FISCAL SURVEY of the STATES

October 1991

NATIONAL GOVERNORS' ASSOCIATION · NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

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Preface

The *Fiscal Survey of the States* is published twice annually by the National Association of State Budget Officers (NASBO) and the National Governors' Association (NGA). The series was started in 1977. The survey presents aggregate and individual data on the states' general fund receipts, expenditures, and balances. 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 the states. A separate survey that includes total state spending also is conducted annually.

The field survey on which this report is based was conducted by the National Association of State Budget Officers in July, August, and September 1991. The surveys were completed by Governors' state budget officers in the fifty states.

Fiscal 1990 data represent actual figures, fiscal 1991 figures are preliminary actual, and fiscal 1992 data are figures contained in appropriated 1992 budgets. In forty-six states, fiscal 1991 closed on June 30, 1991. New York's fiscal year ended March 31, 1991. Texas' fiscal year ended on August 31, 1991, and Alabama and Michigan closed their fiscal years on September 30, 1991.

The *Fiscal Survey of the States* is a cooperative effort of the National Association of State Budget Officers and the National Governors' Association. Marcia A. Howard of the National Association of State Budget Officers compiled data for the report and prepared the text. Laura Shaw produced the report using Ventura Publisher, Microsoft Word, and Excel. Editorial and production assistance was provided by NGA's Office of Public Affairs.

Executive Summary

How weak are state budgets? By one measure, they are as weak as they have ever been. In 1983, the lowest point during the recession of the early 1980s, total state balances dipped to $2.3 billion and represented 1.5 percent of state expenditures. In 1991, balances totaled $4.3 billion but also represented only 1.5 percent of spending. These are the only two years since these data have been collected that states have held so few resources at year-end. The outlook for 1992 is only slightly improved, with states now estimating that they will end the year with balances representing 1.9 percent of spending. Since this estimate assumes an economic recovery that is not yet evident, it must be considered optimistic at this point.

The last two years have been a period of dramatic fiscal change in the states. The states' fiscal condition continued to weaken along with the economy toward the end of the 1980s. This caused twenty-six states to raise more than $10 billion in new revenues in fiscal 1991 in an effort to maintain current programs. The failure of the economy to recover forced twenty-nine states to reduce their enacted fiscal 1991 budgets by more than $7.5 billion to remain in balance. Moreover, difficulties in meeting high service demands in the weakened economy prompted states to seek additional revenue of $15 billion for fiscal 1992. In total, states have raised revenues $25 billion and cut more than $10.2 billion in two years.

Reductions were implemented in education funding, aid to local government, layoffs and furloughs of state workers, and through higher tuition in postsecondary education. Additionally, states seem to have used most available short-run, one-time measures, including delayed spending. Most of these cuts cannot be repeated. Overall thirty-two states took action to address poor budget conditions.

Revenue increases for the current year total $15 billion. This is the highest amount of new revenue ever raised in a single year. These increases were enacted during a year in which revenue collections themselves were poor; only eleven states report that 1991 tax collections exceeded original estimates. The vast majority of these states were in the central and western United States.

Other major findings of this survey include:

- Medicaid and Aid to Families with Dependent Children (AFDC) continue to place additional spending pressure on states. Twenty-six states spent more on both programs than they had originally budgeted for fiscal 1991, forcing cuts in other programs.

- Not only did fewer states than usual increase the benefit level for AFDC recipients, but California and Michigan actually reduced their level of benefits. Sixteen states increased benefits (compared with twenty-four in fiscal 1991).

- In as many as fifteen states, employees will not get a pay increase in fiscal 1992. In states granting an increase, many eliminated any cost-of-living component and are allowing only step increases and longevity increases.

- Sales tax increases account for $5.4 billion or more than one-third of revenue increases for fiscal 1992. Personal income tax was the second largest source of increased revenues.

- Increases in the federal excise taxes on motor fuels, cigarettes, and alcohol presented an obstacle to states raising these same taxes. Increases in these taxes generally were lower in fiscal 1992 than in fiscal 1991.

Forecasts for the year ahead suggest slow revenue growth and escalating costs. The mix of state spending continues to shift toward entitlement spending and other mandatory programs such as health care and corrections. The immediacy of these costs continues to force trade-offs with states' long-run investments in education, infrastructure, and the environment. Moreover, a number of factors suggest that economic growth will lag behind the 1980s throughout the decade ahead.

Although states already have taken extraordinary actions to reduce their budgets and have enacted significant revenue increases, failure to achieve a reasonable national economic recovery during 1992 may result in a year of budget cutting that is more difficult than the year that just ended.

I. Current State Fiscal Conditions

Overview of the National Economy

The nation fell into a recession a little more than a year ago. The recession was neither foreseen by national forecasting firms nor incorporated into states' fiscal 1991 budgets. Once it was recognized that the country was in a recession, forecasting firms began to estimate the length and depth of the recession. According to those forecasts, the recession would run its course by about mid-1991, coinciding with most states' new fiscal year. This assumption was incorporated into state budgets for fiscal 1992.

The recession and weak recovery have dealt states two difficult budget years. From where the national economy now rests, the outlook for state budgets in the current year is somewhat pessimistic. While many economists continue to assert that an economic recovery is underway, state revenues have not begun to reflect any significant improvement. Certain sectors of the economy continue to experience job losses that may never be recovered (banking, financial services, retail trade, computers, autos, and defense). For states dependent on these industries, such structural changes may provide a challenge to state budgeting for the next several years.

Fiscal 1991 Closeout

The types of actions states took to balance their 1991 budgets have been well documented in the media. Furloughs, layoffs, and shut-downs of state government grabbed headlines, though they reflected the actions of relatively few states. More common strategies included eliminating unfilled positions, tapping budget stabilization funds, accelerating payment due dates, and other one-time measures that provided short-term solutions to an immediate problem.

Total ending balances for fiscal 1991 were $4.3 billion. This represents a decline of more than $5.1 billion, or more than 50 percent, from balances held one year earlier. States estimate that balances will begin to recover in fiscal 1992, to roughly $5.6 billion.

In a widely publicized departure from "business as usual," ten states began fiscal 1992 without a budget in place (California, Connecticut, Illinois, Louisiana, Massachusetts, New York, North Carolina, Ohio, Pennsylvania, and Wisconsin). In any given year it is not surprising for one or two states to miss a budget deadline. The large number of states missing this year's target reflects the difficult decisions Governors and legislatures had to make to restore balance to their budgets.

Between the time Governors proposed their 1992 budgets early in the calendar year and the time the budgets actually were adopted, state fiscal conditions continued to decline. Revenue estimates that were reduced in January required further reductions as the months wore on. In many cases, the hard decisions Governors made turned out to be insufficient in the face of deteriorating fiscal conditions.

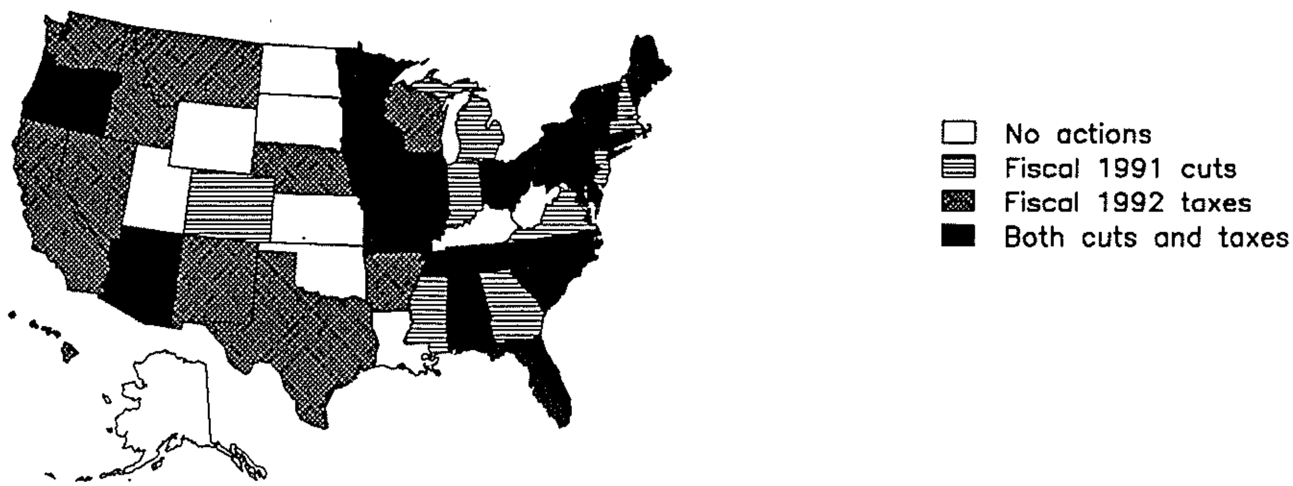
Outlook for Fiscal 1992

If the national economy continues to produce weak sales, as it has for the last several months, states will find that their revenue estimates may prove too optimistic for fiscal 1992. The revenue estimates on which 1992 budgets are based were developed last fall. At that time, and in the ensuing months, economists were forecasting that the recession would end by mid-year. In fact, there have been signs that the economy is beginning to recover, though recent reductions in key interest rates suggest some skepticism about the strength of this recovery.

Unfortunately, improvement has not been felt in retail sales, which continue in a slump. For states this is important, because sales tax collections comprise a significant portion of most states' revenues. Further, a continuation of layoffs in the private sector will further depress states' income tax collections and increase income tax refunds. Several states already have expressed concern that their revenue estimates for fiscal 1992 are too optimistic and will have to be revised soon. A few states already have made cuts to their fiscal 1992 budgets — less than three months into the fiscal year. A repeat of the cuts of 1991 seems likely.

Any reductions states will make in their 1992 budgets will come on the heels of significant reductions that were made when budgets were enacted. Should further budget reductions become necessary, some states may have to increase the number of layoffs and more states may have to consider layoffs. Alternatively, deep program cuts or revenue increases will emerge among the few

Figure 1
BUDGET AND TAX ACTIONS TAKEN BY STATES, FISCAL 1991 and FISCAL 1992



SOURCE: National Association of State Budget Officers

options available to states in the next round of budget reductions. Figure 1 shows the number of states that cut enacted 1991 budgets or raised taxes for fiscal 1992. Although these actions do not necessarily reflect budget problems, they do tend to reduce the flexibility of states should the economy worsen.

As the recession drags on, states that have been immune from its effects will begin to feel the pinch of slowing revenues. Several western states have begun to experience declining growth (if not actual declines) in their corporate and sales tax collections. It is likely that many of these states will join their neighbors to the east and begin to make cuts in enacted budgets during fiscal 1992.

Challenges to State Budgeting

Fiscal 1991 balances are significantly worse than they were estimated to be in January 1991. The January estimate of $5.9 billion was not achieved because state economies continued to deteriorate after the January revisions were made. As a result, states began fiscal 1992 in weaker condition than they had expected, so even if the national economic recovery arrived "on schedule," states would find it difficult to achieve the increase in balances they project for fiscal 1992. In fact, poor tax collections persist, and the estimates for fiscal 1992 are extremely unlikely to be met.

Preliminary estimates of fiscal 1991 balances represent the lowest level of balances states have held since fiscal 1983. It is possible that actual data for fiscal 1991 and fiscal 1992 will drop below the depressed level of the early 1980s, when balances represented only 1.5 percent of total state spending. Yet many observers have commented that this recession has been neither as deep nor as long as the recession of the early 1980s. Why, then, are states already experiencing such difficulties?

First, the recession of the early 1980s was primarily a revenue problem. States had to deal with revenue shortfalls. In the current environment, problems on the expenditure side of the ledger are as prominent as revenue shortfalls. Medicaid and corrections have grown unlike any programs in state budgets. The share of state spending dedicated to Medicaid has increased from 10.2 percent to 13.6 percent of state budgets during the last five years. Due to federal mandates that have increased eligibility and health care price inflation, Medicaid has grown 20 percent or more per year during the last two years. Similarly, prison construction, which frequently is mandated by the courts, has witnessed growth rates of 19 percent and 14 percent, respectively, during the same two years. States have little flexibility to restrain these programs. Together, these two programs represent nearly 20 percent of state budgets. They will continue to frustrate state decisionmakers even after the recession ends, unless some action is taken to check their growth.

Second, the federal government has significantly scaled back its role in intergovernmental relations. Federal grants-in-aid to cities and states declined during the 1980s, once corrected for growth in the Medicaid program and other entitlements. These cuts have hit local governments particularly hard. States increasingly are being called on to provide more aid to local governments and, in particular, are facing mounting pressure to relieve property tax burdens at the local level that have resulted from federal cutbacks.

Third, states entered this recession in a weak position. In 1980 states held balances that represented 9 percent of total spending. In 1989 balances peaked at 4.8 percent. This left states with little cushion to protect against an impending recession. Rather than using the strong revenue growth of the mid-1980s to establish secure budget stabilization funds, many states instead implemented new spending programs. As revenue growth slowed, these programs continued to demand resources, and as a result, states began to tap their reserves to fund ongoing programs. Once the recession hit, those reserves were fairly well depleted.

Fourth, states continue to rely heavily on sales taxes on goods but not services. The 1980s witnessed rapid growth in the service sector of the economy. By failing to tap into that growth, states find themselves taxing a shrinking component of consumer sales.

The bottom line is that 1992 is going to continue to be a very difficult year for states – perhaps the most difficult in the last decade. There are no easy solutions to the problems states face, and it is likely that many of these problems will not go away with an economic recovery. To the extent that this is true, states can serve their long-term interests best by seeking long-term solutions to some of the spending problems they face. Only with structural changes can states begin to realign their budgets in a way that will ensure balance.

II. State Expenditure Developments

Overview

State general fund budgets for fiscal 1992 total $301.5 billion and represent a 5 percent increase over 1991 spending. Due to the weakness in the national economy and in state tax collections, spending in fiscal 1991 was curtailed, with general fund spending growing only 4.5 percent above 1990 levels. Given that Medicaid spending alone is estimated to have increased by 20 percent in 1991, many other state programs have suffered significant cutbacks in order to slow down the growth of total spending.

Relative to the last several years, spending increases for 1991 were far lower than average and increases for 1992 are also below average. Table 1 lists spending increases for 1979 through 1992 and shows that 1991 represents the lowest spending increase since 1983, the low point of the recession of the early 1980s. Expenditures levels for fiscal years 1990, 1991, and 1992 are listed for individual states in Appendix Tables A-1, A-2, and A-3. The increases that result from these spending levels are presented for individual states in Appendix Table A-4.

Table 1
STATE NOMINAL AND REAL ANNUAL BUDGET INCREASES, FISCAL 1979 TO FISCAL 1992

	State General Fund	
Fiscal Year	*Nominal Increase*	*Real Increase*
1992	5.0% (est.)	0.0% (est.)
1991	4.5	-0.1
1990	6.4	1.7
1989	8.7	3.5
1988	7.0	2.9
1987	6.3	2.6
1986	8.9	3.7
1985	10.2	4.6
1984	8.0	3.3
1983	-0.7	-6.3
1982	6.4	-1.1
1981	16.3	6.1
1980	10.0	-0.6
1979	10.1	1.5
1979-1992 average	**7.7%**	**1.6%**

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

SOURCE: National Association of State Budget Officers

Given the slow recovery of the national economy, the projected fiscal 1992 spending increase may be unrealistic. A handful of states have already reduced 1992 budgets, and to the extent more states are forced to do the same, actual spending could be lower than this estimate. On the other hand, it will be extremely difficult for states to cut spending much further, since programs like Medicaid and corrections have been experiencing double-digit growth in recent years and many other state programs have already been cut.

Growth in general fund spending only partly reflects total state spending patterns. States are increasingly relying on federal funds (due to growth in the Medicaid program relative to all other state programs) and on trust funds and other dedicated funds (such as those developed to fund highways and local aid in some states) to fund certain state services. This means that general funds represent only about half of total state spending.

Much of state spending reflects contractual or legal obligations between states and other parties: the federal government, local school districts, recipients of Medicaid, and Aid to Families with Dependent Children (AFDC). For this reason, it can be extremely difficult for states to actually reduce spending from one year to the next. Table 2 shows the distribution of state budget growth over the last two years.

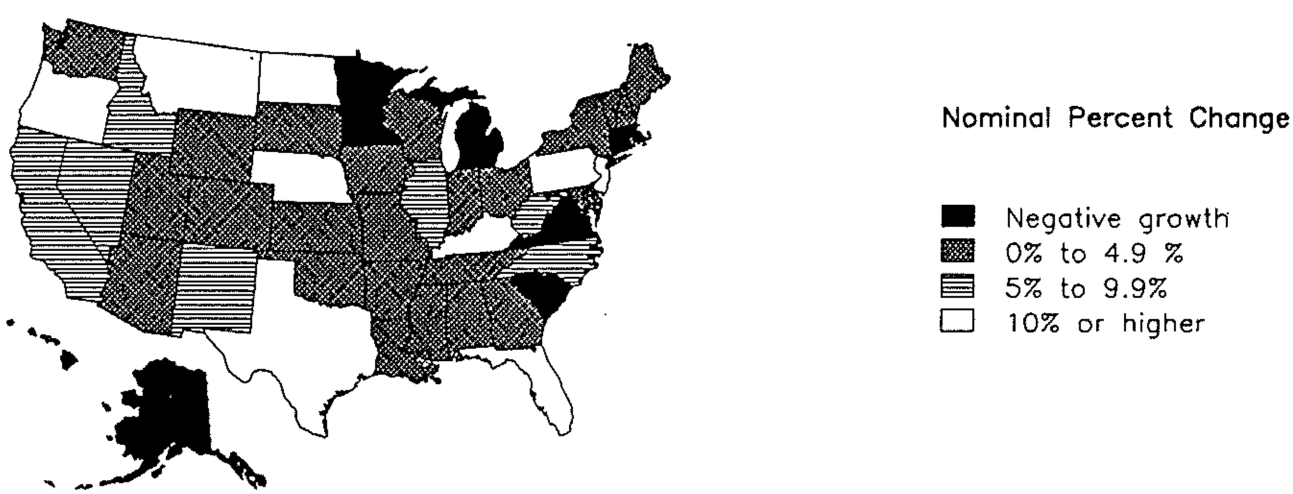
Table 2
ANNUAL STATE GENERAL FUND EXPENDITURE INCREASES, FISCAL 1991 AND FISCAL 1992

	Number of States	
Spending Growth (percentage)	*Fiscal 1991 (Preliminary)*	*Fiscal 1992 (Appropriated)*
Negative Growth	6	7
0.0% to 4.9%	15	27
5.0% to 9.9%	18	7
10% or Higher	11	9
Average Growth Rate	**4.5%**	**5.0%**

SOURCE: National Association of State Budget Officers

Although roughly one-fifth of all states have experienced general fund budget growth of 10 percent or more in both fiscal 1991 and fiscal 1992, there has been a dramatic movement to downsize state budgets. Whereas twenty-one states experienced less than 5 percent growth in their 1991 general fund budgets, thirty-four plan to do so in fiscal 1992. Given the difficulty of actually reducing state spending from current dollar levels, the fact that six states did so in fiscal 1991 and seven plan to do so in fiscal 1992 underscores the difficult choices states are making as they seek to balance their budgets.

Figure 2
NOMINAL EXPENDITURE GROWTH IN FISCAL 1992 STATE BUDGETS



SOURCE: National Association of State Budget Officers

As shown in Figure 2, regional patterns in state spending growth are nearly impossible to distinguish. Many changes are occurring in intergovernmental finance, which make it difficult to generalize about spending trends. For example, Minnesota's decline in spending is more reflective of the realignment of state funding for local government aid than of total state spending trends. Similarly, a voter initiative in Oregon is forcing that state to increase its payments to school districts dramatically, thus forcing a large increase in state spending. In New Jersey, a large property tax assistance program and the assumption of many local program costs will result in a large increase in state spending. Thus, patterns that might emerge if spending were reflective of only the economy are blurred by shifts in spending and program responsibilities.

Budget Management

Ending the year in balance is a challenge in a year like fiscal 1991. Since revenue increases are difficult to enact during a year already underway, states tend to rely more heavily on budget cuts to generate savings in the short term. Table 3 lists the size of the budget cuts states made in an effort to balance budgets. In all, twenty-nine states enacted budget cuts, which together totaled more than $7.5 billion.

Table 3
Budget Cuts Made After the Fiscal 1991 Budget Passed

State	*Size of Cut millions)*	*Programs or Expenditures Exempted from Cuts*
Alabama	$185.6	Debt service
Arizona	102.5	K-12 education
Colorado	43.7	No exemptions
Connecticut	N/A	N/A
Delaware	47.5	Debt service
Florida	784.0	No exemptions
Georgia	359.0	Law enforcement, prisons, mental health
Illinois	56.0	K-12 education, income assistance, medical benefits for the needy
Indiana	74.1	Reductions were targeted
Iowa	60.2	No exemptions
Maine	183.0	Debt service
Maryland	179.8	Legislative and judicial branches, debt service, K-12 education
Massachusetts	850.0	No exemptions
Michigan	715.2	School aid
Minnesota	158.0	No exemptions
Mississippi	90.8	No exemptions
Missouri	254.0	Preferential treatment given to K-12 education, higher education, and entitlements
New Hampshire	12.0	Direct aid to local governments and school districts
New Jersey	150.0	Direct care programs (e.g., human services institutions, corrections, Medicaid)
New York	802.0	Debt service, pledged revenues associated with bond issues
North Carolina	729.0	Medicaid, AFDC
Ohio	178.8	Consumer's council, utilities commission, debt service, pensions, property tax relief
Oregon	40.6	Federally mandated programs
Pennsylvania	222.0	AFDC, medical assistance
Rhode Island	144.3	Core safety net programs such as cash assistance and programs for the elderly
South Carolina	132.6	K-12 funding, debt service
Tennessee	262.0	K-12 education, Medicaid, AFDC
Vermont	10.5	Human service programs
Virginia	731.2	Aid to individuals, debt service
Total	**$7,558.4**	

SOURCE: National Association of State Budget Officers

There are many ways to cut a state budget. Appendix Table A-5 lists a variety of actions states implemented to manage their fiscal 1991 budget problems. The table shows that some states were able to balance their budgets with only targeted reductions and travel freezes while others, primarily in the eastern United States, were forced to take more drastic actions like employee layoffs and furloughs.

In general, the most widely adopted budget-balancing strategy was to implement targeted spending cuts and to impose hiring and travel freezes. These are among the first steps states take when a budget imbalance appears and they generate relatively small savings. Other steps highlighted in Appendix Table A-5 include:

- **Across-the-board cuts.** These impose a fixed percentage cut on all state agencies.
- **Layoffs and furloughs.** These involve removing personnel from the state workforce (layoffs) or having state employees take a specified number of days off without pay (furloughs).
- **Reduce or delay local aid.** This involves delaying or reducing payments made to local governments for either specific programs (education, environmental grants) or general tax sharing. It can be used as either a short-term cash flow measure (delay of payments) or a permanent reduction in the state budget (reduced local aid).
- **Revenue or tax increases.** These can range from raising fees for services, such as vehicle registration or use of state parks, to increasing taxes.
- **Delay spending.** This can include postponing projects until the next fiscal year or delaying payments to vendors.
- **Borrowing/bonding.** This can mean two things. Either the state will begin to sell bonds to finance capital spending that is currently funded by general funds or the state will sell bonds to finance its operating deficit.
- **Rainy day funds.** These funds, also known as budget stabilization funds, are established when state revenues are strong to provide a cushion when revenues are weak. States that hold balances in such funds may decide to tap those balances.
- **Reduce or delay pension contributions.** Some states have changed the assumptions for earnings in their state pension funds. This allows them to make smaller state contributions based on the assumption that the fund's rate of earnings will be higher than previously assumed. Delaying pension contributions is a specific example of deferred spending.

Some of the strategies states pursue do not strictly qualify as budget cuts. Rather, they represent deferred spending, borrowing from other state funds, using budget stabilization funds, or borrowing from the bond market. Twenty-six states identified non-budget-cutting actions they took to respond to poor budget conditions during fiscal 1991. When combined with the twenty-nine states that actually reduced their budgets, a total of thirty-two states took some action to address poor fiscal conditions in fiscal 1991. (Louisiana, New Mexico, and Wyoming are the additional three states that took these types of non-budget-cutting actions.)

Other Expenditure Issues

Although the education program represents the largest program in state budgets, its year-to-year growth tends to be fairly steady and predictable since it is usually formula-driven. Other areas of state spending, however, tend to rely more directly on state fiscal conditions in a given year. Some of these areas are summarized on the following pages.

Aid to Families with Dependent Children. Table 4 lists the states that have enacted fiscal 1992 cost-of-living increases for recipients of Aid to Families with Dependent Children. Sixteen states enacted increases this year, twenty-four did so in fiscal 1991, and twenty-nine enacted increases in fiscal 1990. The decline in the number of states increasing benefits is a clear reflection of the difficulty states have funding ongoing programs in the current economic environment. In fact, both California and Michigan enacted decreases in AFDC benefits for fiscal 1992, underscoring state efforts to contain this program's growth.

Table 4
COST-OF-LIVING INCREASES FOR AID TO FAMILIES WITH DEPENDENT CHILDREN, FISCAL 1992

State	*Increase enacted for 1992*	*State*	*Increase enacted for 1992*
Alabama	16.0%	Montana	5.0%
Alaska	4.0	New Mexico	5.5
Arkansas	8.0	Ohio	*
Florida*	3.0	Oregon	3.0
Georgia	*	Rhode Island	7.1
Hawaii	2.8	South Dakota	5.0
Kansas	4.0	Utah	0.2
Massachusetts	3.0	Washington	3.1
Missouri	*	Wyoming	*

NOTES: Florida's increase is effective on January 1, 1992.
Georgia increased standard of need, which had the effect of a 2.5 percent increase.
Missouri's 1 percent increase was vetoed by the Governor.
Ohio's increase of 2 percent is effective on January 1, 1993.
Wyoming increased its standard of need.

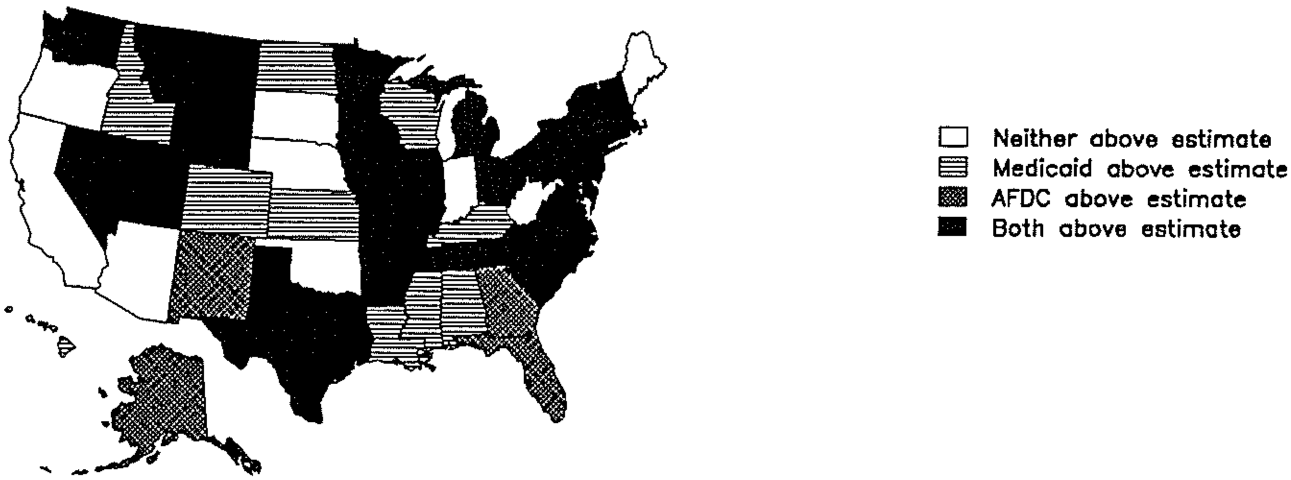
SOURCE: National Association of State Budget Officers

Employee Compensation Increases. Employee pay increases are another expenditure item that has suffered during this recession. Appendix Table A-6 lists the increases that have been granted for fiscal 1992. Not only are increases smaller than they have been over the last several years, but many states have foregone increases altogether. Like all other recipients of state budget funds, employees are bearing their share of the impact of budget reductions.

Aid to Local Government. Significant efforts to realign state and local program responsibilities are beginning to emerge in a number of states. Table 5 lists new state programs that affect local government. It reveals a variety of approaches states are taking to alter traditional state-local program responsibilities. Perhaps the most widely discussed change is in California, where the state dedicated a portion of an increase in the state sales tax rate to local governments but then gave them responsibility for funding several social service and welfare programs. Conversely, New Jersey is moving in the other direction, toward assumption of local programs. In all, fifteen states have enacted new programs.

Medicaid and AFDC Spending. During a recession, states find that the demand for social services increases as incomes fall and people lose their jobs. In addition, rapid expansion of the Medicaid program and alarming increases in health care costs have combined to make Medicaid the most rapidly growing program in state government. Figure 3 illustrates the problems that Medicaid and AFDC have presented for states in fiscal 1991. Thirty-six states report that they spent more on Medicaid in fiscal 1991 than they had originally budgeted for the program; for AFDC, thirty states exceeded their original budget. More than half the states (twenty-six) spent more on both programs than they had budgeted for them. Even if revenues were to meet projections, this type of cost overrun would force states to reduce spending in other areas. In part, then, budget cuts states made were as much to add funding to these programs as to address revenue shortfalls.

Figure 3
MEDICAID AND AFDC SPENDING COMPARED WITH ORIGINAL ESTIMATES, FISCAL 1991



SOURCE: National Association of State Budget Officers

Table 5
NEW SPENDING OR TAX PROGRAMS TO AID LOCAL GOVERNMENT, FISCAL 1992

Arkansas	Established an education trust fund financed with a half-cent increase in the state sales tax rate and extension of the sales tax to the trade difference on vehicles. This will provide $102.8 million to local school districts for education.
California	Increased the local sales tax rate by one-half cent, broadened the sales tax base, and increased local vehicle license fees. Transferred most mental health, public health, and some social service programs to counties.
Idaho	Appropriated $3 million to replace and expand the county medically indigent program with a statewide program, and $10 million for local highways from a 3 cent increase in the gas tax.
Louisiana	Increased support to sheriffs for housing prisoners by $5 million. Consolidated to one tax collector per parish. Also will consider a constitutional amendment that prohibits state from imposing responsibilities on local government without funding. This amendment is subject to public referendum.
Maryland	Assumed all operations and responsibilities of the Baltimore City jail. Also made a one-time payment of $11.4 million to the least wealthy sub-divisions.
Massachusetts	Allowed localities to hold referendum to override Proposition 2 1/2 in order to raise local taxes to cover the cuts in state aid from fiscal 1991 to fiscal 1992.
Minnesota	Continued state takeover of local costs associated with income maintenance and court operations enacted in 1989. Created dedicated local government trust fund by dedicating 1.5 percent of existing sales tax ($526.7 million) and permitting a 0.5 percent local-option sales tax ($174.2 million). This fund will pay non-school aid previously funded from the general fund beginning in fiscal 1992.
Nebraska	Repealed personal property taxes for local governments for 1991. State will reimburse $64.6 million in fiscal 1992 and $32.3 million in fiscal 1993 for 1991 personal property tax revenue lost by local governments.
New Jersey	Enacted a supplemental municipal property tax assistance program to provide $305 million in formula funds for property tax reduction or offset. Also increased aid to urban municipalities by $25 million and created a $30 million discretionary program. Assumed a greater responsibility for the following state-local social service programs: Aid to Families with Dependent Children ($43.2 million), general assistance ($30.2 million), county medical hospitals ($32.7 million), state mental hospitals ($44.5 million), state institutions and community residential services for the developmentally disabled ($100.4 million), care, custody, and guardianship of youth (25.9 million), and Supplemental Security Income ($12.2 million). Municipalities were also given the option to convert to a July 1 to June 30 fiscal year to alleviate cash flow problems with state aid.
New York	Enacted a Medicaid cost containment package ($90 million), mandate relief ($427 million), and sales tax base broadeners ($30 million).
Oregon	Provided the Department of Revenue with approximately $1.3 million to assist local governments in administering a new property reduction measure. An additional $560 million was provided to schools and community colleges for revenues lost under this measure.
Pennsylvania	Reduced local costs through the county child welfare overmatch ($18 million), allowed Philadelphia to levy a 1 percent sales tax ($200 million), provided a state bond issue to counties for expansion, renovation, etc., of local correctional facilities ($39 million), and dedicated revenues for local transit assistance ($150 million).

Table 5 (continued)
PROPOSED NEW SPENDING OR TAX PROGRAMS TO AID LOCAL GOVERNMENT, FISCAL 1992

Rhode Island	Provided special education assistance to Central Falls ($1.3 million) for the takeover of the local school system.
South Carolina	Changed the method of determining general aid to local governments. Rather than distributing a percentage of seven state taxes to subdivisions by formula, aid is equal to 4.5 percent of the previous year's general fund revenue collections. Also, the law restricts any mid-year reductions so that funds cannot be less than the previous year's allocation.
South Dakota	Increased the state's share of the cost of the unified judicial system to 100 percent from 95 percent.
Wisconsin	Implemented a tax rate disparity payment ($25 million) and a lottery property tax credit ($177 million).

SOURCE: National Association of State Budget Officers

III. State Revenue Developments

Overview

Fiscal 1992 revenue increases total $15 billion and represent the largest state tax increase ever. This increase comes on the heels of the previous record holder, fiscal 1991, which had more than $10 billion in revenue increases. It also highlights the magnitude of the problems states are trying to address. With few exceptions, revenue increases have been enacted to continue current programs and not to fund any significant program expansions.

Revenue collections continue to lag projections for the majority of states and there is little to suggest that fiscal 1992 will be any different. Revenue projections for the current year are based on economic models that assume an economic recovery early in the fiscal year. The likelihood is that the recovery will be slower to arrive and weaker when it does arrive than some state estimates assume. Thus, fiscal 1992 may be another year of disappointing revenue collections. Moreover, it may be a year in which the regional pattern of weak revenue collections begins to blur.

Table 6
ENACTED STATE REVENUE INCREASES, FISCAL 1978 TO FISCAL 1992

Fiscal Year	*Revenue Increase ($ in billions)*	*Fiscal Year*	*Revenue Increase ($ in billions)*
1992	$15.0	1984	$10.1
1991	10.3	1983	3.5
1990	4.9	1982	3.8
1989	0.8	1981	0.4
1988	6.0	1980	-2.0
1987	0.6	1979	-2.3
1986	-1.1	1978	0.5
1985	0.9		

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

Revenue Collections for Fiscal 1991

Fiscal 1991 revenue collections are consistent with other findings in this report: Three-fifths of the states report that tax revenues in fiscal 1991 lagged projections. Conversely, only eleven states report that revenue collections exceeded original estimates. Only one state east of the Mississippi River, West Virginia, is among those eleven reporting strong revenue collections. Appendix Table A-7 lists the original estimates and current estimates of revenue collections for the three major state tax revenues: sales tax, personal income tax, and corporate income tax.

As has been the case for the last two years, corporate income taxes have performed the weakest of the three taxes, though each of the three is below the original estimate on an aggregate basis. The table clearly shows the regional patterns of poor revenue collections. California emerges as the only western state with extremely poor tax collections. However, apparent weakness in some western states' corporate tax collections may be an indication that weak revenue collections are imminent in some other western states. The eastern states continue in a slump, with tax collections failing even to keep pace with extremely conservative revenue forecasts.

Fiscal 1992 Tax Changes

While state revenue increases enacted for fiscal 1992 total $15 billion, increases in California, Connecticut, Pennsylvania, and Texas represent almost three-quarters of the total new revenue raised.

Table 6 shows the size of this year's increase relative to other years. Clearly, it is the largest tax increase ever enacted and it follows a year of large increases. As a percentage of total tax collections, however, the 1992 increase may not be the largest ever; by some accounts increases in the early 1970s were larger.

Thirty-one states enacted net revenue increases for fiscal 1992 and four enacted net decreases. Table 7 shows a state-by-state summary of net changes from the major tax sources. Details on the specific changes made are described in Appendix Table A-8. All of the changes enacted in Missouri will be subject to voter approval on the November 1991 ballot.

The number of states raising revenues this year is consistent with the last few years. In fiscal 1991 twenty-six states raised revenues, and in 1990 thirty states did so. As Table 7 shows, the majority of 1992 increases are not large. In fact, without the largest four increases, approximately $5 billion in new revenues would have been raised. Perhaps the most significant aspect of the large number of states raising revenues each year is the persistent inability of state tax systems to generate sufficient revenues to support ongoing state programs. The need to continually add to the tax base — without adding new programs to be funded — underscores the structural deficits that are at the heart of many states' fiscal woes.

Sales Tax

Eighteen states increased sales tax revenues for fiscal 1992 and eight states decreased them. The largest increase came in California, where the sales tax rate was increased. Other rate increases were enacted in Arkansas, Maine, Minnesota (through local initiative), Missouri, Nevada, North Carolina, and Vermont. The largest decrease was enacted in Connecticut, where introduction of a personal income tax was accompanied by a reduction in the state sales tax rate from 8 percent to 6 percent.

Personal Income Tax

The personal income tax is the source of the largest revenue increase for fiscal 1992. It represents more than one-third of total new revenues. Three states account for the vast majority of revenue raised from this tax: California, Connecticut, and Pennsylvania. The most significant development in the state income tax is the introduction of a broad-based tax in Connecticut. There are now only nine states that do not impose a broad-based personal income tax: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming.

Corporate Income Tax

About $1.4 billion, or just under 10 percent, of the total fiscal 1992 revenue increase is accounted for by corporate income tax increases. Two states, California and Pennsylvania, enacted increases that represent the majority of new revenue. In all, seventeen states enacted net revenue increases for this tax and only two enacted decreases. One of those two, Michigan, enacted a decrease in order to comply with a court ruling.

Cigarette and Tobacco Taxes

In fiscal 1992 states raised only half the amount of new revenue from cigarette and tobacco taxes raised in fiscal 1991. This is interesting because federal taxes on these products increased dramatically in late 1991, leading to speculation that states would find it more difficult to raise their own tobacco

Table 7
SUMMARY OF FISCAL 1992 REVENUE INCREASES BY TYPE OF REVENUE AND NET INCREASE OR DECREASE
($ in millions)

State	*Sales*	*Personal Income*	*Corporate Income*	*Cigarette/ Tobacco*	*Motor Fuels*	*Alcohol*	*Others*	*Total*
Alabama							22.1	22.1
Alaska								0.0
Arizona		8.0						8.0
Arkansas	159.0	-14.2	10.0	2.8	93.9		30.0	281.5
California	2,538.0	1,773.0	552.0			201.0	627.0	5,691.0
Colorado								0.0
Connecticut	-373.1	1,403.0	15.0	8.5	26.2		30.5	1,110.1
Delaware		2.0	4.0				90.4	96.4
Florida	7.2						277.3	284.5
Georgia								0.0
Hawaii		-15.0			39.4		-7.0	17.4
Idaho	-5.0				20.0			15.0
Illinois	111.0	33.0						144.0
Indiana								0.0
Iowa		3.4	0.3	12.8			2.1	18.6
Kansas								0.0
Kentucky								0.0
Louisiana	-11.0		-3.0					-14.0
Maine	82.3	69.4	17.8	6.0	11.0			186.5
Maryland	45.6	32.0		12.5			56.0	146.1
Massachusetts	-156.0							-156.0
Michigan			-10.0					-10.0
Minnesota	187.4	73.7	1.6	17.7			55.0	335.4
Mississippi								0.0
Missouri	167.0	108.0	44.0	31.5				350.5
Montana		24.0					1.6	25.6
Nebraska	20.3	-2.5	36.8					54.6
Nevada	114.9						60.3	175.2
New Hampshire								0.0
New Jersey	-30.0							-30.0
New Mexico	14.2	6.0			1.4			21.6
New York	48.0	129.0	20.0				620.0	817.0
North Carolina	434.0	61.0	85.0	20.5		2.9	27.4	630.8
North Dakota	-1.0			1.0				0.0
Ohio	45.3	19.9	49.0	16.1			2.1	132.4
Oklahoma								0.0
Oregon		77.2	4.9		10.7			92.8
Pennsylvania	272.0	1,506.0	600.9	113.8			536.6	3,029.3
Rhode Island	-30.7	84.9	4.8		20.0		4.0	83.0
South Carolina	-2.8	10.9	2.6				18.6	29.3
South Dakota								0.0
Tennessee							200.0	200.0
Texas	182.6				406.1		469.0	1,057.7
Utah								0.0
Vermont	28.9	37.2	3.7	0.6			17.4	87.8
Virginia								0.0
Washington				1.9			53.9	55.8
West Virginia								0.0
Wisconsin	1.4						37.8	39.2
Wyoming								0.0
Total	**$3,849.5**	**$5,429.9**	**$1,439.4**	**$245.7**	**$628.7**	**$203.9**	**$3,232.1**	**$15,029.2**

* See Appendix Table A-8 for details on specific revenue increases.

taxes. The speculation appears to have been accurate. Only $245 million has been raised from cigarette taxes this year, with just under half of it accounted for by Pennsylvania. In all, thirteen states increased their cigarette or tobacco taxes in fiscal 1992.

Motor Fuel Taxes

Like tobacco taxes, motor fuels taxes were raised by the federal government in 1991 with the apparent result of reducing the number and size of state increases in the subsequent year. Whereas $1.4 billion was raised form this tax source last year, only $629 million was raised this year. Texas alone accounts for $406 million of the total increase. In addition to Texas, eight other states raised their motor fuel taxes.

Alcohol Taxes

The number of states increasing alcohol taxes in fiscal 1992 is alarmingly low. Only two states enacted increases in alcohol taxes in fiscal 1992 and nearly the entire amount was raised by California. As with motor fuels and tobacco taxes, this tax was among those increased at the federal level in 1991. The attractiveness of raising "sin taxes" appears to have diminished in this fiscal year.

Miscellaneous Taxes

This category continues to represent the growth area of state revenue-raising activities. More than $3.2 billion has been raised from the variety of revenues reported in this category. The most significant component of the category this year is tax or revenue programs for Medicaid providers. Several states --- including Arkansas, Maryland, Minnesota, South Carolina, Tennessee, and Washington --- report establishing or increasing Medicaid taxes or fees for fiscal 1992. These increases reflect the difficulty states have in keeping up with the cost of the Medicaid program.

IV. Year-End Balances

Total year-end balances refer to the amount of resources states have available to them at the end of the fiscal year. These are the funds states maintain as savings to use when an event or a sharp change in the economy necessitates additional resources. They are commonly referred to as reserves or reserve funds and they generally fall into two categories: funds held as ending balances, and funds held in budget stabilization (or rainy day) funds. The former tend to be more liquid than the latter and are frequently used to fund the succeeding year's expenditures. On the other hand, budget stabilization funds are often segregated from available resources and maintained for emergency situations.

Table 8
SIZE OF TOTAL YEAR-END BALANCES, FISCAL 1979 TO FISCAL 1992

Fiscal Year	*Total Balance ($ in billions)*	*Total Balance (As % of Expenditures)*
1992	$5.6 (est.)	1.9%
1991	4.3 (est.)	1.5
1990	9.4	3.4
1989	12.5	4.8
1988	9.8	4.2
1987	6.7	3.1
1986	7.2	3.5
1985	9.7	5.2
1984	6.4	3.8
1983	2.3	1.5
1982	4.5	2.9
1981	6.5	4.4
1980	11.8	9.0
1979	11.2	8.7

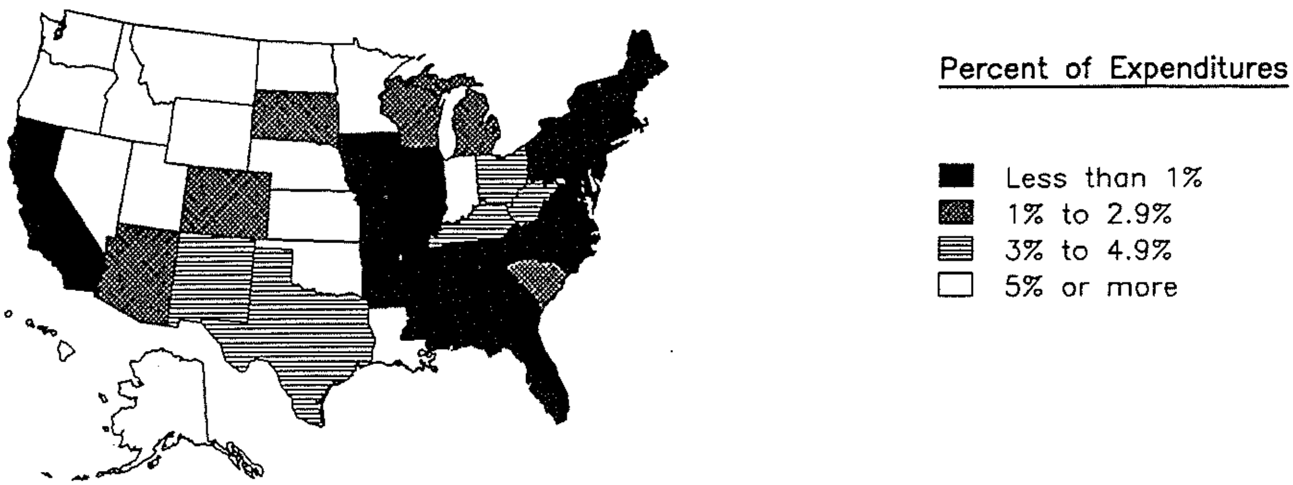
SOURCE: National Association of State Budget Officers

Table 8 shows the wide fluctuations state balances have undergone in recent years. More than any other measure, they tend to reflect the ups and downs of state budgets: Balances go up when states are in good shape and go down when fiscal conditions deteriorate. Based on this interpretation, fiscal 1991 was the worst year for states since 1983. In both years, total balances declined to represent only 1.5 percent of expenditures.

The situation in fiscal 1991 was typical of a deteriorating economy. When budgets were first enacted one year ago, states estimated that they would end the year with reserves of 2.5 percent. By mid-year, many states had failed to achieve their revenue estimates and were running into problems with the cost of the Medicaid program. Even though budget cuts were implemented, estimates of total balances for the year were reduced to just 2 percent. The economy continued to deteriorate, however, and in some cases states were unable to achieve the savings they had anticipated. Thus, by year-end, balances had actually declined to only 1.5 percent of expenditures.

Figure 4 shows the situation at the end of fiscal 1991. Strong regional variations in the condition of state budgets persist, though a general weakening is apparent. Current estimates call for total balances at the end of fiscal 1992 to represent 1.9 percent of state spending, a slight improvement from 1991 balances. Without a record $15 billion in revenue increases, even this small improvement would not be possible.

Figure 4
TOTAL YEAR-END BALANCES AS A PERCENT OF EXPENDITURES, FISCAL 1991



SOURCE: National Association of State Budget Officers

Table 9 shows the shifts in state balances between fiscal 1990 and fiscal 1992. Between fiscal 1990 and fiscal 1991, the most dramatic change was in the number of states holding balances of less than 1 percent of expenditures. Whereas fewer than one out of five states fell into this category in 1990, almost half the states fell into it in fiscal 1991. Yet, in both years there were a reasonable number of states holding balances of more than 5 percent (twenty-three and seventeen, respectively).

Between fiscal 1991 and fiscal 1992, the largest shifts are occurring in the mid-ranges. Fewer states plan to hold balances of less than 1 percent and fewer plan to hold balances of more than 5 percent. Instead, movement is toward the 1 to 2 percent range. These shifts equate to a gradual evening-out of fiscal conditions, with less dramatic variations than have been evident for the last three years. Information on individual states' ending balances for each of the three years is presented in Appendix Table A-9.

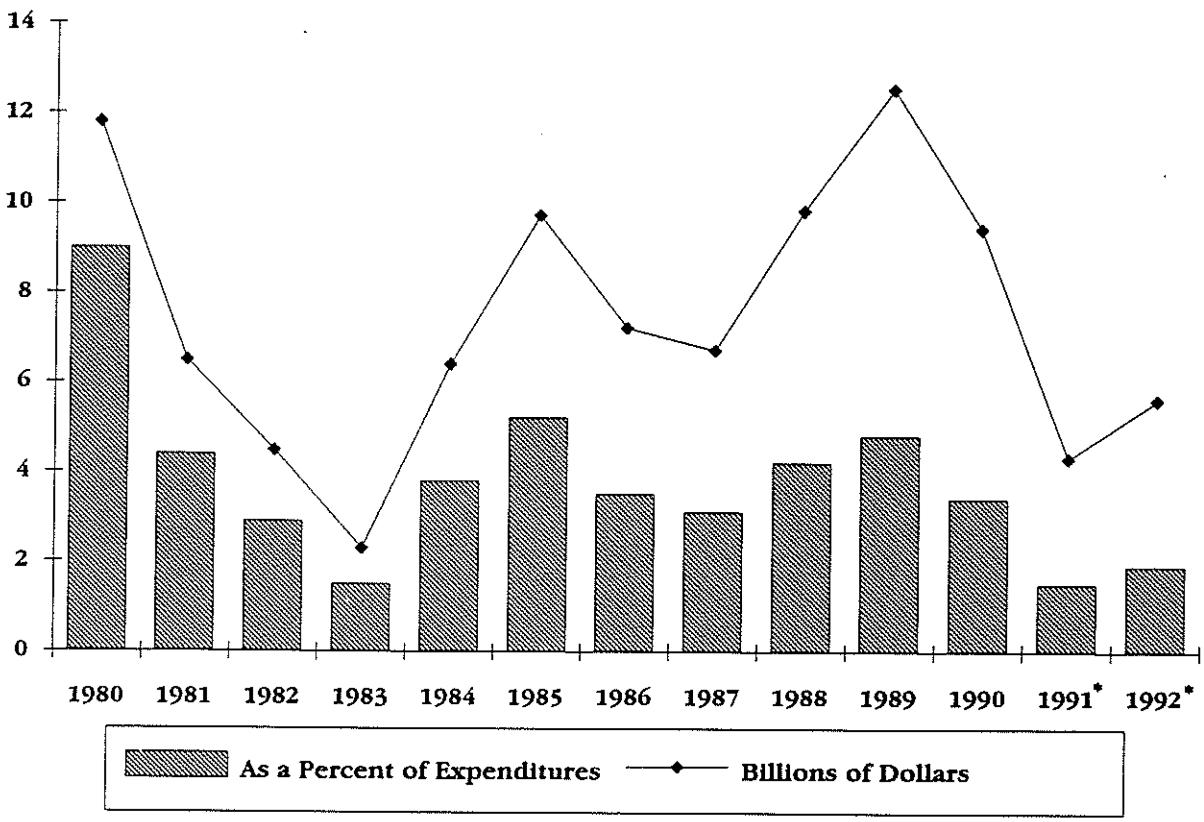
Table 9
TOTAL YEAR-END BALANCES AS A PERCENT OF EXPENDITURES, FISCAL 1990 TO FISCAL 1992

	Number of States		
Percentage	*Fiscal 1990 (Actual)*	*Fiscal 1991 (Preliminary)*	*Fiscal 1992 (Appropriated)*
Less than 1.0%	9	22	20
1.0% to 2.9%	11	6	15
3.0% to 4.9%	7	5	5
5% or More	23	17	10
Average Percent	**3.4%**	**1.5%**	**1.9%**

SOURCE: National Association of State Budget Officers

The cyclical nature of total balances is illustrated in Figure 5. The effects of the two recessions included in the reporting period are evident. In both fiscal 1980 and fiscal 1989, states balances hit peaks, only to be depleted by ensuing recessions. There are two primary differences between the two recessions. In fiscal 1980, state balances began to decline as the recession took hold. Conversely, state balances in the more recent period began their decline during fiscal 1990 even though the recession did not officially begin until fiscal 1991. Second, states entered the recession of the early 1980s in a much stronger position than when they entered this recession. While the dollar level of balances was roughly the same in 1980 and in 1989, those dollars represented a far larger proportion of state spending in 1980 -- 9 percent compared with 4.8 percent.

Figure 5
SIZE OF TOTAL YEAR-END BALANCES,
FISCAL 1980 TO FISCAL 1992



*Data for these years are estimated.

SOURCE: National Association of State Budget Officers

The depletion of balances between fiscal 1990 and fiscal 1991 is dramatic. In just one year, total balances were reduced by more than 50 percent, from $9.4 billion to $4.3 billion. The decline is particularly dramatic in light of the fact that the recession is only about a year old. In contrast, 1983's low balances were achieved after two or more years of recession. This places states at significant risk in the current year should revenues fail to meet expectations. As it currently stands, estimates for fiscal 1992 balances must be viewed as optimistic since no clear signs of an economic recovery in the states have been reported. The current risk is clearly that balances will be lower than they were in fiscal 1991, and set an unfortunate new record.

V. Regional Fiscal Outlook

Overview

The change in the national economy during the last year is remarkable. As Table 10 shows, all the signs of recession are evident: Unemployment rates have risen dramatically, personal income growth has slowed, and state balances are at an all-time low. Only the rate of appropriated state general fund spending growth reveals the expectation that an end to this recession is anticipated. If the end is not yet near, that estimate may prove to be too high.

There continues to be a noticeable division between eastern and western states. The recession has clearly hit the eastern United States first and hardest, and the western states have so far escaped much of the disruption recessions can cause. However, in all but two regions (New England and the Southwest), state ending balances are lower today that they were a year ago. This places all the states at an increased risk should the economic recovery be stalled for long.

Table 10
REGIONAL BUDGET AND ECONOMIC INDICATORS

Region	*Weighted Unemployment Rate*[a]	*Annual % Change in Personal Income*[b]	*Annual % Change in Population*[c]	*Fiscal 1991 Total Balances as a Percent of Expenditures*	*Appropriated 1992 General Fund Budget Growth (%)*	*Number of States in Region*
New England	8.0%	3.9%	1.5%	-4.4%	-1.5%	6
Mideast	6.8	6.0	0.2	0.6	7.8	5
Great Lakes	7.1	5.7	-0.3	3.1	3.3	5
Plains	5.0	6.5	-0.7	5.8	-0.1	7
Southeast	7.2	7.0	0.3	1.5	4.4	12
Southwest	6.2	7.6	0.5	4.4	9.3	4
Rocky Mountain	5.2	7.5	-0.2	6.5	4.4	5
Far West	7.4	7.9	2.7	1.6	6.3	6
Average	6.9%	6.5%	0.6%	1.5%	5.0%	50

SOURCES:
a. U.S. Department of Labor, Bureau of Labor Statistics, June 1991, USDL 91-395.
b. Survey of Current Business, August 1991, 1989-1990, p. 30.
c. FFIS Issue Brief 90-21, Population of the States and Regions, 1989-1990, p. 2.

New England

Among the regions of the country, the most devastating effects of this recession have been felt in the eastern United States in general and New England in particular. It is nearly impossible to believe that only a few short years ago this region enjoyed the most favorable economic statistics imaginable. Today, the region can only look at its situation and hope that the bottom has been reached and recovery is underway. To its credit, the New England region plans to begin to rebuild balances in the current fiscal year. Even its fiscal 1991 balances, while negative, were an improvement over fiscal 1990. With major tax increases enacted in most of the states in this region over the last few years and general fund budget growth for fiscal 1992 expected to be -1.5 percent, the prospect for rebuilding budget stability should be reasonably good.

Mideast

Over the last year, the middle eastern states have slipped into recession, just like their neighbors to the north. Total ending balances in the region are now negative and both the unemployment rate and personal income growth are performing worse than the national average. State spending for fiscal 1992 is above average for this region, fueled by increases in New Jersey and Pennsylvania. Delaware is the only state in the region still holding a balance of more than 5 percent of spending.

Great Lakes

Although they still exceed the national average, total ending balances in the Great Lakes region have been cut in half over the last year. In response, appropriated spending also has been cut nearly in half. The region exhibits much of the same weakness evident in other eastern states: Its unemployment rate exceeds the national average and its personal income growth lags behind the national average.

Plains

As has been the case for the last year, the Plains region appears to be in the best fiscal condition in the country. The unemployment rate is far lower than the national average, ending balances are far higher than the national average, and budget growth appears to be quite modest. This last statistic, however, is misleading. Minnesota is the largest state in the region and its 6 percent decline in general fund spending (brought about by creation of a new fund for local aid) masks double-digit spending increases in both Nebraska and North Dakota. Still, the Plains region must be considered one of two regions that seem to have escaped the effects of this recession so far.

Southeast

As usual, the Southeast region presents a mixed bag of fiscal conditions. Due to the number of states in the region, generalizations are almost impossible to make. Right now, the regional statistics for the region are relatively close to national averages. The primary exception is fiscal 1992 general fund spending growth, which is below the national average. Among the twelve states in the region, two have appropriated budgets with growth of 10 percent or more (Florida and Kentucky) and two have appropriated budgets with growth of less than 0 percent (South Carolina and Virginia). In general, states closer to the eastern seaboard seem to be suffering more in the current recession than those farther west. Arkansas, Louisiana, and West Virginia were the only three states in the region to report that revenue collections for fiscal 1991 came in higher than original estimates.

Southwest

The story of the Southwest region is really about Texas, since its vast size dominates the three other states in the region. For example, while the regional averages show fiscal 1992 general fund budget growth of 9.3 percent, the growth in the smaller three states, Arizona, New Mexico, and Oklahoma, is 4.4 percent, 6.1 percent, and 3 percent. Texas' 12.1 percent growth dominates the regional totals. In general, the Southwest is currently outperforming the nation as a whole. Both its unemployment statistics and its personal income growth are more favorable than average.

Rocky Mountain

Together with the Plains region, the Rocky Mountain region enjoys the best fiscal health in the nation. The region holds the highest total balances and has appropriated spending growth of only 4.4 percent for fiscal 1992 general fund budgets. This should allow it to retain its balances, assuming its economy continues to avoid the effects of recession. Only one state in the region, Montana, has enacted a 1992 budget with growth exceeding 10 percent. Colorado, the largest of the five states in the region, has experienced some budget difficulty in the last year, and its enacted budget, at 2 percent growth, reflects this.

Far West

The Far West continues to be a region of contrasts. Only one state in the region, California, has experienced significant budget difficulty in the last year. It is the only state that reported revenue collections below original estimates for fiscal 1991. Yet because of its size, California dominates the region's economic statistics. Except for California, with a total balance in 1991 of -3.4 percent, the next lowest balance in the region belongs to Nevada, at 7 percent. The other four states all hold in excess of 10 percent of spending in total balances. On the spending side, Oregon, with its voter-initiated property tax rollback program, leads the region's spending growth. As has been the case for the last several years, personal income growth in the Far West is the highest in the nation.

APPENDIX

Table A-1
FISCAL 1990 STATE GENERAL FUND, ACTUAL
($ in millions)

Region/State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND						
Connecticut	0	6,112	6,112	6,372	-260	102
Maine	169	1,500	1,669	1,608	61	*
Massachusetts	147	10,266	10,413	11,692	-1,279	0
New Hampshire	6	562	568	607	-39	28
Rhode Island*	14	1,482	1,495	1,489	*	6
Vermont*	11	578	589	589	0	10
MIDEAST						
Delaware	185	1,157	1,342	1,170	172	*
Maryland	390	5,705	6,096	6,039	57	118
New Jersey	411	11,400	11,812	11,811	1	0
New York*	0	29,229	29,229	29,229	0	0
Pennsylvania	385	11,571	11,956	11,820	136	127
GREAT LAKES						
Illinois	541	10,938	11,479	11,084	395	0
Indiana	425	5,459	5,884	5,512	372	318
Michigan	68	7,364	7,432	7,742	-310	385
Ohio	475	9,382	9,857	9,412	445	364
Wisconsin	375	5,751	6,126	5,820	307	
PLAINS						
Iowa	95	2,826	2,921	2,850	72	
Kansas*	371	2,302	2,673	2,400	273	0
Minnesota	946	6,631	7,577	6,692	885	*
Missouri	110	4,050	4,160	4,103	57	0
Nebraska	290	1,163	1,453	1,194	259	40
North Dakota	40	543	583	529	54	21
South Dakota	38	446	484	452	32	0
SOUTHEAST						
Alabama	53	3,232	3,285	3,220	65	33
Arkansas	0	1,812	1,812	1,812	0	0
Florida	199	10,003	10,202	9,947	255	*
Georgia	224	7,196	7,420	7,363	57	0
Kentucky	48	3,573	3,621	3,533	87	
Louisiana	655	4,386	5,041	4,339	702	
Mississippi	84	1,850	1,934	1,929	5	17
North Carolina	157	6,988	7,145	6,923	222	*
South Carolina	217	3,326	3,543	3,407	136	*
Tennessee	228	3,682	3,910	3,742	168	*
Virginia*	0	5,970	5,970	5,970	0	0
West Virginia	66	1,746	1,812	1,712	100	0
SOUTHWEST						
Arizona	1	3,095	3,097	3,062	34	0
New Mexico*	0	1,783	1,783	1,780	0	108
Oklahoma*	157	2,697	2,854	2,707	147	151
Texas	187	13,927	14,114	13,647	467	19
ROCKY MOUNTAIN						
Colorado*	134	2,484	2,619	2,485	134	*
Idaho	77	857	934	884	50	35
Montana*	67	448	515	426	89	
Utah	71	1,630	1,701	1,624	77	52
Wyoming	101	363	464	371	93	2
FAR WEST						
Alaska	163	2,572	2,735	2,467	268	
California*	1,252	38,749	40,001	39,456	545	*
Hawaii	629	2,452	3,081	2,625	456	
Nevada	67	812	879	763	116	*
Oregon*	298	2,217	2,515	2,188	327	
Washington	555	6,517	7,072	6,136	936	260
TOTAL	11,182	270,783	281,966	274,733	7,224	2,196

NOTES TO TABLE A-1

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

California	Ending balance includes budget stabilization fund of $41 million.
Colorado	Ending balance includes required reserve of $99.1 million.
Delaware	Expenditures include federal Medicaid reimbursement. Ending balance includes budget stabilization fund of $62.5 million.
Florida	Ending balance includes reserve of $255.2 million.
Kansas	Revenues include release of the prior year's encumbrances.
Maine	Ending balance includes budget stabilization fund of $4 million.
Minnesota	Ending balance includes budget stabilization fund of $550 million.
Montana	Expenditures include adjustments of $6 million.
Nevada	Ending balance includes budget stabilization fund of $40 million.
New Mexico	Ending balance is held in a budget stabilization fund.
New York	Revenues reflect a $460 million reduction for impoundment of 1988-89 deficit notes and receipt of $775 million in proceeds from 1989-90 deficit notes.
North Carolina	Ending balance includes budget stabilization fund of $141 million.
Oklahoma	Expenditures include transfer to budget stabilization fund.
Oregon	Expenditure information has been estimated by assuming 48 percent of the budget is spent in the first fiscal year of the biennium and 52 percent is spent in the second year. Year-to-year comparisons of this information may be misleading.
Rhode Island	Revenues include other financing sources. Ending balance is held in a budget stabilization fund.
South Carolina	Ending balance includes $88 million budget stabilization fund.
South Dakota	Expenditures include obligations incurred against cash.
Tennessee	Ending balance includes $100 million budget stabilization fund.
Vermont	Revenues include transfer of $2.6 million from the budget stabilization fund.
Virginia	Expenditures include reserved and designated fund balances.

Table A-2
FISCAL 1991 STATE GENERAL FUND, PRELIMINARY ACTUAL
($ in millions)

Region/State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND						
Connecticut	-157	6,281	6,124	7,089	-966	0
Maine	61	1,464	1,525	1,520	5	
Massachusetts	-1,279	12,445	11,166	11,109	57	0
New Hampshire	-11	624	613	645	-32	0
Rhode Island*	0	1,448	1,448	1,446	1	0
Vermont*	0	586	586	643	-57	0
MIDEAST						
Delaware	172	1,155	1,327	1,213	114	*
Maryland	57	6,143	6,199	6,199	0	0
New Jersey	1	12,218	12,219	12,217	1	0
New York*	0	28,898	28,898	28,898	0	0
Pennsylvania	136	11,831	11,967	12,421	-454	2
GREAT LAKES						
Illinois	395	11,207	11,602	11,502	100	0
Indiana	372	5,561	5,933	5,823	109	323
Michigan	-310	7,841	7,531	7,520	11	184
Ohio	445	9,523	9,968	9,833	135	300
Wisconsin	307	6,164	6,471	6,358	113	0
PLAINS						
Iowa	72	3,065	3,136	3,136	1	
Kansas*	273	2,385	2,658	2,495	162	0
Minnesota	885	6,906	7,791	7,268	523	*
Missouri	57	4,224	4,281	4,255	25	0
Nebraska	259	1,375	1,634	1,382	251	32
North Dakota	54	574	628	523	105	22
South Dakota	32	502	534	523	11	0
SOUTHEAST						
Alabama	65	3,324	3,389	3,389	0	0
Arkansas	0	1,862	1,862	1,862	0	0
Florida	255	10,277	10,532	10,482	50	*
Georgia*	57	7,409	7,466	7,441	25	0
Kentucky	87	4,328	4,415	4,246	170	20
Louisiana	702	4,233	4,935	4,507	428	
Mississippi	5	1,944	1,949	1,945	4	0
North Carolina	222	7,283	7,505	7,505	0	0
South Carolina	136	3,389	3,524	3,462	62	*
Tennessee	168	3,697	3,865	3,855	10	10
Virginia*	0	6,309	6,309	6,309	0	0
West Virginia	100	1,877	1,977	1,888	89	
SOUTHWEST						
Arizona	34	3,359	3,394	3,357	37	0
New Mexico	0	1,880	1,880	1,928	-48	106
Oklahoma*	147	3,099	3,246	3,067	179	202
Texas	467	15,088	15,555	15,155	400	166
ROCKY MOUNTAIN						
Colorado*	117	2,615	2,731	2,672	60	*
Idaho	49	902	951	917	34	35
Montana*	89	420	509	453	56	
Utah	77	1,732	1,809	1,741	68	56
Wyoming	88	380	468	413	56	35
FAR WEST						
Alaska	381	3,022	3,403	2,709	694	*
California*	612	38,548	39,160	40,519	-1,359	*
Hawaii	456	2,690	3,146	2,799	347	
Nevada	116	873	989	924	65	*
Oregon*	327	2,404	2,731	2,360	371	
Washington	936	6,864	7,800	7,301	498	260
TOTAL	7,511	282,225	289,736	287,225	2,510	1,753

NOTES TO TABLE A-2

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

Alaska	In addition to the budget stabilization fund balance shown, the state has a constitutional budget stabilization fund with an approximate balance of $280 million.
California	Beginning balance reflects a prior year expenditure reduction adjustment of $67 million. Ending balance reflects a budget stabilization fund of -$1,709 million.
Colorado	Beginning balance reflects provision that 50 percent of excess above the required reserve is transferred to the capital construction fund ($134.2 - 99.1 = 35.1 * 50% = 17.5 transfer to capital construction fund). Therefore, the beginning balance is $99.1 + 17.5 = 116.6. Ending balance includes required reserve of $59.6 million.
Connecticut	Figures include $453 million in one-time savings or other budgeted expenditures that will not recur in fiscal 1992.
Delaware	Expenditures include federal Medicaid reimbursement. Ending balance includes budget stabilization fund of $65.4 million.
Florida	Ending balance includes reserve of $49.5 million.
Georgia	Revenues include $149 million gain from cash to bond conversion.
Kansas	Revenues include release of the prior year's encumbrances.
Minnesota	Ending balance includes budget stabilization fund of $500 million.
Montana	Expenditures include residual equity transfers of $4 million.
Nevada	Ending balance includes budget stabilization fund of $50 million.
New York	Revenues reflect a $775 million reduction for impoundment of 1989-90 deficit notes and receipt of $1,081 million in proceeds from 1990-91 deficit notes.
Oklahoma	Expenditures include transfer to budget stabilization fund.
Oregon	Expenditure information has been estimated by assuming 48 percent of the budget is spent in the first fiscal year of the biennium and 52 percent is spent in the second year. Year-to-year comparisons of this information may be misleading.
Rhode Island	Revenues include other financing sources.
South Carolina	Ending balance includes a $33.4 million budget stabilization fund.
South Dakota	Expenditures include obligations incurred against cash.
Vermont	Revenues include transfer of $8.2 million from the budget stabilization fund. Budget stabilization fund balance reflects transfer of $1.4 million to the transportation fund.
Virginia	Expenditures include reserved and designated fund balances.

Table A-3
FISCAL 1992 STATE GENERAL FUND, APPROPRIATED
($ in millions)

Region/State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND						
Connecticut*	0	6,982	6,982	6,982	0	0
Maine	5	1,570	1,575	1,547	28	
Massachusetts	57	10,717	10,774	10,773	1	0
New Hampshire	-32	666	634	660	-26	0
Rhode Island*	1	1,489	1,490	1,489	1	0
Vermont	-57	675	617	666	-49	0
MIDEAST						
Delaware*	114	1,250	1,363	1,253	110	*
Maryland	0	6,459	6,460	6,458	2	15
New Jersey	1	14,442	14,443	14,217	226	0
New York*	0	29,876	29,876	29,832	0	44
Pennsylvania	-454	14,399	13,945	13,943	2	2
GREAT LAKES						
Illinois*	100	12,278	12,378	12,178	200	0
Indiana	109	5,781	5,891	5,843	47	328
Michigan*	11	7,509	7,520	7,509	11	196
Ohio	135	10,201	10,336	10,317	19	100
Wisconsin	113	6,517	6,630	6,558	71	*
PLAINS						
Iowa	1	3,207	3,208	3,208	0	
Kansas*	162	2,445	2,607	2,533	74	*
Minnesota*	523	6,781	7,304	6,833	471	*
Missouri	25	4,325	4,350	4,318	33	6
Nebraska	251	1,421	1,672	1,533	139	27
North Dakota	105	549	654	587	67	23
South Dakota	11	540	551	545	6	20
SOUTHEAST						
Alabama	0	3,469	3,469	3,469	0	0
Arkansas	0	1,953	1,953	1,953	0	0
Florida	50	11,739	11,789	11,644	145	*
Georgia	25	7,515	7,540	7,540	0	0
Kentucky	170	4,541	4,711	4,676	36	44
Louisiana	428	4,116	4,544	4,513	31	
Mississippi	4	2,000	2,004	2,001	3	0
North Carolina*	0	7,983	7,983	7,983	1	0
South Carolina	62	3,440	3,502	3,420	82	*
Tennessee	10	3,861	3,871	3,861	10	10
Virginia	0	6,325	6,325	6,303	22	*
West Virginia	89	1,965	2,054	2,032	22	
SOUTHWEST						
Arizona	37	3,518	3,555	3,504	51	0
New Mexico	0	2,067	2,067	2,047	20	74
Oklahoma	179	3,194	3,373	3,160	213	202
Texas	400	15,773	16,173	16,986	-814	181
ROCKY MOUNTAIN						
Colorado*	60	2,755	2,814	2,725	89	*
Idaho	34	949	983	994	-11	35
Montana*	56	474	530	519	11	
Utah	28	1,783	1,811	1,811	0	
Wyoming*	56	376	431	417	15	2
FAR WEST						
Alaska*	0	2,877	2,877	2,819	58	0
California*	-1,359	46,290	44,931	43,368	1,563	*
Hawaii	347	2,862	3,209	2,740	469	0
Nevada	65	976	1,041	990	51	*
Oregon*	371	2,626	2,997	2,686	310	
Washington	499	7,343	7,842	7,580	262	260
TOTAL	2,791	302,847	305,638	301,522	4,072	1,568

NOTES TO TABLE A-3

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

Alaska	Beginning balance reflects transfer of $619.2 million to a budget stabilization fund. Revenues include transfer of $619.2 million from this fund of which 57.9 is transferred to a Mental Health Capital Account.
California	Ending balance includes budget stabilization fund balance of $1,213 million.
Connecticut	Figures do not reflect expenditures for economic recovery notes.
Colorado	Ending balance includes required reserve of $81 million.
Delaware	Expenditures include federal Medicaid reimbursement. Figures reported for expenditures, ending balance, and budget stabilization fund are budget office estimates. The Delaware Economic Advisory Council will not project these figures until its December 1991 meeting. Ending balance includes budget stabilization fund of $67.7 million.
Florida	Ending balance includes reserve of $145.3 million.
Illinois	Revenues reflect $185 million in short-term borrowing.
Kansas	Ending balance includes reserve of $73.8 million.
Michigan	Final action on fiscal 1992 expenditures is pending.
Minnesota	Expenditures reflect creation of a local government trust fund. Ending balance includes budget stabilization fund of $400 million.
Montana	Expenditures include a public school supplemental expenditure estimated at $17 million.
Nevada	Ending balance includes budget stabilization fund of $50 million.
New York	Revenues reflect a $1,081 million impoundment of 1990-91 deficit notes. Ending balance is held in the tax stabilization reserve fund.
North Carolina	Ending balance includes budget stabilization fund of $0.4 million.
Oregon	Expenditure information has been estimated by assuming 48 percent of the budget is spent in the first fiscal year of the biennium and 52 percent is spent in the second year. Year-to-year comparisons of this information may be misleading. The beginning balance reflects expenditure reductions made during the 1989-91 biennium in anticipation of revenue shortfalls in the 1991-93 biennium due to Measure 5.
Rhode Island	Revenues include other financing sources. Expenditures include $11.2 million in appropriations carried forward from fiscal 1991.
South Carolina	Ending balance includes a $38.1 million budget stabilization fund.
South Dakota	Expenditures include obligations incurred against cash.
Virginia	Expenditures include reserved and designated fund balances. Ending balance includes $22.3 million revenue reserve balance.
Wisconsin	Ending balance includes $65.9 million budget stabilization fund.

Table A-4
NOMINAL PERCENTAGE EXPENDITURE CHANGE, FISCAL 1991 AND FISCAL 1992

Region/State	*Fiscal 1991*	*Fiscal 1992*
NEW ENGLAND		
Connecticut	11.3 %	-1.5 %
Maine	-5.5	1.8
Massachusetts	-5.0	-3.0
New Hampshire	6.3	2.3
Rhode Island	-2.9	2.9
Vermont	9.1	3.6
MIDEAST		
Delaware	3.7	3.3
Maryland	2.7	4.2
New Jersey	3.4	16.4
New York	-1.1	3.2
Pennsylvania	5.1	12.3
GREAT LAKES		
Ilinois	3.8	5.9
Indiana	5.7	0.3
Michigan	-2.9	-0.1
Ohio	4.5	4.9
Wisconsin	9.2	3.2
PLAINS		
Iowa	10.0	2.3
Kansas	4.0	1.5
Minnesota	8.6	-6.0
Missouri	3.7	1.5
Nebraska	15.7	10.9
North Dakota	-1.1	12.2
South Dakota	15.9	4.2
SOUTHEAST		
Alabama	5.3	2.4
Arkansas	2.8	4.9
Florida	5.4	11.1
Georgia	1.1	1.3
Kentucky	20.2	10.1
Louisiana	3.9	0.1
Mississippi	0.8	2.9
North Carolina	8.4	6.4
South Carolina	1.6	-1.2
Tennessee	3.0	0.2
Virginia	5.7	-0.1
West Virginia	10.3	7.6
SOUTHWEST		
Arizona	9.6	4.4
New Mexico	8.3	6.1
Oklahoma	13.3	3.0
Texas	11.0	12.1
ROCKY MOUNTAIN		
Colorado	7.5	2.0
Idaho	3.7	8.4
Montana	6.3	14.6
Utah	7.2	4.0
Wyoming	11.2	1.0
FAR WEST		
Alaska	9.8	4.1
California	2.7	7.0
Hawaii	6.6	-2.1
Nevada	21.2	7.2
Oregon	7.8	13.8
Washington	19.0	3.8
TOTAL	4.5 %	5.0 %

Table A-5
BUDGET REDUCTION STRATEGIES IMPLEMENTED IN FISCAL 1991

State	*A-T-B Cuts*	*Targeted Cuts*	*Lay-offs*	*Fur-loughs*	*Reduce/Delay Local Aid*	*Taxes/ Revenues*	*Delay Spending*	*Borrow/ Bond*	*Rainy Day Fund*	*Reduce/Delay Pension Fndng*	*Hiring Freeze*	*Travel Freeze*
Alabama	I								I			
Alaska												
Arizona		I					I				I	P
Arkansas												
California	I	I			I		I		I	I	I	
Colorado	I											
Connecticut		I	I					I			I	I
Delaware		I									P	
Florida	I	I							I		I	I
Georgia	I	I			I				I	I	I	I
Hawaii												
Idaho												
Illinois		I					I				I	I
Indiana		I									I	I
Iowa		I	I	I		I			I		I	I
Kansas		I										
Kentucky												
Louisiana												
Maine	I	I	I	I	I		I		I	I	I	I
Maryland		I	I		I	I	I		I		I	I
Massachusetts		I	I	I		I		I			I	
Michigan	I	I	I	I			I		I		I	I
Minnesota		I			I	I	I		I		I	
Mississippi		I									I	
Missouri	I	I	I		I		I				I	I
Montana												
Nebraska												
Nevada												
New Hampshire		I									I	I
New Jersey	I	I	I			I	I			I	I	I
New Mexico									I			
New York		I	I		I	I	I	I		I	I	I
North Carolina		I			I		I		I	I	I	I
North Dakota												
Ohio	I	I				I			I		I	I
Oklahoma												
Oregon		I									I	
Pennsylvania	I	I		I			I		I		I	I
Rhode Island		I	I	I	I	I	I	I	I	I		
South Carolina		I			I				I		I	
South Dakota												
Tennessee	I						I		I		I	I
Texas												
Utah												
Vermont	I	I	I			I	I	I	I			
Virginia	I	I	I	I	I							
Washington												
West Virginia												
Wisconsin												
Wyoming												
Total	14	28	12	7	11	9	15	5	17	7	25	18

Key: I= Strategy implemented P=Strategy partly implemented.

Table A-6
STATE EMPLOYMENT COMPENSATION CHANGES, FISCAL 1992

State and Region	*Across the Board*	*Merit*	*Other*	*Notes*
New England				
Connecticut	*	—	—	The fiscal 1992 appropriations act was reduced by $354 million to reflect anticipated savings from collective bargaining negotiations with employee unions. Negotiations, which are taking place at this time, include wages.
Maine	7.0%	2.0%	—	An additional 5 percent for confidential and supervisory unit is effective Oct. 1, 1991.
Massachusetts	—	—	—	Some classes of employees will receive step raises. Various merit raises are awarded to specific employee classes such as technical pay employees. Other classes have union agreements.
New Hampshire	—	—	*	Scheduled step increases will be given.
Rhode Island	—	—	*	Annual step increases and longevity increases range from 5 percent to 20 percent.
Vermont	4.0%	—	—	Increase of 2 percent on July 6, 1991 and 2 percent on Jan. 6, 1992.
Mideast				
Delaware	—	—	—	
Maryland	—	—	—	
New Jersey	5.5%	4.0%	—	A double increment (merit) is available to those earning less than $15,000. The merit increment is 5 percent at the minimum of the salary range and 36 percent at the last step. Employees at the top step do not receive an increment. The estimate of the average increment is 4 percent.
New York	—	—	—	Compensation package has not been negotiated yet.
Pennsylvania	—	—	1.25%	Those not at the maximum step will receive a 1.25 percent longevity increase effective Jan. 1, 1992.
Great Lakes				
Illinois	—	—	2.0%	There were no pay increases but there is a retirement pick-up.
Indiana	—	—	—	Increase are not yet determined.
Michigan	4.0%	—	—	Larger increases are in place for corrections guards and state police.
Ohio	4.0%	—	—	About 85 percent of employees received the across-the-board increase on July 1, 1991. The rest received a 4 percent increase on Jan. 1, 1991. Employees not at the top step will receive a 5 percent step increase on their anniversary date.
Wisconsin	1.0%	—	—	Increase is for non-represented employees.

Table A-6 (continued)
STATE EMPLOYMENT COMPENSATION CHANGES, FISCAL 1992

State and Region	Across the Board	Merit	Other	Notes
Plains				
Iowa	*	—	—	Unions won an arbitrated increase; however, the Governor vetoed the funding and enacting legislation. The issue will be resolved in the courts.
Kansas	—	—	2.5%	Other is step movement provided to employees on anniversary date. Also, a longevity bonus of $40 per year after ten years was granted to eligible employees.
Minnesota	2.5%	—	—	
Missouri	—	—	—	
Nebraska	3.0%	—	*	All employees receive 3.0 percent on July 1, an additional 1.5 percent on anniversary date, and an additional 1.0 percent if employed 10 years with the state and below the midpoint of salary range (subject to satisfactory performance).
North Dakota	4.0%	—	—	
South Dakota	3.0%	0.5%	2.5%	Other is an adjustment of 2.5 percent for employees below the midpoint of their pay range.
Southeast				
Alabama	—	5.0%	*	Merit increases range from 0-5 percent. Longevity ranges from $300 - 500 per employee.
Arkansas	2.5%	2.5%	—	Employees are eligible for a 2.5 percent merit increase on their anniversary date.
Florida	3.0%	—	—	Guaranteed minimum annual adjustment of $600.
Georgia	—	—	—	A freeze on merit increases began in May 1991 and will continue though fiscal 1992.
Kentucky	5.0%	1.5%	2.0%	A salary equity fund was established to address recruitment and retention needs in state government. Merit increments reward individual employees.
Louisiana	—	3.6%	—	Approximately 10 percent of the workforce is at the top of its pay grade and not eligible for a merit increase. Therefore, a 4 percent increase averages 3.6 percent.
Mississippi	—	—	—	
North Carolina	—	—	—	
South Carolina	—	—	—	
Tennessee	—	—	—	
Virginia	—	—	—	
West Virginia	—	—	—	

Table A-6 (continued)
STATE EMPLOYMENT COMPENSATION CHANGES, FISCAL 1992

State and Region	*Across the Board*	*Merit*	*Other*	*Notes*
Southwest				
Arizona	—	—	—	
New Mexico	1.5%	—	—	
Oklahoma	*	—	—	Increase was $420 per employee.
Texas	2.0%	—	—	
Rocky Mountain				
Colorado	3.9%	1.3%	—	Merit is 5 percent but only one-third of employees receive it.
Idaho	—	4.0%	—	
Montana	*	—	—	Pay package totals 7.4 percent and includes 60 cents per hour across-the-board, "market adjustment" to bring employees toward an average market salary, and increased contribution toward employee health benefits.
Utah	2.0%	—	2.5%	Other is contribution to employee benefits.
Wyoming	2.0%	—	5.0%	State assumed a larger share of employer contribution to benefit programs.
Far West				
Alaska	5.0%	3.0%	—	All employees received cost-of-living adjustment and all are eligible for merit increases.
California	—	—	—	
Hawaii	6.0%	—	—	
Nevada	3.0%	2.5%	1.0%	Annual merit increase of 5.0 percent is available to those qualifying and not at top of pay grade. Fiscal year equivalency is 2.5 percent. An additional 1 percent increase is possible to compensate employees for the fiscal 1992 salary deferral if certain revenues materialize.
Oregon	3.0%	5.0%	—	Approximately 70 percent of employees receive a merit increase.
Washington	3.6%	—	0.6%	About 43 percent of classified employees received increases for "comparable worth." In additional, about 45 percent of all classified employees will receive an annual step increase of 5 percent. Across-the-board increase is effective January 1992.

Table A-7
TAX COLLECTIONS COMPARED WITH PROJECTIONS USED IN ADOPTING FISCAL 1991 BUDGET
($ in millions)

	Sales Tax		*Personal Income Tax*		*Corporate Income Tax*		*Total*
Region/State	*Original Estimate*	*Current Estimate*	*Original Estimate*	*Current Estimate*	*Original Estimate*	*Current Estimate*	*Revenue Collection*
NEW ENGLAND							
Connecticut*	2,624	2,418	667	521	958	669	L
Maine	467	469	564	555	65	70	L
Massachusetts	1,983	1,909	5,233	5,045	602	612	L
New Hampshire	N/A	N/A	N/A	N/A	158	113	L
Rhode Island	491	445	458	427	54	43	L
Vermont	129	126	264	258	27	26	L
MIDEAST							
Delaware	N/A	N/A	499	461	74	48	L
Maryland	1,701	1,541	3,136	2,930	178	120	L
New Jersey	4,605	4,005	3,162	3,427	1,085	1,095	L
New York*	6,158	5,405	15,560	14,516	1,515	1,516	L
Pennsylvania	4,455	4,198	3,506	3,364	1,128	1,001	L
GREAT LAKES							
Illinois	4,040	3,863	4,274	4,278	592	542	L
Indiana	2,326	2,184	2,204	2,184	792	647	L
Michigan*	2,919	2,690	3,771	3,559	2,022	1,670	L
Ohio	3,550	3,379	3,863	3,728	849	769	L
Wisconsin	2,046	2,045	2,873	3,000	486	430	T
PLAINS							
Iowa	757	765	1,533	1,526	267	239	L
Kansas	762	763	893	880	157	185	H
Minnesota	1,979	1,959	2,959	2,891	412	444	L
Missouri	1,299	1,243	2,206	2,109	332	253	L
Nebraska	562	547	603	609	55	82	T
North Dakota	225	232	124	114	32	49	T
South Dakota	243	250	N/A	N/A	N/A	N/A	H
SOUTHEAST							
Alabama	830	822	1,170	1,156	190	106	L
Arkansas*	853	878	882	902	143	142	H
Florida	7,495	6,950	N/A	N/A	894	702	L
Georgia	2,731	2,663	3,107	2,947	480	435	L
Kentucky	1,447	1,439	1,757	1,693	340	319	L
Louisiana	1,444	1,484	791	803	312	334	H
Mississippi	853	826	486	474	205	185	L
North Carolina	1,801	1,684	3,891	3,549	690	493	L
South Carolina	1,205	1,155	1,512	1,387	207	143	L
Tennessee	2,458	2,354	102	97	385	346	L
Virginia	1,460	1,337	3,704	3,236	360	279	L
West Virginia	502	537	527	576	140	115	H
SOUTHWEST							
Arizona	1,498	1,452	1,231	1,230	237	179	L
New Mexico	727	813	433	395	59	49	T
Oklahoma	925	910	1,180	1,208	99	136	T
Texas	8,242	8,242	N/A	N/A	N/A	N/A	T
ROCKY MOUNTAIN							
Colorado	767	783	1,533	1,494	165	116	L
Idaho	339	336	400	432	70	60	T
Montana	N/A	N/A	292	300	62	76	H
Utah	730	745	645	718	93	88	H
Wyoming	111	114	N/A	N/A	N/A	N/A	H
FAR WEST							
Alaska	N/A	N/A	N/A	N/A	166	185	T
California	14,485	13,420	18,709	16,850	5,905	4,540	L
Hawaii	1,263	1,279	813	872	80	96	H
Nevada	283	290	N/A	N/A	N/A	N/A	H
Oregon	N/A	N/A	1,995	2,008	150	148	T
Washington*	2,936	3,255	N/A	N/A	1,053	1,181	H
TOTAL	98,703	94,201	103,509	98,708	24,327	21,076	

Key: L=Revenues lower than estimates H=Revenues higher than estimates T=Revenues on target

NOTES TO TABLE A-7

Arkansas	Current estimates include approximately $12 million collected due to enactments by the 78th General Assembly.
Connecticut	Personal income tax includes capital gains, dividends, and interest tax only.
Michigan	The Single Business Tax is reported under corporate income tax.
New York	Current sales tax estimate includes $996 million in sales and use tax receipts reclassified to another category of the financial plan, as a result of legislation passed creating an authority authorized to sell bonds secured by the sales tax. It also reflects loss of more than $300 million as a result of legislated changes in payment dates.
Washington	Figures reported under corporate income tax are for the corporate business and occupations tax.

Table A-8
FISCAL 1992 REVENUE CHANGES BY TYPE OF REVENUE

State	*Tax Change Description*	*Effective Date(s)*	*Fiscal 1992 Revenue Change ($ in millions)*
SALES TAX			
Arkansas	Increase rate from 4.0 percent to 4.5 percent.	5/91	$114.0
	Apply tax to used cars ($2,000 floor).	5/91	45.0
California	Increase rate by 3/4 percent and extend it to candy, newspapers, bottled water, and common carriers' fuel.	7/91	2,063.0
Connecticut	Reduce rate from 8 percent to 6 percent, reduce clothing exemption from $75 to $50 and expand base.	10/91	-373.1
Florida	Payment changes and administrative adjustments (one-time increase).	7/91	7.2
Idaho	Expand production exemption.	1/91	-5.0
Illinois	Accelerate tax payments by ten days (one-time increase).	7/91	86.0
	Increase prepaid sales tax on gasoline by 1 cent per gallon and impose a 4 cents per gallon prepaid sales tax on gasohol (one-time increase).	7/91	25.0
Louisiana	Exclude local government purchases and purchases of certain pollution control devices.	various	-11.0
Maine	Increase rate from 5 percent to 6 percent.	8/91	82.3
Maryland	Expand base to include certain sales of food and cigarettes.	6/91	45.6
Massachusetts	Repeal tax on services.	3/91	-156.0
Minnesota	Various changes, including increase of 0.5 percent as local option.	various	187.4
Missouri	Increase rate by 3/8 cents subject to voter approval	10/91	167.0
Nebraska	Reduce collection fees.	10/91	4.1
	Revise tax on utilities.	10/91	16.2
Nevada	Increase local school support tax by 3/4 percent.	10/91	114.9
New Jersey	Repeal tax on paper products.	7/91	-30.0
New Mexico	Impose gross receipts tax on governmental sale of services.	7/91	14.2
New York	Expand base to include non-custom computer software, the "shipping" portion of shipping and handling, and telephone answering services provided by individuals.	9/91	18.0
	Motor vehicle fee surcharge (use tax).	9/91	30.0
North Carolina	Increase rate from 3 percent to 4 percent.	7/91	432.0
	Increase tax on boats and aircraft from 2 percent per $1,500 to 3 percent.	8/91	2.0
North Dakota	Tax exemption for new manufacturing equipment.	7/91	-1.0
Ohio	Expand base to include detective and protective services, lawn care and landscaping, 1-900 numbers, extended warranties, and property used directly in providing cable TV services.	7/91	34.6
	Limit resale exemption.	7/91	2.8

Table A-8(continued)
FISCAL 1992 REVENUE CHANGES BY TYPE OF REVENUE

State	Tax Change Description	Effective Date(s)	Fiscal 1992 Revenue Change ($ in millions)
Ohio (cont'd.)	Change taxation of leases.	7/91	3.6
	Eliminate certain exemptions.	7/91	2.5
	Revise use tax definition of price.	7/91	1.8
Pennsylvania	Expand base.	10/91	272.0
Rhode Island	Dedicate half cent to non-general fund.	7/91	-30.7
South Carolina	Exempt purchases of irrigation systems.	7/91	-2.8
Texas	Expand base.	10/91	182.6
Vermont	Increase rate from 4 percent to 5 percent for two years.	6/91	28.9
Wisconsin	Impose use tax on goods stored in the state then used outside it.	10/91	1.4
PERSONAL INCOME TAX			
Arizona	Conform to federal tax code.	7/91	8.0
Arkansas	Remove low-income households from tax rolls.	1/91	-14.2
California	Increase maximum rate, limit itemized deductions, and delay use of net operating losses.	1/91	1,436.0
Connecticut	Institute tax on federal adjusted gross income at 1.5 percent for calendar 1991 and 4.5 percent thereafter.	1/91	1,879.0
	For 1991, reduce various rates on capital gains, dividends, and interest. For 1992 and after, eliminate the separate tax entirely and include such income under the personal income tax.	1/91	-476.0
Delaware	Change calculation of tax due from non-residents.	7/91	2.0
Hawaii	Conform to certain changes in Omnibus Reconciliation Act and Internal Revenue Code.	1/91,1/92	-15.0
Illinois	Extend 3 percent rate for two years (no revenue increase) and change double property tax deduction to a 5 percent credit.	1/91	33.0
Iowa	Conform to federal tax code.	7/91	3.4
Maine	Add surtax of 5 percent (or 15 percent if over $75,000).	1/91	69.4
Maryland	Repeal capital gains exclusion.	1/91	32.0
Minnesota	Conform to Internal Revenue Code.	1/91	34.0
	Expand earned income credit.	1/91	-9.4
	Change in rate.	1/91	49.1
Missouri	Limit deductions for federal income taxes, subject to voter approval.	1/91	138.0
	Increase dependent exemption, subject to voter approval.	1/91	-30.0
Montana	Subject retirement income to tax and require payment when requesting filing time extension.	1/91	24.0
Nebraska	Change taxation of tax-exempt mutual funds.	1/91	-2.5
New Mexico	Eliminate exemption for municipal bond income.	1/91	6.0

Table A-8 (continued)
FISCAL 1992 REVENUE CHANGES BY TYPE OF REVENUE

State	*Tax Change Description*	*Effective Date(s)*	*Fiscal 1992 Revenue Change ($ in millions)*
New York	Adjust tax tables to recapture the benefit of graduated rates for taxpayers with incomes greater than $100,000; withholding and various other actions.	1/91	129.0
North Carolina	Increase top bracket.	1/91	51.0
	Conform to Internal Revenue Code.	1/91	10.0
Ohio	Accelerate withholding (one-time gain).	7/91	11.4
	Implement various technical changes.	various	8.5
Oregon	Repeal "2 percent kicker" law and reconnect to Internal Revenue Code.	7/91	77.2
Pennsylvania	Increase rate.	7/91	1,506.0
Rhode Island	Increase rate from 33.96 percent to 27.5 percent of federal liability.	1/91	84.9
South Carolina	Conform to Internal Revenue Code.	1/91	1.3
	Various state code changes made.	1/91	9.6
Vermont	Extend 3 percentage point surcharge.(Provision expires December 31, 1993.)	1/91	37.2
CORPORATE TAXES			
Arkansas	Increase taxes from 6 to 6.5 percent.	1/91	10.0
California	Delay use of net operating losses.	1/91	636.0
Connecticut	Include 30 percent of dividends from companies in which ownership is less than 20 percent. Reduce surcharge from 20 percent in calendar 1991 to 10 percent in calendar 1992 and 0 percent thereafter.	1/91	15.0
Delaware	Eliminate deduction for taxes paid to other states.	7/91	4.0
Illinois	Extend 4.8 percent rate for two years (no revenue increase).		
Iowa	Conform to federal tax code.	7/91	0.3
Louisiana	Expand enterprise zone credits.	1/91	-3.0
Maine	Add surtax of 10 percent.	1/91	17.8
Michigan	Respond to litigation.	1/91	-10.0
Minnesota	Conform to Internal Revenue Code.	1/91	2.6
	Implement federal research credit.	7/91	-1.0
Missouri	Make permanent a temporary increase for corporations with taxable income over $100,000, subject to voter approval.	1/91	44.0
Nebraska	Implement depreciation surcharge; filing fees; tax surcharge.	1/91	36.8
New York	Implement technical changes.	various	20.0
North Carolina	Increase rate from 7.75 percent to 7.8 percent and impose temporary surcharge for four years.	1/91	85.0
Ohio	Disallow certain deductions.	7/91	32.1
	Make various technical changes.	7/91	16.9
Oregon	Submit recomment to Internal Revenue Code.	7/91	4.9
Pennsylvania	Increase rate.	1/91	600.9

Table A-8 (continued)
FISCAL 1992 REVENUE CHANGES BY TYPE OF REVENUE

State	*Tax Change Description*	*Effective Date(s)*	*Fiscal 1992 Revenue Change ($ in millions)*
New York	Adjust tax tables to recapture the benefit of graduated rates for taxpayers with incomes greater than $100,000; withholding and various other actions.	1/91	129.0
North Carolina	Increase top bracket.	1/91	51.0
	Conform to Internal Revenue Code.	1/91	10.0
Ohio	Accelerate withholding (one-time gain).	7/91	11.4
	Implement various technical changes.	various	8.5
Oregon	Repeal "2 percent kicker" law and reconnect to Internal Revenue Code.	7/91	77.2
Pennsylvania	Increase rate.	7/91	1,506.0
Rhode Island	Increase rate from 33.96 percent to 27.5 percent of federal liability.	1/91	84.9
South Carolina	Conform to Internal Revenue Code.	1/91	1.3
	Various state code changes made.	1/91	9.6
Vermont	Extend 3 percentage point surcharge.(Provision expires December 31, 1993.)	1/91	37.2
CORPORATE TAXES			
Arkansas	Increase taxes from 6 to 6.5 percent.	1/91	10.0
California	Delay use of net operating losses.	1/91	636.0
Connecticut	Include 30 percent of dividends from companies in which ownership is less than 20 percent. Reduce surcharge from 20 percent in calendar 1991 to 10 percent in calendar 1992 and 0 percent thereafter.	1/91	15.0
Delaware	Eliminate deduction for taxes paid to other states.	7/91	4.0
Illinois	Extend 4.8 percent rate for two years (no revenue increase).		
Iowa	Conform to federal tax code.	7/91	0.3
Louisiana	Expand enterprise zone credits.	1/91	-3.0
Maine	Add surtax of 10 percent.	1/91	17.8
Michigan	Respond to litigation.	1/91	-10.0
Minnesota	Conform to Internal Revenue Code.	1/91	2.6
	Implement federal research credit.	7/91	-1.0
Missouri	Make permanent a temporary increase for corporations with taxable income over $100,000, subject to voter approval.	1/91	44.0
Nebraska	Implement depreciation surcharge; filing fees; tax surcharge.	1/91	36.8
New York	Implement technical changes.	various	20.0
North Carolina	Increase rate from 7.75 percent to 7.8 percent and impose temporary surcharge for four years.	1/91	85.0
Ohio	Disallow certain deductions.	7/91	32.1
	Make various technical changes.	7/91	16.9
Oregon	Submit recomment to Internal Revenue Code.	7/91	4.9
Pennsylvania	Increase rate.	1/91	600.9

Table A-8 (continued)
FISCAL 1992 REVENUE CHANGES BY TYPE OF REVENUE

State	*Tax Change Description*	*Effective Date(s)*	*Fiscal 1992 Revenue Change ($ in millions)*
Rhode Island	Add surtax of 11 percent for tax years ending 3/31/91 through 12/31/92.	3/91	4.8
South Carolina	Conform to Internal Revenue Code.	1/91	2.6
Vermont	Enact minimum tax increase and other minor changes.	7/91	3.7
CIGARETTE AND TOBACCO TAXES			
Arkansas	Increase of 1 cent per pack.	7/91	2.8
Connecticut	Increase of 5 cents per pack.	10/91	8.5
Iowa	Increase of 5 cents per pack and increase tobacco tax by 3 percentage points.	6/91	12.8
Maine	Increase of 2 cents per pack (1/91) and 4 cents per pack (7/91).		6.0
Maryland	Increase of 3 cents per pack.	6/91	12.5
Minnesota	Increase of 5 cents per pack.	6/91	17.7
Missouri	Increase of 5 cents per pack.		28.0
	Tax other tobacco products.		3.5
North Carolina	Increase of 3 cents per pack.	8/91	20.5
North Dakota	Continued 2 cents of a 3 cent tobacco tax scheduled to sunset.	7/91	1.0
Ohio	Pick-up of 1 cent of tax due to bond retirement.	11/91	2.8
	Eliminate credit sales of cigarette stamps.	7/91	13.3
Pennsylvania	Increase of 13 cents per pack.	8/91	113.8
Vermont	Increase of 1 cent per pack (7/91), 1 cent per pack (1/92), and 1 cent per pack (7/92).	various	0.6
Washington	Tax enforcement.	7/91	1.9
MOTOR FUEL TAXES			
Arkansas	Increase of 4 cents per gallon on diesel fuel.	3/91	22.5
	Increase of 5 cents per gallon on motor fuel.	4/91	71.4
Connecticut	Increase motor fuels by 2 cents per gallon and an additional 1 cent per gallon on 1/1/92. Reduce diesel tax by 5 cents per gallon from 9/1/91 to 6/30/92.	9/91	26.2
Hawaii	Increase of 5 cents per gallon.	7/91	39.4
	Motor vehicle weight tax increase.	10/91	
	Rental motor vehicle surcharge.	1/92	
Idaho	Increase of 3 cents per gallon (with half dedicated to local governments).	4/91	20.0
Maine	Increase of 2 cents per gallon.	7/91	11.0
New Mexico	Eliminate shrinking allowance on fuel tax revenue to road fund.	7/91	1.4
Oregon	Increase of 2 cents per gallon.	1/91	10.7
Rhode Island	Increase of 5 cents per gallon.	4/91	20.0
Texas	Increase of 5 cents per gallon.	10/91	406.1

Table A-8 (continued)
FISCAL 1992 REVENUE CHANGES BY TYPE OF REVENUE

State	*Tax Change Description*	*Effective Date(s)*	*Fiscal 1992 Revenue Change ($ in millions)*
ALCOHOLIC BEVERAGES			
California	Increase tax rate on beer and wine to $.20 per gallon and on distilled spirits to $3.30 per gallon.	7/91	189.0
North Carolina	Increase of $5 per gallon on liquor sold for mixed drinks.	9/91	2.9
MISCELLANEOUS TAXES AND REVENUES			
Alabama	Reduce time to recover abandoned property from 7 to 5 years.	10/91	5.1
	Increase use tax.	10/91	17.0
Arkansas	Medicaid provider tax 15 percent on state share.	7/91	30.0
California	Net increase due to accounting change in Mediciad program (one-time increase).	7/91	627.0
Connecticut	Increase gross earnings tax on petroleum companies from 3 percent to 5 percent.	10/91	28.0
	Impose a tax on gifts at rates from 1 percent to 6 percent.	9/91	2.5
Delaware	Temporary surcharge on gross receipts tax through 7/1/95.	7/91	7.9
	Raise rates on business franchise tax and change payment schedule (one time gain of $20 million).	7/91	72.5
	Impose privilege tax on domestic insurers based on annual gross receipts.	7/91	10.0
Florida	Auto tag fee of $2, $.05 document stamp tax increase, miscellaneous tax administration changes, and various fee increases.	7/91	277.3
Hawaii	Exempt certain contract carriers by water from the public service company tax..	6/91	-7.0
Iowa	Increase real estate transfer tax.	7/91	2.1
Maryland	Institute medical assistance provider tax.	4/91	56.0
Minnesota	Surcharge on hospital nursing homes and HMOs that participate in Medicaid program.	7/91	51.5
	Institute tax on cellular phone gross receipts.	1/91	2.1
	Surcharge on 1-900 calls.	9/91	1.4
Montana	Impose tax of elder per nursing home bed.	7/91	1.6
Nevada	Impose business privilege tax.	7/91	60.3
New York	Increase tax on petroleum products by $.045 plus a 15 percent surcharge. Scale back utility credits and other technical changes.	7/91	415.0
	Increase energy and telecommunications tax by 1/2 percentage point and minor technical changes.	1/91	205.0

Table A-8 (continued)
FISCAL 1992 REVENUE CHANGES BY TYPE OF REVENUE

State	*Tax Change Description*	*Effective Date(s)*	*Fiscal 1992 Revenue Change ($ in millions)*
North Carolina	Impose real estate conveyance tax of $1 per $1,000 of value of property transferred.	8/91	11.9
	Impose soft drink tax based on stamps and crowns.	10/91	0.5
	Increase insurance tax on gross premiums from 1.75 percent to 1.875 percent and establish a 6.5 percent charge against gross premiums tax liability.	7/91	15.0
Ohio	Changes to estate tax.		2.1
Pennsylvania	Increase capital stock and franchise tax rate.	1/91	299.1
	Various other increases.	various	237.5
Rhode Island	Excise tax increase.	4/91	4.0
South Carolina	Increase Medicaid nursing home patient fee from $2 to $5 per day.	6/91	18.6
Tennessee	Increase hospital services licensing fee and home services license fee.	7/91	200.0
Texas	Miscellaneous fees and taxes.	9/91,10/91	469.0
Vermont	Various increases, including rooms and meals, telephone, electrical energy, and bank franchise.	various	17.4
Washington	Medicaid payments tax.	7/91	46.9
	Fee increases.	7/91	7.0
Wisconsin	Replace current gross receipts tax on businesses with a temporary corporate income tax surcharge to fund recycling.	1/92	21.0
	Enact provider assessment on state Medicaid payments to nursing facilities.	7/92	16.8

Table A-9
TOTAL BALANCES AS A PERCENT OF EXPENDITURES, FISCAL 1990 TO FISCAL 1992

Region/State	Total Balances ($ in millions) Fiscal 1990	Fiscal 1991	Fiscal 1992	As a Percent of Expenditures Fiscal 1990	Fiscal 1991	Fiscal 1992
NEW ENGLAND						
Connecticut	-$157	-$966	$0	-2.5 %	-13.6 %	0.0 %
Maine	61	5	28	3.8	0.3	1.8
Massachusetts	-1,279	57	1	-10.9	0.5	0.0
New Hampshire	-11	-32	-26	-1.8	-5.0	-3.9
Rhode Island	6	1	1	0.4	0.1	0.1
Vermont	10	-57	-49	1.6	-8.9	-7.3
MIDEAST						
Delaware	172	114	110	14.7	9.4	8.8
Maryland	175	0	17	2.9	0.0	0.3
New Jersey	1	1	226	0.0	0.0	1.6
New York	0	0	44	0.0	0.0	0.1
Pennsylvania	263	-452	4	2.2	-3.6	0.0
GREAT LAKES						
Ilinois	395	100	200	3.6	0.9	1.6
Indiana	690	432	375	12.5	7.4	6.4
Michigan	75	194	207	1.0	2.6	2.8
Ohio	809	435	119	8.6	4.4	1.2
Wisconsin	307	113	71	5.3	1.8	1.1
PLAINS						
Iowa	72	1	0	2.5	0.0	0.0
Kansas	273	162	74	11.4	6.5	2.9
Minnesota	885	523	471	13.2	7.2	6.9
Missouri	57	25	38	1.4	0.6	0.9
Nebraska	299	283	166	25.0	20.5	10.8
North Dakota	75	127	90	14.2	24.3	15.3
South Dakota	32	11	26	7.1	2.1	4.8
SOUTHEAST						
Alabama	98	0	0	3.0	0.0	0.0
Arkansas	0	0	0	0.0	0.0	0.0
Florida	255	50	145	2.6	0.5	1.2
Georgia	57	25	0	0.8	0.3	0.0
Kentucky	87	190	80	2.5	4.5	1.7
Louisiana	702	428	31	16.2	9.5	0.7
Mississippi	22	4	3	1.2	0.2	0.2
North Carolina	222	0	1	3.2	0.0	0.0
South Carolina	136	62	82	4.0	1.8	2.4
Tennessee	168	20	20	4.5	0.5	0.5
Virginia	0	0	22	0.0	0.0	0.4
West Virginia	100	89	22	5.8	4.7	1.1
SOUTHWEST						
Arizona	34	37	51	1.1	1.1	1.5
New Mexico	108	58	94	6.1	3.0	4.6
Oklahoma	298	381	415	11.0	12.4	13.1
Texas	486	566	-632	3.6	3.7	-3.7
ROCKY MOUNTAIN						
Colorado	134	60	89	5.4	2.2	3.3
Idaho	85	69	24	9.6	7.5	2.4
Montana	89	56	11	20.9	12.4	2.1
Utah	129	124	0	7.9	7.1	0.0
Wyoming	95	91	17	25.6	22.0	4.1
FAR WEST						
Alaska	268	694	58	10.9	25.6	2.1
California	545	-1,359	1,563	1.4	-3.4	3.6
Hawaii	456	347	469	17.4	12.4	17.1
Nevada	116	65	51	15.2	7.0	5.1
Oregon	327	371	310	14.9	15.7	11.6
Washington	1,196	758	522	19.5	10.4	6.9
TOTAL	$9,421	$4,264	$5,641	3.4 %	1.5 %	1.9 %