	\$3,248	\$5,781	\$836	\$26	\$1,673	\$3,441	\$5,976	\$1,270	\$44	\$2,567	\$4,018	\$7,899
Puerto Rico	0	0	96	0	96	0	0	71	0	71	0	0	52	0	52

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 49

CORRECTIONS CAPITAL EXPENDITURES (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999					Actual Fiscal 2000					Estimated Fiscal 2001				
	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total
NEW ENGLAND															
Connecticut	\$0	\$0	\$0	\$1	\$1	\$0	\$0	\$0	\$10	\$10	\$0	\$0	\$0	\$20	\$20
Maine	0	0	2	0	2	0	4	0	0	4	0	0	57	0	57
Massachusetts	0	0	2	37	39	0	0	2	34	36	0	0	4	28	32
New Hampshire	0	0	0	16	16	0	0	0	15	15	0	0	0	4	4
Rhode Island	13	0	2	0	15	1	0	1	0	2	2	1	7	0	10
Vermont	0	0	0	1	1	0	0	0	1	1	0	0	0	4	4
MID-ATLANTIC															
Delaware	13	6	1	30	50	11	4	0	24	39	6	4	1	16	27
Maryland	0	0	0	71	71	5	11	10	53	79	19	0	0	48	67
New Jersey	9	0	0	1	10	10	0	0	7	17	33	0	0	1	34
New York	0	30	3	336	369	0	77	2	268	347	0	34	6	210	250
Pennsylvania	0	0	0	67	67	0	0	0	52	52	0	0	0	86	86
GREAT LAKES															
Illinois	11	0	0	50	61	7	0	0	151	158	3	0	0	145	148
Indiana	19	0	23	97	139	28	0	19	45	92	58	0	13	0	71
Michigan	6	9	0	86	101	8	10	0	105	123	9	1	0	36	46
Ohio	0	0	0	109	109	0	0	0	159	159	0	0	0	135	135
Wisconsin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PLAINS															
Iowa	0	0	8	10	18	0	0	12	9	21	0	0	11	8	19
Kansas	7	1	7	0	15	7	0	10	0	17	7	13	12	0	32
Minnesota	14	3	1	45	63	5	4	0	21	30	5	13	0	20	38
Missouri	31	0	0	0	31	5	0	1	8	14	1	0	4	0	5
Nebraska	7	0	2	0	9	40	5	0	0	45	27	0	0	0	27
North Dakota	0	2	0	0	2	0	0	0	2	2	1	2	2	0	5
South Dakota	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SOUTHEAST															
Alabama	0	4	2	0	6	1	2	0	0	3	0	3	3	0	6
Arkansas	0	2	12	0	14	0	7	12	0	19	0	3	15	0	18
Florida	62	54	2	0	118	30	29	13	0	72	37	61	8	0	106
Georgia	1	0	0	35	36	1	0	0	18	19	1	0	0	29	30
Kentucky	0	0	30	0	30	0	0	19	0	19	0	0	140	0	140
Louisiana	0	0	50	19	69	0	5	11	12	28	0	0	9	2	11
Mississippi	4	0	1	0	5	3	0	1	3	7	2	0	2	22	26
North Carolina	3	0	0	0	3	0	0	0	0	0	0	0	0	0	0
South Carolina	13	12	1	2	28	3	5	2	4	14	10	12	3	27	52
Tennessee	0	10	12	0	22	0	8	6	0	14	0	15	10	21	46
Virginia	2	0	9	17	28	13	2	1	4	20	9	2	2	3	16
West Virginia	0	6	1	0	7	0	0	2	0	2	1	0	0	0	1
SOUTHWEST															
Arizona	12	2	47	0	61	1	0	18	0	19	0	0	22	0	22
New Mexico	0	0	5	0	5	0	6	3	0	9	0	4	10	0	14
Oklahoma	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Texas	42	0	0	0	42	64	15	22	0	101	25	11	0	0	36
ROCKY MOUNTAIN															
Colorado	0	0	143	0	143	0	0	8	0	8	0	0	17	0	17
Idaho	0	0	2	3	5	0	0	2	3	5	0	0	1	3	4
Montana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utah	9	0	4	9	22	4	4	0	0	8	0	4	0	0	4
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST															
Alaska	0	1	0	1	2	1	1	0	0	2	0	1	1	0	2
California	38	0	0	7	45	61	4	0	6	71	131	0	0	0	131
Hawaii	0	1	0	3	4	0	-1	0	3	2	0	0	0	1	1
Nevada	0	11	0	37	48	0	0	0	0	0	0	0	0	0	0
Oregon	0	0	0	0	0	0	0	0	184	184	0	0	0	25	25
Washington	0	7	2	131	140	0	1	2	119	122	0	11	2	85	98
TOTAL	\$316	\$161	\$374	\$1,221	\$2,072	\$309	\$203	\$179	\$1,320	\$2,011	\$387	\$195	\$362	\$979	\$1,923
Puerto Rico	0	0	26	0	26	0	0	25	0	25	0	0	75	0	75

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 50

TRANSPORTATION CAPITAL EXPENDITURES (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999					Actual Fiscal 2000					Estimated Fiscal 2001				
	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total
NEW ENGLAND															
Connecticut	\$0	\$505	\$10	\$166	\$681	\$0	\$473	\$47	\$188	\$708	\$35	\$561	\$12	\$181	\$789
Maine	0	94	27	27	148	6	109	26	14	155	8	155	97	18	278
Massachusetts	91	580	850	508	2,029	53	485	947	521	2,006	50	740	965	708	2,463
New Hampshire	0	12	130	7	149	0	9	157	3	169	0	9	158	9	176
Rhode Island	0	105	58	32	195	0	100	18	32	150	0	128	70	34	232
Vermont	0	0	0	1	1	0	0	1	1	2	0	0	2	0	2
MID-ATLANTIC															
Delaware	0	107	127	29	263	0	115	76	84	275	0	119	91	70	280
Maryland	0	399	513	0	912	0	448	472	0	920	0	678	512	0	1,190
New Jersey	465	553	0	531	1,549	478	524	0	613	1,615	701	609	0	736	2,046
New York	0	1,085	619	780	2,484	0	1,137	525	890	2,552	0	1,151	527	931	2,609
Pennsylvania*	0	0	0	142	142	0	0	0	128	128	0	0	0	155	155
GREAT LAKES															
Illinois	0	0	1,042	40	1,082	0	0	1,472	124	1,596	0	0	1,494	354	1,848
Indiana	38	251	486	0	775	1	337	469	0	807	2	440	397	0	839
Michigan	18	723	1,406	36	2,183	15	1,007	1,288	5	2,315	0	925	1,461	5	2,391
Ohio	8	569	428	335	1,340	7	638	536	373	1,554	8	868	445	189	1,510
Wisconsin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PLAINS															
Iowa	0	0	4	0	4	0	0	7	0	7	0	0	7	0	7
Kansas	88	207	48	74	417	62	159	52	23	296	52	290	50	245	637
Minnesota	3	80	528	13	624	62	77	501	19	659	330	208	685	45	1,268
Missouri	0	0	1,143	0	1,143	0	0	1,406	0	1,406	6	0	1,137	260	1,403
Nebraska	0	0	480	0	480	0	0	547	0	547	0	0	513	0	513
North Dakota	0	133	58	0	191	0	175	57	0	232	0	183	60	0	243
South Dakota	0	151	63	0	214	0	175	92	0	267	0	214	85	0	299
SOUTHEAST															
Alabama	0	0	400	0	400	0	0	538	0	538	0	0	935	0	935
Arkansas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Florida	0	695	3,478	697	4,870	0	1,015	4,470	218	5,703	200	1,074	2,035	369	3,678
Georgia	21	658	269	325	1,273	11	648	280	137	1,076	1	713	23	92	829
Kentucky	0	0	10	0	10	0	0	11	0	11	0	0	45	0	45
Louisiana	1	357	252	33	643	0	409	308	16	733	0	406	240	10	656
Mississippi	0	187	342	125	654	0	210	329	0	539	0	228	241	223	692
North Carolina	0	0	4	0	4	0	0	11	0	11	0	0	9	0	9
South Carolina	4	0	427	15	446	5	0	406	123	534	7	0	592	175	774
Tennessee	0	457	459	0	916	0	625	368	84	1,077	0	648	364	88	1,100
Virginia	0	0	16	34	50	0	0	21	24	45	0	0	18	17	35
West Virginia	0	271	211	56	538	1	332	198	172	703	5	527	179	184	895
SOUTHWEST															
Arizona	0	339	218	224	781	0	383	246	251	880	20	346	269	287	922
New Mexico	0	0	274	0	274	4	0	9	0	13	10	0	15	0	25
Oklahoma	42	281	409	1	733	42	314	409	0	765	46	546	222	0	814
Texas*	0	0	136	0	136	0	0	78	0	78	0	0	128	0	128
ROCKY MOUNTAIN															
Colorado	0	328	498	0	826	0	372	590	0	962	0	292	619	439	1,350
Idaho	0	113	41	0	154	0	141	85	0	226	0	211	97	0	308
Montana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utah	110	212	208	240	770	122	189	197	68	576	134	198	242	6	580
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST															
Alaska	53	486	211	34	784	68	766	82	0	916	60	643	47	6	756
California	0	1,167	504	111	1,782	18	1,026	779	5	1,828	1,550	1,649	-663	102	2,638
Hawaii	0	77	62	29	168	0	83	63	33	179	0	104	122	113	339
Nevada	0	150	129	0	279	0	152	186	0	338	0	186	200	100	486
Oregon	0	0	0	0	0	0	0	0	0	0	0	0	0	58	58
Washington	0	263	583	28	874	0	326	506	27	859	0	419	514	343	1,276
TOTAL	\$942	\$11,595	\$17,161	\$4,673	\$34,371	\$955	\$12,959	\$18,866	\$4,176	\$36,956	\$3,225	\$15,468	\$15,261	\$6,552	\$40,506
Puerto Rico	0	226	807	0	1,033	0	339	627	0	966	0	548	347	0	895

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 51

ENVIRONMENTAL PROJECTS CAPITAL EXPENDITURES (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999					Actual Fiscal 2000					Estimated Fiscal 2001				
	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total
NEW ENGLAND															
Connecticut	\$0	\$0	\$0	\$138	\$138	\$0	\$0	\$0	\$147	\$147	\$0	\$0	\$0	\$148	\$148
Maine	0	0	0	0	0	0	0	0	0	0	1	0	1	0	2
Massachusetts	19	0	13	125	157	27	0	12	131	170	2	0	15	88	105
New Hampshire	0	0	0	6	6	0	0	0	8	8	0	0	0	6	6
Rhode Island	3	2	30	11	46	0	2	11	31	44	0	6	31	44	81
Vermont	0	0	0	9	9	0	0	0	11	11	0	0	0	8	8
MID-ATLANTIC															
Delaware	2	0	39	3	44	1	0	29	0	30	1	0	30	0	31
Maryland	25	0	114	32	171	26	0	283	40	349	25	1	184	44	254
New Jersey	77	6	0	262	345	71	9	0	211	291	103	12	0	303	418
New York	0	72	128	225	425	0	183	135	244	562	0	141	172	222	535
Pennsylvania	0	0	0	19	19	0	0	0	28	28	0	0	0	39	39
GREAT LAKES															
Illinois	1	0	0	50	51	1	0	0	27	28	4	0	0	40	44
Indiana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Michigan	37	102	158	147	444	37	99	159	93	388	37	105	120	151	413
Ohio	1	0	3	98	102	1	0	2	105	108	2	0	14	115	131
Wisconsin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PLAINS															
Iowa	0	0	14	0	14	0	0	28	0	28	0	0	44	0	44
Kansas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minnesota	62	3	16	16	97	13	2	17	23	55	9	10	27	25	71
Missouri	0	0	0	64	64	0	0	0	82	82	0	0	0	82	82
Nebraska	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
North Dakota	0	2	0	0	2	0	0	0	35	35	0	0	0	1	1
South Dakota	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SOUTHEAST															
Alabama	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Arkansas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Florida	80	214	302	300	896	56	174	442	300	972	98	127	740	300	1,265
Georgia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kentucky	0	0	2	0	2	0	0	2	0	2	0	0	21	0	21
Louisiana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mississippi	2	2	10	2	16	5	2	9	24	40	3	1	7	5	16
North Carolina	36	0	0	0	36	28	0	0	175	203	13	0	0	0	13
South Carolina	2	1	6	0	9	0	0	6	0	6	0	2	6	1	9
Tennessee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Virginia	1	2	6	20	29	1	2	2	4	9	1	1	1	3	6
West Virginia	0	18	8	0	26	0	21	9	0	30	0	26	8	0	34
SOUTHWEST															
Arizona	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New Mexico	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oklahoma	4	5	48	1	58	1	6	50	0	57	5	26	22	0	53
Texas	52	NA	NA	NA	52	68	NA	NA	NA	68	96	NA	NA	NA	96
ROCKY MOUNTAIN															
Colorado	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Idaho	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Montana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utah	0	3	0	0	3	0	2	0	0	2	0	6	0	0	6
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST															
Alaska	0	13	42	12	67	4	37	46	0	87	4	37	46	0	87
California	72	0	9	6	87	141	2	12	17	172	260	2	48	698	1,008
Hawaii	0	0	0	10	10	0	0	0	10	10	0	20	0	6	26
Nevada	0	0	0	2	2	0	0	0	0	0	0	0	0	0	0
Oregon	0	0	0	0	0	0	0	0	16	16	0	0	0	10	10
Washington	0	39	7	5	51	0	27	7	11	45	0	51	32	5	88
TOTAL	\$476	\$484	\$955	\$1,563	\$3,478	\$481	\$568	\$1,261	\$1,773	\$4,083	\$664	\$574	\$1,569	\$2,344	\$5,151
Puerto Rico	0	0	57	0	57	0	0	30	0	30	0	0	17	0	17

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 52

HOUSING CAPITAL EXPENDITURES (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999					Actual Fiscal 2000					Estimated Fiscal 2001				
	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total
NEW ENGLAND															
Connecticut	\$0	\$0	\$0	\$14	\$14	\$0	\$0	\$0	\$13	\$13	\$0	\$0	\$0	\$14	\$14
Maine	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Massachusetts	0	0	11	72	83	0	0	1	79	80	0	0	0	75	75
New Hampshire	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vermont	0	0	0	3	3	0	0	0	2	2	0	0	0	1	1
MID-ATLANTIC															
Delaware	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Maryland	18	0	15	15	48	18	0	15	16	49	25	0	16	14	55
New Jersey	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New York	0	6	0	105	111	0	2	4	91	97	0	10	3	98	111
Pennsylvania	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GREAT LAKES															
Illinois	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Indiana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Michigan	0	54	14	0	68	0	60	14	0	74	0	65	15	0	80
Ohio	0	12	14	0	26	0	21	21	0	42	0	35	30	0	65
Wisconsin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PLAINS															
Iowa	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kansas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minnesota	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Missouri	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nebraska	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
North Dakota	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
South Dakota	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SOUTHEAST															
Alabama	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Arkansas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Florida	0	0	167	0	167	0	0	184	0	184	0	0	171	0	171
Georgia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kentucky	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Louisiana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mississippi	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
North Carolina	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
South Carolina	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tennessee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Virginia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
West Virginia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SOUTHWEST															
Arizona	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New Mexico	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oklahoma	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Texas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ROCKY MOUNTAIN															
Colorado	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Idaho	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Montana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utah	2	3	0	0	5	2	4	0	0	6	5	4	0	9	
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
FAR WEST															
Alaska	0	13	0	15	28	0	10	23	0	33	1	14	17	4	36
California	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hawaii	0	0	0	10	10	0	0	0	1	1	0	15	0	27	42
Nevada	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oregon	0	0	0	209	209	0	0	0	107	107	0	0	0	138	138
Washington	0	0	0	27	27	0	0	1	27	28	0	0	5	34	39
TOTAL	\$20	\$88	\$221	\$470	\$799	\$20	\$97	\$263	\$336	\$716	\$31	\$143	\$257	\$405	\$836
Puerto Rico	0	100	60	0	160	0	175	103	0	278	0	211	71	0	282

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table 53

ALL OTHER CAPITAL EXPENDITURES (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999					Actual Fiscal 2000					Estimated Fiscal 2001				
	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total	General Fund	Federal Funds	Other State Funds	Bonds	Total
NEW ENGLAND															
Connecticut	\$0	\$0	\$0	\$738	\$738	\$0	\$0	\$0	\$838	\$838	\$0	\$0	\$0	\$789	\$789
Maine	6	5	10	4	25	16	3	11	1	31	16	9	42	19	86
Massachusetts	0	6	48	220	274	0	3	14	178	195	0	41	59	303	403
New Hampshire	0	0	0	22	22	0	0	0	18	18	0	0	0	29	29
Rhode Island	53	1	1	17	72	98	1	65	16	180	116	6	62	37	221
Vermont	0	0	0	22	22	0	0	0	18	18	0	0	0	23	23
MID-ATLANTIC															
Delaware	56	0	29	54	139	58	0	39	60	157	61	0	22	60	143
Maryland	155	3	44	285	487	247	1	28	282	558	330	2	60	268	660
New Jersey	120	0	0	36	156	178	0	0	36	214	338	0	0	30	368
New York	0	39	114	288	441	0	38	185	127	350	0	58	266	227	551
Pennsylvania	0	0	0	330	330	0	0	0	293	293	0	0	0	606	606
GREAT LAKES															
Illinois	25	0	10	241	276	25	0	6	415	446	26	0	8	545	579
Indiana	61	0	579	0	640	101	0	703	0	804	129	0	95	0	224
Michigan	342	2	10	0	354	326	7	6	0	339	289	7	9	0	305
Ohio	10	0	1	304	315	17	0	1	269	287	55	0	17	411	483
Wisconsin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PLAINS															
Iowa	0	0	52	25	77	0	0	69	24	93	0	0	141	25	166
Kansas	7	14	18	0	39	8	2	22	0	32	4	4	20	0	28
Minnesota	185	15	28	146	374	34	6	18	133	191	29	18	29	130	206
Missouri	42	37	80	0	159	47	25	291	0	363	26	1	36	0	63
Nebraska	13	1	9	0	23	21	5	14	0	40	9	0	32	0	41
North Dakota	6	9	8	0	23	3	7	14	0	24	3	6	14	5	28
South Dakota	4	6	15	0	25	5	8	16	0	29	5	8	16	0	29
SOUTHEAST															
Alabama	1	1	0	0	2	0	66	0	0	66	0	1,025	0	0	1,025
Arkansas	2	2	62	0	66	0	1	104	0	105	0	0	103	0	103
Florida	113	0	1,077	702	1,892	125	0	1,374	486	1,985	248	0	700	744	1,692
Georgia	0	0	0	421	421	0	0	0	209	209	0	0	0	273	273
Kentucky	0	0	234	0	234	0	0	164	0	164	0	0	712	0	712
Louisiana	13	72	7	208	300	49	36	68	120	273	11	16	222	49	298
Mississippi	19	15	25	52	111	20	14	36	127	197	17	41	74	52	184
North Carolina	110	0	0	450	560	36	0	0	25	61	24	0	0	400	424
South Carolina	18	12	32	10	72	10	43	31	15	99	22	19	60	35	136
Tennessee	12	2	8	48	70	8	3	2	13	26	9	16	0	10	35
Virginia	28	2	1	15	46	25	0	13	6	44	24	0	14	7	45
West Virginia	27	6	39	0	72	15	9	49	0	73	8	6	27	0	41
SOUTHWEST															
Arizona	363	0	14	0	377	209	0	16	0	225	476	0	29	0	505
New Mexico	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oklahoma	18	22	138	4	182	1	49	58	158	266	19	18	79	124	240
Texas	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
ROCKY MOUNTAIN															
Colorado	0	10	193	0	203	0	57	144	0	201	0	36	159	0	195
Idaho	0	0	6	2	8	0	0	8	2	10	0	0	10	2	12
Montana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utah	162	1	66	29	258	160	1	72	12	245	169	-1	97	9	274
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST															
Alaska	31	74	45	111	261	9	35	50	0	94	12	112	39	99	262
California	44	27	1	155	227	24	67	5	219	315	151	92	8	426	677
Hawaii	0	11	140	223	374	0	2	156	170	328	0	3	84	339	426
Nevada	0	8	14	32	54	0	0	0	0	0	0	0	0	0	0
Oregon*	0	0	0	150	150	0	0	0	202	202	0	0	0	173	173
Washington	0	12	426	174	612	0	15	438	105	558	0	27	409	0	436
TOTAL	\$2,046	\$415	\$3,584	\$5,518	\$11,563	\$1,875	\$504	\$4,290	\$4,577	\$11,246	\$2,626	\$1,570	\$3,754	\$6,247	\$14,197
Puerto Rico	36	99	2,083	0	2,218	87	79	1,977	0	2,143	25	86	3,742	0	3,853

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Capital Spending Notes

Alabama: Capital expenditures from federal funds and other state funds cannot be broken out separately.

Florida: The Florida Legislature provided \$200.2 million in general revenue to the Florida Department of Transportation (DOT) in fiscal 2000 for projects related to the Mobility 2000 (Building Roads for the 21st Century) initiative. The funds were transferred to DOT and then placed in the State Transportation Trust Fund to be used for capital projects.

Indiana: Bond figures include project appropriations approved during the fiscal year.

Kentucky: Capital expenditures are made from a separate capital fund. Once the originating funds are transferred into it, they lose their original fund source identity. Therefore, all capital expenditures are reported here as "all other."

Maryland: Figures include programs funded through the Department of Housing and Community Development, excluding the Maryland Historical Trust programs and museum projects. Revenue bonds issued for the Local Government Infrastructure Program are excluded. Environmental spending includes programs and projects funded in the Departments of Agriculture, Environment, and Natural Resources. It also includes the Maryland Energy Administration, the Maryland Environmental Service (including the local government infrastructure program), and the Asbestos Abatement, CFC Mitigation, and Underground Storage Tank Upgrade/Replacement programs funded in the Board of Public Works.

Massachusetts: The Commonwealth maintains an administrative annual limit on general obligation debt; it is \$1 billion for fiscal 1999 through fiscal 2001. Fiscal 2001 includes \$248 million in special obligation bonds for proposed convention center construction. Federal funds disbursed directly to local housing authorities for capital housing projects are not included.

Michigan: Higher education capital expenditures made from non-state funds are excluded.

Nevada: Transportation data reflect funds by year spent. Other capital spending is tracked by project, and by year authorized by the biennial legislature. Except for transportation, figures for fiscal 1999 were authorized by the 1999 legislature, spending began in fiscal 2000, and authority lasts four years. The next capital improvement program will be authorized this spring by the 2001 legislature.

New Mexico: Environmental spending includes direct appropriations only; federal loans are excluded.

Pennsylvania: While federal funds for transportation capital expenditures are anticipated, they are not included due to the difficulty in estimating the varying reimbursement and match requirements.

Tennessee: Bond estimates represent bond authorizations, while actual bond figures represent bond proceeds utilized.

Texas: Separate figures by fund category cannot easily be identified. Figures in all fund categories reflect appropriated, not expended, amounts only. Totals include the Higher Education Fund, which excludes capital expenditures from formula appropriations to institutions of higher education.

CHAPTER NINE
REVENUE SOURCES
IN THE GENERAL FUND

States' general fund revenue is estimated to total \$453.4 billion in fiscal 2000. The major sources of states' general fund revenues are shown in Table 54. Sales and compensating use taxes represent 33.3 percent of total general fund revenue, personal income taxes account for 41.6 percent, and corporate income taxes equal 7.6 percent. Combined, these sources represent 82.5 percent of general fund revenues. Also displayed in the table are gaming taxes, which represent 0.8 percent of the total, and other taxes and fees, amounting to 16.7 percent.

Although sales, personal income, and corporate income taxes are the most significant sources of general fund revenues, states use a variety of taxes and fees to finance their general funds. These include gaming taxes, lottery funds, and motor vehicle taxes, all of which often are earmarked for special purposes or specific funds.

What is referred to as "other taxes and fees" in the general fund may include cigarette and tobacco taxes, alcoholic beverage taxes, insurance premiums, severance taxes, licenses and fees for permits, inheritances taxes, and charges for state-provided services.

Table 55 illustrates the major items that are excluded from general fund revenue sources. For example, property taxes are a mainstay of local government finance and the majority of states exclude them from both their general funds and their revenue bases. However, many states use aid to local governments or other subsidies to help reduce the amount of property taxes local governments require.

Trends in State Tax Actions. States enjoyed overall fiscal health throughout 2000. As a result, governors enacted \$5.8 billion in tax and fee reductions in their fiscal 2001 budgets. This marked the seventh consecutive year that states cut taxes, totaling \$33.8 billion over that period. By contrast, net state tax reductions occurred only twice during the 1980s, equaling just more than \$3 billion. Most of the fiscal 2000 tax cuts focus on reducing personal income and sales taxes. Presently, nine states do not have broad-based personal income taxes: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming.

Revenue Collections. Throughout 2000, as the stock market surged and consumer confidence rose, states enjoyed especially healthy revenue collections, benefiting from large capital gains realizations, growth in partnership income, large bonuses, and strong retail sales. However, the more recent economic slowdown has caused the hefty rate of revenue growth that surprised many states during the past few fiscal years to become less certain.

Figure 22
REVENUE SOURCES IN THE GENERAL FUND

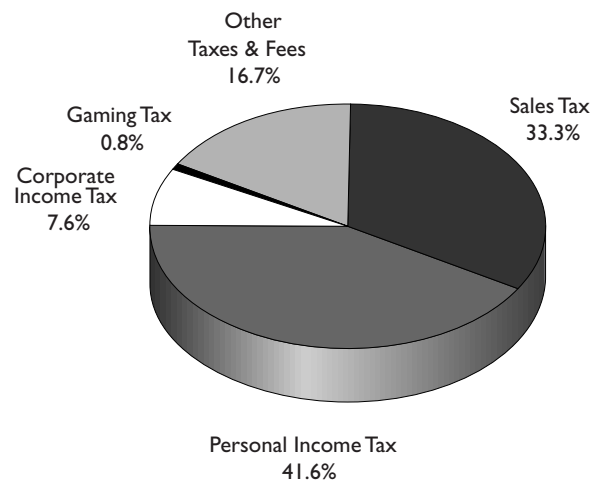


Table 54

REVENUE SOURCES IN THE GENERAL FUND (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999						Actual Fiscal 2000						Estimated Fiscal 2001					
	Sales Tax	Income Tax	Income Tax	Gaming Tax	Other Taxes & Fees	Total	Sales Tax	Income Tax	Income Tax	Gaming Tax	Other Taxes & Fees	Total	Sales Tax	Income Tax	Income Tax	Gaming Tax	Other Taxes & Fees	Total
NEW ENGLAND																		
Connecticut	2,932	3,821	620	569	2,675	10,616	3,097	4,238	588	579	2,712	11,214	4,681	3,191	590	595	2,886	11,943
Maine	814	1,005	145	1	272	2,237	847	1,075	150	1	322	2,395	833	1,121	114	1	292	2,361
Massachusetts*	3,269	8,037	1,009	8	2,762	15,084	3,562	9,042	1,131	12	1,647	15,394	3,740	9,364	1,089	13	1,729	15,935
New Hampshire	0	0	258	3	778	1,039	0	0	317	3	1,455	1,776	0	0	360	3	1,455	1,818
Rhode Island	565	758	67	139	520	2,048	631	817	69	156	602	2,274	741	864	74	183	662	2,524
Vermont	206	384	46	0	206	841	217	432	41	0	196	886	221	437	41	0	188	886
MID-ATLANTIC																		
Delaware	0	771	93	0	1,327	2,191	0	733	106	0	1,440	2,279	0	732	106	0	1,487	2,326
Maryland	2,299	4,296	306	352	1,271	8,524	2,478	4,746	319	368	1,308	9,219	2,592	4,884	336	373	1,199	9,384
New Jersey	5,054	6,324	1,465	668	4,653	18,164	5,508	7,205	1,486	737	4,944	19,880	5,839	8,310	1,463	731	4,711	21,054
New York	5,697	20,080	4,857	37	2,648	33,319	6,141	20,339	4,561	36	2,534	33,611	6,296	23,791	4,463	32	1,875	36,457
Pennsylvania*	6,606	6,684	1,725	0	4,212	19,227	7,018	7,066	1,860	0	4,312	20,257	7,256	7,560	1,867	0	3,998	20,681
GREAT LAKES																		
Illinois	5,609	7,226	1,121	787	3,213	17,956	6,027	7,686	1,237	852	3,557	19,359	6,150	8,000	1,120	937	3,833	20,040
Indiana	3,396	3,699	1,044	0	744	8,883	3,651	3,753	985	0	753	9,143	3,701	4,016	950	0	724	9,390
Michigan*	988	5,056	2,284	7	1,128	9,463	1,048	5,166	2,324	7	1,242	9,788	1,043	5,123	2,247	7	1,202	9,622
Ohio	5,545	6,417	1,084	0	2,591	15,637	5,914	7,232	969	0	2,206	16,321	6,075	7,450	950	0	2,530	17,005
Wisconsin	3,285	5,162	635	0	866	9,948	3,502	5,962	645	0	838	10,946	3,698	5,072	601	0	811	10,182
PLAINS																		
Iowa	1,620	2,234	322	97	649	4,922	1,663	2,376	326	96	679	5,140	1,722	2,524	320	93	719	5,377
Kansas	1,599	1,695	227	0	458	3,978	1,650	1,855	250	0	448	4,203	1,705	1,990	232	0	559	4,486
Minnesota	3,432	5,321	777	66	271	9,867	3,754	5,556	800	65	1,083	11,258	3,952	5,885	862	62	1,879	12,640
Missouri*	1,619	3,670	188	0	652	6,128	1,715	3,658	254	0	507	6,134	1,797	3,964	260	0	467	6,487
Nebraska*	745	1,079	135	0	166	2,124	900	1,180	140	0	183	2,404	936	1,264	150	0	180	2,530
North Dakota	345	181	58	11	146	740	355	197	48	13	158	771	381	202	47	14	162	805
South Dakota	406	0	0	91	254	751	432	0	0	91	259	782	459	0	0	91	268	818
SOUTHEAST																		
Alabama	1,530	1,855	213	4	1,338	4,940	1,558	2,010	221	4	1,453	5,245	1,566	2,069	95	4	1,430	5,164
Arkansas	1,532	1,665	254	6	235	3,692	1,632	1,712	253	6	247	3,851	1,714	1,801	237	6	234	3,993
Florida	12,707	0	1,472	14	3,676	17,869	13,784	0	1,407	13	3,614	18,817	14,014	0	1,506	16	3,826	19,362
Georgia	4,297	6,514	0	0	2,729	13,540	4,568	7,102	0	0	3,291	14,960	4,541	7,023	0	0	2,908	14,472
Kentucky	2,264	2,532	312	0	1,085	6,193	2,171	2,702	306	0	1,299	6,478	2,375	2,833	324	0	1,281	6,813
Louisiana	2,269	1,536	583	349	978	5,714	2,314	1,595	491	316	1,142	5,858	2,484	1,696	496	322	1,174	6,172
Mississippi	1,481	974	298	142	386	3,281	1,530	1,005	296	158	384	3,373	1,575	1,059	282	169	420	3,506
North Carolina	3,376	6,607	849	0	1,903	12,734	3,355	7,080	903	0	1,797	13,135	3,579	7,505	682	0	1,887	13,653
South Carolina	1,890	1,986	215	0	840	4,931	1,981	2,099	174	0	745	4,999	2,098	2,645	231	0	741	5,714
Tennessee	4,124	105	447	0	1,494	6,169	4,366	118	445	0	1,791	6,720	4,512	122	543	0	1,660	6,838
Virginia	2,065	6,088	420	N/A	1,129	9,703	2,202	6,829	566	N/A	1,125	10,721	2,298	7,258	477	N/A	1,098	11,130
West Virginia	829	920	168	0	701	2,618	846	966	117	0	710	2,638	873	996	153	0	688	2,710
SOUTHWEST																		
Arizona	2,577	2,097	545	0	416	5,635	2,829	2,289	523	0	319	5,960	3,013	2,453	550	0	279	6,295
New Mexico	1,362	803	161	2	191	2,519	1,415	870	161	19	243	2,709	1,504	930	165	24	362	2,985
Oklahoma	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Texas*	13,041	0	2,078	0	12,758	27,876	13,947	0	2,065	0	10,920	26,932	14,590	0	1,914	0	11,821	28,325
ROCKY MOUNTAIN																		
Colorado	1,887	3,718	289	29	380	6,304	1,961	4,051	289	29	365	6,694	2,052	4,314	290	32	363	7,050
Idaho	589	842	95	0	98	1,624	628	960	125	0	108	1,821	658	1,024	170	0	148	2,000
Montana	0	483	80	13	494	1,070	0	516	91	14	543	1,164	0	548	75	14	565	1,202
Utah	1,316	1,464	184	0	226	3,191	1,370	1,655	180	0	301	3,505	1,435	1,772	190	0	278	3,675
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FAR WEST																		
Alaska	N/A	N/A	199	2	1,090	1,291	N/A	N/A	197	2	1,785	1,984	N/A	N/A	235	2	1,650	1,887
California	18,957	30,891	5,724	24	3,019	58,615	21,137	39,575	6,639	6	4,572	71,929	21,980	43,305	6,865	1	4,748	76,899
Hawaii	1,442	1,069	43	0	733	3,286	1,529	1,064	68	0	623	3,284	1,600	1,134	73	0	636	3,444
Nevada*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oregon	0	3,702	314	0	312	4,328	0	4,197	405	0	345	4,948	0	4,505	424	0	359	5,287
Washington	5,322	0	0	0	4,659	9,980	5,800	0	0	0	4,460	10,259	5,970	0	0	0	4,756	10,726
ALL STATES	140,884	169,746	33,408	3,422	73,330	420,790	151,031	188,709	34,527	3,583	75,565	453,415	158,246	200,736	34,218	3,724	77,126	474,050
Puerto Rico	520	2,310	1,545	112	2,379	6,866	529	2,507	1,753	136	2,305	7,228	599	2,729	1,767	121	2,395	7,611

Table 55

ITEMS EXCLUDED FROM REVENUE SOURCES

Region/State	Sales and Compensating Use Taxes	Personal Income Taxes	Corporate Income Taxes	Gaming Taxes	Lottery Funds	Cigarette and Tobacco Taxes	Motor Fuel Taxes	Alcoholic Beverage Taxes	Insurance Premium Taxes	Property Taxes	Utility Taxes	Severance Taxes	Federal Funds	Licenses and Fees	Other
NEW ENGLAND															
Connecticut							X			X		X			
Maine							P					X	P		
Massachusetts	P				X	P	P			N/A		N/A	X	X	P
New Hampshire	X	X										X			
Rhode Island										X		X	X		
Vermont				X	X	P	X			X			X	P	P
MID-ATLANTIC															
Delaware							X						X		
Maryland	P		P				P			X				P	P
New Jersey						P	P			X	P	X	X		
New York					X		P			X		X	X		X
Pennsylvania	P			P	X	P	X		P	P		NA	X	P	P
GREAT LAKES															
Illinois	P	P	P	P	P	P	X		P	X	P	X	X	P	P
Indiana				X	X		X			X	X	X	P		
Michigan	P	P		P	X	P	X	P		X			P	P	P
Ohio	P	P	P	X	X		X	P	P	X	P	X	P	P	P
Wisconsin				X	X		X			X	P	X	X	P	P
PLAINS															
Iowa										X					
Kansas				P	X		X		P	P		P		P	
Minnesota					X					X	X	P			
Missouri				X	X	X	X			X		X	X	P	P
Nebraska					X		X			X	X	X	X	X	
North Dakota							X			X	X	X	X	P	
South Dakota		X	X				X			X	X		X		
SOUTHEAST															
Alabama					X		X						X		
Arkansas					X					X					
Florida	P	X		P	X	P	X	P	P	P	X	P	X	P	P
Georgia				X											
Kentucky							X						X		
Louisiana	P			P	X		X				P	P	P	P	P
Mississippi							P						X	X	
North Carolina				X	X					X	X	X			
South Carolina										X					
Tennessee				X	X					X					
Virginia	P			X	X	P	X			X	X	X	X	P	
West Virginia					P		X				X		X		
SOUTHWEST															
Arizona				X	P	P	X	P		P	P		X	P	P
New Mexico					X		X			X			X		P
Oklahoma															
Texas		X		X			P			X		P	X	P	P
ROCKY MOUNTAIN															
Colorado				P	X		X			X	X	X	X	X	P
Idaho				X	X	P	X	P		X	X	X	X	X	P
Montana	X					P	X	P		P		P	X	P	P
Utah				X	X					P					
Wyoming															
FAR WEST															
Alaska	X	X			X										
California	P			P	X	P	X			X	X	X	X	P	P
Hawaii				X	X		X			X					
Nevada															
Oregon	X			X	X	P	X	P		X	X	P	X	P	
Washington		X	X	X								X	X	P	
ALL STATES	14	9	5	24	30	14	35	7	5	36	19	27	33	24	17
Puerto Rico							P			X	X		X		

Excluded=X Partially Excluded=P Not Applicable=N/A

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Revenue Sources in the General Fund

Massachusetts: For the purposes of this survey, general fund revenues include those in the highway and local aid funds as well as the general fund.

Effective in fiscal 2001, most of one percentage point of the 5 percent sales tax is dedicated to funding the operations of the state's primary mass transit authority. Although these revenues, estimated at \$645 million in fiscal 2001, are not budgetary receipts (they are deposited in a trust fund), they are included to facilitate revenue comparisons across fiscal years.

Fiscal 2001 personal income taxes incorporate two changes: the first year of a three-year phase-in of the reduction in the tax rate to 5 percent approved in a voters' initiative referendum and a deduction for charitable contributions. The revenue impact in fiscal 2001 for the two tax cuts is estimated at \$135 million and at \$70-\$90 million, respectively.

Severance taxes are not levied in Massachusetts and property taxes are levied and expended by the state's 341 cities and towns only. About 70 percent of the cigarette tax is dedicated to health care-related minor funds. Small percentages of motor fuels and certain sales taxes are dedicated to environmental minor funds and to certain convention center development, respectively. Gaming taxes are those on racing, raffles/bazaars, two discrete lottery games and boxing, and are general fund revenue. Most lottery revenue is allocated to the cities and towns.

Michigan: Actual fiscal 1999 and fiscal 2000 amounts reflect general fund non-dedicated revenue as contained in the respective State of Michigan Comprehensive Annual Financial Reports. Revenue figures have been adjusted to put them on a basis comparable to the consensus estimates. Fiscal 2001 estimates are the January 2001 consensus revenue estimates. Revenue totals are affected by phased-in rate cuts in personal income tax and in single business tax (corporate tax).

Missouri: General revenue resources include other taxes and fees and local use tax funds sent to the state for refund for fiscal 1999 (\$79.1 million).

Nebraska: The sales tax amount for fiscal 1999 reflects a reduction in the state sales tax from 5.0 percent to 4.5 percent for one year only. The amount shown for the personal income tax for fiscal 1999 reflects the impact of changes passed in the prior year, including an across-the-board rate reduction, an increase in the personal credit, and a deduction for health insurance premiums for self-employed individuals.

Nevada: Nevada has no personal or corporate income tax, or lottery.

Pennsylvania: Other taxes and fees include non-tax revenues such as interest earnings, transfers from other funds and miscellaneous revenues.

Texas: Sales and competing use taxes exclude the motor vehicle sales tax, which is included in other taxes and fees. Corporate income taxes include the corporate franchise tax.

APPENDIX

Table A-1

TOTAL STATE EXPENDITURES BY FUND SOURCE (EXCLUDES BONDS) (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999			Actual Fiscal 2000			Estimated Fiscal 2001		
	State Funds	Federal Funds	State & Federal Funds	State Funds	Federal Funds	State & Federal Funds	State Funds	Federal Funds	State & Federal Funds
NEW ENGLAND									
Connecticut	\$11,776	\$2,839	\$14,615	\$13,818	\$2,985	\$16,803	\$13,642	\$3,230	\$16,872
Maine	3,051	1,356	4,407	3,303	1,495	4,798	4,101	1,786	5,887
Massachusetts	17,702	5,456	23,158	19,821	5,721	25,542	19,595	5,921	25,516
New Hampshire	1,566	923	2,489	2,369	974	3,343	2,429	1,004	3,433
Rhode Island	2,669	1,231	3,900	2,886	1,291	4,177	3,129	1,521	4,650
Vermont	1,260	722	1,982	1,363	831	2,194	1,448	887	2,335
MID-ATLANTIC									
Delaware	3,886	682	4,568	4,095	749	4,844	4,332	780	5,112
Maryland	13,140	3,533	16,673	14,087	3,780	17,867	15,257	4,278	19,535
New Jersey	20,739	5,372	26,111	23,207	5,597	28,804	23,811	6,888	30,699
New York	48,754	20,680	69,434	48,577	23,470	72,047	53,199	24,724	77,923
Pennsylvania	25,524	10,679	36,203	26,879	11,024	37,903	28,567	12,504	41,071
GREAT LAKES									
Illinois	24,031	6,830	30,861	26,739	7,405	34,144	28,884	7,954	36,838
Indiana	11,239	3,773	15,012	12,554	4,091	16,645	12,190	4,312	16,502
Michigan	26,070	7,320	33,390	26,582	7,965	34,547	27,174	9,777	36,951
Ohio	30,731	4,414	35,145	32,792	4,800	37,592	37,087	5,832	42,919
Wisconsin	18,448	4,349	22,797	21,150	5,035	26,185	16,104	4,700	20,804
PLAINS									
Iowa	8,133	2,516	10,649	8,849	2,770	11,619	8,589	2,865	11,454
Kansas	6,103	2,089	8,192	5,866	2,169	8,035	6,243	2,530	8,773
Minnesota	13,835	3,433	17,268	14,396	3,738	18,134	16,701	4,337	21,038
Missouri	11,265	3,899	15,164	11,512	4,421	15,933	11,874	4,871	16,745
Nebraska	4,003	1,355	5,358	4,298	1,503	5,801	4,118	1,574	5,692
North Dakota	1,310	810	2,120	1,300	917	2,217	1,410	835	2,245
South Dakota	1,229	706	1,935	1,322	783	2,105	1,390	910	2,300
SOUTHEAST									
Alabama	9,174	4,501	13,675	10,324	4,406	14,730	11,735	5,545	17,280
Arkansas	7,356	2,037	9,393	7,790	2,224	10,014	8,276	2,480	10,756
Florida	34,065	9,298	43,363	36,759	10,737	47,496	38,653	10,749	49,402
Georgia	14,508	8,774	23,282	15,972	9,328	25,300	15,364	9,710	25,074
Kentucky	10,473	4,221	14,694	8,020	4,633	12,653	8,830	4,953	13,783
Louisiana	10,675	4,204	14,879	11,123	4,295	15,418	11,727	4,782	16,509
Mississippi	5,666	2,824	8,490	6,305	3,092	9,397	6,690	3,514	10,204
North Carolina	17,124	6,122	23,246	18,695	6,942	25,637	18,067	6,134	24,201
South Carolina	8,218	5,184	13,402	10,585	5,987	16,572	10,771	6,672	17,443
Tennessee	9,318	5,229	14,547	9,905	5,780	15,685	10,998	6,719	17,717
Virginia	17,028	3,504	20,532	18,356	3,721	22,077	19,029	3,726	22,755
West Virginia	3,944	1,955	5,899	4,039	2,187	6,226	3,882	2,537	6,419
SOUTHWEST									
Arizona	10,704	3,444	14,148	11,128	3,545	14,673	11,783	3,788	15,571
New Mexico	4,767	2,091	6,858	6,000	2,269	8,269	6,273	2,837	9,110
Oklahoma	7,016	2,933	9,949	7,547	2,822	10,369	8,255	3,407	11,662
Texas	31,884	13,394	45,278	35,065	14,400	49,465	37,349	15,113	52,462
ROCKY MOUNTAIN									
Colorado	8,715	2,790	11,505	9,162	3,105	12,267	9,801	3,132	12,933
Idaho	2,349	1,018	3,367	2,532	1,099	3,631	2,852	1,364	4,216
Montana	1,662	955	2,617	1,756	1,027	2,783	1,894	1,252	3,146
Utah	4,636	1,480	6,116	4,899	1,539	6,438	5,515	1,625	7,140
Wyoming	0	0	0	0	0	0	0	0	0
FAR WEST									
Alaska	3,488	1,489	4,977	3,401	1,844	5,245	3,655	1,928	5,583
California	72,563	34,375	106,938	82,281	37,303	119,584	94,376	41,199	135,575
Hawaii	5,162	1,015	6,177	5,476	1,017	6,493	5,944	1,066	7,010
Nevada	5,988	959	6,947	3,565	1,029	4,594	4,131	1,182	5,313
Oregon	7,124	2,457	9,581	7,634	2,419	10,053	9,075	2,972	12,047
Washington	15,016	4,738	19,754	15,584	5,295	20,879	14,364	5,656	20,020
TOTAL	\$635,087	\$225,958	\$861,045	\$681,668	\$245,559	\$927,227	\$720,563	\$268,062	\$988,625
Puerto Rico	15,584	3,677	19,261	15,078	4,028	19,106	16,818	4,380	21,198

Note: State funds are defined as general funds and other state funds (bonds are excluded).

Source: National Association of State Budget Officers, 2000 State Expenditure Report, Summer 2001

Table A-2

CHILD HEALTH INSURANCE BLOCK GRANTS (\$ IN MILLIONS)

Region/State	Actual Fiscal 1999				Actual Fiscal 2000				Estimated Fiscal 2001			
	General Fund	Federal Funds	Other State Funds	Total	General Fund	Federal Funds	Other State Funds	Total	General Fund	Federal Funds	Other State Funds	Total
NEW ENGLAND												
Connecticut*	12.3	—	—	12.3	13.3	—	—	13.3	14.8	—	—	14.8
Maine	1.3	0.0	5.5	6.8	2.9	0.0	12.4	15.3	3.8	0.8	19.3	23.9
Massachusetts	0	19.1	12.4	31.5	0	23.4	43.4	66.8	0.0	25.8	48.0	73.8
New Hampshire	0.0	0.4	0.0	0.4	0.7	0.7	2.7	4.1	0.3	1.5	3.5	5.3
Rhode Island	1.1	0.0	2.3	3.4	2.5	0.0	5.2	7.7	6.3	0.0	13.2	19.5
Vermont	0.1	0.0	0.3	0.4	0.2	0.0	0.6	0.8	0.2	0.0	0.6	0.8
MID-ATLANTIC												
Delaware	1.7	0.0	0.5	2.2	1.4	0.3	1.4	3.1	1.4	0.3	2.0	3.7
Maryland	5.3	0.0	9.9	15.2	20.7	0.0	48.8	69.5	35.1	0.0	65.1	100.2
New Jersey	13.0	0.0	24.0	37.0	23.0	0.0	43.0	66.0	32.0	0.0	59.0	91.0
New York	0.0	83.0	151.0	234.0	0.0	163.0	298.0	461.0	0.0	269.0	449.0	718.0
Pennsylvania	0.3	21.9	36.8	59.0	1.1	31.6	70.5	103.2	3.7	46.7	92.3	142.7
GREAT LAKES												
Illinois	8.2	0.5	16.0	24.7	12.2	1.1	23.5	36.8	15.7	0.5	29.0	45.2
Indiana	0.0	12.4	34.9	47.3	0.0	24.3	66.5	90.8	0.0	26.7	75.6	102.3
Michigan	0.0	3.2	6.5	9.7	0.0	6.2	13.2	19.4	0.0	7.1	16.0	23.1
Ohio*	0.0	13.4	32.5	45.9	*	18.5	45.3	63.8	*	36.9	91.6	128.5
Wisconsin	0.0	0.0	0.0	0.0	3.4	0.2	8.9	12.5	8.3	0.9	20.4	29.6
PLAINS												
Iowa	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kansas	1.6	0.0	4.1	5.7	6.9	0.0	17.7	24.6	7.9	1.0	23.1	32.0
Minnesota	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Missouri	4.7	0.0	12.2	16.9	9.2	4.7	36.5	50.4	13.2	14.5	71.7	99.4
Nebraska	0.0	0.6	1.9	2.5	2.1	0.0	5.5	7.6	0.0	6.0	15.9	21.9
North Dakota	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
South Dakota	0.3	0.0	1.0	1.3	0.6	0.0	2.6	3.2	1.2	0.0	4.2	5.4
SOUTHEAST												
Alabama	3.6	0.0	16.7	20.3	9.0	0.0	23.6	32.6	12.4	0.0	41.1	53.5
Arkansas	0.1	0.0	0.4	0.5	0.3	0.0	1.3	1.6	0.4	0.0	1.5	1.9
Florida	16.0	9.9	21.6	47.5	16.0	52.3	80.0	148.3	2.5	81.4	192.5	276.4
Georgia	1.1	0.0	2.8	3.9	14.8	0.0	38.7	53.5	17.1	2.8	51.5	71.4
Kentucky	13.9	2.5	9.8	26.2	13.9	12.3	47.3	73.5	12.5	6.9	74.4	93.8
Louisiana	1.3	0.0	4.8	6.1	4.1	1.6	21.9	27.6	2.8	13.0	48.8	64.6
Mississippi	0.0	1.0	5.2	6.2	0.0	3.0	15.5	18.5	0.0	7.3	37.7	45.0
North Carolina	8.3	0.0	19.4	27.7	20.6	0.0	56.7	77.3	25.5	1.6	72.0	99.1
South Carolina	2.0	4.4	24.0	30.4	7.5	0.2	28.9	36.6	8.5	0.2	32.3	41.0
Tennessee*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Virginia	1.3	0.0	2.7	4.0	2.1	2.6	14.2	18.9	3.2	11.7	26.2	41.1
West Virginia	0.1	0.0	0.4	0.5	1.9	0.0	6.9	8.8	3.2	0.0	15.3	18.5
SOUTHWEST												
Arizona	0.0	4.9	5.1	10.0	0.0	8.9	26.7	35.6	0.0	19.9	59.8	79.7
New Mexico	0.1	0.0	0.4	0.5	0.7	0.0	2.8	3.5	2.2	0.0	9.7	11.9
Oklahoma	—	—	—	—	—	—	—	—	—	—	—	—
Texas	12.3	0.0	34.7	47.0	38.4	0.0	34.0	72.4	133.9	0.0	263.3	397.2
ROCKY MOUNTAIN												
Colorado*	N/A	3.6	6.9	10.5	N/A	6.5	12.1	18.6	N/A	10.0	18.2	28.2
Idaho	1.1	0.0	3.9	5.0	2.4	0.0	7.5	9.9	3.4	0.0	13.1	16.5
Montana	0.0	0.1	0.4	0.5	0.7	0.0	3.1	3.8	4.1	0.0	11.7	15.8
Utah	0.0	1.4	5.5	6.9	0.0	3.2	12.4	15.6	0.0	5.5	14.8	20.3
Wyoming	—	—	—	—	—	—	—	—	—	—	—	—
FAR WEST												
Alaska	0.3	0.0	0.9	1.2	6.3	0.0	14.4	20.7	9.6	0.0	16.9	26.5
California	75.9	0.0	137.3	213.2	149.0	0.0	297.0	446.0	194.0	0.0	384.0	578.0
Hawaii	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	0.0	4.1	6.0
Nevada	0.0	1.6	2.5	4.1	0.0	4.1	7.5	11.6	0.4	6.8	13.8	21.0
Oregon	0.0	2.1	5.5	7.6	0.0	4.5	11.5	16.0	0.0	5.2	12.9	18.1
Washington	0.0	0.0	0.0	0.0	0.0	0.6	1.2	1.8	0.0	3.5	6.5	10.0
TOTAL	187.3	186.0	662.7	2072.0	387.9	373.8	1510.9	2272.6	581.5	613.5	2521.6	3716.6
Puerto Rico	39.1	0.0	39.1	78.2	41.1	0.0	41.1	82.2	41.1	0.0	41.1	82.2

Child Health Insurance Block Grants

Colorado: Each year the General Assembly makes an appropriation from the General Fund for CBHP, and puts those funds in the CBHP Trust. Moneys are then expended from the Trust.

Connecticut: SCHIP reimbursement is set at 65 percent. This amounted to \$8 million, \$8.6 million, and \$9.6 million in fiscal years 1999, 2000, and 2001, respectively. The state spends all general fund dollars first, and then claims the federal reimbursement, which then goes to the state's revenues. Federal aid comes in the form of an after-the-fact reimbursement after upfront spending by the state.

Ohio: Other State Funds are an offset to general fund spending for Medicaid; therefore, were other funds not available, general funds would have been used.

Tennessee: Tennessee received approval for the Child Health Insurance Block Grant on September 3, 1999. Insurance for Tennessee children is included in our TennCare waiver. Tennessee can only access these Child Health Insurance Block Grant funds if our waiver expires or we revert back to the Medicaid program.

Methodology

The 2000 State Expenditure Report reflects three years of data: actual fiscal year 1999, actual fiscal year 2000, and estimated fiscal year 2001. The text of this report focuses on actual fiscal year 2000 data.

This survey reports state expenditures in six functional categories: elementary and secondary education, higher education, public assistance including Aid to Families with Dependent Children/Temporary Assistance for Needy Families, Medicaid, corrections, and transportation. All other expenditures make up a seventh category. The report includes expenditures from four fund sources, including general funds, federal funds, other state funds, and bonds. Data for each category includes employer contributions to current employees' pensions and to employee health benefits for employees.

Elementary and secondary education spending includes state and federal fund expenditures only, and excludes local funds raised for education purposes. States were also asked to include, where applicable, state expenditures that support the state's Department of Education, transportation of school children, adult literacy programs, handicapped education programs, programs for other special populations (i.e., gifted and talented programs), anti-drug programs, and vocational education. States were asked to exclude spending for day care programs in the school system and spending for school health and immunization programs.

For higher education, states were requested to include expenditures made for capital construction, community colleges, vocational education, law, medical, veterinary, nursing and technical schools, and assistance to private colleges and universities, as well as tuition and fees and student loan programs. Higher education expenditures exclude federal research grants and endowments to universities.

Spending for public assistance includes expenditures for cash assistance under the Aid to Families with Dependent Children (AFDC) program, Temporary Assistance for Needy Families (TANF) programs, and other cash assistance (i.e., state supplements to the Supplemental Security Income program, general or emergency assistance). States were asked to exclude administrative costs from reported expenditures. Medicaid spending amounts also exclude administrative costs, while including spending from state funds, federal matching funds and other funds and revenue sources used as Medicaid match such as provider taxes, fees, assessments, donations, and local funds.

For corrections, states were asked to include, where applicable, expenditures for capital construction, aid to local governments for jails, parole programs, prison industries, and community corrections, as well as expenditures made for juvenile correction programs. States were asked to exclude expenditures for drug abuse rehabilitation programs and institutions for the criminally insane.

Transportation figures include capital and operating expenditures for highways, mass transit, and airports. States were also asked to include expenditures for road assistance for local governments, the administration of the department of transportation, truck and train/railroad programs, motor vehicle licensing, and gas tax and fee collection. The data excludes spending for port authorities, state police and highway patrol.

The "all other" expenditure category includes all remaining programs not captured in the functional categories previously described, including the State Children's Health Insurance Program and any debt service for other state programs (i.e., environmental projects, housing). States with lotteries were asked to exclude prizes paid to lottery winners. States were also asked to exclude expenditures for state-owned utilities and liquor stores.

Capital spending is included with operating expenditures within each functional category, unless otherwise noted. Capital expenditures have also been collected separately in the following categories: corrections, environmental projects, higher education, housing, and transportation. Capital expenditure data can be found in Chapter Eight.

Chapter Nine illustrates the major sources of state revenue including sales taxes, personal income taxes, corporate income taxes, gaming taxes, and other taxes and fees.

Readers are cautioned against comparing federal fund figures presented here with those on Federal aid which may be referred to in other documents, particularly those from the U.S. Bureau of the Census; many states have not established comprehensive statewide reporting of Federal funds and as a result the numbers in this report may understate Federal funds for any one function.

An important part of the report are tables included in four of the functional categories which reflect expenditures that states have excluded from their reported data. Each table underscores the observation that state-to-state expenditure comparisons in any functional category can be misleading. For example, one state may have included its juvenile institutions in its corrections budget, while another state may have included them in its human resources

budget. Comparisons for one state over time, however, should prove accurate.

All years reported are state fiscal years unless otherwise indicated. In forty-six states, the fiscal year begins on July 1 and ends on June 30. The exceptions are as follows: in Alabama and Michigan the fiscal year begins on October 1; in Texas, the fiscal year begins on September 1; and in New York, the fiscal year begins on April 1. Additionally, the length of budget cycles vary among states, with more than half of the states budgeting annually and the remainder enacting biennial budgets.

Definitions

General Fund: Predominant fund for financing a state's operations. Revenues are received from broad-based state taxes. There are differences in how specific functions are financed from state to state, however:

Federal Funds: Funds received directly from the Federal government.

Other State Funds: Expenditures from revenue sources, which are restricted by law for particular governmental functions or activities. For example, a gasoline tax dedicated to a highway trust fund would appear in the "Other State Funds" column. (Note: For Medicaid, other state funds include provider taxes, fees, donations, assessments and local funds.)

Bonds: Expenditures from the sale of bonds, generally for capital projects.

State Funds: General fund plus other state fund spending, excluding state spending from bonds.



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