

FISCAL SURVEY OF THE STATES

December 1982 Update

National Governors' Association

National Association of State Budget Officers

**FISCAL SURVEY OF THE STATES
DECEMBER 1982 UPDATE**

**National Governors' Association
Office of Research and Development
National Association of State Budget Officers
Washington, D.C.**

FISCAL SURVEY OF THE STATES: A DECEMBER 1982 UPDATE

The recession and other factors have caused state fiscal conditions to deteriorate badly through 1982:

- Barring further spending reductions, increased taxes or a greatly improved economy, the aggregate budget deficit in 41 states at the end of FY 1983 could total nearly \$2 billion. Nine states project large deficits, with some of the nation's largest states now expecting the greatest deficits.
- Estimates of both state revenues and expenditures have dropped below what state budget officers expected in the spring. The revenue drop for FY 1983 totals nearly \$8 billion in the 41 reporting states. These states now report FY 1983 spending of some \$4.6 billion less than estimated in the spring.
- The recession has affected both the Frostbelt and Sunbelt with states like California and Maryland, Oklahoma and North Dakota showing big drops in ending balances from FY 1982 to 1983.
- Only seven states did not impose either across-the-board or selective spending cuts for FY 1982 or 1983. Of these, three states have adopted other austerity measures.
- Twenty-two reported they adopted a permanent or temporary revenue-raising measure in FY 1982 or 1983.
- Personnel continues to be a popular austerity target in the states with 33 reporting hiring limitations in FY 1982 or 1983. Eighteen states laid off employees and eight initiated furloughs.

BACKGROUND

This report is an update of the 1981-1982 Fiscal Survey published last summer by the National Governors' Association and the National Association of State Budget Officers. It is based on a survey of state budget officers conducted in November and December of

1982 and provides information on current revenue, expenditure and balances in 41 states and various austerity measures in 39 states.

Of particular interest in this survey is the quantification of the recession's severe impact on state revenues and expenditures.

For most of the reporting states, FY 1982 ended on June 30, 1982. Thus, when the state budget officers responded to the summer fiscal survey they already had information on actual revenues and expenditures for at least half the fiscal year. Notwithstanding this, actual revenues dropped \$3.2 billion or 2.4 percent below the spring estimates in the 41 reporting states. Expenditures dropped by a comparable amount in FY 1982, when compared to the spring estimates.

For FY 1983, state revenues (41 states) are expected to be \$137 billion, a drop of \$7.9 billion from the amounts expected in the spring. Expenditures currently are estimated to be \$4.6 billion less than estimated in the spring. The revenue estimates indicate that the state officials surveyed are expecting an increase in revenues of only 7.1 percent from FY 1982 to FY 1983. This increase would be well below the experience of the states in the past ten years.

Many states have had to lower revenue and spending estimates for FY 1983 — some significantly. Idaho, Kansas, Michigan, Nevada and North Dakota expect 1983 revenues to fall more than 10 percent below what they expected only six months ago. Further reductions in estimates may occur in some states in the 1983 governors' budget messages.

The states are currently anticipating an aggregate negative balance in FY 1983 of nearly \$2 billion — a dramatic change from FY 1981 and 1982 balances of \$4.8 billion and \$2.4 billion. Since by tradition or law states cannot end the year with budget deficits, fiscal remedies will be considered in many states over the next few months. Half a dozen state legislatures were in session late in 1982, many to deal with fiscal problems. Other legislatures will be meeting in January to receive the budget messages of the governors, many of which will likely include measures to bring revenues and expenditures into line in

ERRATUM

In the third full paragraph,
the growth in revenue from 82
to 83 is 6.3 percent rather
7.1 percent.

FY 1983 as well as to solve anticipated problems in FY 1984. These measures will, in many cases, probably include both increases in taxes and reductions in expenditures.

The causes of the serious fiscal conditions in the states include:

- o The recession, which has cut revenues while leading to pressure for more spending;
- o Lower inflation than anticipated, which has affected revenues (e.g., sales taxes) more than spending; and,
- o Reductions in federal aid.

Of these, the recession is the single most important factor.

The survey deals with state "general funds"—those that finance most state government activity. It does not generally include federal funds or "special funds" earmarked for particular restricted purposes. Two state special funds currently face particular difficulty. The growth in unemployment has placed major demands on unemployment compensation funds at the same time that the recession has depressed revenues to such funds from payroll taxes. The recession and improved vehicle fuel efficiency have depressed gas tax revenues at a time when many state highways and roads are in serious need of traditional maintenance and repair.

CURRENT FISCAL INFORMATION

The table on page 4 provides aggregate information on the 41 states responding to the survey. It shows that the states have revised downward their revenues and expenditures for both FY 1982 and FY 1983. These revisions cause balances to be lower, especially in FY 1983, than what the same states reported in the spring of 1982. These revisions are particularly surprising as in the past the direction of revisions based on later data is for revenues to increase above estimates and expenditures to decrease from estimates.

SUMMARY TABLE (41 STATES)
(\$ MILLIONS)

Category	FY 1982 Estimates		FY 1983 Estimates		Differences	
	Spring 1982	Fall 1982	Spring 1982	Fall 1982	1982	1983
Beginning Balance	4,362	4,776	1,635	2,349	414	714
Revenues	132,306	129,072	145,102	137,160	-3,234	-7,942
Adjustments	485	892	149	658	407	509
Expenditures	134,582	131,083	145,242	140,632	-3,499	-4,610
Transfers	964	1,445	849	1,552	481	703
Ending Balance*	1,612	2,354	784	-1,966	742	-2,750

*While most states account so that beginning balance plus revenues plus adjustments minus expenditures minus transfers equals the ending balance, some do not. These differing state practices produce ending balances which vary slightly from the total resources minus expenditures and transfers.

Table 1 shows ending balances by state. The total balances for the reporting state governments drop from \$4.8 billion at the end of FY 1981 to over \$2 billion at the end of FY 1982 and -\$2 billion at the end of FY 1983. New York, California, Wisconsin, and Pennsylvania show major budget problems in FY 1983.

A positive balance in FY 1983 should not be interpreted as indicating fiscal health in those states where it appears. Year-end balances are important to states which comply with legal constraints against incurring deficits yet cover cash flow needs and emergencies. These balances help states stabilize their program and service levels during fluctuations in the economy. Substantial balances are often required for cash flow reasons alone.

Table 2 shows the relationship between balances and spending in the prior year. Excepting Wyoming and Montana, which have been benefiting from taxes on natural resources, estimated balances are well below 10 percent of expenditures and in many cases are negative. Twenty-nine states showed percentages lower than in 1982. Most of these reductions were significant and were evident in both Sunbelt and Frostbelt states.

Table 3 provides state-by-state information on resources, expenditures, and balances. In state budgeting, the resources available to finance a fiscal year are defined as the balance from the preceding year plus the revenues for the year plus adjustments made to revenues (e.g., transfers to special funds, refunds of taxes). Expenditures include certain transfers in some states. This table shows that most states are holding down spending as well as lowering revenue expectations. Expenditures increased only 7.3 percent between 1982 and 1983 — an increase far below that of previous years.

Even as bleak as these totals are, the fiscal situation in the states may be worse than portrayed here. Several states, including Ohio, have not recently updated their estimates, and since revenues across the country were lower than expected in the fall, these early estimates will no doubt prove optimistic. Ohio and other states expect to publish revised figures later in January.

AUSTERITY MEASURES

To cope with their deteriorating fiscal conditions, many states have adopted various austerity measures. The table below shows the frequency of adoption of these measures by 39 states. These are basically the same states that provided data on fiscal conditions, although a few states provided information in response to this part of the survey and not the other and a few did the reverse.

**SUMMARY TABLE (39 STATES)
STATES ADOPTING VARIOUS AUSTERITY MEASURES**

Measure	FY 1982	FY 1983
Across the Board Cuts	15	18
Selective Program Cuts	22	25
Permanent Revenue Increases	8	9
Temporary Revenue Raising Measures	14	15
Capital Financing to Bonds	3	4
Move General Funds To		
Special Funds	7	12
Other Government Entities	1	2
Unpaid Employee Furloughs	5	6
Hiring Limits	27	30
Layoffs	12	15
Restricted Travel		
Out of State	15	20
In State	11	13

In fiscal 1982, over half the reporting states adopted hiring limitations and made selective budget cuts. Fifteen made across-the-board budget cuts in 1982 and 18 in 1983. Layoffs took place in 12 of the reporting states in FY 1982 and 15 in 1983. Twenty-two states of the 39 reporting adopted permanent or temporary revenue raising measures in FY 1982 or 1983.

The summary table and state-by-state information on Tables 4 and 5 will understate the austerity measures in certain states in at least two ways. First, the tables show only measures that have actually been taken. In many states, governors have recommended or will recommend in January additional austerity measures to balance their FY 1983 budgets. As a result, the table should be considered an understatement of what will actually take place before FY 1983 is over. Second, in some states, some or all department directors have been asked to reduce their budgets in ways that may be extremely severe, such as layoffs. However, since these measures are not statewide, they are not covered in this survey.

This survey was conducted because governors and state budget officers wanted information on actions being taken in other states. This provides every incentive for accurate reporting, but it should be remembered that the terms used in the questionnaire are imprecise. In some states, for example, layoffs may refer to a major reduction in the state-funded workforce, but in others an affirmative response may simply mean that some federally funded workers lost their jobs when federal funding was reduced. However, some of the measures — particularly revenue increases and across-the-board cuts — are sure signs of considerable fiscal stress.

In publishing this list of state actions, the participating organizations are not endorsing any particular measure as desirable state policy. For example, new restrictions on out of state travel may appear appropriate in some states with heavy travel, but inappropriate in states which already have major restrictions or in some situations (e.g.,

restricting travel of corporation income tax auditors) where restrictions can reduce rather than increase revenues.

METHODOLOGY AND DETAILED DATA

A questionnaire was sent to all state budget officers in late October. Responses were received in November and December and a preliminary report published in the Governors' Bulletin prior to the completion of data for all responding states. A few of the responding states did not provide information for FY 1983. This is not unexpected as in some states the budget officers do not consider their past published information to be accurate, but do not want to introduce new information until their budget is released in January. States that did not provide FY 1983 data are excluded from the resources, expenditure and budget tables. Because of changes in fund accounting structures, current estimates for Texas could not be used in combination with earlier estimates.

The traditional fiscal survey is based upon certain accounting identities defined in detail in the volume Fiscal Survey of the States: 1981-1982. In a few states, these accounting identities were not followed completely in this report. The differences reflect circumstances unique to each state, and the effects on the overall results are negligible. It should also be noted that some states with biennial budgets may have deficits in the first year that are balanced by surplus revenues in the second year of their budget period.

The data provided by each state are displayed in Tables 6 and 7.

TABLE I
ENDING BALANCES BY STATE
(\$ MILLION)

<u>State</u>	<u>FY 1981*</u>	<u>FY 1982</u>	<u>FY 1983</u>
Alabama	28	24	0
Arkansas	0	0	0
California	731	105	-1,651
Colorado	57	15	-28
Connecticut	-66	-40	2
Delaware	51	51	51
Florida	601	259	0
Georgia	87	0	0
Hawaii	232	210	52
Idaho	2	0	3
Illinois	197	187	190
Iowa	31	22	10
Kansas	140	80	0
Kentucky	10	42	46
Louisiana**	556	246	21
Maine	25	19	16
Maryland	150	156	0
Massachusetts	21	4	8
Michigan	0	0	0
Minnesota	-2	-652	49
Mississippi	77	40	21
Missouri	74	105	63
Montana	61	34	34
Nevada	44	45	28
New Hampshire	-31	-32	-21
New Jersey	305	132	-77
New York	57	60	-530
North Carolina	155	108	0
North Dakota	174	116	10
Ohio**	11	50	0
Oklahoma	382	393	79
Oregon	8	-139	8
Pennsylvania	70	8	-164
South Carolina	80	25	31
South Dakota	20	19	6
Utah	24	30	8
Vermont	-1	0	-3
Virginia	300	198	-83
Washington	6	250	9
Wisconsin	14	27	-266
Wyoming	95	157	112
TOTAL	4,776	2,354	-1,966

* Beginning balance FY 1982 used as proxy measure.

** Ohio figures on these and subsequent tables reflect September 30, 1982, estimates. Louisiana's figures on these and subsequent tables are unaudited.

TABLE 2
ENDING BALANCE AS PERCENTAGE OF EXPENDITURES
(BALANCE AT END OF YEAR RELATED TO EXPENDITURE DURING YEAR)

<u>State</u>	<u>FY 1982</u>	<u>FY 1983</u>
Alabama	1.3	0.0
Arkansas	0.0	0.0
California	0.5	-7.4
Colorado	1.1	-1.7
Connecticut	-1.3	0.1
Delaware	7.9	7.5
Florida	5.4	0.0
Georgia	0.0	0.0
Hawaii	17.1	3.7
Idaho	0.0	0.7
Illinois	2.3	2.2
Iowa	1.2	0.5
Kansas	6.0	0.0
Kentucky	2.0	2.0
Louisiana	6.0	0.5
Maine	2.9	2.3
Maryland	5.3	0.0
Massachusetts	0.1	0.2
Michigan	0.0	0.0
Minnesota	-15.5	1.4
Mississippi	3.3	1.6
Missouri	5.1	2.8
Montana	9.8	10.4
Nevada	11.7	7.0
New Hampshire	-10.6	-6.3
New Jersey	2.3	-1.2
New York	0.4	-3.2
North Carolina	3.3	0.0
North Dakota	27.9	2.3
Ohio	0.9	0.0
Oklahoma	24.5	3.9
Oregon	-9.7	0.5
Pennsylvania	0.1	-2.1
South Carolina	1.3	1.6
South Dakota	7.1	2.1
Utah	3.4	0.8
Vermont	0.0	-0.9
Virginia	8.4	-2.5
Washington	7.8	0.5
Wisconsin	0.8	-6.5
Wyoming	52.0	26.9
TOTAL	1.8	-1.4

TABLE 3
RESOURCES, EXPENDITURES, AND BALANCES*
(\$ MILLION)

State	Fiscal Year 1982			Fiscal Year 1983		
	Resources	Expenditure	Balance	Resources	Expenditure	Balance
Alabama	1,799	1,775	24	1,839	1,839	0
Arkansas	1,083	1,083	0	1,143	1,143	0
California	20,641	20,536	105	20,157	21,808	-1,651
Colorado	1,431	1,431	15	1,638	1,666	-28
Connecticut	2,929	2,969	-40	3,190	3,188	2
Delaware	696	645	51	728	677	51
Florida	5,069	4,810	259	5,147	5,147	0
Georgia	3,469	3,553	0	3,732	3,732	0
Hawaii	1,440	1,230	210	1,445	1,393	52
Idaho	409	409	0	445	442	3
Illinois	8,462	8,275	187	8,920	8,730	190
Iowa	1,785	1,763	22	1,879	1,869	10
Kansas	1,426	1,346	80	1,393	1,393	0
Kentucky	2,134	2,092	42	2,389	2,343	46
Louisiana	4,559	4,313	246	4,245	4,224	21
Maine	676	657	19	722	706	16
Maryland	3,075	2,919	156	3,235	3,234	0
Massachusetts	4,462	4,458	4	4,693	4,686	8
Michigan	4,488	4,488	0	4,593	4,593	0
Minnesota	3,911	4,562	-652	3,791	3,751	49
Mississippi	1,265	1,225	40	1,330	1,309	21
Missouri	2,126	2,063	105	2,275	2,212	63
Montana	382	348	34	362	328	34
Nevada	429	384	45	428	400	28
New Hampshire	270	302	-32	310	331	-21
New Jersey	5,887	5,755	132	6,129	6,206	-77
New York	16,199	16,139	60	17,139	17,669	-530
North Carolina	3,384	3,276	108	3,623	3,623	0
North Dakota	549	434	116	446	436	10
Ohio	5,918	5,868	50	7,004	7,004	0
Oklahoma	1,997	1,604	393	2,081	2,002	79
Oregon	1,297	1,436	-139	1,467	1,459	8
Pennsylvania	7,190	7,182	8	7,482	7,646	-164
South Carolina	1,884	1,859	25	1,997	1,966	31
South Dakota	290	269	19	286	280	6
Utah	919	889	30	1,001	993	8
Vermont	272	274	0	326	329	-3
Virginia	3,118	2,921	198	3,236	3,318	-83
Washington	3,458	3,208	250	3,578	3,569	9
Wisconsin	3,503	3,476	27	3,815	4,124	-266
Wyoming	459	302	157	528	416	112
TOTAL	134,740	132,528	2,354	140,167	142,184	-1,966

NOTE: Resources include revenue, balance, and adjustments; expenditures include transfers.

* While most states account so that beginning balance plus revenue plus adjustments minus expenditures minus transfers equals the ending balance, some do not.

TABLE 4
AUSTERITY MEASURES BY STATE
NON-PERSONNEL

State	Expenditure Cuts		Revenue Inc.		Capital To Bond	General Fund to:	
	General	Selected	Permanent	Temporary		Specific	Others
Alabama	X	X		X			
Arkansas	X	X					
California	X	X		X	X	X	X
Colorado	X	X					
Connecticut	X	X	X	X			
Delaware		X					
Florida	X	X	X	X		X	
Georgia	X	X					
Hawaii							
Idaho	X	X				X	
Illinois	X	X		X			
Iowa		X		X			
Kansas	X	X				X	
Kentucky	X	X	X			X	
Louisiana	X	X				X	X
Maine		X					
Massachusetts	X	X	X				
Michigan		X	X	X	X	X	
Mississippi	X	X		X			
Missouri		X	X	X	X		
Montana							
Nevada	X	X				X	
New Hampshire	X	X	X	X			
New Jersey			X	X			
New Mexico					X	X	
New York		X		X		X	
North Carolina		X					
North Dakota	X	X					
Ohio	X	X	X	X		X	
Oklahoma	X						
Oregon		X		X		X	
Pennsylvania	X	X	X	X		X	
Rhode Island	X	X	X	X	X	X	
South Dakota				X			
Texas							
Utah	X		X	X			
Virginia		X	X				
Washington	X	X	X	X			
Wyoming							
	23	30	14	19	5	14	2

NOTE: X appears if measure used in either FY 1982 or FY 1983

TABLE 5
AUSTERITY MEASURES BY STATE
PERSONNEL

<u>State</u>	<u>Furloughs</u>	<u>Limits</u>	<u>Layoff</u>	<u>Travel Restrictions</u>	
				<u>Out</u>	<u>In</u>
Alabama	X	X		X	X
Arkansas		X		X	X
California		X	X	X	X
Colorado		X		X	X
Connecticut		X		X	X
Delaware		X			
Florida		X	X	X	X
Georgia	X	X			
Hawaii					
Idaho	X	X	X	X	X
Illinois	X	X	X		
Iowa		X		X	
Kansas		X			
Kentucky		X		X	X
Louisiana		X	X	X	X
Maine		X			
Massachusetts		X	X	X	
Michigan	X	X	X	X	
Mississippi					
Missouri		X			
Montana	X	X	X		
Nevada		X	X	X	X
New Hampshire		X	X		
New Jersey		X	X	X	
New Mexico		X	X	X	
New York		X	X	X	X
North Carolina		X			
North Dakota		X		X	
Ohio		X	X	X	X
Oklahoma		X		X	X
Oregon	X	X			
Pennsylvania		X	X		
Rhode Island		X	X	X	
South Dakota					
Texas					
Utah					
Virginia		X	X		
Washington	X	X	X	X	X
Wyoming					
	<u>8</u>	<u>33</u>	<u>18</u>	<u>21</u>	<u>14</u>

NOTE: X indicates state adopted policy in either FY 1982 or FY 1983

TABLE 6
DATA PROVIDED BY STATE BUDGET OFFICES, FY 1982 REVISED*
(\$ MILLIONS)

State	Beginning Balance	Revenue	Adjustment	Expenditure	Transfers	Ending Balance
Alabama	28	1,771	0	1,778	-3	24
Arkansas	0	1,083	0	1,080	3	0
California	731	19,910	0	21,721	-1,185	105
Colorado	57	1,374	0	1,421	10	15
Connecticut	-66	2,994	1	2,969	0	-40
Delaware	51	645	0	645	0	51
Florida	601	4,468	0	4,810	0	259
Georgia	87	3,378	4	3,511	42	0
Hawaii	232	1,185	23	1,230	0	210
Idaho	2	400	7	409	0	0
Illinois	197	8,265	0	8,275	0	187
Iowa	31	1,754	0	1,763	0	22
Kansas	140	1,273	13	1,334	12	80
Kentucky	10	2,099	25	2,092	0	42
Louisiana	556	4,003	0	4,070	243	246
Maine	25	640	11	654	3	19
Maryland	150	2,925	0	2,919	0	156
Massachusetts	21	4,344	97	4,252	206	4
Michigan	0	4,193	295	4,488	0	0
Minnesota	-2	3,674	239	4,198	364	-652
Mississippi	77	1,188	0	1,225	0	40
Missouri	74	2,052	0	2,063	0	105
Montana	61	320	1	348	0	34
Nevada	44	367	18	384	0	45
New Hampshire	-31	301	0	302	0	-32
New Jersey	305	5,556	26	5,755	0	132
New York	57	15,872	270	14,976	1,163	60
North Carolina	155	3,229	0	3,276	0	108
North Dakota	174	371	4	416	18	116
Ohio	11	6,083	-176	5,868	0	50
Oklahoma	382	1,615	0	1,604	0	393
Oregon	8	1,289	0	1,436	0	-139
Pennsylvania	70	7,076	44	7,182	0	8
South Carolina	80	1,804	0	1,859	0	25
South Dakota	20	268	2	269	0	19
Utah	24	892	3	889	0	30
Vermont	-1	272	1	273	1	0
Virginia	300	2,834	-16	2,353	568	198
Washington	6	3,452	0	3,208	0	250
Wisconsin	14	3,489	0	3,476	0	27
Wyoming	95	364	0	302	0	157

* While most states account so that beginning balance plus revenues plus adjustments minus expenditures minus transfer equals the ending balance, some do not.

TABLE 7
DATA PROVIDED BY STATE BUDGET OFFICES, FY 1983 REVISED*
(\$ MILLIONS)

<u>State</u>	<u>Beginning Balance</u>	<u>Revenue</u>	<u>Adjustment</u>	<u>Expenditure</u>	<u>Transfers</u>	<u>Ending Balance</u>
Alabama	24	1,815	0	1,839	0	0
Arkansas	0	1,143	0	1,140	3	0
California	105	20,052	0	22,271	-463	-1,651
Colorado	15	1,622	1	1,666	0	-28
Connecticut	-40	3,229	1	3,188	0	2
Delaware	51	677	0	677	0	51
Florida	259	4,888	0	5,147	0	0
Georgia	0	3,732	0	3,732	0	0
Hawaii	210	1,230	5	1,393	0	52
Idaho	0	395	50	442	0	3
Illinois	187	8,733	0	8,730	0	190
Iowa	22	1,857	0	1,869	0	10
Kansas	80	1,301	12	1,393	0	0
Kentucky	42	2,347	0	2,343	0	46
Louisiana	246	3,999	0	4,034	190	21
Maine	19	689	14	704	2	16
Maryland	156	3,079	0	3,234	0	0
Massachusetts	4	4,645	44	4,461	225	8
Michigan	0	4,593	0	4,593	0	0
Minnesota	-598	4,136	253	3,392	359	49
Mississippi	40	1,290	0	1,309	0	21
Missouri	57	2,218	0	2,212	0	63
Montana	34	328	0	328	0	34
Nevada	45	360	23	400	0	28
New Hampshire	-32	342	0	331	0	-21
New Jersey	132	5,995	2	6,206	0	-77
New York	49	16,712	378	16,433	1,236	-530
North Carolina	108	3,515	0	3,623	0	0
North Dakota	116	330	0	436	0	10
Ohio	50	6,991	-37	7,004	0	0
Oklahoma	393	1,688	0	2,002	0	79
Oregon	-139	1,606	0	1,459	0	8
Pennsylvania	8	7,450	24	7,646	0	-164
South Carolina	25	1,972	0	1,966	0	31
South Dakota	19	267	0	280	0	6
Utah	30	936	35	993	0	8
Vermont	0	326	0	329	0	-3
Virginia	198	3,145	-107	3,318	0	-83
Washington	250	3,328	0	3,569	0	9
Wisconsin	27	3,788	0	4,124	0	-266
Wyoming	157	411	-40	416	0	112

* While most states account so that beginning balance plus revenues plus adjustments minus expenditures minus transfers equals the ending balance, some do not.