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# **Fiscal Survey of the States**

**October 1988**

**National Governors' Association**

**National Association of State Budget Officers**

ISSN 0198-6562  
ISBN 1-55877-0240

October 1988

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

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

Price: \$20.00

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## Preface

The Fiscal Survey of the States is published semi-annually by the National Association of State Budget Officers (NASBO) and the National Governors' Association (NGA). The series was started in 1977. The survey presents aggregate and individual data on the states' general fund receipts, expenditures, and balances. While not the totality of state spending, these funds are used to finance most broad-based state services and are the most important elements in determining the fiscal health of states. A separate survey that includes all state spending broken down by functional areas is also conducted by NASBO annually.

The field survey on which this report was based was conducted by NASBO in June and July of 1988. The questionnaires were completed by Governors' state budget offices in each of the 50 states. After compilation, the figures were sent to the survey respondents for verification.

Fiscal 1987 numbers represent actual amounts except where noted otherwise; fiscal 1988 numbers represent estimated or preliminary actuals and fiscal 1989 amounts, except where noted, reflect the approved budgets for fiscal 1989. Forty-six states close their fiscal years on June 30. New York's fiscal year ends on March 31. Texas' fiscal year will close on August 31, while Michigan's and Alabama's close on September 30.

The Fiscal Survey of the States is the result of a cooperative effort of the National Governors' Association and the National Association of State Budget Officers. Text and data for the report were written and assembled by Marcia Howard, Judy Matteucci and Terrence Raftery, with additional support provided by Steve Geloso of the National Association of State Budget Officers. Gerry Feinstein and Mark R. Miller of the National Governors' Association edited the survey.

## Executive Summary

At the conclusion of 1988 legislative sessions, state government finances continued to hold the line, providing for a continuation of existing services. State governments have increased spending for fiscal 1989 by 6.8 percent – a growth rate that is close to that experienced during the prior two fiscal years. In terms of real spending increases, states are at the lowest rate since the recession, which means states have been unable to afford significant program expansion.

Although 27 states passed tax initiatives during 1988 legislative sessions, the tax changes had a fairly narrow scope, and focused primarily on conformity to federal tax structure, additional exemptions, and increases in gasoline taxes. Only one state (West Virginia) increased its sales tax rate during the 1988 legislature, while another (Arizona) undertook a comprehensive adjustment of many of its tax laws.

The gap between revenues and expenditures narrowed considerably in fiscal 1989, with the growth in expenditures exceeding the growth in revenues. This situation will eventually put pressure on the ending fund balances, which, if they hold as projected, are already at the lowest point in the 12-year history of the survey. Nor will budget stabilization funds be able to bear the burden of an economic downturn. The 27 states reporting balances in their budget stabilization funds show average balances of approximately 1 percent.

States, therefore, are in a precarious position and are vulnerable to economic swings or changes in federal grants and aid.

Major findings of the September survey include:

- States are reporting steady, yet moderate, growth in expenditures. State general fund expenditures grew 6.3 percent in fiscal 1987, 6.0 percent in fiscal 1988, and 6.8 percent in fiscal 1989.
- In real terms, the growth in state spending in the last three fiscal years is the lowest since the recessionary 1982 - 1983 period when state spending witnessed negative growth.
- Eighteen states reduced expenditures or introduced other means to deal with projected shortfalls in fiscal 1988.
- Revenue collections exceeded expenditures in all three fiscal years surveyed. However, the rate of growth in revenues is declining from 8.3 percent growth in fiscal 1987 to 5.7 percent growth in fiscal 1988 to 5.4 percent growth in fiscal 1989. The growth rate of revenues is not projected to keep pace with the growth rate of expenditures in fiscal 1989.
- Twenty-seven states passed tax measures during the 1988 legislative sessions. The anticipated tax yield of the measures, however, is less than \$1 billion, much of which is attributable to motor vehicle fuel tax increases.
- Personal income tax and sales tax collections for fiscal 1988 are projected to be just under 2 percent higher than the estimates used when the original budgets were approved. Six states reported lower than anticipated collections in personal income taxes and 12 states reported lower than anticipated sales tax collections.



- General fund ending balances are at the lowest point in the 12-year history of the survey showing at 1.7 percent in fiscal 1987, 2 percent in fiscal 1988, and 1.1 percent in fiscal 1989.
- Twenty-seven states report revenue in their budget stabilization funds. The average stabilization fund was 1.4 percent of total expenditures in fiscal 1987, 1.2 percent in fiscal 1988, and 1.4 percent in fiscal 1989.

# I. State Expenditure Developments

## Overview

In all but a few states, the legislative die has been cast on the 1989 budgets. State expenditures are anticipated to top the \$246.6 billion mark for that fiscal year. This spending level is slightly over 6.7 percent higher than the estimated expenditures for fiscal 1988 and continues a remarkably consistent three-year pattern of annual growth. State expenditures have grown at an average of approximately 6 percent for each of the last three fiscal years (6.3 percent in fiscal 1987; 5.97 percent in fiscal 1988; and 6.76 percent in fiscal 1989). This moderate, yet sustained growth, represents the most consistent nominal growth in a decade and is indicative of states' continuing efforts to maintain existing programs and live within their resources.

These nominal increases translate into similar real increases in state spending for the same time periods. Real spending is that which remains after adjustments for inflation have been taken into consideration. As shown in Table 1, the level of state spending in real terms was up 2.6 percent in fiscal 1987; 1.9 percent in fiscal 1988; and 2.2 percent in fiscal 1989. This real increase in spending is the lowest since the recessionary 1982-1983 period when state spending declined in real terms. These low percentages of real growth are further evidence that state governments have maintained existing programs and have resisted significant program expansion.

It is important to realize that the projected levels for 1989 could be negatively impacted by any change in economic conditions or decreases in federal aid to state governments, which loom on the federal agenda as potential means of dealing with the federal deficit and the nation's economy.

**Table 1**  
**STATE NOMINAL AND REAL ANNUAL BUDGET INCREASES, FISCAL 1979-1989**

<i>Fiscal Year</i>	<i>State General Fund</i>	
	<i>Nominal Increase</i>	<i>Real Increase</i>
1989	7.9 6.8% (est.) - 5	2.2% (est.) 2.9
1988	7.0 6.0 (est.)	1.9 (est.)
1987	6.3	2.6
1986	8.9	3.7
1985	10.2	4.6
1984	8.0	3.3
1983	-0.7	-6.3
1982	6.4	-1.1
1981	16.3	6.1
1980	10.0	-0.6
1979	10.1	1.5
1979-89 average	8.0%	1.6%

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

There are, of course, significant differences among the states in anticipated rates of growth for fiscal 1989 as can be seen in Table 2 and Figure 1.

**Table 2**  
**ANNUAL STATE GENERAL FUND EXPENDITURE INCREASES**

<i>Budget Growth Rate</i>	<i>Nominal Change</i>		
	<i>Fiscal 87 (Actual)</i>	<i>Fiscal 88 (Estimated)</i>	<i>Fiscal 89 (Appropriated)</i>
Less than 0%	6	6	2
0.00-5.0%	17	10	17
5.01-10.0%	19	23	16
Over 10.01%	8	11	15
Average Growth Rate	6.3%	6.0%	6.8%

Only two states, Alaska and Wyoming, are entering fiscal 1989 with anticipated spending levels lower than the previous year's. Six states experienced negative growth in the prior two fiscal periods. In contrast, 31 states are entering fiscal 1989 with expenditure growth anticipated to exceed 5 percent. For further information on state expenditures and rates of growth for particular states, see Appendix Tables A-1, A-2, A-3, and A-6.

## One-Time Expenditures

One-time expenditures are designated for nonrecurring purposes. They occur irregularly and are usually funded with general fund surpluses. As such, one-time expenditures can distort the growth patterns in state spending. For these reasons, state respondents were asked to identify one-time expenditures. As shown in Appendix Tables A-1, A-2, and A-3, one-time expenditures totaled \$1.4 billion in fiscal 1987, \$2.1 billion in fiscal 1988, and \$1.5 billion in 1989—or less than 1 percent of total expenditures for each of the fiscal years reported.

However, the percentages of one-time expenditures varied dramatically from state to state. While 33 states reported no one-time expenditures, 17 states reported making one-time expenditures during one of the three fiscal years surveyed. Of those states reporting one-time expenditures, total percentages ranged from a high of more than 12 percent in Massachusetts in fiscal 1988 to a low of .2 percent in New Mexico in fiscal 1989.

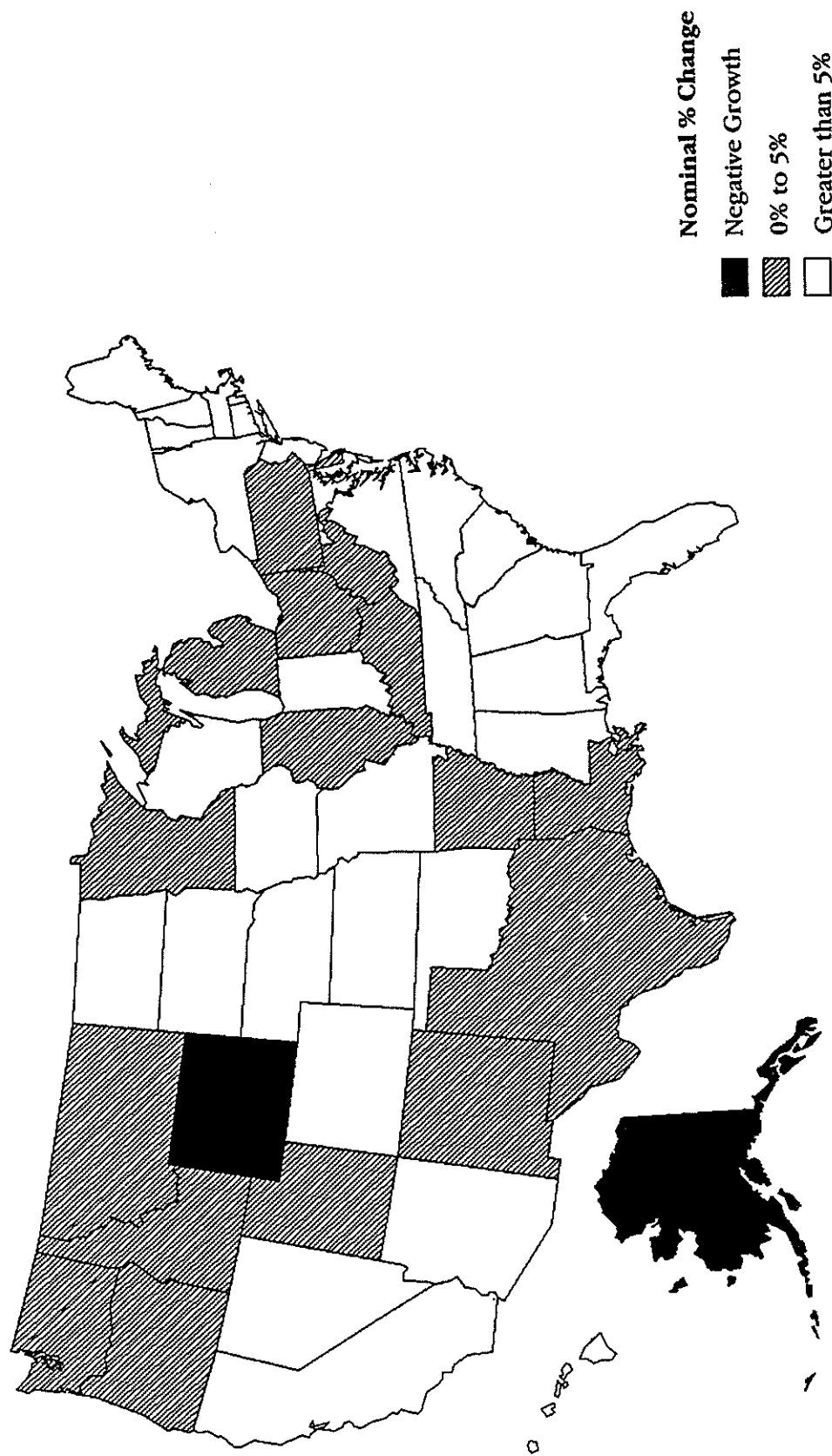
## Biennial States

Twenty-one states have been identified as biennial states, with all but Kentucky, Virginia, and Wyoming beginning their bienniums in odd-numbered years. With the next survey, biennial-to-biennial expenditure comparison information will be available. The current survey still reports biennial states using annual information.

## Budget Management

One of the most difficult issues to deal with during a budgeting cycle is the need to reduce budgets after they have been enacted by the legislature. This is generally due to a

**Figure 1**  
**NOMINAL EXPENDITURE GROWTH IN FISCAL 1989 STATE BUDGETS**



shortfall in revenues as well as constitutional or statutory requirements for balanced budgets. Interest in this area is particularly acute this year due to the much publicized revenue shortfalls in California, Massachusetts, and New York. In total, 18 states had to address budget or cash flow shortfalls during fiscal 1988.

Eleven states (Arizona, Hawaii, Kentucky, Louisiana, Massachusetts, Michigan, Missouri, North Dakota, Washington, West Virginia, and Wyoming) adopted formal cutback strategies during fiscal 1988 to eliminate \$903 million from their enacted budgets. As shown in Table 3, formal cuts ranged from a high of 5.9 percent of general fund expenditures in Kentucky to a low of .2 percent in Arizona.

It is also interesting to note that Colorado released its formal general fund restriction that had been enacted in January of 1988 to save \$24 million in that budget (as reported in the *Fiscal Survey of the States—March 1988*), and instead used \$38 million in the general fund reserve and reduced the state's general fund balance to meet budget needs. Other states also used a variety of informal or administrative means to meet balanced budget requirements and avoid formal cutbacks including:

<b>Arizona</b>	In addition to the general cuts shown in Table 3, Arizona postponed the last \$56.1 million school aid payment until July of 1988.
<b>California</b>	When California's shortfall became known, it was too late to institute effective budget cutback strategies. For this reason, California reduced its budget stabilization fund and ending fund balance from the approximate \$1 billion balance anticipated in the March survey to a combined total of \$38 million shown in the current survey. California also borrowed from internal and bond market sources to address cash-flow needs.
<b>Connecticut</b>	Connecticut drew down the budget reserve fund to cover a fiscal 1988 projected deficit of \$77.5 million.
<b>Idaho</b>	Idaho borrowed \$100 million from the bond market to cover its cash-flow needs.
<b>Illinois</b>	Illinois extended its Medicaid billing cycle, postponed tax relief grants, and deferred tax refunds to save \$339 million in fiscal 1988.
<b>Kentucky</b>	In addition to the formal cutbacks instituted in Kentucky, the budget reserve trust fund of \$50 million was eliminated.
<b>Louisiana</b>	In addition to formal cutbacks, Louisiana borrowed more than \$600 million from internal state funds, sold \$530 million in revenue anticipation notes during the fiscal year, withheld \$220 million in income tax refunds and delayed \$250 million in payables to creditors such as vendors, payroll, and retirement systems to meet budget needs.
<b>New York</b>	New York transferred \$132.5 million from the tax stabilization reserve fund at year end.
<b>North Dakota</b>	In addition to formalized cutbacks, North Dakota borrowed \$40 million for start-up cash flow needs.
<b>Texas</b>	Texas borrowed \$1.25 million in short-term cash management notes.

**Table 3**  
**STATE BUDGET CUTS ADOPTED IN FISCAL 1988 AFTER THE APPROPRIATIONS BILL HAD PASSED**

<i>State</i>	<i>Amount (in mil.)</i>	<i>Cut as % of G.F. Expenditures</i>	<i>Action Taken By</i>	<i>Selective vs. Across the Board</i>	<i>Dates Enacted</i>	<i>Notes</i>
Arizona	6.3	.24%	Legislature	Both	3/88	Net of supplementals. Exempted aid to counties, fixed charges, and repairs and maintenance. Exempted school district pay- ments.
Hawaii	34	1.9	Governor	Selective	7/87	
Kentucky	183.5	5.9	Governor	Selective	7/87	
Louisiana	66	1.7	Governor	Selective	1/88	
Massachusetts	447	5.8	Governor/ Legislature	Selective	12/87 1/88 2/88 3/88 6/88	Borrowed internally; reverted surplus from continuing ac- counts; accelerated federal cash flow. (Amount includes \$97 million in actual spending cuts.)
Michigan	48	0.7	Legislature	ATB	12/87	
Missouri	70	2.0	Governor	ATB	6/87	
					11/87	
North Dakota	3	0.6	Legislature	ATB	10/87	Exempted aid to schools, Medicaid, statutory disburse- ments, selected higher educa- tion, and mental health programs.
Washington	18	0.4	Governor	Selective	7/87	
West Virginia	8	0.1	Legislature	Selective	2/88	Only agencies with directors appointed by the Governor were asked to comply.
Wyoming	19	2.5	Legislature	Both	3/87	

**West Virginia** In addition to formal cutbacks, West Virginia borrowed \$50 million from the consolidated investment fund and \$30 million from the coal workers pneumoconiosis (black lung disease) fund to pay Medicaid payments.

**Wyoming** Wyoming transferred \$73 million from the budget reserve account in addition to other formal cuts.

Only the future will tell if the strategies employed by these 18 states will be sufficient to keep them from having to repeat some or all of these measures in the coming year.

Particular challenges may be presented in fiscal 1989 to states where the impact of the lower than anticipated corporate and personal income tax receipts will be more significantly felt than in fiscal 1988. In addition, the effect of the drought, particularly on the midwestern states, remains to be seen and will begin to show during fiscal 1989.

## Other Expenditure Issues

Survey respondents were asked special questions in two other areas relating to increases in AFDC cost of living increases and aid to local governments.

**Aid to Families with Dependent Children.** As can be seen in Table 4, 26 states approved cost of living increases or adjustments in the standard of need for recipients of aid to families with dependent children (which includes the three states with automatic cost of living adjustments). It is interesting to note that in 69 percent of those states increasing grants in fiscal 1989 (or 18 of 26 states), the gubernatorial recommendations called for increased payment levels. In eight states, cost of living increases were implemented through legislative initiative. The approved increases ranged from a high of 8 percent and 8.9 percent in Hawaii and Tennessee, respectively, to a low of .5 percent and 1 percent in Michigan and Missouri, respectively.

**Aid to Local Governments.** Respondents were also asked to identify any new programs approved by the 1988 legislature to provide aid to local governments. Fifteen states identified new programs that were approved. In California, Maine, Maryland, Massachusetts, Minnesota, Nebraska, South Dakota, Tennessee, Utah, Vermont, and Virginia, all or part of the Governor's proposals were adopted. A listing of the programs is included in Table 5.

**Table 4**  
**COST OF LIVING INCREASES FOR AID TO FAMILIES WITH**  
**DEPENDENT CHILDREN--FISCAL 1989**

<i>State</i>	<i>Approved 1989</i>	<i>State</i>	<i>Approved 1989</i>
Alabama	N/A	Montana	0.0
Alaska*	2.0	Nebraska	4.6
Arizona	0.0	Nevada	1.5*
Arkansas	0.0	New Hampshire	2.0
California *	4.7	New Jersey	0.0
Colorado	*	New Mexico	0.0
Connecticut*	3.7	New York	0.0
Delaware	2.3	North Carolina	0.0
Florida	4.5*	North Dakota	4.0
Georgia	2.8	Ohio	4.0*
Hawaii	*	Oklahoma	5.0
Idaho	0.0	Oregon	2.0
Illinois	0.0	Pennsylvania	0.0
Indiana	N/A	Rhode Island	5.3
Iowa	6.0	South Carolina	0.0
Kansas	5.0	South Dakota	0.0
Kentucky	5.0	Tennessee	8.9
Louisiana	0.0	Texas	0.0
Maine	5.0*	Utah	0.0
Maryland	5.0	Vermont	3.0
Massachusetts	5.5	Virginia	0.0
Michigan	.5	Washington	0.0
Minnesota	0.0	West Virginia	0.0
Mississippi	0.0	Wisconsin	0.0
Missouri	1.0	Wyoming	0.0

NOTES: Alaska Automatic cost of living adjustments tied to the Social Security Administration's COLA.

California Automatic cost of living adjustments tied to Consumer Needs Index, December to December.

Colorado Standard of need was increased for fiscal 1989.

Connecticut Automatic cost of living adjustments tied to Consumer Price Index-Urban Wage Earners.

Florida Increase effective January 1989.

Hawaii Varies from 1.5% to 8% depending upon family size.

Maine Increase effective January 1989.

Nevada Only recipients who do not live in subsidized housing.

Ohio Increase effective January 1989.



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**Table 5**  
**NEW SPENDING OR TAX PROGRAMS TO AID LOCAL GOVERNMENT**  
**FISCAL 1989**

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California	A new form of stabilization grant was approved at a statewide level of \$15.3 million. The formula driven grant is to stabilize counties' increased costs for specific health and welfare programs as measured against their general support revenue growth. The Governor is also proposing trial court finding for localities commencing January 1, 1989.
Colorado	The legislature revised the K-12 school finance act and provided local property tax relief especially for less wealthy counties.
Connecticut	The state funded a residential tax credit program based on effective tax rate in each municipality.
Maine	The legislature adopted the Governor's proposals.
Maryland	The legislature adopted the Governor's proposals including aid for special education, magnet schools, textbooks, local libraries, and community colleges.
Massachusetts	The legislature adopted the Governor's proposals.
Minnesota	The legislature adopted the Governor's proposal for 100% state funding of non-federal share of income maintenance costs. The legislature also passed "disparity aid" to reduce high mil rates to be allocated to all local governments in proportion to their levies.
Nebraska	The legislature adopted the Governor's proposals.
New Jersey	The legislature provided \$18 million for the first year implementation of the state takeover of county courts. The proposal is subject to enabling legislation which would identify a permanent funding source.
South Dakota	The legislature adopted the Governor's proposals.
Tennessee	The legislature adopted the Governor's proposals.
Utah	The legislature adopted the Governor's proposals to take over funding for district courts.
Vermont	The legislature adopted the Governor's proposal to create a municipal and regional planning fund paid for through an increase in the property transfer tax.
Virginia	The legislature adopted all four of the Governor's proposals.
Wyoming	The legislature redirected out-of-state sales tax distribution and severance tax/mineral royalties to local governments.

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## II. State Revenue Developments

### Overview

Although the March survey predicted an "uneventful" legislative year on the tax front, much publicized lower-than-anticipated personal income tax collections in California, Massachusetts, and New York caused 1988 to be anything but uneventful on the revenue side of the budget ledger.

Owing largely to the constitutional or statutory requirements that budgets be balanced, state revenue collections are generally very similar to or slightly higher than state expenditures. This fiscal survey shows no difference in this general rule with fiscal 1987 revenues reported at \$223.4 billion compared with expenditures of \$218 billion; fiscal 1988 revenues at \$236.2 billion compared with expenditures of \$231 billion; and fiscal 1989 revenues at \$249 billion compared with expenditures of \$246.6 billion.

However, a trend may be developing in the rate of growth in expenditures when compared to the rate of growth in revenues. In fiscal 1987, survey respondents reported a growth in revenues of 8.3 percent with all but six states (Alaska, Louisiana, Montana, North Dakota, West Virginia, and Wyoming) reporting positive revenue growth. This compares favorably with the growth rate in expenditures of 6.3 percent. In fiscal 1988, revenue growth was reported at 5.7 percent with the expenditure growth rate nearly equal at 6 percent.

However, in fiscal 1989, the early revenue estimates show a revenue growth of 5.4 percent, compared with expenditure growth of 6.8 percent—a trend that could lead to fiscal difficulties in the future. While there could be several explanations for this difference, it is obvious that if it continues for an extended period of time, the inevitable reconciliation between the need for additional revenues or constrained state spending will have to be addressed.

### Revenue Collections for Fiscal 1988

The event in state budgeting that received the most publicity during the spring and summer months of 1988 was the shortfall in personal income tax collections in California, Massachusetts, and New York and the impact these shortfalls would have on state budgets. To evaluate the extent of these shortfalls, the current survey asked states to report the estimated collections for both personal income and sales taxes as included in the originally enacted fiscal 1988 budget when compared with the current estimate or actual collections. These responses can be reviewed in Appendix Table A-7.

According to survey responses, personal income tax collections generated slightly less than \$81 billion in fiscal 1988, which is a scant 1.7 percent higher than the \$79.2 billion that had been built into the budgets when they were adopted. As can be seen on Table A-7, six states—California, Delaware, Kentucky, Massachusetts, New Jersey, and West Virginia—reported receipts lower than projected ranging from a high of 6.4 percent in West Virginia to a low of .8 percent in New Jersey. Massachusetts receipts were 3.9 percent lower than projected while California's were 5.2 percent lower.

New York's widely reported revenue shortfall will not appear in the data in Table A-7 because the state's fiscal year begins on April 1 and ends on March 31. However, New

York reported fiscal 1989 data for comparability purposes, which showed the estimated personal income tax receipts to be 7.4 percent lower than originally projected.

Table A-7 also shows sales tax projections and collections for the 45 states imposing them in fiscal 1988. Current estimates put sales tax collections at \$81.1 billion for fiscal 1988 (or nearly equal the amount generated by personal income tax collections). This amount is 1.9 percent higher than the \$79.6 billion included in the budgets when they were originally approved. Twelve states currently estimate that collections will be lower than the original projections.

## **Fiscal 1989 Tax Changes**

In all, 27 states enacted new revenue initiatives for fiscal 1989 for a total of slightly under \$800 million in additional revenue. This figure pales in comparison to the \$6 billion that was raised in fiscal 1988.

A listing of the specific measures taken by 1988 legislatures, the effective dates for the legislation, and the estimated impact is included in Appendix Table A-8.

## **Personal Income Tax**

Thirteen states passed tax measures that impacted personal income taxes. Most of these actions were related to conformance with federal income tax reform; increases in the allowed deductible amounts or reductions in the number of state income tax brackets such as in Arizona, Hawaii, Kansas, Maine, Minnesota, Nebraska, Oklahoma, Utah, Vermont, and Wisconsin; and for the most part resulted in losses in general fund revenue. Louisiana removed certain exemptions and Idaho did not increase the level of personal exemptions as a means of providing additional revenue to state coffers.

## **Sales Tax**

Sales tax activity in state legislatures was evenly divided between increasing tax rates or bases and increasing exemptions. West Virginia increased its sales tax rate from 5 percent to 6 percent and extended it to cover certain items in soft drinks for a total projected sales tax increase of \$79 million. Arizona increased the tax rate on rental of real property from 3.75 percent to 5 percent, raised the hotel/motel tax from 4 percent to 5.5 percent and extended the tax base to casual commercial rentals which, in combination with other actions, is anticipated to increase revenue by \$23.1 million. In addition, Louisiana suspended 2 percent of all sales tax exemptions for an increase of \$266 million, while Missouri taxed video cassette rentals and exempted materials used in nonprofit construction projects. Massachusetts repealed the exemption from sales tax on cigarettes for an increase of \$37 million. The bulk of all other activity increased exemptions, which resulted in a loss to the general fund, as in Kansas, where \$13 million in general funds is anticipated to be lost through the extension of exemptions from sales tax to several items, and in Minnesota, where university or college exemptions were restored and aspirin was exempted from sales tax.

Notably, two states, Minnesota and North Carolina, extended taxes on out-of-state mail order sales in a preface toward increased state activity in extending state sales tax to mail order activity.

## **Business Tax**

Nine states enacted business tax legislation including Arizona, Kansas, Massachusetts, Minnesota, New Hampshire, North Carolina, and Wisconsin, all of which passed legislation to conform to the federal tax code or adjust corporate liability levels. Arizona is anticipating \$29 million in additional revenue from changes to its corporate tax structure, which included increasing the capital gains rate. Minnesota anticipates a tax gain of nearly \$28 million from federal conformity legislation while New Hampshire and North Carolina are anticipating revenue losses due to a decrease in the corporate rate or changes in apportionment formulas for out-of-state corporations. North Carolina, however, anticipates recouping its tax loss from the apportionment formula change through an increase in the corporate estimated tax liability.

## **Cigarette Taxes**

Very few states went to the "sin taxes" for additional revenues. Iowa increased their revenue by \$20 million through an 8-cent-per-pack increase while Rhode Island anticipates a \$2.4 million increase through a 2-cent-per-pack increase.

## **Motor Fuel Taxes**

Seven states raised motor vehicle fuel taxes to raise an additional \$196 million in revenue for roads and highways. Kentucky revamped its motor carrier usage tax system to a weight-distance system, which resulted in a net loss of \$5.2 million.

## **Miscellaneous**

Two states adjusted their insurance premium tax rates, including Arizona, which also increased the general fund share of auto license taxes, increased the property tax for education, and applied the property tax to unorganized districts for a general fund gain of nearly \$66 million.

<u>Year</u>	<u>Balances</u>			<u>As % of Exp</u>
	GF Bal.	RDF Bal.	Tot Bal.	

### III. Year-end General Fund Balances and Budget Stabilization Funds

#### Ending Balances

The bottom line in budgeting and one of the leading indicators of fiscal health in state budgets is the general fund ending balance. This survey has generally recognized the government standard of 5 percent of total expenditures as representing an adequate ending balance. An ending balance of this size is necessary to provide cash flow during the year, to accommodate the cyclical nature of revenue collections and disbursements, and most particularly, to provide sufficient revenues at the change of a fiscal year without disruption in service.

However, state governments have not achieved the 5 percent standard in the aggregate since 1980, when the ending balances of all states represented 9 percent of total expenditures. As of this survey, states have reached the lowest point in the twelve-year survey of ending balances as a percent of expenditures.

As can be seen in Table 6, the 1.1 percent aggregate estimated ending balance figure shown in fiscal 1989, if maintained at that level, is the lowest ever recorded (even lower than ending balances shown during the 1982-1983 recessionary period) and is indicative of the narrow margin on which states plan on operating in the coming fiscal period. In addition, it should be noted that the aggregate general fund balances in the prior two fiscal periods—1.7 percent in fiscal 1987 and 2 percent in fiscal 1988—were the lowest since the 1.3 percent recorded in fiscal 1983.

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Table 6  
SIZE OF GENERAL FUND YEAR-END BALANCES, FISCAL 1978-1989

Fiscal Year	Year-End Balances (\$ in Billions)	Balance as a Percent- age of Expenditures
1989 (est.)	<del>2.6</del> 3.9	1.1% 2.2
1988 (est.)	<del>4.7</del> 3.9	2.0 2.8
1987	3.7	1.7
1986	5.4	2.6
1985	8.0	4.3
1984	5.6	3.3
1983	2.0	1.3
1982	4.5	3.0
1981	6.5	4.4
1980	11.8	9.0
1979	11.2	8.7
1978	8.9	8.6

NOTE: Does not include balances from budget stabilization funds.

Perhaps more telling of the widespread narrowing of the gap between expenditures and revenues is the number of states that are budgeting for balances of 1 percent or less in fiscal 1989 when compared to those with similar ending balances in fiscal 1988 (Table 7). As can be seen in Table 7 and in Figure 2, 13 states ended fiscal 1988 with ending balances of 1.09 percent or less while 18 states ended with balances over 5.1 percent. By fiscal 1989 (Figure 3), the number of states with razor-thin ending balances of 1.09 percent or less had more than doubled to 29 states. In stark contrast, only eight states (Delaware, Hawaii, Kansas, Montana, Nebraska, Nevada, Oklahoma, and Wyoming) are anticipating fiscal 1989 ending balances in excess of 5.1 percent.

	Fiscal 1988 Actual (# of States)	Fiscal 1989 Estimated (# of States)	Fiscal 1990 <del>Appropriated</del> <sup>Proposed</sup> (# of States)
1.09 % or less <i>less than 1%</i>	13 45	18 9	29 8
1.00 - 2.99 %	12 10	12 10	10 19
3.00 - 4.99 %	12 6	8 10	8 7
Over 5.10 %	12 29	18 21	8 16
<i>5 or More</i>	<u>50</u>	<u>4</u>	
Average Percentage	1.7% 4.1	2.0% 3.6	1.1% 3.1

(\* Includes gun fund and RDP)

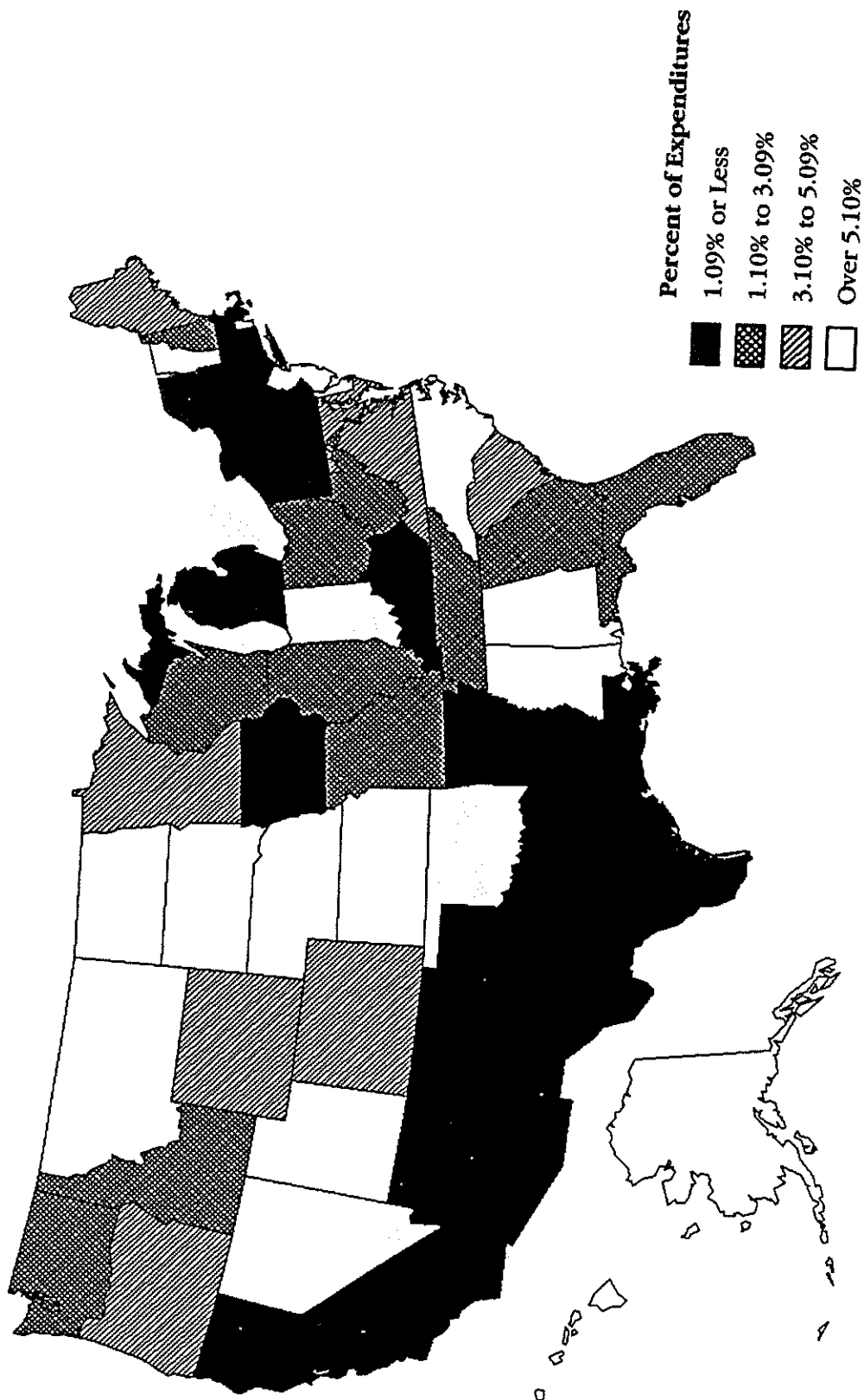
It is also interesting to note that during both the fiscal 1988 and fiscal 1989 time periods, only seven states (Delaware, Hawaii, Kansas, Montana, Nebraska, Nevada, and Oklahoma) met or exceeded the 5 percent standard for ending balances used by this survey in recognizing balances sufficient to support government activity in times of economic fluctuation.

The change in the amounts of money included in ending balances has also been dramatic, as illustrated in Figure 4. The fiscal 1988 ending balances are now estimated at \$4.7 billion, up 7.3 percent from the estimate for the same time period in March. However, the fiscal 1989 aggregate ending balances are estimated to drop by \$1.1 billion from the level proposed by Governors in the March survey, constituting a 30 percent decrease in the size of ending balances.

The individual state general fund balances, which comprised the aggregate, have also undergone a good deal of change. In the last survey, the combined balances of California, New Jersey, and Minnesota comprised 53 percent of the total estimated ending balances in fiscal 1988. In the current survey, it takes six states' ending balances (Hawaii, Kansas, Minnesota, New Jersey, North Carolina, and Ohio) to comprise 52 percent of the ending balances. This is due largely to the dramatic decrease in the California ending balance in fiscal 1988.

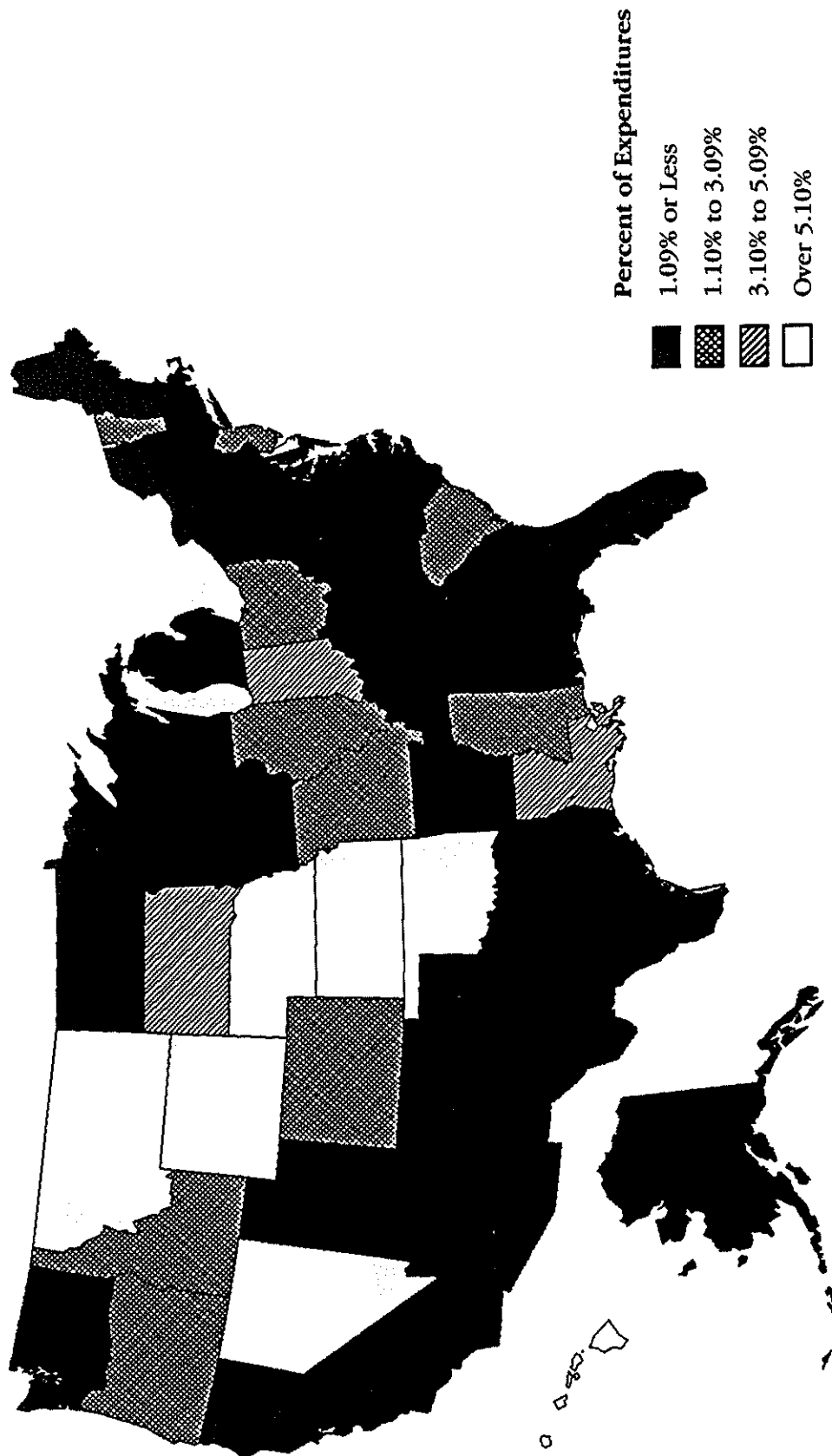
Notable, too, are those states with negative ending balances. In fiscal 1988, two states (Louisiana and Texas) had negative budget balances in excess of \$1.1 billion. In fiscal 1989, two states again are anticipating negative ending balances. This time, however, Alaska and New York's anticipated ending balances total is a negative balance of only \$146 million.

Figure 2  
 YEAR-END BALANCES AS A PERCENT OF EXPENDITURES  
 Fiscal 1988-89

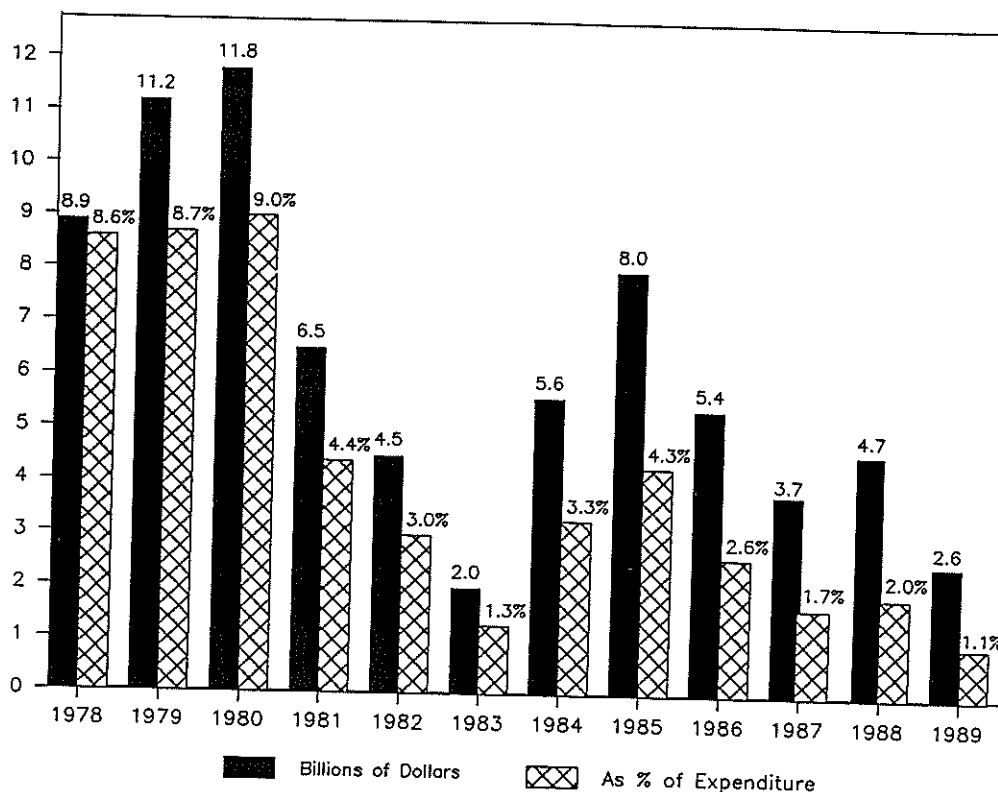




**Figure 3**  
**YEAR-END BALANCES AS A PERCENT OF EXPENDITURES**  
**Fiscal 1989- / 1990**



*TOTAL*  
*General*  
**Figure 4**  
**SIZE OF GENERAL FUND YEAR - END BALANCES**  
**Fiscal 1978 to ~~1989~~ 1990**



The causes of fluctuations in ending balances are many and varied. A change in economic conditions, either upward or downward, can result in dramatic shifts in state revenue and expenditures (the Louisiana and Texas stories are largely due to the drop in oil prices a few years ago). Revenue estimating (particularly during tax reform) is a difficult business, especially when the variables are outside the control of those making the revenue estimates (the California ending balance decrease of nearly \$1 billion is a dramatic demonstration of such a situation). Major tax rebates or the "spending down" of accumulated surpluses can also have an impact on the level of general fund balances (such as in Utah in fiscal 1989). And, finally, the advent of budget stabilization funds have also provided additional avenues through which Governors and budget officers can attempt to control the ups and downs in state expenditures.

### Budget Stabilization Funds

Since fiscal 1983, states have begun to rely on the use of budget stabilization funds to protect state budgets from the dramatic shifts that can be brought about by sharp

declines in the economy. Generally, these funds are not used to meet the day-to-day cash flow problems states experience due to the cyclical nature of revenues and expenditures. As can be seen in Appendix Table A-5, 27 states are reporting an average of just slightly over \$3 billion in budget stabilization funds in each of the fiscal years encompassed in this report. In both fiscal 1987 and fiscal 1989, budget stabilization funds equaled 1.4 percent of expenditures, dropping to 1.2 percent in fiscal 1988. Even if these funds are combined with ending balances to determine exactly how much states actually have on reserve for emergencies or economic downturns, the total funds do not come near the 5 percent of total expenditures that has been set as the standard.

The individual changes in states' budget stabilization funds are indicative of state budget actions in fiscal 1988 and fiscal 1989. California's budget stabilization and ending balances fund show the largest drawdown since the March survey, with a decrease from the combined \$962 million reported in March to a combination of \$38 million in the current survey. Connecticut's budget stabilization fund shows a steady decline over the three years reported in this survey, declining from 7.3 percent in fiscal 1987, to 4.86 percent in fiscal 1988, to 3 percent in fiscal 1989.

In addition, New Mexico reported some statutory reconfigurations of the various reserve funds in that state, while the dramatic decrease in Utah's account, which dropped from \$40 million in fiscal 1988 to \$7 million in fiscal 1989, is due to an income tax rebate of \$80 million. This necessitated a transfer from the budget stabilization reserve to balance the fiscal 1989 budget.

## IV. Regional Fiscal Outlook

### Overview

In general, the country seems to be experiencing positive growth. While the Northeast and Far West continue to enjoy solid growth, other regions of the country that were negatively impacted by poor farm economies or the downturn in energy prices, with a few exceptions, are making significant progress toward improving their economic and budget positions. Table 8 provides five indicators used to assess economic and fiscal condition by region. Since the March survey, the weighted unemployment rate has declined from 6.2 percent to 5.4 percent while the weighted annual change in personal income has held steady at a 5.9 percent annual increase. As reported in previous sections, growth in state budgets and expenditures in fiscal 1989 registered at 6.8 percent, which is consistent with the growth recorded in fiscal 1987 and fiscal 1988. The most disturbing indicators of the fiscal health of states are the fiscal 1988 and fiscal 1989 ending balances, which are at historic lows. In fiscal 1988, the ending balance is at 2 percent of expenditures, but drops to 1.1 percent fiscal 1989.

Table 8  
REGIONAL BUDGET AND ECONOMIC INDICATORS

	10-88	Weighted Unemployment Rate*	Weighted Annual % Change in Personal Income**	85-88 Annual % Change in Population***	89 Total FY 88 Ending Balances as % of Expenditures	FY 89 Proposed General Fund Budget Growth (%)	# of States in Region
New England	2.5	3.2%	8.2%	0.8%	1.96%	1.7%	6
Mideast	4.1	4.2	6.9	0.9	1.71	2.3	5
Great Lakes	5.2	6.1	5.9	0.4	2.55	2.5	5
Plains	4.0	4.2	4.9	0.4	1.68	0.1	7
Southeast	6.2	5.8	7.2	1.5	1.3	2.8	12
Southwest	6.8	7.5	4.1	0.8	3.2	3.9	4
Rocky Mountain	5.1	5.7	3.6	0.2	1.25	5.7	5
Far West	5.2	5.5	6.7	2.2	1.84	2.3	6
Average	4.9	5.4	5.9	1.0	1.98	3.5	50

SOURCES: \* U.S. Department of Labor, Bureau of Labor Statistics, June 1988.  
 \*\* U.S. Department of Commerce, Bureau of Economic Analysis, August 16, 1988.  
 \*\*\* FFIS Issue Brief 88-1, New State Population Estimates.

This general, but cautious, optimism in the states is demonstrated in improved state employee compensation packages for fiscal 1989 as well as in the growth in the number of state employees during fiscal 1988. Tables 9 and 10 indicate compensation packages and size of state workforces by region.

**New England.** New England continues to enjoy the lowest unemployment rate and the highest personal income growth in the country (led by New Hampshire with a 10.3 percent increase). These positive economic signs are manifested in the highest percent-

age increase in state expenditures for fiscal 1989 in the United States (with four of the six states posting increases in state spending in excess of 10 percent). Despite Vermont's strong ending fund balance of 15.1 percent of expenditures, however, this region shows an average ending fund balance of only 1.7 percent. The number of public employees in the New England region increased by 3.8 percent during fiscal 1988. Most states in the region that responded to this question in the survey have across-the-board salary increases in excess of 4 percent.

**Mideast.** The mideastern states are nearly as prosperous as New England with unemployment rates lower than the national average and an increase in personal income 1 percent higher than the national average. Although growth in general fund expenditures is not as high as New England's, it is slightly higher than the aggregate figure for all states. Fiscal 1988 ending balances are also higher in the region, with Delaware posting a 15.8 percent ending balance. Every state in the region reported across-the-board salary increases and a growing number of state employees that, with the exception of Pennsylvania, exceeded the national average.

**Great Lakes.** The Great Lakes region, although reporting an increase in personal income equal to the national average, still must deal with an unemployment rate that is higher than the national average. At 3.9 percent, fiscal 1989 expenditures show the lowest growth rate in the country while ending balances as percent of expenditures are higher than the national average. Despite the cautious budgetary outlook evident in this region, across-the-board salary increases, ranging from 2 percent in Indiana and Wisconsin to 6 percent in Ohio, were approved by all states in the region.

**Plains.** The Plains states have made a dramatic recovery from the economic and budget doldrums of a few years ago. The unemployment rate dropped dramatically from 5.5 percent to 4.2 percent since the last survey. However, the annual growth in personal income also has declined since the March survey—from 5.5 percent to 4.9 percent, a point below the national average. Budget growth in the region is slightly above the national average for fiscal 1989 with all states in the region except Minnesota and North Dakota reporting expenditure growth in excess of 5 percent. At the same time, the ending balance figure as a percent of expenditures is the highest in the country, led by Nebraska at just under 20 percent and Kansas at 16 percent. Although state workforce growth was relatively minor (with Missouri and North Dakota showing actual declines in the number of employees), across-the-board salary increases were approved in all states in the region.

**Southeast.** The Southeast has enjoyed a drop in the unemployment rate and an increase in personal income since the March survey. However, the fiscally troubled states of Kentucky, Louisiana, and West Virginia still make analysis of the region's economic status difficult. Ending balances as a percent of expenditures have increased since the March survey, but are still being held down by Louisiana's fiscal 1988 deficit of \$700 million. Although budget growth in this region for fiscal 1989 is at 9 percent, the number of states showing expenditure growth below 5 percent, below 10 percent, and above 10 percent is evenly split among the 12 states in the region.

State employee salary increases in the region were generally low or nonexistent with Arkansas, Louisiana, Mississippi, and West Virginia reporting no across-the-board salary increases for state employees, while Kentucky reported a 2 percent increase. Despite actual decreases in the number of state employees in Louisiana, Tennessee, and West Virginia, the 6.4 percent increase in the number of Florida state employees brought the region's workforce growth to a number that approximated the national average.

**Southwest.** In the Southwest, regional factors are heavily influenced by Texas, which dominates any regional analysis because of its size. Because of the hard times brought on by the drop in oil prices, it is not difficult to understand why the Southwest region has the highest unemployment rate, the second lowest percentage increase in personal income, and the only negative ending balance figure in the nation. Budget growth in the region is nominal (ranging from a low of 2.17 percent in New Mexico to a high of 10.6 percent in Oklahoma). Despite the precarious budget situation in the region, across-the-board salary increases were provided by all four states.

**Rocky Mountain.** The Rocky Mountain region continues to struggle to improve its economic and fiscal health. Personal income growth in this region is the lowest in the nation, while the unemployment rate is slightly above the national average. Three of the five states in the region did not approve across-the-board salary increases for state employees for fiscal 1989. While the growth in the number of state employees is stable, Montana actually decreased its state workforce. The growth in state expenditures and the ending balances as a percent of fiscal 1988 expenditures are identical at 5.1 percent indicating an extremely cautious budgeting approach in this energy-dependent region.

**Far West.** Growth in the Far West continues strong, with personal income increasing at an average of 6.7 percent annually (led by Nevada at 8.9 percent and Oregon at 7.2 percent) and an unemployment rate that is very close to the national average. Despite Alaska's hard times, the region is still posting a 6.5 percent increase in fiscal 1989 expenditures. The regional ending balance figure is 1.9 percent of fiscal 1988 expenditures. If California were not included in the region, the ending balances for the remaining states—Alaska, Hawaii, Nevada, Oregon, and Washington—would have equaled 7.1 percent of fiscal 1988 expenditures (in excess of the 6 percent national high posted in the Plains region). Across-the-board salary increases for state employees were posted in all states except Alaska, although the pay increase in California does not become effective until June 1989. The number of state employees also increased during fiscal 1988 at a rate that approximates the national increase.

# **APPENDIX**

Actual Table from 10/88 Fiscal Survey

Table A-1  
FISCAL 1987 STATE GENERAL FUND  
(\$ in millions)  
Actual Figures

State	Begin- ning Balance	Revenue	Resources	Expendi- tures	One Time Expendi- tures	Total Ongoing Expendi- tures	Transfers	Ending Balance	Budget Stab. Fund
<b>States with Annual Budgets</b>									
Alabama	9	2,691	2,699	2,630		2,630		70	
Alaska	(196)	1,838	1,642	2,395		2,395	773	20	
Arizona	40	2,422	2,462	2,406	22	2,384		56	
California	714	32,519	33,233	31,469		31,469	(1,096)	77	'591 + 77 668
Colorado	4	2,098	2,103	1,996	69	1,989	(62)	45	
Connecticut	0	4,742	4,742	4,377		4,377	(365)	0	320
Delaware	139	962	1,101	931	10	921		170	
Georgia	97	5,421	5,518	5,354	442	4,912		164	151
Idaho	1	632	633	618	11	607	(15)	0	
Illinois	288	10,332	10,620	10,340		10,340	(126)	154	
Iowa	8	2,505	2,512	2,445		2,445		0	68
Kansas	20	1,780	1,800	1,727		1,727		73	
Louisiana	(244)	3,413	3,169	3,804		3,804	188	(446)	
Maryland	53	4,642	4,695	4,487	33	4,454	(50)	158	50
Massachusetts	333	6,964	7,297	6,896		6,896	(290)	41	70
Michigan	153	6,322	6,475	6,464		6,464		11	352
Mississippi	52	1,526	1,578	1,490	10	1,480	28	116	6
Missouri	110	3,205	3,315	3,273	84	3,189	8	50	
New Jersey	521	9,339	9,860	9,138		9,138		722	
New Mexico	43	1,453	1,496	1,458	19	1,439	8	46	63
New York	153	24,688	24,841	23,453		23,453	(1,219)	169	
Oklahoma	0	2,070	2,070	2,059		2,059	(11)	0	
Pennsylvania	213	9,866	10,079	9,681		9,681	(50)	348	51
Rhode Island	52	1,187	1,239	1,123		1,123	(10)	106	18
South Carolina	67	2,669	2,736	2,670	10	2,660	24	90	75
South Dakota	31	370	402	364	10	354	(2)	36	
Tennessee	69	2,910	2,979	2,952	48	2,904	(5)	22	75
Utah	2	1,302	1,304	1,279		1,279	4	29	20
West Virginia	113	1,532	1,644	1,611		1,611		33	
<b>States with Biennial Budgets</b>									
Arkansas	0	1,461	1,461	1,461		1,461		0	
Florida	180	7,581	7,761	7,725	270	7,454		36	103
Hawaii	137	1,894	2,031	1,692		1,692		339	
Indiana	39	3,525	3,564	3,274		3,274	(189)	101	165
Kentucky	209	2,888	3,097	2,914		2,914	(18)	145	21
Maine	10	1,118	1,128	1,045		1,045	(23)	60	25
Minnesota	370	5,428	5,799	5,167		5,167	(154)	227	250
Montana	16	347	363	391		391	39	11	
Nebraska	18	886	904	849		849		55	24
Nevada	85	557	642	575	35	540		27	40
New Hampshire	32	538	570	513		513	(34)	23	27
North Carolina	319	5,392	5,711	5,349	298	5,051		362	
North Dakota	109	459	568	544		544		24	
Ohio	458	10,471	10,929	10,540		10,540	(163)	226	263
Oregon	103	1,837	1,940	1,706		1,706		234	
Texas	(241)	11,948	11,707	9,901		9,901	(2,790)	(984)	
Vermont	3	482	485	431		431	6	61	
Virginia	360	4,747	5,107	4,656		4,656	(313)	138	10
Washington	102	4,942	5,045	4,878		4,878	(165)	2	
Wisconsin	237	5,121	5,358	5,070		5,070	(55)	233	
Wyoming	106	335	441	395		395		46	117
Total	5,496	223,357	228,854	217,965	1,370	216,656	(6,127)	3,722	2,954



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**NOTES TO TABLE A-1**  
**FISCAL 1987 STATE GENERAL FUND**

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Notes included in this table should be referenced during review of fiscal 1987 data. Some state data may not add due to rounding.

<b>Alaska</b>	Fiscal 1987 figures are estimated.
<b>Arkansas</b>	The reported amounts represent the net amount available for distribution to state agencies.
<b>California</b>	Transfers to and from the general fund are included in the revenue and expenditure totals. The \$1.1 billion of excess tax proceeds, which were deposited into the Appropriations Limit Impound Account, was returned to the taxpayers pursuant to Article XIII B of the California Constitution. Funds in the budget stabilization fund and ending balances comprise the beginning balance in the following fiscal year.
<b>Georgia</b>	Beginning balance is determined from midyear reserve and unreserved surplus. Beginning balance must be appropriated.
<b>Idaho</b>	Transfers include a one-time transfer to the permanent building account.
<b>Iowa</b>	Funds in the budget stabilization fund comprise the beginning balance in the following year.
<b>Kentucky</b>	Transfers include continued appropriation reserve adjustment. Funds in the budget stabilization fund and the ending balance comprise the beginning balance in the following fiscal year.
<b>Massachusetts</b>	Reported amounts incorporate only those in the general fund reporting entity, not comprehensive state expenditures for general purposes.
<b>Minnesota</b>	Funds in the budget stabilization fund and ending balances comprise the beginning balance in the following fiscal year.
<b>New York</b>	The budget stabilization fund is included with the ending balance.
<b>North Dakota</b>	Fiscal 1987 reported amounts reflect a general fund balance on a cash basis.
<b>Oregon</b>	Oregon prepares its budget on a biennial basis. For purposes of this report, fiscal year expenditures were divided 49 percent in the first year of the biennium and 51 percent in the second year. Because of Oregon's biennial budgeting system, using fiscal year figures may produce erroneous conclusions.
<b>Pennsylvania</b>	In addition, Pennsylvania has \$40 million in a sunny day fund.
<b>South Dakota</b>	Transfers include a \$2 million adjustment due to a change from cash basis accounting to accrual.

**Table A-2**  
**FISCAL 1988 STATE GENERAL FUND**  
(\$ in millions)  
**Estimated Figures**

<i>State</i>	<i>Begin- ning Balance</i>	<i>Revenue</i>	<i>Resources</i>	<i>Expendi- tures</i>	<i>One Time Expendi- tures</i>	<i>Total Ongoing Expendi- tures</i>	<i>Transfers</i>	<i>Ending Balance</i>	<i>Budget Stab. Fund</i>
<b>States with Annual Budgets</b>									
Alabama	70	2,844	2,913	2,766		2,766		148	
Alaska	20	2,272	2,292	2,255		2,255	126	162	
Arizona	56	2,563	2,619	2,613	35	2,578		6	
California	668	32,609	33,277	33,239		33,239		29	9
Colorado	45	2,176	2,221	2,133		2,133		88	
Connecticut	0	4,904	4,904	4,981	11	4,970	78	0	242
Delaware	170	1,034	1,204	1,039	22	1,018		165	
Georgia	164	5,903	6,067	5,958	544	5,414		109	163
Idaho	0	675	675	658		658		17	
Illinois	154	10,680	10,834	10,625	104	10,521	37	246	
Iowa	68	2,651	2,719	2,657		2,657		0	62
Kansas	73	2,115	2,188	1,887		1,887		301	
Louisiana	(446)	3,564	3,118	3,881		3,881	49	(714)	
Maryland	158	4,940	5,098	4,897	49	4,848	(5)	197	55
Massachusetts	41	7,086	7,127	7,229	918	6,311	128	25	74
Michigan	11	6,579	6,590	6,579		6,579		12	379
Mississippi	116	1,657	1,773	1,682	7	1,675	(3)	89	20
Missouri	50	3,504	3,554	3,487	23	3,464	12	80	
New Jersey	722	10,161	10,883	10,372		10,372	179	690	171
New Mexico	46	1,577	1,623	1,546	39	1,507	(77)	0	113
New York	169	26,714	26,883	25,087		25,087	(1,743)	53	
Oklahoma	0	2,397	2,397	2,203		2,203	(78)	116	78
Pennsylvania	348	10,264	10,612	10,472		10,472	(45)	95	80
Rhode Island	106	1,259	1,365	1,252		1,252	(15)	99	27
South Carolina	90	2,898	2,988	2,861	41	2,820	11	138	86
South Dakota	36	398	434	392	6	386		42	
Tennessee	22	3,164	3,186	3,080	19	3,061	(26)	80	75
Utah	29	1,460	1,489	1,380		1,380	(20)	89	40
West Virginia	33	1,416	1,449	1,414		1,414		35	
<b>States with Biennial Budgets</b>									
Arkansas	0	1,546	1,546	1,546		1,546		0	
Florida	36	8,735	8,771	8,629	89	8,540	(36)	106	136
Hawaii	339	2,088	2,427	1,957		1,957		471	
Indiana	101	3,957	4,058	3,557		3,557	(258)	243	221
Kentucky	166	3,070	3,236	3,208		3,208	4	32	
Maine	60	1,194	1,254	1,185		1,185	(11)	58	25
Minnesota	477	5,807	6,284	5,560		5,560	(180)	279	265
Montana	11	387	398	372		372	13	39	
Nebraska	55	1,014	1,068	891		891		178	18
Nevada	27	610	637	586	1	585		51	40
New Hampshire	23	539	562	552		552		10	27
North Carolina	362	5,806	6,168	5,774	173	5,601		394	
North Dakota	24	536	560	506		506	(3)	51	
Ohio	226	10,894	11,120	10,801	0	10,801	(22)	297	284
Oregon	234	1,675	1,909	1,830		1,830		79	
Texas	(984)	12,706	11,722	9,263		9,263	(2,930)	(471)	
Vermont	61	519	580	488	2	486	(18)	74	8
Virginia	138	5,012	5,150	4,963		4,963		187	5
Washington	2	5,108	5,109	5,046		5,046		64	
Wisconsin	233	5,208	5,441	5,300		5,300		141	
Wyoming	46	305	351	352		352	17	16	58
Total	4,652	236,178	240,830	230,986	2,081	228,907	(4,817)	4,693	2,761

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**NOTES TO TABLE A-2**  
**FISCAL 1988 STATE GENERAL FUND**

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**Notes included in this table should be referenced during review of fiscal 1988 data. Some state data may not add due to rounding.**

<b>Arkansas</b>	The reported amounts represent the net available for distribution to state agencies.
<b>California</b>	Due to the uncertainties in federal tax conformity legislation, the fiscal 1988 personal income tax receipts were \$1.1 billion below projections stated in the Governor's January 10, 1988 proposed budget. Funds in the budget stabilization fund and ending balance comprise the beginning balance in the following fiscal year.
<b>Georgia</b>	Beginning balance is determined from midyear reserve and unreserved surplus. Beginning balance must be appropriated.
<b>Illinois</b>	Fiscal 1988 figures are actual.
<b>Iowa</b>	Funds in the budget stabilization fund comprise the beginning balance in the following fiscal year.
<b>Kentucky</b>	Transfers include continued appropriation reserve adjustment. Funds in the budget stabilization fund and ending balance comprise the beginning balance in the following fiscal year.
<b>Massachusetts</b>	Reported amounts incorporate only those in the general fund reporting entity, not comprehensive state expenditures for general purposes.
<b>Minnesota</b>	Funds in the budget stabilization fund and the ending balance comprise the beginning balance in the following fiscal year.
<b>New York</b>	Transfers include \$161 million in incoming transfers and \$1.9 billion in outgoing transfers, which includes a \$646 million one-time transfer from the general fund to the New York State Infrastructure Trust Fund. The budget stabilization fund is included with the ending balance.
<b>North Dakota</b>	Fiscal 1988 reported amounts reflect a modified accrual estimated general fund ending balance.
<b>Oregon</b>	Oregon prepares its budget on a biennial basis. For purposes of this report, fiscal year expenditures are divided 49 percent in the first year and 51 percent in the second year. Because of Oregon's biennial budgeting system, using fiscal year figures may produce erroneous conclusions.
<b>Pennsylvania</b>	Pennsylvania also has \$20 million in a sunny day fund.

**Table A-3**  
**FISCAL 1989 STATE GENERAL FUND**  
(\$ in millions)  
**Appropriated Figures**

State	Begin- ning Balance	Revenue	Resources	Expendi- tures	One Time Expendi- tures	Total Ongoing Expendi- tures	Transfers	Ending Balance	Budget Stab. Fund
<b>States with Annual Budgets</b>									
Alabama	148	2,976	3,123	3,123		3,123		0	
Alaska	162	1,971	2,133	2,240		2,240	28	(78)	
Arizona	6	2,857	2,863	2,845	19	2,825		19	
California	38	36,101	36,138	35,534		35,534		0	604
Colorado	88	2,246	2,334	2,276		2,256	(20)	38	
Connecticut	0	5,474	5,474	5,548		5,548	74	0	168
Delaware	165	1,021	1,186	1,044	13	1,031		142	
Georgia	109	6,254	6,363	6,363	469	5,785		0	177
Idaho	17	698	715	698	8	690		17	
Illinois	246	11,102	11,348	11,012		11,012	(90)	246	
Iowa	62	2,796	2,858	2,857		2,857			1
Kansas	301	2,031	2,332	2,117	23	2,094		215	
Louisiana	(714)	4,038	3,324	4,034		4,034	850	140	
Maryland	197	5,231	5,428	5,412	156	5,256	(10)	6	65
Massachusetts	25	7,644	7,669	7,727	100	7,627	63	5	78
Michigan	12	6,709	6,721	6,707		6,707		14	379
Mississippi	89	1,733	1,822	1,806	7	1,799	8	24	20
Missouri	80	3,751	3,831	3,790	35	3,756	7	48	
New Jersey	690	11,089	11,779	11,450		11,450	(117)	213	288
New Mexico	0	1,593	1,593	1,579	3	1,577	(14)	0	94
New York	53	27,439	27,492	26,906		26,906	(650)	(64)	
Oklahoma	116	2,500	2,616	2,437		2,437	(20)	159	78
Pennsylvania	95	10,736	10,831	10,708		10,708	(30)	91	100
Rhode Island	99	1,325	1,424	1,395		1,395	(18)	11	38
South Carolina	138	3,099	3,237	3,145	106	3,040	(5)	86	81
South Dakota	42	393	434	416	7	409		18	
Tennessee	80	3,395	3,475	3,353	69	3,284	(90)	32	100
Utah	89	1,407	1,496	1,449	43	1,406	(47)	0	7
West Virginia	35	1,465	1,500	1,450		1,450	(50)	0	
<b>States with Biennial Budgets</b>									
Arkansas	0	1,612	1,612	1,612		1,612		0	
Florida	106	9,403	9,509	9,509	99	9,411		0	154
Hawaii	471	2,234	2,705	2,275		2,275		430	
Indiana	243	4,183	4,427	3,913		3,913	(330)	184	231
Kentucky	32	3,299	3,330	3,308		3,308		20	2
Maine	58	1,281	1,339	1,339		1,339		0	25
Minnesota	544	5,608	6,152	5,710		5,710	(176)	0	265
Montana	39	379	418	382		382		36	
Nebraska	178	988	1,166	1,009	33	975	(33)	125	50
Nevada	51	639	690	646		645		45	40
New Hampshire	10	579	589	582		582	(2)	5	29
North Carolina	394	6,220	6,614	6,586	284	6,302		28	
North Dakota	51	481	532	529		529		3	
Ohio	297	11,052	11,349	11,089		11,089	(121)	139	392
Oregon	79	1,883	1,962	1,904		1,904		58	
Texas	(471)	13,048	12,577	9,484		9,484	(3,041)	52	
Vermont	74	540	614	570	46	525	(30)	14	13
Virginia	187	5,396	5,583	5,583		5,583		0	
Washington	64	5,300	5,364	5,240		5,240	(124)	0	
Wisconsin	141	5,487	5,628	5,568		5,568		60	
Wyoming	16	312	328	344		344	35	19	68
<b>Total</b>	<b>5,028</b>	<b>248,998</b>	<b>254,025</b>	<b>246,602</b>	<b>1,517</b>	<b>244,956</b>	<b>(3,952)</b>	<b>2,597</b>	<b>3,547</b>

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**NOTES TO TABLE A-3**  
**FISCAL 1989 STATE GENERAL FUND**

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Notes included in this table should be referenced during review of fiscal 1989 data. Some state data may not add due to rounding.

<b>Alabama</b>	Budgets for fiscal 1989 did not pass during regular session; therefore the expenditure figures are estimates. The actual budget will be set during special session later this year.
<b>Arkansas</b>	The reported amounts represent the net available for distribution to state agencies.
<b>California</b>	Funds in the budget stabilization fund and ending balance comprise the beginning balance in the following fiscal year.
<b>Georgia</b>	Beginning balance is determined from midyear reserve and unreserved surplus. Beginning balance must be appropriated. The fiscal 1989 figure is not the appropriated beginning balance but it is available for expenditure. The ending balance is calculated after the surplus is derived.
<b>Iowa</b>	Funds in the budget stabilization fund comprise the beginning balance in the following fiscal year.
<b>Kentucky</b>	Transfers include continued appropriation reserve adjustment. Funds in the budget stabilization fund and ending balance comprise the beginning balance in the following fiscal year.
<b>Massachusetts</b>	Reported amounts incorporate only those in the general fund reporting entity, not comprehensive state expenditures for general purposes.
<b>Minnesota</b>	Funds in the budget stabilization fund and the ending balance comprise the beginning balance in the following fiscal year.
<b>New York</b>	Fiscal 1989 figures are estimated as of July 30, 1988. Transfers include \$630 million in a temporary transfer from the infrastructure trust fund, \$674 million in incoming transfers and \$1.3 billion in outgoing transfers. In addition, the Governor has requested additional legislative action on certain revenue measures to close a portion of this deficit. Additional management actions to reduce spending to close the remaining deficit are anticipated to be undertaken. The budget stabilization fund is included with the ending balance.
<b>Oregon</b>	Oregon prepares its budget on a biennial basis. For purposes of this report, fiscal year expenditures are divided 49 percent in the first year and 51 percent in the second year. Because of Oregon's biennial budgeting system, using fiscal year figures may produce erroneous conclusions.
<b>Pennsylvania</b>	Pennsylvania also has \$30 million in a sunny day fund.

**Table A-4**  
**ENDING BALANCES AS A PERCENT OF EXPENDITURES, FISCAL 1987 TO 1989**

State	General Fund Ending Balances			As a Percent of Expenditures		
	Fiscal 1987	Fiscal 1988	Fiscal 1989	Fiscal 1987	Fiscal 1988	Fiscal 1989
<b>States with Annual Budgets</b>						
Alabama	70	148	0	2.64%	5.34%	0.00%
Alaska	20	162	(78)	0.82	7.20	-3.47
Arizona	56	6	19	2.31	0.23	0.65
California	77	29	0	0.24	0.09	0.00
Colorado	45	88	38	2.26	4.13	1.66
Connecticut	0	0	0	0.00	0.00	0.00
Delaware	170	165	142	18.26	15.83	13.57
Georgia	164	109	0	3.06	1.83	0.00
Idaho	0	17	17	0.00	2.58	2.44
Illinois	154	246	246	1.49	2.32	2.23
Iowa	0	0	0	0.00	0.00	0.00
Kansas	73	301	215	4.23	15.95	10.16
Louisiana	(446)	(714)	140	-11.72	-18.40	3.47
Maryland	158	197	6	3.52	4.01	0.11
Massachusetts	41	25	5	0.59	0.35	0.06
Michigan	11	12	14	0.17	0.17	0.21
Mississippi	116	89	24	7.76	5.27	1.32
Missouri	50	80	48	1.53	2.29	1.26
New Jersey	722	690	213	7.90	6.65	1.86
New Mexico	46	0	0	3.13	0.00	0.00
New York	169	53	(64)	0.72	0.21	-0.24
Oklahoma	0	116	159	0.00	5.27	6.52
Pennsylvania	348	95	91	3.59	0.91	0.85
Rhode Island	106	99	11	9.42	7.91	0.77
South Carolina	90	138	86	3.36	4.82	2.75
South Dakota	36	42	18	9.87	10.72	4.32
Tennessee	22	80	32	0.75	2.60	0.95
Utah	29	89	0	2.27	6.45	0.00
West Virginia	33	35	0	2.05	2.47	0.01
<b>States with Biennial Budgets</b>						
Arkansas	0	0	0	0.00	0.00	0.00
Florida	36	106	0	0.47	1.23	0.00
Hawaii	339	471	430	20.04	24.07	18.90
Indiana	101	243	184	3.09	6.84	4.70
Kentucky	145	32	20	4.96	0.99	0.60
Maine	60	58	0	5.74	4.89	0.00
Minnesota	227	279	0	4.39	5.02	0.00
Montana	11	39	36	2.81	10.48	9.42
Nebraska	55	178	125	6.44	19.94	12.38
Nevada	27	51	45	4.66	8.71	6.89
New Hampshire	23	10	5	4.48	1.81	0.86
North Carolina	362	394	28	6.77	6.83	0.43
North Dakota	24	51	3	4.41	10.08	0.57
Ohio	226	297	139	2.14	2.75	1.25
Oregon	234	79	58	13.72	4.32	3.05
Texas	(984)	(471)	52	-9.94	-5.08	0.55
Vermont	61	74	14	14.12	15.10	2.40
Virginia	138	187	0	2.96	3.78	0.00
Washington	2	64	0	0.03	1.26	0.00
Wisconsin	233	141	60	4.60	2.66	1.08
Wyoming	46	16	19	11.65	4.55	5.52
Total	3,722	4,693	2,597	Average 1.71%	2.03%	1.05%

3.06 6676 6453 6144 7454

**Table A-5**  
**BUDGET STABILIZATION FUNDS, FISCAL 1987 TO 1989**

State	Stabilization Fund Balances			As a Percent of Expenditures		
	Fiscal 1987	Fiscal 1988	Fiscal 1989	Fiscal 1987	Fiscal 1988	Fiscal 1989
<b>States with Annual Budgets</b>						
Alabama	0	0	0	0.00%	0.00%	0.00%
Alaska	0	0	0	0.00	0.00	0.00
Arizona	0	0	0	0.00	0.00	0.00
California	591	9	604	1.88	0.03	1.70
Colorado	0	0	0	0.00	0.00	0.00
Connecticut	320	242	168	7.30	4.86	3.04
Delaware	0	0	0	0.00	0.00	0.00
Georgia	151	163	177	2.82	2.74	2.78
Idaho	0	0	0	0.00	0.00	0.00
Illinois	0	0	0	0.00	0.00	0.00
Iowa	68	62	1	2.78	2.32	0.02
Kansas	0	0	0	0.00	0.00	0.00
Louisiana	0	0	0	0.00	0.00	0.00
Maryland	50	55	65	1.11	1.12	1.20
Massachusetts	70	74	78	1.02	1.02	1.01
Michigan	352	379	379	5.45	5.77	5.66
Mississippi	6	20	20	0.37	1.21	1.12
Missouri	0	0	0	0.00	0.00	0.00
New Jersey	0	171	288	0.00	1.65	2.52
New Mexico	63	113	94	4.35	7.28	5.95
New York	0	0	0	0.00	0.00	0.00
Oklahoma	0	78	78	0.00	3.54	3.20
Pennsylvania	51	80	100	0.53	0.76	0.93
Rhode Island	18	27	38	1.63	2.18	2.69
South Carolina	75	86	81	2.82	3.01	2.57
South Dakota	0	0	0	0.00	0.00	0.00
Tennessee	75	75	100	2.54	2.44	2.98
Utah	20	40	7	1.56	2.90	0.48
West Virginia	0	0	0	0.00	0.00	0.00
<b>States with Biennial Budgets</b>						
Arkansas	0	0	0	0.00	0.00	0.00
Florida	103	136	154	1.33	1.58	1.62
Hawaii	0	0	0	0.00	0.00	0.00
Indiana	165	221	231	5.02	6.20	5.89
Kentucky	21	0	2	0.71	0.00	0.06
Maine	25	25	25	2.39	2.11	1.87
Minnesota	250	265	265	4.84	4.77	4.64
Montana	0	0	0	0.00	0.00	0.00
Nebraska	24	18	50	2.79	1.99	4.99
Nevada	40	40	40	6.96	6.83	6.19
New Hampshire	27	27	29	5.26	4.89	4.98
North Carolina	0	0	0	0.00	0.00	0.00
North Dakota	0	0	0	0.00	0.00	0.00
Ohio	263	284	392	2.50	2.63	3.53
Oregon	0	0	0	0.00	0.00	0.00
Texas	0	0	0	0.00	0.00	0.00
Vermont	0	8	13	0.00	1.68	2.28
Virginia	10	5	0	0.20	0.10	0.00
Washington	0	0	0	0.00	0.00	0.00
Wisconsin	0	0	0	0.00	0.00	0.00
Wyoming	117	58	68	29.62	16.48	19.77
Total	2,954	2,761	3,547	Average 1.36%	1.20%	1.44%

**Table A-6**  
**NOMINAL PERCENTAGE EXPENDITURE CHANGE**

<i>State</i>	<i>Total Expenditures</i>		
	<i>Fiscal 1987</i>	<i>Fiscal 1988</i>	<i>Fiscal 1989</i>
<b>States with Annual Budgets</b>			
Alabama	-5.06%	5.16%	12.93%
Alaska	-14.13	-5.83	-0.70
Arizona	3.32	8.58	8.88
California	9.11	5.62	6.91
Colorado	0.08	6.88	6.71
Connecticut	9.09	13.81	11.37
Delaware	0.20	11.66	0.44
Georgia	6.47	11.28	6.80
Idaho	6.37	6.47	6.08
Illinois	3.26	2.76	3.64
Iowa	14.02	8.71	7.51
Kansas	-0.92	9.26	12.19
Louisiana	-11.80	2.02	3.94
Maryland	7.86	9.13	10.53
Massachusetts	11.53	4.83	6.89
Michigan	8.27	1.77	1.95
Mississippi	-1.77	12.85	7.39
Missouri	7.07	6.53	8.70
New Jersey	4.67	13.50	10.39
New Mexico	3.13	5.98	2.17
New York	7.82	6.97	7.25
Oklahoma	0.93	6.99	10.62
Pennsylvania	4.19	8.17	2.25
Rhode Island	7.18	11.43	11.47
South Carolina	3.00	7.16	9.95
South Dakota	5.12	7.75	6.23
Tennessee	13.63	4.34	8.86
Utah	0.16	7.90	5.00
West Virginia	0.90	-12.23	2.50
<b>States with Biennial Budgets</b>			
Arkansas	2.23	5.81	4.27
Florida	12.90	11.71	10.20
Hawaii	5.62	15.66	16.25
Indiana	4.84	8.64	10.00
Kentucky	9.76	10.07	3.14
Maine	9.88	13.40	13.00
Minnesota	6.43	7.61	2.70
Montana	6.54	-4.86	2.69
Nebraska	2.28	4.92	13.23
Nevada	21.27	1.90	10.26
New Hampshire	9.38	7.60	5.43
North Carolina	7.58	7.94	14.04
North Dakota	3.62	-6.99	4.55
Ohio	10.17	2.48	2.67
Oregon	4.02	7.27	4.04
Texas	6.30	-6.44	2.39
Vermont	10.72	13.30	16.86
Virginia	11.81	6.59	12.51
Washington	7.92	3.44	3.84
Wisconsin	4.07	4.52	5.07
Wyoming	-6.84	-10.86	-2.27
Average	6.30%	5.97%	6.76%



**Table A-7**  
**FISCAL 1988 TAX COLLECTIONS COMPARED TO PROJECTIONS USED WHEN**  
**BUDGET ADOPTED**  
**(\$ in millions)**

State and Region	Personal Income Tax		Sales Tax	
	Estimate When Budget Adopted	Current Estimate	Estimate When Budget Adopted	Current Estimate
<b>New England</b>				
Connecticut	\$358*	\$388*	\$2,075	\$2,030
Maine	399	424	444	460
Massachusetts	4,145	3,985	2,042	2,021
New Hampshire	N/A	N/A	N/A	N/A
Rhode Island	339	382	366	386
Vermont	177	202	117	124
<b>Mideast</b>				
Delaware	447	432	N/A	N/A
Maryland	2,382	2,520	1,373	1,409
New Jersey	2,580	2,560	3,080	3,080
New York	13,301*	13,921* (A)	5,255	5,281
Pennsylvania	2,878	2,880	3,837	3,847
<b>Great Lakes</b>				
Illinois	3,379	3,458 (A)	3,401	3,509 (A)
Indiana	1,745	1,765 (A)	1,907	1,920
Michigan	3,093	3,173	2,542	2,431
Ohio	3,205	3,363 (A)	3,145	3,210 (A)
Wisconsin	2,309	2,325	1,735	1,720
<b>Plains</b>				
Iowa	1,170	1,235	639	667
Kansas	773	826	655	683
Minnesota	2,190	2,441	1,567	1,639
Missouri	1,625	1,671	1,119	1,108
Nebraska	380	430	370	380
North Dakota	109	114	238	236
South Dakota	N/A	N/A	196	206
<b>Southeast</b>				
Alabama	960*	1,029*	730	745
Arkansas	593	597 (A)	667	667 (A)
Florida	N/A	N/A	6,702	6,839*
Georgia	2,388	2,392	1,810	1,896
Kentucky	1,010	1,007	1,010	952
Louisiana	531	550	1,090	1,139
Mississippi	310	330	687	705
North Carolina	2,594	2,686	1,531	1,556
South Carolina	1,066	1,082	1,003	1,002
Tennessee	63	80	2,105	2,135
Virginia	2,608	2,671	1,207	1,201
West Virginia	421	394 (A)	315	331 (A)
<b>Southwest</b>				
Arizona	860	874	1,288	1,253
New Mexico	266	300	557	566
Oklahoma	859	891 (A)	685	720 (A)
Texas	N/A	N/A	5,484	6,176
<b>Rocky Mountain</b>				
Colorado	1,172	1,182	675	663
Idaho	286	287	254	259
Montana	225	241	N/A	N/A
Utah	533	614	618	610
Wyoming	N/A	N/A	111	90
<b>Far West</b>				
California	13,710	13,000	11,546	11,660
Nevada	N/A	N/A	205	216
Oregon	1,267	1,328	N/A	N/A
Washington	N/A	N/A	2,352	2,435
Alaska	N/A	N/A	N/A	N/A
Hawaii	525	568	830	919

(A) = Actual

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**NOTES TO TABLE A-7**  
**FISCAL 1988 TAX COLLECTIONS COMPARED TO PROJECTIONS USED WHEN**  
**BUDGET ADOPTED**

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**Alabama**      Figures include corporate income taxes.

**Connecticut**      Includes only capital gains dividends and interest.

**Florida**      Florida had a variety of sales tax policy changes (service tax, additional penny on sales tax) which are included in these estimates.

**New York**      Due to a fiscal year ending March 31, New York is not directly comparable to other states. In order to provide comparability with other state information, New York also reported fiscal 1989 data that indicated the following:

<u>Personal Income Tax</u>		<u>Sales Tax</u>	
<u>Estimate When Budget Approved</u>	<u>Current Estimate</u>	<u>Estimate When Budget Approved</u>	<u>Current Estimate</u>
15,132	14,014	5,675	5,650

**Table A-8**  
**FISCAL 1989 TAX CHANGES BY TYPE OF TAX**

<i>State</i>	<i>Tax Change Description</i>	<i>Eff. Date</i>	<i>FY 89 Revenue Change (\$ in millions)</i>
<b><u>PERSONAL INCOME TAX</u></b>			
Arizona	Removed deduction for motor vehicle fuels and raised deduction to 63% of federal tax liability.	7/88	\$35.4
Hawaii	Adjusted gross income tax brackets for excise tax credits and increased credits.	1/88	(5.0)
Idaho	Retained personal exemption at \$1,900 instead of conforming to federal exemption.	1/88	2.0
Kansas	Collapsed 8 brackets ranging from 2% to 9% to four brackets of 4.8% and 6.1% for singles, and 4.05% and 5.3% for married; conformed to federal deductions and exemptions; eliminated deduction for federal income taxes.	1/88	(49.0)
Louisiana	Disallowed allowance for children 5-18 attending school.	1/88	15.0
Maine	Changed tax rate from 1%-10% to 2%-8% and exempted tax credit.	1/88	(30.0)
Massachusetts	Updated linkages to Internal Revenue Code.	1/88	75.0
Minnesota	Conformed to federal code; excluded pensions; subtracted individual retirement accounts.	1/88	(15.6)
Nebraska	Conformed to federal standard deduction level.	1/88	(12.2)
North Carolina	Increased exclusion on military and federal civil service retirement income from \$3,000 to \$4,000.	1/89	0.0
Oklahoma	Created low-income senior citizen exemption.		(4.0)
	Eliminated income tax liability for those below federal minimum standards.	1/88	(2.1)
Utah	Reduced top income tax rate from 7.75% to 7.35% and restored 1/3 deductibility of federal taxes.	1/88	(68.0)
Vermont	Reduced tax rate from 25% of federal tax liability to 23%.	1/88	(16.5)
<b><u>SALES TAX</u></b>			
Arizona	Increased rental of real property tax rate from 3.75% to 5.0%; raised the hotel/motel tax from 4.0% to 5.5%; taxed casual commercial rentals at 5.0%; capped accounting allowance at \$500; repealed semiconductor exemption.	7/88	23.1
Hawaii	Reduced taxation on gross cost of transient accommodations to exclude travel agent commission when furnished through travel agent or the like.	6/88	(3.0)
Kansas	Enacted several exemptions.	7/88	(13.0)
Louisiana	Suspended 1% of all sales tax exemptions.	7/88	169.0
	Suspended 2% of all sales tax exemptions.	8/88	266.0
Massachusetts	Repealed sales tax exemption on cigarettes.	7/88	37.0
Minnesota	Taxed catalogue and telemarketing sales.	6/88	26.0
	Restored university/college exemptions and exempted aspirin.	7/88	(11.0)

**Table A-8 (continued)**  
**FISCAL 1989 TAX CHANGES BY TYPE OF TAX**

<i>State</i>	<i>Tax Change Description</i>	<i>Eff. Date</i>	<i>FY 89 Revenue Change (\$ in millions)</i>
Missouri	Taxed video cassette rentals at 4.225%.	1/89	6.7
	Exempted materials for not-for-profit construction.	8/88	(14.4)
North Carolina	Required out-of-state mail order companies to collect sales tax.	1/89	24.0
Washington	Extended excise tax deferral.	6/88	(4.1)
	Changed sales tax on food exemptions.	6/88	8.1
West Virginia	Increased consumer sales tax from 5% to 6%.	6/88	70.0
	Applied sales tax to certain portions of soft drinks.	6/88	9.0
<b><u>BUSINESS TAXES</u></b>			
Arizona	Increased capital gains rate from 6.4% to 10.5%; conformed controlled corporation dividends and depletion deduction to federal tax code; set minimum corporate tax rate at \$50.	7/88	29.0
Kansas	Eliminated net operating loss carryback; allowed two-factor apportionment; imposed alternative minimum tax.	1/88-1/89	(1.0)
Massachusetts	Clarified unitary taxation rules; limit Sub-Chapter S to companies earning less than \$6 million annual gross; increased corporate minimum tax from \$228 to \$456; excluded autos for investment credit; changed the treatment of certain dividends.	1/88	40.0
	Allowed a loss carry forward.	1/88	
Minnesota	Adopted some federal conformity items; changed definition of foreign source income; enacted compliance corporation laws.	various	27.8
New Hampshire	Decreased rate from 8.25% to 8.0%.	N/A	(10.0)
New York	Mutual fund managers allowed to allocate receipts from services based on location of fund customer.	1/88	(4.0)
North Carolina	Changed apportionment formulas for multi-state corporations.	1/89	(10.0)
	Increased declaration of estimated tax liability of large corporations from 80% to 90%.	6/88	20.0
Rhode Island	Eliminated net worth tax for corporations.	7/88	(4.5)
Wisconsin	Conformed to Internal Revenue Code for both personal and corporate income tax.	1/88	8.6
<b><u>CIGARETTE TAX</u></b>			
Iowa	Increased rate from 26 cents to 34 cents a pack.	3/88	20.3
Rhode Island	Increased tax 2 cents a pack.	7/88	2.4
<b><u>MOTOR FUEL TAXES</u></b>			
Idaho	Raised motor fuel tax from 14.5 cents to 18.0 cents a gallon.	4/88	19.0
Iowa	Increased motor fuel tax from 16 cents to 18 cents a gallon.	4/88	32.0
	Increased tax from 18 cents a gallon to 20 cents a gallon.	1/89	16.0

**Table A-8 (continued)**  
**FISCAL 1989 TAX CHANGES BY TYPE OF TAX**

<i>State</i>	<i>Tax Change Description</i>	<i>Eff. Date</i>	<i>FY 89 Revenue Change (\$ in millions)</i>
Kentucky	Decreased motor vehicle usage tax; repealed supplemental highway users tax; imposed heavy vehicle weight distance tax and surtax; increased overweight dimensional truck permit costs and registration fees.	4/88-7/88	(5.2)
Maine	Raised gasoline tax from 14 cents to 16 cents a gallon.	5/88	11.0
	Raised diesel fuel tax from 14 cents to 19 cents a gallon.	7/88	7.0
Maryland	Increased truck registration fee and decreased decal fee.	6/88	(4.3)
New Jersey	Raised tax from 8 cents to 10.5 cents a gallon.	7/88	100.0
South Dakota	Increased motor fuel tax from 13 cents to 18 cents a gallon.	5/88	20.0
<b>MISCELLANEOUS TAXES</b>			
Arizona	Increased insurance premium tax from 1.7% to 2.0%.	7/88	6.0
	Increased general fund share of auto license tax.	7/88	17.1
	Set state education property tax rate at 9 cents; applied property tax to unorganized districts; and froze assessments at fiscal 1987 levels.	7/88	42.6
Hawaii	Reduced taxation on gross cost of transient accommodations to exclude travel agent commission when furnished by travel agent or the like.	6/88	(3.0)
Louisiana	Doubled hazardous waste rate.	7/88	3.0
	Limited severance and royalty tax exemptions associated with new wells.	7/88	1.0
Maryland	Increased the property tax exclusion from \$20,000 to \$25,000.	7/88	(1.9)
Minnesota	Reduced pari-mutuel and other taxes.	1/88-4/88	(7.8)
Mississippi	Accelerated quarterly insurance premium tax collection.	7/88	18.9
Nebraska	Changed taxes on pickle card sales.	10/88	3.5
New York	Improved enforcement of diesel fuel tax collections.	9/88	15.0
	Provided harness track relief under pari-mutuel tax.	4/88	(11.0)
Oklahoma	Reduced interest penalty charge.	N/A	(1.5)
Tennessee	Increased motor vehicle registration fee from \$19.50 per car to \$20.50 per car.	7/88	3.8
Vermont	Increase property transfer tax from 0.5% to 1.25% on all sales over \$100,000.	7/88	7.5

**Table A-9**  
**ADOPTED STATE EMPLOYEE COMPENSATION PACKAGE**  
**FISCAL 1989**

<i>State and Region</i>	<i>Across the Board (ATB)</i>	<i>Merit</i>	<i>Other</i>	<i>Notes</i>
<b>New England</b>				
Connecticut	4.0%		2.4%	"Other" are step rate increases annualized.
Maine	4.5			3% effective 7/1/88 and 3% effective 1/1/89.
Massachusetts				N/A
New Hampshire	6.0			3% on 6/88 and 3% on 12/88.
Rhode Island	5.5			
Vermont	4.5		1.5	Step increases available to everyone except those at the top of the grade or exempt employees.
<b>Midwest</b>				
Delaware	3.0			
Maryland	4.0	1.0		
New Jersey	5.0	2.0		Merit increases average between 3.5% and 5%; overall average is 2%.
New York	5.0			Delayed to limit impact to 4% for fiscal 1989. Existing provisions for merit and other pay differentials are continued.
Pennsylvania	6.0			5% effective 7/1/88 and 1% effective 1/1/89 for largest union. Others still to be determined.
<b>Great Lakes</b>				
Illinois	5.0	3.0	5.0	Step increases to members of collective bargaining units average 3.6% and 5% across-the-board.
Indiana	2.0	2.0		Varied merit program was used for 5,800 employees; ranges were 0%-8%.
Michigan	3.1-4.1			Range from 10 bargaining and non-represented groups.
Ohio	6.0			Various packages have been negotiated with two main packages of 4% and 7%.
Wisconsin	2.0			Union contracts vary.
<b>Plains</b>				
Iowa	4.0	1.5		Merit is average.
Kansas	4.0	1.6		
Minnesota	3.03	0.38		Only a certain portion of the work force receives step increases. The amount shown is the average.
Missouri	0.0		\$360	All employees received a \$360/full time equivalent annual increase.
Nebraska	4.0	1.0	2-3	"Other" for salary adjustment and merit.
North Dakota	2.0		\$50	Across-the-board increase effective 1/89; however, if general fund revenues come in stronger, increase would be retroactive to 7/88.
South Dakota	2.75		\$425	\$425 or 2.75%—whichever is greater.

**Table A-9 (continued)**  
**ADOPTED STATE EMPLOYEE COMPENSATION PACKAGE**  
**FISCAL 1989**

<i>State and Region</i>	<i>Across the Board (ATB)</i>	<i>Merit</i>	<i>Other</i>	<i>Notes</i>
<b>Southeast</b>				
Alabama	5.0	2.5-5.0		Longevity pay beginning in 12/87 ranges from \$300-\$600 per employee. The across-the-board increase is proposed.
Arkansas	0.0	2.5		
Florida	3.0	1.5		Senior management and select exempt service would receive 4.5%; however, it is discretionary.
Georgia	2.5	4.0		The merit is the average step increase.
Kentucky	2.0			
Louisiana	0.0			Freeze on all pay increases. Top level management taking a salary reduction of 10%.
Mississippi	0.0		6.5	82% of all state employees receive an average of 6.5% realignment based on salary surveys.
North Carolina	4.5			Special adjustment for registered nurses and LPN's and for off-hours pay.
South Carolina	4.0		\$365	One time bonus effective 12/1/88.
Tennessee	6.4			Lower paid employees will receive the highest increase. Varies from 11%-2%.
Virginia	3.5	2.46		Merit equals 4.56% on proficiency review date covering 60% of workforce.
West Virginia	0.0			Certified teaching personnel and higher education employees received some salary increase.
<b>Southwest</b>				
Arizona	3.5		1.1	Increase in retirement matched by employee-funded group insurance premium increase.
New Mexico			\$750	Averages 2.5% across-the-board.
Oklahoma	5.0			Certain positions received additional increases.
Texas	2.0			
<b>Rocky Mountain</b>				
Colorado	0.0	5.0		Merit/anniversary increase provided to eligible employees. Non-classified higher education employees funded for 5%-8% increase.
Idaho			3.0	Pay line adjustment which resulted in 60% of all classified workers receiving a 5% increase.
Montana	0.0			
Utah	2.5			Implemented 3/88 because salaries were frozen for 2 years.
Wyoming			\$550	A one time bonus of \$550 per full time equivalent with prorated amounts for part-time employees.

**Table A-9 (continued)**  
**ADOPTED STATE EMPLOYEE COMPENSATION PACKAGE**  
**FISCAL 1989**

<i>State and Region</i>	<i>Across the Board (ATB)</i>	<i>Merit</i>	<i>Other</i>	<i>Notes</i>
<b>Far West</b>				
Alaska		3.2		All employees with acceptable or better performance receive a merit increase. The average is as shown.
California	6.0			6.0% effective 6/1/89, funded health, dental, and other benefits.
Hawaii	6.0			Effective 10/88.
Nevada	3.0	5.0		Merit increases for each year until employee reaches the top of the grade.
Oregon	3.0	3.0	1.0	Other is pay equity averaged statewide.
Washington	3.0	2.5		Half of classified employees are eligible for 5% merit. 3% effective 1/1/89.



**Table A-10**  
**ANNUAL CHANGE IN THE SIZE OF THE STATE WORKFORCE**

<i>State and Region</i>	<i>Number of Employees as of 6/30/87</i>	<i>Estimated Number of Employees as of 6/30/88</i>	<i>Percentage Change from Fiscal 1987 to 1988</i>
United States	2,020,723	2,057,958	1.8
New England	80,723	83,767	3.8
Connecticut	35,700	37,517	5.1
Maine	14,400	14,782	2.7
Massachusetts	N/A	N/A	
New Hampshire	9,997	10,300	3.0
Rhode Island	13,456	13,792	2.5
Vermont*	7,170	7,376	2.9
Midcast	403,203	412,488	2.3
Delaware	13,600	14,100	3.7
Maryland	56,344	57,784	2.6
New Jersey*	67,500	70,600	4.6
New York	186,211	189,996	2.0
Pennsylvania	79,548	80,008	.6
Great Lakes	248,428	251,751	1.3
Illinois	67,297	68,607	1.9
Indiana	34,540	34,596	.2
Michigan	62,700	63,700	1.6
Ohio	55,600	56,400	1.4
Wisconsin	28,291	28,448	.6
Plains	148,016	148,698	.5
Iowa	2,343	2,372	1.2
Kansas	38,919	39,678	2.0
Minnesota	24,982	25,446	1.9
Missouri	45,930	45,325	(1.3)
Nebraska	15,673	15,830	1.0
North Dakota	12,283	11,944	(2.8)
South Dakota	7,886	8,103	2.8
Southeast	512,745	521,470	1.7
Alabama	29,433	29,620	.6
Arkansas*	18,568	19,154	3.2
Florida	89,162	94,880	6.4
Georgia	46,595	47,073	1.0
Kentucky*	33,120	33,228	.3
Louisiana	50,264	49,118	(2.3)
Mississippi*	24,403	25,198	3.3
North Carolina	58,089	59,122	1.8
South Carolina	47,320	48,530	2.6
Tennessee	41,092	40,397	(1.7)
Virginia	49,826	50,447	1.2
West Virginia	24,873	24,703	(.7)
Southwest	177,821	182,536	2.7
Arizona	21,310	21,651	1.6
New Mexico	17,200	17,400	1.2
Oklahoma*	33,501	34,618	3.3
Texas	105,810	108,867	2.9
Rocky Mountain	65,077	65,239	.2
Colorado	20,500	20,567	.3
Idaho	9,377	9,789	4.4
Montana	10,920	10,566	(3.2)
Utah	16,240	16,270	.2
Wyoming	8,040	8,047	0.0
Far West	384,710	392,009	1.9
California	240,527	243,168	1.1
Nevada	9,391	9,994	6.4
Oregon	28,490	28,823	1.2
Washington	72,600	75,700	4.3
Alaska	17,155	17,292	.8
Hawaii	16,547	17,032	2.9

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**NOTES TO TABLE A-10**  
**ANNUAL CHANGE IN THE SIZE OF THE STATE WORKFORCE**

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<b>Arkansas</b>	Does not include Highway Department employees, constitutional offices, or cash-funded boards and commissions.
<b>Kentucky</b>	Permanent, full time employees.
<b>Mississippi</b>	Full time employees.
<b>New Jersey</b>	Full time employees.
<b>Oklahoma</b>	As of May 30 each year.
<b>Vermont</b>	Executive branch only.