The Fiscal Survey of States

November 1994

National Governors' Association
National Association of State Budget Officers

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★ Survey
★ of
★ States

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ISSN 0198-6562
ISBN 1-55877-227-8

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Price: $25.00

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Executive Summary

The steady growth of the national economy has been favorable for state budgets, with the majority of states ending fiscal 1994 with revenues exceeding expectations. The positive performance of the economy during fiscal 1994 helped restore budget stability. These improved economic prospects allowed states to enact small tax cuts and restore fund balances. However, most states are viewing the rapid growth of the final quarter of 1993 and the following quarters as a scenario that may not be sustainable in the future.

Although the survey information in this report focuses on the period from fiscal 1993 to fiscal 1995, states are in the midst of planning budgets for fiscal 1996 and, in many cases, for fiscal 1997. The pressures of providing adequate education funding, achieving local property tax relief, complying with lawsuits and mandates, and maintaining capital assets will continue to place a strain on state budgets. Fiscal 1994, with its expansion of the economy in most regions, helped restore short-term budget balance, but did not ease long-term pressures on spending and revenues.

Key findings of this survey include the following.

State Spending

States limited their general fund budget growth to 5.0 percent in fiscal 1994 and estimate budget growth at 4.9 percent for fiscal 1995, slightly above the rate of inflation each year.

- After several years of cutbacks in state budgets, only ten states reduced their fiscal 1994 enacted budgets, by a total of less than $1 billion. This is in contrast to the number of states forced to reduce their fiscal 1993 and fiscal 1992 enacted budgets—twenty-two states and thirty-five states, respectively. The number of states with midyear budget reductions has not been less than twenty since fiscal 1989, when only twelve states reduced their enacted budgets.
- Virtually all states are undertaking some type of welfare initiative, ranging from additional work incentives to limiting the time that recipients may collect benefits. Similar to the past two years, Aid to Families with Dependent Children (AFDC) benefits remain at the same level as the previous year for virtually all states. In state budgets for fiscal 1995, only ten states changed benefit levels, while forty states maintained the same levels as were in effect in fiscal 1994.
- Medicaid spending, at a projected growth rate of 8.7 percent for fiscal 1995, has slowed from previous years' growth. This projected growth rate, however, exceeds states' revenue growth and translates to reductions in other state services. Medicaid's previous double-digit growth increased its share of state spending from 10 percent in fiscal 1987 to 18 percent in fiscal 1993. In fiscal 1990, it surpassed higher education as the second largest component of state spending. All major state functions except Medicaid and corrections declined as a percentage of state budgets from fiscal 1987 to fiscal 1993.
- Almost all state budgets include pay raises for state employees for fiscal 1995, with the increase averaging 3.8 percent. Several states are instituting pay-for-performance systems or other provisions to reward performance in their compensation systems.
- The majority of states enacting changes in aid to local governments increased this aid. This signifies a change from previous years, when many states were forced to cut local aid to balance their budgets.

Tax Changes and Revenue Growth

- Changes in net taxes and fees are expected to decrease fiscal 1995 revenues by $2.6 billion. The most significant decrease occurs in Michigan, where voters approved an increase in state-levied taxes to offset the elimination of local property taxes used to finance schools. Several states enacted reductions in their sales, personal income, and corporate income taxes.
- States' fiscal 1995 budgets include an increase of 5.6 percent over fiscal 1994 tax collections. Projected fiscal 1995 tax collections represent collections from the sales tax, the personal income tax, and the corporate income tax.

Year-End Balances

- Year-end balances for fiscal 1993 through fiscal 1995 range from 3.5 percent to 4.3 percent and are well above the 1.1 percent year-end balance that occurred in fiscal 1991 at the height of the recent recession.

Regional Impact

Although patterns of economic recovery differ greatly across the nation, the continuation of more stable economic growth nationwide has narrowed the gap among regions. States in the Plains, Rocky Mountain, Southeast, and Southwest regions continue to experience the most rapid economic growth. California, New England, and the Mid-Atlantic states also are experiencing economic growth, though at a slower rate than other parts of the nation.

State Restructuring

With greater budget stability, states are moving aggressively to restructure services, ranging from rethinking welfare programs to merging state functions. States are continuing their reviews of expenditures and revenues, often within the framework of gubernatorially appointed commissions. The goal of improving management decisions is translating into progress in establishing performance-based budgeting. Often, new financial systems accompany these changes in order to relate cost information and appropriations with specific program goals. Examples include the following.

- States are integrating education and social services in order to improve management and avoid duplication of services.
- States are evaluating state tax systems and reviewing the delivery of services.
- States are implementing performance-based budgeting in order to link policy goals with appropriations. Approaches range from using pilot programs to implementing statewide changes.

Greater budget stability has resulted in an increased focus on long-term impacts. The prevalence of statewide reviews, performance-based budgeting initiatives, and changes in welfare program incentives indicates that states are viewing the more stable budget situation as an opportunity to improve management and restore balance to budgets. As states are restoring balance to their budgets and enacting tax reductions, they also are focusing on delivering quality public services using available resources.

Preface

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

The field survey on which this report is based was conducted by the National Association of State Budget Officers in July through October 1994. The surveys were completed by Governors' state budget officers in the fifty states, as well as Puerto Rico.

Fiscal 1993 data represent actual figures, fiscal 1994 figures are preliminary actual, and fiscal 1995 data are figures contained in enacted budgets.

In forty-six states, the fiscal year begins in July and ends in June. The exceptions are Alabama and Michigan, with an October to September fiscal year; New York, with an April to March fiscal year; and Texas, with a September to August fiscal year. In addition, twenty states are on a biennial budget cycle.

The Fiscal Survey of States is a cooperative effort of the National Association of State Budget Officers and the National Governors' Association. Stacey Mazer of NASBO compiled data for the report and prepared the text. Editorial assistance was provided by Alicia Aebersold and Karen Glass of NGA's Office of Public Affairs, and Stacey Himes of NASBO assisted with production. Dotty Esher of State Services Organization provided typesetting services.

Economic Background

CHAPTER ONE

The national economy is continuing its steady rate of growth during 1994; the rate of real economic growth averaged 3.7 percent for the first half of the year, slightly above the 3.1 percent rate of growth in 1993. Economic growth is expected to decline slightly in 1995. The August 1994 Blue Chip Economic Forecast, for example, projects real economic growth at 3.6 percent in 1994 and 2.7 percent in 1995.

Positive signs for the economy include the increased job creation rate and the falling unemployment rate. Consumer confidence continues to be at levels associated with a strong economy. Purchasing managers' reports, which are an indicator of future demand from consumers, continue to be at historically high levels. Other strengths in the economy include an increase in equipment purchases by businesses, sales of durable goods, and residential and nonresidential construction. Almost all signs in the economy point to continued strength.

The most notable change in the economy from the first half of 1994 is the increase in interest rates including that for home mortgages. However, despite this increase, sales of new and existing homes continue to rise. Mortgage rates, by historical standards, are still not high and consumer confidence continues to be relatively strong. Moreover, the rise in interest rates has resulted in a greater reliance on adjustable rate mortgages. Although housing sales have declined from the first part of 1994, residential construction still is above the levels of the previous several years, and new home sales for 1994 are anticipated to be the highest since 1988.

Although the economy is growing at a steady pace, the rate of economic growth may slow over the next year. The wave of consumer refinancing of homes, to take advantage of lower interest rates, has stopped. Accordingly, the brief economic stimulus from the extra income in consumers' pockets has come to an end. In addition, income taxes may be an unpleasant surprise this year for consumers who did not adjust their likely tax bill to account for the decrease in the deduction for mortgage interest.

The latest information collected by the Federal Reserve's *Current Economic Conditions* confirms that most parts of the nation currently are experiencing solid economic growth, but that there are signs of a slowdown. Higher mortgage rates have affected the housing market in many regions during the last several months.

Even with the continued improvement in the economy and the resurgence in job growth, corporate restructuring is affecting some regions. Twenty-six percent of companies surveyed by The Wyatt Company indicated that they had laid off or expected to lay off employees during 1994. In addition, though restructuring in the health care industry because of mergers and consolidations may be beneficial for overall costs, it has resulted in a loss of health care jobs in certain regions. However, the lack of any federal action on health care reform has postponed a complete overhaul of the health care system, quelling overall employer uncertainty. Other negative factors for certain regions include defense downsizing.

State Expenditure Developments

CHAPTER TWO

Budget Management in Fiscal 1994

After several years of cutbacks in state budgets, only ten states reduced their fiscal 1994 enacted budgets, by a total of less than $1 billion, or less than 1 percent of states' general fund budgets (see Table 1). This is in contrast to the number of states forced to reduce their enacted budgets in the past two fiscal years—twenty-two states in fiscal 1993 and thirty-five states in fiscal 1992, which represented the peak in midyear budget adjustments. The number of states with midyear budget reductions has not been less than twenty since fiscal 1989, when twelve states reduced their enacted budgets.

The strategies employed by states with midyear budget cuts included mostly across-the-board percentage cuts (see Appendix Table A-5). The improvement in the economy resulted in fewer midyear adjustments than previous years. Many states incorporated changes in fiscal 1994 budgets to achieve longer term solutions to the imbalance between revenues and expenditures.

General Fund Spending in Recent Years

General fund budgets for fiscal 1995 are estimated to be 4.9 percent above the previous fiscal year (see Table 2). This spending increase is well below the average of 8 percent during the 1980s (see Figure 1). More than one-third of the states reported expenditure growth below 5 percent in fiscal 1994 (see Table 3 and Appendix Table A-4). For fiscal 1995, about half of the states estimate expenditure growth to be below 5 percent.

Shifts in Total State Spending

The modest growth in overall general fund budgets masks many shifts occurring in total state spending from all funds. For example, Medicaid continues to absorb a larger share of state spending each year, increasing from 10 percent of total state spending in fiscal 1987 to 18 percent in fiscal 1993. In contrast, the spending share for elementary and secondary education decreased from 23 percent of total state spending in fiscal 1987 to 21 percent in fiscal 1993. Although corrections spending remained at about 3 percent of state budgets from fiscal 1987 to fiscal 1993, policies to build more prisons and to incarcerate prisoners for longer periods of time will affect state spending figures over the next decade.

TABLE 1

Budget Cuts Made After the Fiscal 1994 Budget Passed

State	*Size of Cut (Millions)*	*Programs or Expenditures Exempted from Cuts*
Hawaii	$ 6.6	Elementary and secondary education, debt service, public welfare payments, unemployment insurance, workers' compensation, retirement system.
Indiana	79.3	Elementary and secondary education; environmental programs; economic development programs.
Kentucky	324.0	Local school districts, local prosecutors, public advocates.
Montana	39.0	No exemptions.
New Jersey	135.0	No exemptions.
North Carolina	117.6	No exemptions.
Oregon	140.0	Cuts are from administration only.
Rhode Island	14.4	Education aid, medical and cash assistance programs.
Vermont	9.8	Special education grants and state aid to local school districts.
Virginia	6.0	Reduction in general fund appropriations amounts to an annualized 1 percent in spending, with exemptions for programs that would be severely disrupted.
Total	**$871.7**	-----

NOTE: NA indicates data are not available.

SOURCE: National Association of State Budget Officers.

TABLE 2

State Nominal and Real Annual Budget Increases, Fiscal 1979 to Fiscal 1995

	State General Fund	
Fiscal Year	*Nominal Increase*	*Real Increase*
1995	4.9%*	1.7%*
1994	5.0*	2.3*
1993	3.3	0.6
1992	5.1	1.9
1991	4.5	0.7
1990	6.4	2.1
1989	8.7	4.3
1988	7.0	2.9
1987	6.3	2.6
1986	8.9	3.7
1985	10.2	4.6
1984	8.0	3.3
1983	-0.7	-6.3
1982	6.4	-1.1
1981	16.3	6.1
1980	10.0	-0.6
1979	10.1	1.5
1979-1995 average	**7.1%**	**1.8%**
1980-1990 average	**8.0%**	**2.0%**

NOTE: The state and local government implicit price deflator was used for state expenditures in determining real changes. Figures for fiscal 1994 and fiscal 1995 are estimates.

SOURCE: National Association of State Budget Officers.

TABLE 3

Annual State General Fund Expenditure Increases, Fiscal 1994 and Fiscal 1995

	Number of States	
Spending Growth	*Fiscal 1994 (Preliminary Actual)*	*Fiscal 1995 (Appropriated)*
Negative growth	8	8
0.0% to 4.9%	12	16
5.0% to 9.9%	21	19
10% or more	9	7

NOTE: Average spending growth for fiscal 1994 (preliminary actual) is 5.0 percent; average spending growth for fiscal 1995 (appropriated) is 4.9 percent.

SOURCE: National Association of State Budget Officers.

State Spending for Fiscal 1995

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

Aid to Families with Dependent Children. In fiscal 1995 budgets, forty states maintained the same AFDC benefit levels that were in effect in fiscal 1994 (see Table 4). Similar to the past three fiscal years, the majority of states are not making any annual adjustments to AFDC benefit levels. Instead, the emphasis is on restructuring the program to provide greater incentives for recipients to work and obtain employment. Although the National Association of State Budget Officers continues to collect information on benefit level changes, the focus of state activity is on these more fundamental changes.

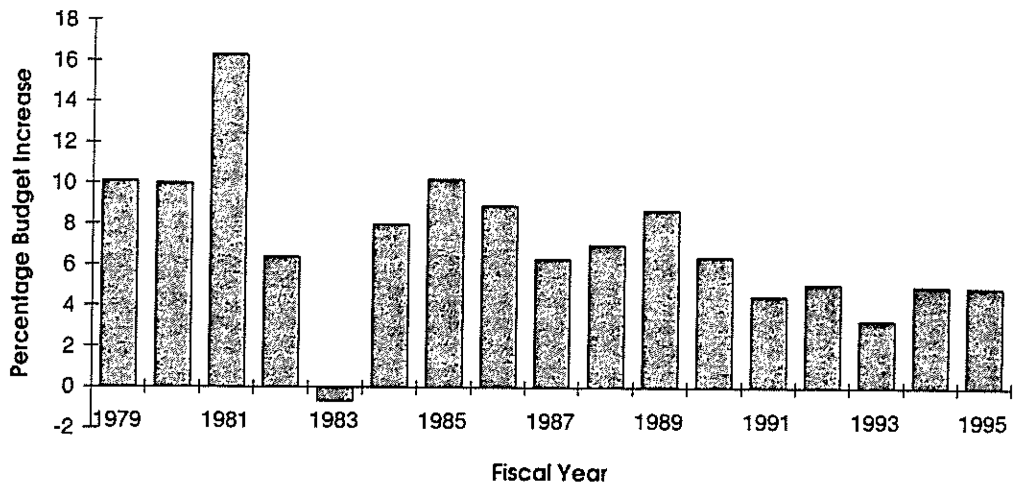
Although national welfare plans have been in the background during the federal health care debate, states are seeking to modify their welfare systems. States have been individually moving toward some of the national goals outlined by President Bill Clinton, such as imposing limits on the amount of time a recipient can collect benefits and strengthening child support enforcement. According to the National Governors' Association (NGA) *Survey of State Welfare Reforms*, virtually all states currently have welfare initiatives underway, including creating additional incentives for work, providing child care services, and placing time limits on the receipt of benefits. For the more fundamental changes, such as limiting benefits, states often first experiment with some portion of the state population in order to test the efficacy of the approach before it is applied statewide.

Even with the array of approaches in states, NGA's survey found that the majority of changes in state welfare systems center around the following areas: encouraging and rewarding work by reducing penalties in the welfare system on earnings and savings; enforcing the responsibility of both parents to financially support their children; simplifying and improving the delivery of welfare benefits by providing benefits electronically; supporting intact families by eliminating welfare rules that penalize two-parent families; improving access to child care and health care for families entering the workforce; and creating jobs for welfare recipients.

Forty-two states, for example, have proposed or are implementing changes to reward work by reducing penalties on earnings and assets. Twenty-five states are in the planning or implementation stage of imposing a time limit on receipt of benefits. States also are changing the way in which benefits are delivered by relying on electronic benefit transfers, which gives recipients access to their benefits in a manner similar to a bank's automated teller machine. Maryland, for example, now

FIGURE 1

Annual Budget Increases, Fiscal 1979 to Fiscal 1995



SOURCE: National Association of State Budget Officers.

delivers public assistance benefits electronically. Job creation is another area in which states are experimenting, such as using AFDC benefits to subsidize wages.

Some of the more controversial changes in states' welfare programs include limiting the time recipients have to collect benefits and capping benefits for AFDC recipients who have additional children once they are on welfare. Six states—Colorado, Florida, Iowa, Michigan, South Dakota, and Vermont—are implementing time-limited benefits. Michigan, for example, limits benefits for individuals not participating in social contract activities, work, community service, or training. Because these changes were implemented only recently, it is too early to gauge the impact of time limits on welfare recipients. Georgia, New Jersey, and Wisconsin are implementing a cap on benefits based on family size, while twelve other states have proposed instituting a family cap.

Other state reforms seek to overhaul the system by substituting AFDC benefits with a one-time cash payment, supplemented by supportive services such as child care. Other approaches include strategies to use AFDC grants to subsidize wages in California, employ and train welfare recipients to repair public housing in Illinois, and redirect AFDC and Food Stamps benefits to create subsidized jobs in Oregon.

Medicaid. The relative slowdown in the rate of increase in Medicaid costs has helped ease pressures on state budgets. Nevertheless, states often have realized cost savings from relying on managed care and eliminating optional services, though the prospect for additional savings is not as likely. Moreover, though the rate of growth in Medicaid spending has slowed from double-digit rates, the rate still exceeds most other expenditures in state government, as well as state revenue growth. The shifts in relative shares—increasing from 10 percent of total state spending in fiscal 1987 to 18 percent in fiscal 1993—have been dramatic during the period of out-of-control growth in state Medicaid programs.

Most states already have implemented changes to Medicaid programs and have reached the end of available options to further control costs (see Appendix Table A-6). Only six states included Medicaid reductions in their fiscal 1995 budgets, in the continuing quest to control escalating program costs. In fiscal 1994, forty-seven states reported using some type of cost containment measure to curb Medicaid costs. Strategies included using managed care or health maintenance organizations (HMOs), modifying provider payments, and eliminating or limiting services.

State Employment. The number of filled full-time equivalent positions supported by all state funds is projected to increase by slightly less than 1 percent from fiscal 1994 to fiscal 1995 (see Appendix Table A-8). Unlike previous reports, the number of state employees reflects those positions supported by *all* state, federal, and trust funds, rather than only those supported by states' general funds. Eleven states are reporting that positions will decline between fiscal 1994 and fiscal 1995. Rhode Island, Maine, Kentucky, Wyoming, and Connecticut will register the most significant declines

TABLE 4

Enacted Cost-of-Living Changes for Aid to Families with Dependent Children, Fiscal 1995

State	*Percent Change*
Alabama	*
California	-2.3*
Hawaii	5.3
Kansas	4.8
Maryland	2.0
Montana	3.2
New Mexico	6.7
North Dakota	2.0
South Dakota	3.0
Utah	3.0

NOTES: Alabama appropriated an increase in Aid to Families with Dependent Children benefit payments of up to 16 percent as a first priority condition based upon availability of funds in the general fund for fiscal year 1995.

California's decrease of 2.3 percent is subject to pending legislation.

of approximately 4.2 percent, 3.9 percent, 2.6 percent, 1.9 percent, and 1.8 percent, respectively, from fiscal 1994 to fiscal 1995. This leveling off of state employment continues the trend that began in 1991. Although the number of full-time equivalent positions supported from all state funds grew by about 2.8 percent annually from 1987 to 1990, total state employment declined in 1991 and 1992 as reported by the U.S. Bureau of the Census.

Employee Compensation. Almost all state budgets include pay raises for state employees for fiscal 1995, with the increase averaging 3.8 percent (see Appendix Table A-7). Several states are instituting pay-for-performance systems or other alternatives to automatic cost-of-living adjustments. Virginia awarded increases based on levels of performance. Connecticut eliminated its annual increments, or step increases, from state statutes and instead made them part of collective bargaining. Michigan returned a portion of health insurance savings to employees as incentive payments. Nebraska provided no percentage or inflation adjustments and no step increases, but provided a flat dollar amount for employees earning less than $45,000.

The growth rate for wages in state government has been moderate, according to the Bureau of Labor Statistics. Wage increases were 2.4 percent for 1993, with contracts for 1993 once again containing lower wage rates than the contracts that had expired. This pattern has occurred for the past four years. The moderate increase in employee health care costs has helped maintain benefit cost increases in accordance with wages, resulting in a moderate increase in overall compensation.

Employee Benefits. The easing of medical inflation and the movement toward managed care systems have helped mitigate the rise in employers' health benefit costs. As a result, few states are shifting additional costs to employees for health and pension benefits (see Appendix Table A-6). States also have made significant changes in their workers' compensation plans, including efforts to reduce fraud and institute managed care, according to the U.S. Department of Labor. These changes are an attempt to control the rate of growth of employee benefit costs, which has been rising more rapidly than wages over the past several years.

Aid to Local Governments. Twenty-four states and Puerto Rico enacted changes in aid to local governments for fiscal 1995 (see Table 5). The majority of changes result in additional aid for localities, often by increasing school aid. The more stable budget situation for states has resulted in greater attempts to aid localities and to address the issue of burdensome property taxes at the local level. Increased state aid to local governments includes funds for property tax relief, local schools, and community colleges; infrastructure projects; and law enforcement. Changes include Arizona's expansion of a tax relief program for counties with high property taxes. Minnesota funded grants to local governments, which have identified ways to consolidate and share service delivery functions. Nebraska increased its homestead exemption. New York increased its portion of handicapped education costs and absorbed a portion of local long-term care and managed care Medicaid costs that local governments previously had funded. Wisconsin's change increased local aid, primarily for schools, and increased county mandate relief.

The most significant changes in state/local relations occurred in Michigan and Oregon. In Michigan voters approved a change in funding for public schools that increased the sales tax from 4 percent to 6 percent and increased the tax on cigarettes by fifty cents per pack. In turn, local property taxes to finance schools were substantially reduced. This change was accompanied by instituting a minimum level of revenue per pupil for each school district. Oregon's change, passed by voters in 1990 and fully implemented during the 1995-97 biennium, permanently limits the amount of property taxes that local governments can collect to fund local government programs. In turn, the state's share of funding for local school districts increases, resulting in a corresponding decrease in other state spending.

TABLE 5

Enacted Changes in Aid to Local Governments, Fiscal 1995

Alaska	Fiscal 1995 aid to local governments was reduced by 14 percent, $10.1 million, from fiscal 1994. Legislation enacted during the 1994 legislative session includes allowing communities to exempt from property tax aircraft, boats, vessels, campers, unlicensed all-terrain vehicles, snow machines, trail bikes, and student housing; allowing a river habitat protection credit on municipal property tax; exempting air carriers from municipal sales taxes; raising allowable limit on property tax for second-class cities from 0.5 percent to 2 percent; and allowing community investment pools to invest in floating rate securities and dollar denominated instruments issued by U.S. branches of foreign banks.
Arizona	The legislature enacted an increased distribution of sales tax revenues to the counties, which replaces the program of providing property tax relief for counties with high property taxes. All counties benefit, particularly the high-tax counties. The total impact of the new program is $20 million, compared with the $10 million impact of the former program.
Connecticut	A total of $1,586.7 million is available to Connecticut municipalities in fiscal 1995 under various statutory formula grant programs. This represents an increase of $58.9 million (or 3.7 percent) over the amount in fiscal 1994.
Florida	A variety of fees that are charged by county sheriffs for service of process were increased ($9.3 million); a one-year extension was allowed for certain public records fees charged by clerks of the court ($10.2 million); and a per-acre tax was authorized to be levied against land in the Everglades Agricultural Area ($13.0 million).
Kansas	Aid to cities and counties increased by $6.4 million, an increase of 9.1 percent.
Kentucky	An increase was enacted in the percentage return of coal and other mineral severance taxes returned to localities from 18 percent in fiscal 1994 to 21 percent in fiscal 1995.
Maine	General purpose aid to local schools was increased by $7.0 million in fiscal 1995. In addition, $2.9 million was appropriated in fiscal 1994 and $2.1 million was appropriated in fiscal 1995 to meet a shortfall in the Maine Resident Property Tax Relief program.
Maryland	An additional $3.0 million (3.5 percent) was appropriated to provide funds for equity adjustments to the fixed-cost portion of the community college aid funding formula.
Massachusetts	The fiscal 1995 budget provided an increase of $245 million in direct local aid to cities and towns. An increase in state aid for elementary and secondary education accounted for $200 million of that increase; the remainder was attributable to lottery aid.
Michigan	The state, through a constitutional amendment approved by the voters, increased its sales tax rate in return for sharply reduced local property taxes. Beginning in the 1994-95 fiscal year, Michigan will significantly increase its support of local schools and will roll several separate program grants together into a much larger flat guarantee to all school districts. This will bring the local government share of state spending from state taxes from about 49.2 percent in 1993-94 to an estimated 57.8 percent in 1994-95.
Minnesota	For fiscal 1995, $2.2 million was appropriated to the Board of Government Innovation and Cooperation. It will be used to fund grants to local governments that have identified ways to consolidate and share service delivery functions, or to begin planning new methods of intergovernmental cooperation. The elimination of duplicative services will affect local governments' ability to manage their financial operations.
Missouri	In fiscal 1995, there is a 5.4 percent increase ($937,500) in state payments to local governments for a per diem increase for holding state prisoners.
Montana	For fiscal 1995, there is a 4.5 percent reduction in the school aid formula and a requirement that school districts receive voter approval to offset reductions in state aid formula.
Nebraska	Changes to the homestead exemption program for 1994 will increase state costs by more than $2 million. For 1995 and beyond, exempt values are tied to average home values in each county and income eligibility levels are raised.
New Jersey	Pension savings from restructuring used to reduce aid payments include direct school aid of $135.2 million (3.1 percent) and municipal aid of $55.0 million (5.5 percent). The state also is assuming the cost of county courts over four years, beginning January 1, 1995. $156 million is appropriated, offset by $135 million in fees, fines, assessments, and county reimbursement, for a net cost of $21 million.
New Mexico	To support local infrastructure projects, $12 million of gross receipts taxes will be diverted each year from the general fund to the New Mexico Finance Authority. New legislation allows local governments to rebate local revenues to low-income property owners.
New York	Changes in local aid total $147 million in fiscal 1995, $316 million in fiscal 1996, and $380 million in fiscal 1997. These include the pick-up of a portion of local long-term care and managed care Medicaid costs (6.175 percent in 1994-95, 10 percent thereafter), the restoration of $100 million in 1992-93 revenue sharing cuts ($48 million in 1994-95, $100 million thereafter), the assumption of an increased share of prekindergarten handicapped costs (19 percent in 1994-95, 39 percent thereafter), and the return of half of the proceeds of the parking ticket surcharge ($17 million annually).
North Dakota	A 10 percent cut in aid to local government was enacted for the 1993-95 biennium.
Oregon	"Measure 5" permanently limits the amount of property taxes that cities and counties can collect to fund local government programs. Under Measure 5, effective fiscal 1991, local governments can collect no more than $10 for each $1,000 of a property's real market value. In some areas of the state, this loss has been offset by rising property values. Measure 5 requires the state to fund a larger share of school expenditures that were once funded by the property tax system. The cumulative impact of Measure 5 in the 1991-93 through 1995-97 biennia is $2.8 billion. This increase in state funding to local school districts resulted in a corresponding decrease in funding for various state programs. The full phase-in of Measure 5 occurs in the 1995-97 biennium.

TABLE 5 (continued)

Enacted Changes in Aid to Local Governments, Fiscal 1995

Pennsylvania	The state enacted a new grant-in-aid program of $5.3 million to counties for providing intermediate punishment programs: 50 percent of the grant is based on the proportion of offenders diverted from the county prison system to county intermediate punishment programs and 50 percent is based on the proportion of offenders diverted from the state correction system to the county prison system.
Puerto Rico	The treasury department is revising a tax reform package that is expected to be revenue-neutral.
Rhode Island	The fiscal 1995 budget includes a $9.3 million increase for the payment-in-lieu of tax-exempt property program. This brings the program to full funding; previously it was funded at 25 percent. The current formula for the distribution of state education aid recently was declared unconstitutional. The fiscal 1995 budget contains a $50 million, or 13.1 percent, increase in education aid. Of this increase, $46.1 million is to be distributed from a poverty fund, which is allocated for students who are eligible for free and reduced lunches. In addition, the school operations aid formula was modified to eliminate the 9 percent minimum guaranteed entitlement and to reduce the regionalization bonus by 40 percent.
South Carolina	Legislation requires that local governing bodies charging real estate transfer fees must remit them to the state treasurer or have them deducted from the state's distribution authorized for these subdivisions. For those local governments now charging this fee, the effective date for implementation is January 1, 1997. This effectively will eliminate local governments' ability to raise revenue through this means.
Virginia	The general assembly passed an Educational Opportunities Initiative that includes $102.7 million during the 1994-96 biennium designed to improve educational opportunities for children across the state through reduced class sizes in kindergarten through third grade ($76.0 million); programs for at-risk four-year-olds ($10.3 million); education technology grants ($15.9 million); and a summit on ways to improve parental involvement ($50,000). These funds are provided as incentive grants that must be matched on each locality's composite ability-to-pay index. No locality is required to participate in any of the programs. The general assembly adopted a $54.4 million anticrime package intended to make the criminal justice system work more effectively. The package included $13.9 million for enhanced law enforcement at the state and local levels, $17.0 million to enhance criminal prosecution at the local level, $12.9 million to strengthen criminal penalties, and $10.4 million for various treatment and prevention programs at the local and state levels. In addition, the Governor called a special session starting September 19, 1994, to consider the abolition of parole in Virginia effective January 1, 1995.
Wisconsin	State aid to elementary and secondary schools was increased by an additional $171 million for a total fiscal 1995 increase of $254 million. Further increases are provided in fiscal 1996 to hold the statewide total school levy for 1994-95 and 1995-96 at the 1993-94 level. Fiscal 1996 county mandate relief payments were increased by $12 million. Fiscal 1996 municipal expenditure restraint incentives were increased by $6 million. A school funding commission was created, composed of the Governor, the state superintendent of schools, and legislative leaders, to develop a plan for the state to provide two-thirds of elementary and secondary school revenue beginning in 1996-97. Elementary and secondary schools are prohibited from levying more than 10 mills beginning in 1996-97.

State Revenue Developments

CHAPTER THREE

Overview

Net revenue actions enacted for fiscal 1995 would decrease revenues by $2.6 billion (see Table 6). Although this is the first year since fiscal 1986 that state actions would result in a decrease in new revenues, the overall percentage of tax cuts was less than 1 percent of state budgets. The most significant reduction occurred in Michigan, where voters increased state-levied taxes to offset the elimination of local property taxes used to finance schools.* Several states enacted reductions to their sales, personal income, and corporate income taxes. Increases were relatively minor and occurred in other taxes and fees, rather than in any broad-based taxes.

Many states used the opportunity of improved economic performance to reduce taxes, especially for lower income families. States also enacted tax reductions in the quest to attract businesses and improve their competitive advantages. After a combined total of $25 billion in new revenues in fiscal 1991 and fiscal 1992, both fiscal 1993 and fiscal 1994 budgets included only $3.0 billion each year in new taxes and fees (see Figure 2).

TABLE 6

Enacted State Revenue Increases/Decreases, Fiscal 1979 to Fiscal 1995

Fiscal Year	*Revenue Increase (Billions)*
1995	$-2.6
1994	3.0
1993	3.0
1992	15.0
1991	10.3
1990	4.9
1989	0.8
1988	6.0
1987	0.6
1986	-1.1
1985	0.9
1984	10.1
1983	3.5
1982	3.8
1981	0.4
1980	-2.0
1979	-2.3

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, 1992, 1993, 1994, and 1995 data provided by the National Association of State Budget Officers.

Revenue Collections in Fiscal 1994

Revenue collections for the sales tax, the personal income tax, and the corporate income tax in fiscal 1994 matched or exceeded projections in almost all states (see Appendix Table A-9). In total, revenue collections were about 1 percent higher than the estimates states used in adopting fiscal 1994 budgets. Economic growth in fiscal 1994 turned out to be much stronger than most forecasters had projected. After resorting to midyear budget adjustments over the 1990-93 period, states used relatively conservative revenue projections to support their budgets. Although fiscal 1994 ended on a better note than projected, spending pressures and the slowdown in the national economy may make the period from fiscal 1995 to fiscal 1997 a constraining one.

Revenue Collections for Fiscal 1995

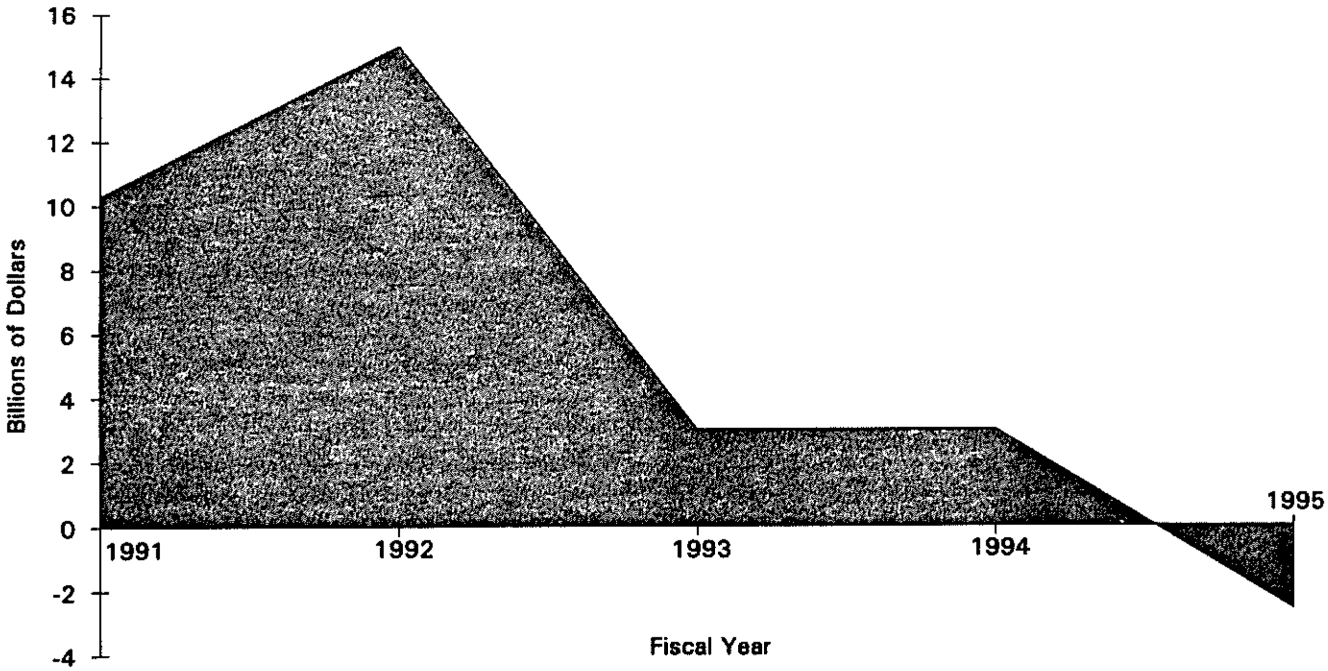
Fiscal 1995 budgets include an increase of 5.6 percent over fiscal 1994 estimated tax collections. Projected fiscal 1995 tax collections represent collections for the sales tax, personal income tax, and corporate income tax (see Appendix Table A-10). Revenue growth for the general fund, which also includes fees and other sources of revenue, is projected to increase 4.1 percent in fiscal 1995 budgets.

The revenue growth from the sales tax, personal income tax, and corporate income tax are the most important components of states' general funds. Other reports, such as the government finance series published by the U.S. Bureau of the Census, collect information

*The net reduction of $2.6 billion includes Michigan's net reduction of $1.0 billion in combined state and local taxes. Net state tax increases of approximately $3.0 billion are offset by a reducion of approximately $4.0 billion in local property taxes. These changes are included because they were voted on by the legislature and signed by the Governor.

FIGURE 2

Enacted State Revenue Increases/Decreases, Fiscal 1991 to Fiscal 1995



SOURCE: National Association of State Budget Officers.

on total state revenues from all sources, including earnings on pension funds and collections for tuition and fees for universities. Based on the most recent compilation by the Census Bureau, though overall state revenues from all sources increased 12.2 percent in fiscal 1992, the portion from state taxes increased 5.6 percent, or less than half of the overall growth rate.

Although the economy is rebounding, state tax systems often fail to respond to this growth. For instance, the change from a manufacturing-based economy to a service-based economy, the growth of global industries, and changes in technology have made state tax systems less responsive to overall economic growth. States are examining their tax structures to look at responsiveness and equity issues from the perspective of all taxpayers. Some of the issues states are examining include the types of services covered by the sales tax, interstate competition, and application of the corporate tax to multistate corporations.

Revenue Changes for Fiscal 1995

Thirty-six states and Puerto Rico enacted net revenue changes for fiscal 1995, with the majority enacting revenue decreases (see Table 7). This compares with modest net increases of $3.0 billion in both fiscal 1993 and fiscal 1994. Fiscal 1995 enacted revenue changes are described in Appendix Table A-11.

The survey data reflect the use, for the first time, of definitions to differentiate between tax and fee increases and decreases (see Table 7 and Appendix Table A-11) and revenue measures, such as tax deferrals and extensions (see Appendix Table A-12). Examples of revenue measures include deferrals of tax increases or decreases that do not affect taxpayer liability. Other examples include the extension of a tax credit that occurs each year.

Sales Taxes. Twelve states enacted sales tax changes for fiscal 1995. Examples include Georgia's repeal of the sales tax on private vehicle sales and Utah's reduction of its rate, along with the elimination of various exemptions. Michigan's increase from 4 percent to 6 percent was part of its change in school financing. Minnesota reduced sales taxes on replacement capital equipment, special tooling, and farm equipment.

The shift in economic activity from goods to services has led many states to gradually broaden their sales tax bases to include additional services. However, rather than expand the sales tax base, most of the changes for fiscal 1995 increased exemptions for cer-

TABLE 7

Fiscal 1995 Revenue Actions by Type of Revenue and Net Increase or Decrease* (Millions)

State	Sales	Personal Income	Corporate Income	Cigarettes/ Tobacco	Motor Fuels	Alcohol	Other Taxes	Fees	Total
Alabama									$ 0.0
Alaska							$ 1.6		1.6
Arizona		$-101.9	$ 4.2						-97.7
Arkansas									0.0
California									0.0
Colorado									0.0
Connecticut		-18.7					2.5		-16.2
Delaware							-6.3		-6.3
Florida	$ -4.1		-2.3				5.9	$16.8	16.3
Georgia	-40.0	-140.0							-180.0
Hawaii							15.0	1.0	16.0
Idaho			-2.0	$ 8.0			1.0		7.0
Illinois									0.0
Indiana								13.2	13.2
Iowa								1.9	1.9
Kansas	-2.0						-8.9		-10.9
Kentucky									0.0
Louisiana							13.0		13.0
Maine		2.0					1.4	1.6	5.0
Maryland	-1.1							5.1	4.0
Massachusetts		-18.1	-1.2					1.8	-17.5
Michigan*	1,629.3	-331.5	-85.0	343.1			-77.0*		-1,021.8
Minnesota	-14.9	17.0	11.2					-3.5	9.8
Mississippi		-2.5	-10.0						-12.5
Missouri		-13.0	-2.0					5.0	-10.0
Montana		-6.5	-2.5		$19.0				10.0
Nebraska							-4.0		-4.0
Nevada									0.0
New Hampshire			-14.0						-14.0
New Jersey		-325.0						81.2	-243.8
New Mexico		-31.0			-16.0			1.6	-45.4
New York	-1.0	-19.0	-254.0		-27.0	$-2.0	-94.0	-5.0	-402.0
North Carolina									0.0
North Dakota									0.0
Ohio	-32.0							5.0	-27.0
Oklahoma		18.0						6.4	24.4
Oregon									0.0
Pennsylvania	-9.8	-46.0	-81.0			-0.5	-29.1		-166.4
Puerto Rico				4.0			-12.8		-8.8
Rhode Island				9.4	4.2		-1.7	71.4	83.3
South Carolina		-9.0						4.1	-4.9
South Dakota									0.0
Tennessee									0.0
Texas	-483.0						-10.0	2.0	-491.0
Utah	-10.1								-10.1
Vermont							7.0		7.0
Virginia		8.0					1.4	5.1	14.5
Washington	-16.7		-31.1						-47.8
West Virginia									0.0
Wisconsin		-4.9							-4.9
Wyoming									0.0
Total	**$1,014.6**	**$-1,022.1**	**$-469.7**	**$364.5**	**$-19.8**	**$-2.5**	**$-2,695.7***	**$214.7**	**$-2,616.0**

NOTES: See Appendix Table A-11 for details on specific revenue changes. Michigan's figures for other taxes exclude the net reduction of $2.5 billion in state taxes and local property taxes. However, the total net $1 billion tax reduction does include the impact of the state's tax actions, which affected both state and local governments. These changes are included because they were voted on by the legislature and signed by the Governor. See Appendix Table A-11 for details on specific revenue changes.

SOURCE: National Association of State Budget Officers.

tain activities as a means to offer incentives to businesses or to provide fiscal relief.

Personal Income Taxes. Eighteen states enacted changes in personal income taxes. Of these, the majority enacted personal income tax reductions, as a result of both the strengthened economy and policy goals to reduce taxes. The changes in the personal income tax centered around increasing exemptions and deductions, especially for low- and middle-income families. Examples include Arizona's decrease in all tax rates, primarily concentrated on lower income levels, Georgia's food tax credit and the increase in the dependent exemption and elderly exclusion, and Pennsylvania's increased exemption for low-income families. New Jersey's reduction for fiscal 1995 completes the second phase of a three-year income tax reduction plan. New Mexico expanded its low-income credits, reduced the marriage tax penalty, and offered a credit for prescription drugs. Nine states currently do not have broad-based personal income taxes (Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming).

Corporate Income Taxes. Thirteen states enacted changes in corporate income taxes. Michigan reduced its rate and raised its filing threshold. Pennsylvania reduced the rate from 12.25 percent to 9.99 percent over four years. New York reduced its business tax surcharge. The enactment of tax increases often is a result of changing state taxes to conform with federal changes.

Cigarette and Tobacco Taxes. Four states enacted increases to tobacco taxes. Idaho increased its rate by ten cents per pack. Michigan's increase raised the rate from twenty-five cents to seventy-five cents per pack, as part of an overall plan to change the financing structure for public schools. Rhode Island's rate increase of twelve cents per pack increased the rate to fifty-six cents per pack. Once again, the reluctance to raise taxes is less apt to affect proposed increases in taxes on cigarettes. States are justifying the increases as a means to generate additional funds for popular programs.

Motor Fuel Taxes. Four states enacted changes to motor fuel taxes. New Mexico decreased its rate by two cents per gallon for three years.

Alcohol Taxes. Two states enacted changes to alcohol taxes. Pennsylvania enacted a change in taxes on alcoholic beverages that would extend a tax credit.

Other Taxes and Fees. The largest reduction occurred in Michigan with a new, smaller state property tax that replaced local property tax revenues. Reductions include New York's repeal of the 5 percent hotel tax and Rhode Island's four-year phase out of the gross earnings tax for the sale and consumption of electricity and natural gas for manufacturing.

Revenues generated from these taxes and fees tend to cover the costs for licensing and regulation, promote environmental conservation, and generate revenues for health care. Other fee increases include those for drivers' licenses, occupational licenses, court fees, and fees to encourage recycling.

Year-End Balances

CHAPTER FOUR

Year-end balances refer to the funds states have in reserve that are available for unforeseen circumstances. Fiscal 1994 and fiscal 1995 balances are 4.3 percent and 3.5 percent of expenditures each year, respectively, a marked improvement from the 1.1 percent balance in fiscal 1991, at the height of the national recession (see Figure 3). Appendix Tables A-1 through A-3 display the beginning and ending balances for states in fiscal 1993 through fiscal 1995. As shown in these tables, total balances appear in the ending balance column as well as in the budget stabilization or reserve fund column. In twenty states, balances are expected to improve over the period from fiscal 1993 to fiscal 1995 (see Appendix Table A-13).

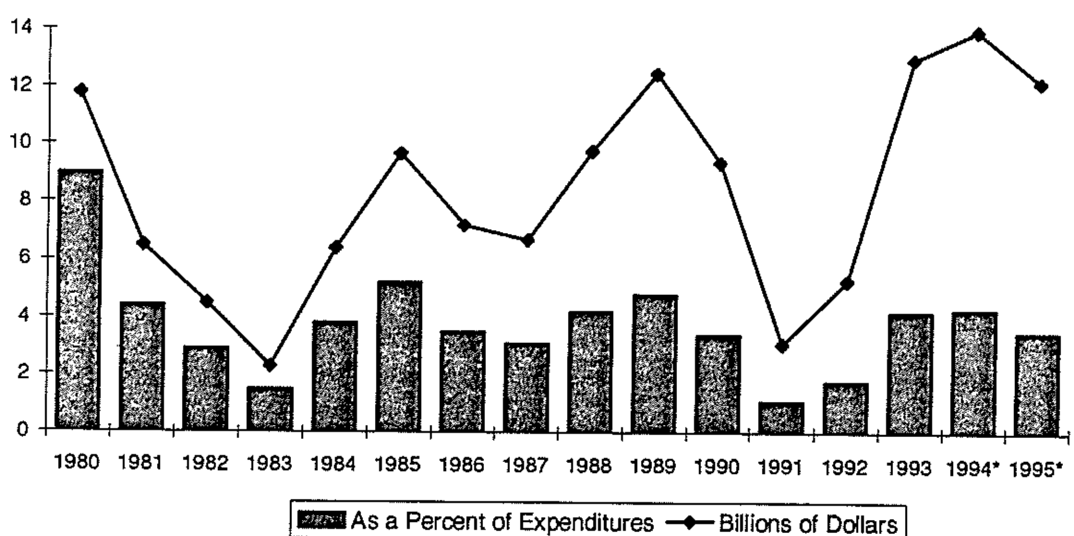
Balances for fiscal 1995 are estimated at $12.2 billion, or 3.5 percent of expenditures (see Table 8). Five states in fiscal 1994 and eleven states in fiscal 1995 project balances at less than 1 percent of expenditures (see Table 9 and Figure 4). More than half of the states estimate balances as a percent of expenditures to be 3 percent or more in fiscal 1995.

According to an analysis by Moody's Investors Service, significant factors to consider when assessing balances include the track record of budget projections and the volatility of revenue sources, as well as the degree of expenditure flexibility to meet unforeseen needs. In addition to formal reserves, such as rainy day funds, informal reserves also play an important role in a state's budget stability. Informal reserves may include increasing the portion of pay-as-you-go capital, issuing debt for shorter periods, and shortening the span of time allowed for bill payments.

Several states have instituted expenditure control procedures to avoid budget imbalances. For example, Oklahoma's constitution stipulates that only 95 percent of estimated revenues can be used for appropriations. Other states, such as Rhode Island, limit expenditures to 98 percent of revenues, with the other 2 percent dedicated to a budget stabilization fund. These approaches are examples of state practices that are used to safeguard against unforeseen circumstances and/or downturns in the economy.

FIGURE 3

Total Year-End Balances, Fiscal 1980 to Fiscal 1995



NOTE: Data for these years are estimated.

SOURCE: National Association of State Budget Officers.

TABLE 8

Total Year-End Balances, Fiscal 1979 to Fiscal 1995

Fiscal Year	*Total Balance (Billions)*	*Total Balance (Percent of Expenditures)*
1995	$12.2*	3.5%*
1994	14.0*	4.3*
1993	13.0	4.2
1992	5.3	1.8
1991	3.1	1.1
1990	9.4	3.4
1989	12.5	4.8
1988	9.8	4.2
1987	6.7	3.1
1986	7.2	3.5
1985	9.7	5.2
1984	6.4	3.8
1983	2.3	1.5
1982	4.5	2.9
1981	6.5	4.4
1980	11.8	9.0
1979	11.2	8.7

NOTE: Figures for fiscal 1994 and fiscal 1995 are estimates.

SOURCE: National Association of State Budget Officers.

TABLE 9

Total Year-End Balances as a Percent of Expenditures, Fiscal 1993 to Fiscal 1995

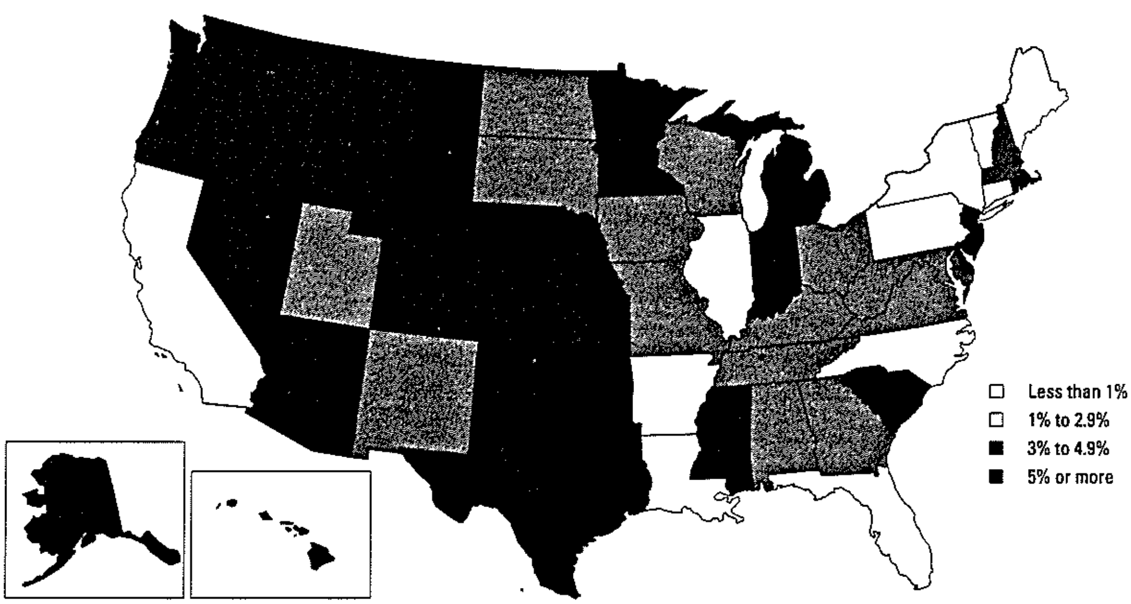
	Number of States		
Percentage	*Fiscal 1993 (Actual)*	*Fiscal 1994 (Preliminary Actual)*	*Fiscal 1995 (Appropriated)*
Less than 1.0%	5	5	11
1.0% to 2.9%	16	6	11
3.0% to 4.9%	11	18	10
5% or more	18	21	18

NOTE: The average for fiscal 1993 (actual) was 4.2 percent; the average for fiscal 1994 (preliminary actual) is 4.3 percent; the average for fiscal 1995 (appropriated) is 3.5 percent.

SOURCE: National Association of State Budget Officers.

FIGURE 4

Total Year-End Balances as a Percent of Expenditures, Fiscal 1994



SOURCE: National Association of State Budget Officers.

Regional Fiscal Outlook

CHAPTER FIVE

Overview

The steady improvement in the national economy has occurred in all regions. The latest issue of *Current Economic Conditions* from the Federal Reserve reports that "regions that have been lagging are generally said to be doing better while most of the stronger areas saw growth plateau." In the three years since the nation has officially been out of recession, personal income increased at an annual rate of 5.3 percent. This compares with annual personal income increases of 7.9 percent and 10.9 percent, respectively, in the previous recovery periods, according to the U.S. Department of Commerce. During the current recovery period, prices have increased modestly, at 3 percent annually.

The positive news for states is that in the recent six months, all regions experienced improvement in their economies, albeit at different rates. During the recovery period, the five fastest-expanding states were Idaho, Nevada, Utah, New Mexico, and Colorado, while the five slowest-growing states were California, Rhode Island, Maine, Delaware, and Massachusetts. The fastest-growing states tended to be primarily in the Rocky Mountain region, whereas the slowest-growing states tended to be in the New England region. This pattern indicates that the recession and subsequent recovery were not felt evenly across the nation.

Although patterns of recovery in personal income differed greatly across the nation, the continuation of more stable economic growth nationwide is closing the gap. Although personal income increased nationwide by 6.3 percent from the first quarter of 1993 to the first quarter of 1994, personal income for states in New England and the Mid-Atlantic regions increased by 6.8 percent during this same timeframe. Most regions experienced personal income growth between 6.5 percent and 7.3 percent during this period. The exception was the Far West region at 3.3 percent, partly attributable to the impact of the California earthquake (see Table 10).

Population trends differ significantly across regions. States in the New England region experienced the most sluggish population growth at 0.3 percent between 1992 and 1993, followed by the states in the Mid-Atlantic region at 0.6 percent. The Rocky Mountain region experienced the greatest influx of people, with an annual growth rate of 2.7 percent, followed by the Southwest region states at 2.0 percent annual growth. Population projections by the U.S. Census Bureau indicate that the fastest-growing states will continue to be in the Rocky

TABLE 10

Regional Budget and Economic Indicators

Region	Weighted Unemployment Rate*	Average Annual Percentage Change in Personal Income**	Annual Percentage Change in Population***	Fiscal 1994 Total Balances as a Percent of Expenditures	Appropriated 1995 General Fund Budget Growth (Percent)	Number of States in Region
New England	6.2%	6.8%	0.3%	3.0%	7.6%	6
Mid-Atlantic	6.6	6.8	0.6	3.2	4.4	5
Great Lakes	5.7	7.1	0.7	4.4	4.6	5
Plains	3.8	6.5	0.7	7.8	5.6	7
Southeast	5.8	6.8	1.4	3.9	8.1	12
Southwest	6.5	7.3	2.0	7.9	0.1	4
Rocky Mountain	4.5	7.0	2.7	7.8	8.3	5
Far West	8.1	3.3	1.3	2.8	2.7	6
Average	**6.1%**	**6.3%**	**1.1%**	**4.3%**	**4.9%**	

SOURCES: * U.S. Department of Labor, Bureau of Labor Statistics, *Unemployment in States*, July 1994.
** U.S. Department of Commerce, Bureau of Economic Analysis, July 1994.
*** U.S. Department of Commerce, Bureau of the Census, December 1993.

Mountain, Far West, and Southeast regions. These states also have a growing working-age population, which benefits state finances.

The growth in employment, though positive for all regions, varies considerably. From July 1993 to July 1994, states in the Rocky Mountain and Southwest regions had the most robust employment growth at 3.8 percent and 3.1 percent, respectively, while the slowest-growing regions were the Far West and the Middle Atlantic, at 0.4 percent and 1.2 percent, respectively. The states with the fastest growth in employment during this same period were Utah, Nevada, Idaho, New Mexico, and South Dakota—states located in the Rocky Mountain, Far West, Southwestern, and Plains regions. States with the slowest growth in employment during this same timeframe were Hawaii, California, Connecticut, Maryland, and Vermont—states located in the New England, Mid-Atlantic, and Far West regions.

Information on the outlook by region presented below is based primarily on reports from the Federal Reserve districts and the *1994 Regional Outlook* survey prepared by the Bureau of National Affairs. Additional information comes from state government forecasts, regional forecasts, and the U. S. Department of Commerce and the Bureau of Labor Statistics.

New England

The economy in New England continues to expand, but it has slowed from earlier this summer. Commercial real estate is strong in this region, especially in the Boston area. Other strengths in the economy are growth in sales of computers, semiconductors, furnishings, and small consumer durables. This region will be impacted more than any other region by changes in health care, according to studies by both economists and executives in the region. Boston, as a worldwide center for health care and research, will be greatly affected by the retrenchment and mergers in the health care industry. Continued defense downsizing also is a negative factor for this region.

A positive side effect from the recession has been the narrowing of the gap in housing costs in New England, compared with other parts of the nation. This closing of the gap in housing prices helps the competitive advantage of this region, compared with other parts of the nation.

Personal income growth for this region from the first quarter of 1993 to the first quarter of 1994 averaged 6.8 percent annually, above the national average of 6.3 percent. Connecticut, Massachusetts, and New Hampshire had personal income growth above the national average, while Maine, Rhode Island, and Vermont had personal income growth below the national average. July 1994 unemployment rates ranged from 4.3 percent in Vermont to 7.1 percent in Maine.

Mid-Atlantic

Although manufacturers in the Mid-Atlantic region are more optimistic about the future than in the previous year, the pace of employment growth is anticipated to be modest. Residential construction is improving, after a slowdown in the beginning of the summer. The impact of higher interest rates could affect consumer spending because of the high proportion of homeowners with adjustable rate mortgages.

New York's economy shifted to expansion during 1993, with job growth centered on the services sector. The profits from the financial services sector aided the state's tax receipts. Delaware, with employment growth near the national average, is performing better than the other states in this region. New Jersey's economy improved in the final quarter of 1993, after declining for the past three years.

Unemployment rates in July 1994 ranged from a high of 7.1 percent in New York to a low of 4.8 percent in Delaware. Personal income growth from the first quarter of 1993 through the first quarter of 1994 averaged 6.8 percent, above the national average of 6.3 percent, with New York and New Jersey experiencing the highest growth rates of 8.1 percent and 6.2 percent, respectively.

Great Lakes

Increased demand for automobiles and capital equipment and expanding exports have boosted the economy in the Great Lakes region. This region may slow down as manufacturers rebuild inventories. Wisconsin projects strong job gains in the retail, construction, and service sectors. July 1994 unemployment rates ranged from 6.3 percent in Illinois to 4.5 percent in Wisconsin. Annual personal income growth from the first quarter of 1993 through the first quarter of 1994 was 7.1 percent, with all states in the region showing growth above the national average of 6.3 percent.

Plains

Construction and manufacturing continue to perform strongly in the Plains region, especially residential construction in the Minneapolis-St. Paul area. The outlook for crops this year also is favorable, which will further boost this region. Despite the good harvests, the decline in farm prices could hurt incomes in this region. Minnesota has been experiencing strong nonfarm employment growth. Strong gains in construction, services, finance, insurance, and real estate account for most of the recent job growth. South Dakota has been experiencing a large increase in manufacturing jobs.

Unemployment rates are among the lowest in the nation, with Nebraska and Iowa at 2.6 percent and 2.9 percent, respectively, while the highest unemployment rate in the region is Kansas at 5.2 percent, all well below the national average of 6.1 percent in July 1994. At 6.5 percent, annual personal income growth from the first quarter of 1993 through the first quarter of 1994 was close to the national average of 6.3 percent.

Southeast

States in the Southeast region continue to expand, but at a slower rate than in previous months. Residential construction is expected to continue at a brisk pace because of an influx of jobseekers. Florida's employment gains over the past year have been concentrated in business and health services. Mississippi's economy is helped by the tourism generated by casino gambling on the Gulf Coast. Business services in Georgia and Tennessee will continue to expand.

July 1994 unemployment rates ranged from a low of 4.6 percent in Tennessee to a high of 8.7 percent in West Virginia. Annual personal income growth from the first quarter of 1993 through the first quarter of 1994 was 6.8 percent, above the national average of 6.3 percent, ranging from 8.6 percent in Tennessee to 5.1 percent in Louisiana and West Virginia.

Southwest

The Southwest region should continue to experience economic growth above the national average, with corporate relocations helping the region. Texas experienced growth in construction and exports to Mexico. New Mexico's growth in housing and business relocation and expansion, especially in high-technology industries, will help its overall growth rate.

Unemployment rates in July 1994 ranged from a high of 6.8 percent in Texas to a low of 5.2 percent in New Mexico. Personal income grew 7.3 percent annually from the first quarter of 1993 to the first quarter of 1994, above the national average of 6.3 percent. Increases ranged from 5.6 percent in Oklahoma to 9.1 percent in Arizona.

Rocky Mountain

The Rocky Mountain region continues to lead the nation in economic growth, with Utah and Idaho having the nation's highest rates of construction employment. This region has proven popular for high-technology firms. Strengths include telecommunications and the service sector. States in this region, such as Idaho, Montana, and Utah, also are among the states with the greatest percentage gains in business incorporations.

July 1994 unemployment rates ranged from 5.3 percent in Wyoming to 3.7 percent in Utah, all well below the national average of 6.1 percent. Personal income grew 7.0 percent annually from the first quarter of 1993 to the first quarter of 1994, above the national average of 6.3 percent, with states ranging from 4.5 percent in Wyoming to 7.9 in Utah.

Far West

With California dominating the Far West region, the outlook is mixed. California, after four years of job losses, is expected to gain 1 percent in employment growth during 1995, according to the Western Blue Chip Economic Forecast. Gains are anticipated in the construction, trade, service, and transportation sectors. The restructuring in the health care industry is affecting California, with mergers resulting in the loss of health care jobs. Defense downsizing continues to be a negative factor, especially in the aerospace industry. Washington is projected to experience improved employment gains, according to economic forecasts. Nevada continues to have a strong economy with a surge in construction employment.

July 1994 unemployment rates ranged from a high of 9.0 percent in California to a low of 5.4 percent in Oregon. Personal income growth from the first quarter of 1993 to the first quarter of 1994 was 3.3 percent—about one-half of the 6.3 percent national average—ranging from 9.4 percent in Nevada to 1.9 percent in Hawaii. California's rate of 2.4 percent is attributable partly to the impact of the earthquake.

Strategic Directions of States

CHAPTER SIX

States have seized the opportunity of a more stable budget outlook to make advances in both restructuring and consolidating state services and to focus on performance-based budgeting measures. Other changes include changing service delivery through privatization, instituting performance-based pay systems, and reviewing the economy and revenue structure. The majority of states are making progress with a shift toward more programmatic or performance-based budgeting. The approaches vary from using pilot projects to strategic planning with specific outcomes. The advent of more performance-based budgeting also has meant updating budgeting and financial systems to link program information and costs to specific policy outcomes.

In the survey, states were asked whether they had made significant changes to their budget and financial systems. The new directions states are taking involve restructuring major activities to improve operations, reviewing all state programs and procedures through statewide commissions, and developing and implementing performance-based budgeting systems.

The restructuring of government functions may include consolidating programs and merging functions, as a means to avoid duplication, and changing service delivery, such as through privatization. Major restructuring also is occurring in welfare programs and health programs. Examples of restructuring and privatization include:

- combining the departments of social services and institutions in Colorado;
- establishing a Department of Juvenile Justice and merging the schools of the deaf and the blind into the public schools in Florida;
- reducing the growth in Medicaid costs through increased enrollment in managed care in Illinois;
- consolidating all rehabilitation programs into the department of education in Maine;
- privatizing the state accident fund and restructuring welfare in Michigan;
- seeking major federal waivers in health care and welfare reform in Missouri;
- restructuring higher education, human services, and natural resources in Montana;
- phasing in mandatory managed care for AFDC Medicaid clients and restructuring higher education governance, public defender programs, and advocacy programs in New Jersey;
- absorbing a greater share of costs for Medicaid and for handicapped children to provide relief to local governments in New York;
- submitting federal waivers in order to implement a comprehensive health care reform plan in Ohio;
- eliminating general public assistance, instituting an intermediate punishment program, and providing a local option to assume responsibility for the school lunch program in Rhode Island; and
- eliminating the departments of commerce, labor, and environmental resources and creating a bureau of commerce, environment, and employment programs in West Virginia.

Changes in workforce policies include a focus on quality management efforts to improve the quality and efficiency of government services. In an effort to reduce personnel costs, many states have reduced the number of positions or have offered early retirement incentives. Examples of recent state changes in workforce policies include:

- offering early retirement in Hawaii;
- using a percentage of end-of-year balances for total quality management in Maine;
- instituting pay-for-performance compensation on an annual basis with limited term appointments for high-level career managers, reducing classifications (thereby increasing management flexibility), and introducing a management intern program to recruit recent graduates in Michigan;
- reducing full-time equivalent positions by 2.5 percent through early retirement in Montana;
- requiring that most new temporary positions be approved by the state budget division in New Mexico;
- reducing full-time equivalent positions in Rhode Island;
- offering a retirement incentive in Texas; and

- reducing filled full-time equivalent positions by approximately 10 percent over a three-year period in West Virginia.

States are conducting statewide reviews of expenditures and revenues as part of an effort to maintain long-term balance in their budgets. Some of these efforts involve gubernatorial commissions that evaluate programs and delivery systems. Other reviews focus on the revenue structure used to finance state government or set limits on the amount of state spending based on personal income. Examples include:

- developing recommendations for the 1995 general assembly on the state's revenue structure in Georgia;
- reviewing special funds to identify excess funds for transfer to general funds in Hawaii;
- increasing fraud prevention efforts to curb Medicaid fraud in Illinois;
- examining expenditures and revenues through a select council in Louisiana;
- reviewing all state government services under the Governor's commission in Michigan;
- submitting a recommended revenue target, including the maximum share of personal income to be collected in taxes and other revenues, to pay for state and local governments in Minnesota;
- implementing the recommendations from the Commission on Management and Productivity in Missouri;
- linking the budget to a strategic plan and providing budget recommendations to the legislature earlier in Nevada;
- reforming state borrowing practices and capital budgeting to eliminate "backdoor borrowing" in New York;
- conducting a comprehensive review of the economy and tax structure that will be completed by the end of 1994 in Ohio;
- reviewing all restricted fee accounts in Rhode Island;
- implementing a five-year plan to fund elementary and secondary education, TennCare, and other major budgetary requirements in Tennessee;
- reviewing operations through the Texas Performance Review, consolidating funds, and abolishing dedicated revenues in Texas; and
- evaluating the effectiveness of all state programs and operations through the Governor's Commission on Governmental Reform in Virginia.

To effectively manage, many states are changing their financial systems to integrate budget, accounting, and other systems. Moreover, with the growth of performance-based budgeting systems, the requirements to link budget and cost data with performance data mean an even greater demand for up-to-date financial systems. Examples include:

- adopting budget reform legislation that includes program budget review and strategic planning by program in Arizona;
- initiating a fully integrated financial management system in Delaware;
- shifting to program budgeting in accordance with a seven-year plan in Florida;
- implementing a budget reform act that requires detailed budget review and program evaluation in Georgia;
- allowing agencies to retain 50 percent of operating savings for use on training and technology in Iowa;
- pursing a two-year budget and bringing a new statewide, fully integrated financial management system online in Michigan;
- establishing program evaluation and performance reviews in New Jersey;
- initiating performance budgeting pilot projects and capturing interagency transfers more accurately in New Mexico;
- developing a pilot performance-based program budget process in North Dakota;
- establishing a program budget pilot initiative in Oklahoma;
- increasing monitoring and outcome reviews of programs in Puerto Rico;
- including data for quasi-public agencies and authorities in budget documents in Rhode Island;
- implementing a performance-based budget, beginning in fiscal 1996, in South Dakota;
- implementing strategic planning and budgeting in Texas;

- implementing a new financial management system in Utah;
- converting to Generally Accepted Accounting Principles (GAAP) reporting of annual financial statements in Vermont;
- reviewing the budget process to examine methods of improving the budget as an executive management tool by examining year-end spending activities and aligning budget submissions with a Governor's term in Virginia; and
- revising the budget process to link policy goals and performance measures to recommendations and appropriations in West Virginia.

With greater budget stability, states continue to review and modify their operations. The prevalence of statewide reviews and performance-based budgeting initiatives indicates that states are viewing the more stable budget situation as an opportunity to improve management and restore balance to budgets. As states restore balance to their budgets, they also are focusing on delivering quality public services with available resources.

TABLE A-1

Fiscal 1993 State General Fund, Actual (Millions)

Region/State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND						
Connecticut*	$ 0	$ 7,569	$ 7,569	$ 7,456	$ 114	$ 0
Maine*	49	1,561	1,611	1,607	4	12
Massachusetts*	267	11,581	11,848	11,646	133	310
New Hampshire	19	799	818	787	31	20
Rhode Island	0	1,639	1,639	1,631	9	23
Vermont	-65	662	597	643	-46	0
MID-ATLANTIC						
Delaware*	152	1,317	1,470	1,260	210	*
Maryland	-56	6,449	6,393	6,382	11	51
New Jersey*	761	14,652	15,413	14,301	1,112	*
New York*	0	31,427	30,896	30,896	0	67
Pennsylvania*	9	14,169	14,178	13,960	218	5
GREAT LAKES						
Illinois*	131	12,104	12,235	12,063	172	0
Indiana*	139	6,180	6,319	6,309	10	301
Michigan*	0	7,834	7,834	7,808	26	303
Ohio*	91	13,673	13,764	13,674	90	21
Wisconsin*	74	7,020	7,094	6,926	168	*
PLAINS						
Iowa*	0	3,455	3,455	3,403	52	2
Kansas*	143	2,932	3,075	2,690	385	75
Minnesota*	449	7,753	8,202	7,326	876	*
Missouri	60	4,465	4,525	4,299	226	25
Nebraska	201	1,536	1,737	1,614	123	17
North Dakota*	85	588	673	653	20	0
South Dakota*	6	579	585	585	0	21
SOUTHEAST						
Alabama	26	3,660	3,685	3,555	130	0
Arkansas	0	2,077	2,077	2,077	0	0
Florida	123	12,248	12,371	11,990	381	162
Georgia	61	8,250	8,311	8,089	99	123
Kentucky	49	4,511	4,560	4,521	39	29
Louisiana	-83	4,384	4,301	4,200	101	0
Mississippi	13	2,147	2,160	1,985	175	160
North Carolina*	165	8,293	8,458	7,879	579	*
South Carolina*	8	3,673	3,680	3,521	159	*
Tennessee*	159	4,711	4,870	4,604	266	*
Virginia*	68	6,537	6,605	6,436	169	*
West Virginia*	57	2,043	2,100	2,029	71	0
SOUTHWEST						
Arizona	5	3,788	3,793	3,707	86	0
New Mexico*	116	2,271	2,387	2,172	215	*
Oklahoma	167	3,256	3,423	3,318	105	91
Texas*	379	19,352	19,731	18,401	1,330	52
ROCKY MOUNTAIN						
Colorado*	133	3,443	3,577	3,250	327	*
Idaho	0	1,043	1,043	1,032	11	30
Montana	24	540	564	523	41	NA
Utah*	29	1,958	1,986	1,975	11	33
Wyoming	66	398	464	421	43	43
FAR WEST						
Alaska	0	2,738	2,738	2,738	0	1,633
California*	-2,287	43,746	41,459	40,948	511	*
Hawaii	374	2,953	3,327	3,063	264	0
Nevada	34	972	1,006	1,008	-2	NA
Oregon	311	2,871	3,182	2,820	362	0
Washington*	220	7,832	8,052	7,818	234	100
TERRITORIES						
Puerto Rico	31	4,156	4,187	4,187	0	35
Total	**$2,731**	**$319,639**	**$321,838**	**$311,997**	**$9,649**	**$3,709**

NOTE: NA indicates data are not available.

*See Notes to Table A-1.

Appendix

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 — Revenues include a deficit elimination plan of $2,800 million. Ending balance includes a budget stabilization fund of $118 million and $393 million reserve for liquidation.

Colorado — Ending balance includes a budget stabilization fund of $229.1 million.

Connecticut — Figures include federal reimbursements, such as for Medicaid.

Delaware — Ending balance includes a budget stabilization fund of $68.1 million.

Illinois — Excludes $300 million in short-term borrowing.

Indiana — Figures include the property tax replacement fund, but do not include the balance of the general fund tuition reserve, which was $180 million in fiscal 1993.

Iowa — Expenditures include $31.3 million of one-time expenditures to reduce the state's deficit using Generally Accepted Accounting Principles (GAAP).The ending balance includes $35.2 million to be deposited in a cash reserve account and $16.8 million to reduce the state's deficit, calculated using GAAP.

Kansas — Beginning balance is adjusted for released encumbrances.

Maine — Beginning balance includes adjustments to prior year's transaction.

Massachusetts — Figures exclude federal reimbursements. Expenditures exclude interfund transfers.

Michigan — The first $26 million of any surplus was carried forward to fiscal 1994, with the additional surplus of $282.6 million being deposited into the rainy day fund.

Minnesota — Ending balance includes a budget stabilization fund of $360 million.

New Jersey — Ending balance includes a budget stabilization fund of $65.3 million.

New Mexico — Ending balance includes a budget stabilization fund of $215 million.

New York — The state ended fiscal 1993 with a general fund surplus of $671 million. The state ended fiscal 1994 with a surplus of $1,140 million; however, the actual operating surplus is $1,026 million, as $114 million of the surplus relates to the sale of Local Government Assistance Corporation (LGAC) bonds and is not considered part of the state's operating surplus. Because any general fund surplus is automatically deposited into the state's Tax Stabilization Reserve Fund (which cannot be accessed on a planned basis, but only in the case of a deficit), the state instead chose to deposit the excess monies into the Personal Income Tax Refund Reserve Account. As a result, in fiscal 1993, tax revenues were reduced by $671 million and in fiscal 1994, tax revenues were reduced by $1,026 million. However, as the result of the fiscal 1993 surplus, tax revenues were artificially inflated by $671 million in fiscal 1994, resulting in a net tax revenue reduction for fiscal 1994 of $469 million. Also, tax revenue projections for fiscal 1995 are artificially inflated by $1,026 million. Additionally, the fiscal 1994 disbursements include a $265 million transfer from the general fund to the Contingency Reserve Fund. These monies are projected to be disbursed from the Contingency Reserve Fund in fiscal 1995 for litigation expenses.

Included in New York's rainy day fund balance are the following (in millions):

	Fiscal 1993	Fiscal 1994	Fiscal 1995
Contingency Reserve Fund	$ 0	$265	$ 0
Tax Stabilization Reserve Fund	$67	$134	$157
Total	$67	$399	$157

North Carolina — Beginning balance includes a $123.5 million unreserved beginning balance and $41.6 million reserved beginning balance. Revenues include $7,883.1 million in tax revenue, $230.4 million in nontax revenue, a highway fund transfer of $9.4 million, and a highway trust fund transfer of $170 million. Expenditures include an operating budget of $7,552.8 million, $231.1 million in reserve for local government, and $95.2 million for capital improvements. Ending balance includes a budget stabilization fund of $175.9 million, a $57 million reserve for repairs and renovations, and a $346 million unreserved balance.

North Dakota — The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.

Ohio — Ohio includes federal reimbursements for Medicaid, ADC, and several other human services programs in its general fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balance would be higher by the amount reserved for encumbrances in each year. Expenditures do not include encumbrances outstanding at the end of the year. Fiscal 1993 expenditures reflect fiscal 1993 disbursements of $13.6 million, plus a reservation for transfer to the rainy day fund of $21 million, an adjustment for transfers out, and the net change in encumbrances over the year of $52.7 million.

Pennsylvania — Expenditures include a transfer to the rainy day fund, which will occur in the subsequent year.

South Carolina — Ending balance includes a budget stabilization fund of $66.8 million.

South Dakota — Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.

Tennessee — Ending balance includes a budget stabilization fund of $150.0 million.

Texas — Expenditures include a transfer of $31 million to the rainy day fund. (Texas is on a biennial budget. The general fund closes with a positive balance in odd-numbered years.)

Utah	$30 million was transferred from the rainy day fund in fiscal 1993 to the general fund to cover costs associated with the settlement of a federal retirees' lawsuit. The fund will be replenished with a transfer of approximately $20 million from the general fund in fiscal 1994 and $15 million in fiscal 1995.
Virginia	Ending balance includes a budget stabilization fund of $79.9 million.
Washington	Revenues for fiscal 1993 include net accruals of $126.0 million.
West Virginia	Beginning balance includes thirty-one-day expenditures of $30.0 million, reappropriations of $22.4 million, surplus appropriations of $1.0 million, and an appropriated surplus of $3.4 million.
Wisconsin	Ending balance includes a budget stabilization fund of $69.3 million.

TABLE A-2

Fiscal 1994 State General Fund, Preliminary Actual (Millions)

Region/State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND						
Connecticut*	$ 0	$ 7,889	$ 7,889	$ 7,748	$ 141	$ 0
Maine*	5	1,597	1,602	1,599	3	NA
Massachusetts*	133	12,126	12,259	12,077	123	377
New Hampshire	31	798	829	817	12	20
Rhode Island*	9	1,563	1,543	1,538	5	43
Vermont	-46	703	657	657	0	1
MID-ATLANTIC						
Delaware*	210	1,449	1,659	1,345	313	*
Maryland*	11	6,624	6,634	6,574	60	161
New Jersey*	1,112	14,970	16,081	15,130	951	*
New York*	0	32,229	32,229	32,229	0	399
Pennsylvania*	218	15,052	15,270	14,968	302	30
GREAT LAKES						
Illinois*	172	12,896	13,068	12,838	230	0
Indiana*	10	6,720	6,730	6,640	90	370
Michigan*	26	8,281	8,307	7,958	0	664
Ohio*	90	14,929	15,019	14,719	300	281
Wisconsin*	168	7,448	7,616	7,383	234	*
PLAINS						
Iowa*	0	3,578	3,578	3,487	90	37
Kansas*	389	3,127	3,516	3,155	361	72
Minnesota*	876	8,133	9,009	8,260	749	*
Missouri	226	4,708	4,934	4,758	176	37
Nebraska	123	1,641	1,764	1,612	152	28
North Dakota*	20	619	639	611	28	0
South Dakota*	0	626	626	626	0	22
SOUTHEAST						
Alabama	130	3,834	3,964	3,845	119	0
Arkansas	0	2,270	2,270	2,270	0	0
Florida	381	12,902	13,283	13,280	3	300
Georgia	99	8,904	9,003	8,792	90	244
Kentucky	39	4,705	4,744	4,646	98	90
Louisiana	101	4,337	4,438	4,438	0	0
Mississippi	88	2,393	2,481	2,149	332	194
North Carolina*	579	9,102	9,891	9,004	888	*
South Carolina*	159	4,025	4,184	3,776	407	*
Tennessee*	266	4,814	5,080	4,884	196	*
Virginia*	169	6,907	7,076	6,814	262	*
West Virginia*	71	2,118	2,189	2,079	69	21
SOUTHWEST						
Arizona	86	4,052	4,138	3,951	187	42
New Mexico*	215	2,539	2,754	2,630	124	*
Oklahoma	105	3,315	3,420	3,302	118	46
Texas*	1,330	19,969	21,300	19,492	1,808	6
ROCKY MOUNTAIN						
Colorado*	327	3,571	3,897	3,560	338	*
Idaho	11	1,174	1,185	1,147	38	33
Montana	41	490	531	498	33	NA
Utah*	11	2,128	2,140	2,114	26	48
Wyoming	43	530	572	500	73	19
FAR WEST						
Alaska	0	3,208	3,208	3,208	0	706
California*	659	38,221	38,880	39,299	-419	*
Hawaii	264	3,087	3,350	3,059	291	0
Nevada	71	1,053	1,123	1,023	100	NA
Oregon	362	3,151	3,512	3,081	432	0
Washington*	234	8,185	8,419	8,029	390	125
TERRITORIES						
Puerto Rico*	0	4,844	4,844	4,635	209	83
Total	**$9,621**	**$328,688**	**$338,491**	**$327,599**	**$10,322**	**$4,415**

NOTE: NA indicates data are not available.

*See Notes to Table A-2.

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.

California	Beginning balance includes prior-year adjustment of $148 million. Revenues include loan repayment of $-1,600 million. Ending balance includes a budget stabilization plan of $-771 million and $352 million reserve for liquidation.
Colorado	Ending balance includes a budget stabilization fund of $230.9 million.
Connecticut	Figures include federal reimbursements, such as for Medicaid.
Delaware	Ending balance includes a budget stabilization fund of $71.7 million.
Illinois	Excludes $600 million in short-term borrowing.
Indiana	Figures include property tax replacement fund, but do not include balance of the general fund tuition reserve, which was $190 million in fiscal 1994.
Iowa	The ending balance includes $53.2 million to be deposited in a cash reserve account and $37.2 million to reduce the state's deficit calculated using Generally Accepted Accounting Principles (GAAP).
Kansas	The beginning balance is adjusted for released encumbrances from prior years.
Maryland	The Budget Reconciliation Act of 1993 requires the Governor to include an appropriation for the Revenue Stabilization Account of the state reserve fund (rainy day fund) in an amount equivalent to the unappropriated general fund surplus as of June 30, 1994, as part of the budget submitted at the 1995 session of the general assembly.
Maine	Beginning balance includes adjustments to prior year's transaction.
Massachusetts	Figures exclude federal reimbursements. Expenditures exclude interfund transfers.
Michigan	All fiscal 1994 year-end balances will be deposited into the rainy day fund, currently estimated at $348.4 million.
Minnesota	Ending balance includes a budget stabilization fund of $500 million.
New Jersey	Ending balance includes a budget stabilization fund of $153.8 million.
New Mexico	Ending balance includes a cash balance of $124 million.
New York	The state ended fiscal 1993 with a general fund surplus of $671 million. The state ended fiscal 1994 with a surplus of $1,140 million; however, the actual operating surplus is $1,026 million, as $114 million of the surplus relates to the sale of Local Government Assistance Corporation (LGAC) bonds and is not considered part of the state's operating surplus. Because any general fund surplus is automatically deposited into the state's Tax Stabilization Reserve Fund (which cannot be accessed on a planned basis, but only in the case of a deficit), the state instead chose to deposit the excess monies into the Personal Income Tax Refund Reserve Account. As a result, in fiscal 1993, tax revenues were reduced by $671 million and in fiscal 1994, tax revenues were reduced by $1,026 million. However, as the result of the fiscal 1993 surplus, tax revenues were artificially inflated by $671 million in fiscal 1994, resulting in a net tax revenue reduction for fiscal 1994 of $469 million. Also, tax revenue projections for fiscal 1995 are artificially inflated by $1,026 million. Additionally, the fiscal 1994 disbursements include a $265 million transfer from the general fund to the Contingency Reserve Fund. These monies are projected to be disbursed from the Contingency Reserve Fund in fiscal 1995 for litigation expenses.

Included in New York's rainy day fund balance are the following (in millions):

	Fiscal 1993	Fiscal 1994	Fiscal 1995
Contingency Reserve Fund	$ 0	$265	$ 0
Tax Stabilization Reserve Fund	$67	$134	$157
Total	$67	$399	$157

North Carolina	Beginning balance includes a $346.0 million unreserved beginning balance, $121.0 million authorized from reserve for budget stabilization, $57.0 million authorized from reserve for repairs and renovations, and $54.9 million of reserved beginning balance for budget stabilization. Revenues include $8,516.8 million of tax revenue, $405.6 million of nontax revenue, a highway fund transfer of $9.9 million, and a highway trust fund transfer of $170.0 million. Resources include $209.9 million of disproportionate share reserve. Expenditures include an operating budget of $8,575.7 million, a $235.5 million reserve for local government, and $192.4 million of capital improvements. Ending balance includes a budget stabilization fund of $210.6 million, $209.9 reserve for disproportionate share, $60.0 million reserve for repairs and renovations, and $407.0 million unreserved balance.
North Dakota	The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.
Ohio	Ohio includes federal reimbursements for Medicaid, ADC, and several other human services programs in its general fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balance would be higher by the amount reserved for encumbrances in each year. Expenditures do not include encumbrances outstanding at the end of the year. Fiscal 1994 expenditures reflect fiscal 1994 disbursements of $14.4 million, plus a reservation for transfer to the rainy day fund of $260.3 million, an adjustment for other transfers out, and the net change in encumbrances over the year of $25.3 million.
Pennsylvania	Expenditures include a transfer to the rainy day fund, which will occur in the subsequent year.
Puerto Rico	Rainy day fund balance includes $20 million for corrections.
Rhode Island	Resources are net of transfers to the Budget Reserve Fund.
South Carolina	Ending balance includes a budget stabilization fund of $100.2 million.

South Dakota	Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.
Tennessee	Ending balance includes a budget stabilization fund of $125.0 million.
Texas	Expenditures include a transfer of $13 million to the rainy day fund. In fiscal 1994, $78.8 million is appropriated from the rainy day fund. (Texas is on a biennial budget. The general fund closes with a positive balance in odd-numbered years.)
Utah	$30 million was transferred from the rainy day fund in fiscal 1993 to the general fund to cover the costs associated with the settlement of a federal retirees' lawsuit. The fund will be replenished with a transfer from the general fund of approximately $20 million in fiscal 1994 and $15 million in fiscal 1995.
Virginia	Ending balance includes a budget stabilization fund of $79.9 million.
Washington	Revenues for fiscal 1994 include net accruals of $148.3 million.
West Virginia	Beginning balance includes thirty-one-day expenditures of $29.7 million, reappropriations of $20.7 million, surplus appropriations of $10.0 million, and appropriated surplus of $10.6 million.
Wisconsin	Ending balance includes a budget stabilization fund of $73.6 million.

TABLE A-3

Fiscal 1995 State General Fund, Appropriated (Millions)

Region/State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND						
Connecticut*	$ 0	$ 8,571	$ 8,571	$ 8,571	$ 0	$ 0
Maine*	3	1,657	1,660	1,660	0	NA
Massachusetts*	123	12,892	13,015	12,961	54	388
New Hampshire	12	792	804	804	0	20
Rhode Island*	6	1,627	1,602	1,602	0	46
Vermont	0	687	687	687	1	1
MID-ATLANTIC						
Delaware*	313	1,461	1,774	1,613	162	*
Maryland	60	6,876	6,936	6,887	50	220
New Jersey*	951	14,397	15,349	14,902	446	155.2*
New York*	0	34,321	34,321	34,271	50	157
Pennsylvania*	302	15,355	15,657	15,653	4	64
GREAT LAKES						
Illinois*	230	13,579	13,809	13,609	200	0
Indiana*	90	6,671	6,761	6,562	198	388
Michigan*	0	7,905	7,905	7,804	0	1,025
Ohio*	300	15,801	16,101	15,859	242	281
Wisconsin*	234	7,822	8,056	7,962	93	*
PLAINS						
Iowa*	0	3,775	3,775	3,620	155	76
Kansas	361	3,251	3,612	3,352	260	5
Minnesota*	749	8,476	9,225	8,595	630	*
Missouri	176	5,161	5,337	5,261	76	38
Nebraska	152	1,735	1,887	1,714	173	29
North Dakota*	28	640	668	640	28	0
South Dakota*	0	583	583	583	0	3
SOUTHEAST						
Alabama	119	4,141	4,261	4,139	122	0
Arkansas	0	2,363	2,363	2,363	0	0
Florida	3	14,282	14,285	14,285	0	281
Georgia	90	9,396	9,486	9,396	90	244
Kentucky	11	4,989	5,000	4,976	24	100
Louisiana	0	4,546	4,546	4,546	0	0
Mississippi	166	2,533	2,699	2,593	106	194
North Carolina*	888	9,559	10,513	10,268	244	*
South Carolina*	407	3,988	4,395	4,081	314	*
Tennessee*	196	4,888	5,084	4,959	125	*
Virginia*	262	7,232	7,494	7,459	35	*
West Virginia*	69	2,215	2,284	2,277	7	0
SOUTHWEST						
Arizona	187	4,130	4,317	4,295	22	69
New Mexico*	124	2,632	2,756	2,639	118	*
Oklahoma	118	3,500	3,618	3,436	182	46
Texas*	1,808	19,407	21,215	19,022	2,192	20
ROCKY MOUNTAIN						
Colorado*	338	3,706	4,044	3,786	258	*
Idaho	38	1,255	1,293	1,264	29	33
Montana*	33	636	669	626	43	NA
Utah*	26	2,272	2,297	2,297	0	63
Wyoming	73	475	548	492	56	8
FAR WEST						
Alaska	0	2,521	2,521	2,521	0	231
California*	-419	41,717	41,298	40,939	359	*
Hawaii	291	3,120	3,411	3,119	212	0
Nevada*	104	1,085	1,190	1,103	86	*
Oregon	432	3,243	3,675	3,271	404	0
Washington*	390	8,155	8,545	8,275	270	125
TERRITORIES						
Puerto Rico*	209	5,198	5,198	5,196	2	83
Total	**$9,843**	**$342,020**	**$351,898**	**$343,599**	**$8,119**	**$4,155**

NOTE: NA indicates data are not available.

*See Notes to Table A-3.

NOTES TO TABLE A-3

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

California — Revenues include a loan repayment of $-1,200 million and a deficit elimination plan of $1,025 million. Ending balance includes a budget stabilization fund of $7 million and $352 million reserve for liquidation.

Colorado — Ending balance includes a budget stabilization fund of $144.4 million.

Connecticut — Figures include federal reimbursements such as for Medicaid.

Delaware — Ending balance includes a budget stabilization fund of $79.2 million.

Illinois — Excludes short-term borrowing of $300 million.

Indiana — Figures include property tax replacement fund but do not include balance of the general fund tuition reserve, which will be $190 million in fiscal 1995.

Iowa — All of the ending balance will be set aside in special accounts.

Maine — Beginning balance includes adjustments to prior year's transaction.

Massachusetts — Figures exclude federal reimbursements. Expenditures exclude interfund transfers.

Michigan — Revenue based on June 1994 revenue estimating conference. The projected year-end surplus of $100.9 million will be deposited into the rainy day fund along with the anticipated proceeds from the sale of the state's Accident Fund, which are estimated to total $226.8 million plus interest.

Minnesota — Ending balance includes a budget stabilization fund of $500 million.

Montana — Fiscal 1995 revenues and expenditures are increased by changes in the earmarking of taxes for school equalization.

Nevada — Ending balance includes budget stabilization fund of $28.5 million.

New Jersey — Ending balance includes a budget stabilization fund of $153.8 million.

New Mexico — Ending balance includes a cash balance of $118 million.

New York — The state ended fiscal 1993 with a general fund surplus of $671 million. The state ended fiscal 1994 with a surplus of $1,140 million; however, the actual operating surplus is $1,026 million, as $114 million of the surplus relates to the sale of Local Government Assistance Corporation (LGAC) bonds and is not considered part of the state's operating surplus. Because any general fund surplus is automatically deposited into the state's Tax Stabilization Reserve Fund (which cannot be accessed on a planned basis, but only in the case of a deficit), the state instead chose to deposit the excess monies into the Personal Income Tax Refund Reserve Account. As a result, in fiscal 1993, tax revenues were reduced by $671 million and in fiscal 1994, tax revenues were reduced by $1,026 million. However, as the result of the fiscal 1993 surplus, tax revenues were artificially inflated by $671 million in fiscal 1994, resulting in a net tax revenue reduction for fiscal 1994 of $469 million. Also, tax revenue projections for fiscal 1995 are artificially inflated by $1,026 million. Additionally, the fiscal 1994 disbursements include a $265 million transfer from the general fund to the Contingency Reserve Fund. These monies are projected to be disbursed from the Contingency Reserve Fund in fiscal 1995 for litigation expenses.

Included in New York's rainy day fund balance are the following (in millions):

	Fiscal 1993	Fiscal 1994	Fiscal 1995
Contingency Reserve Fund	$ 0	$265	$ 0
Tax Stabilization Reserve Fund	$67	$134	$157
Total	$67	$399	$157

North Carolina — Beginning balance includes $407 million unreserved beginning balance, $60.0 million authorized for repairs and renovations, $209.9 million authorized from reserve for disproportionate share receipts, and $210.6 million reserved beginning balance for budget stabilization. Revenues include $9,090.6 million of tax revenue, $288.2 million nontax revenue, highway transfer fund of $10.3 million, and highway trust fund transfer of $170 million. Resources include $94.0 million of 1994 disproportionate share minus $28.1 million for tax relief. Expenditures include operating budget of $9,782.2 million, $236.8 million in reserve for local government, and $249.4 for capital improvements. Ending balance includes a budget stabilization fund of $210.6 million and $33.5 unreserved balance. The 1993 general assembly appropriated $66.7 million for budget stabilization, which increased the ending balance to $277.3 million.

North Dakota — The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.

Ohio — Ohio includes federal reimbursements for Medicaid, ADC, and several other human services programs in its general fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balance would be higher by the amount reserved for encumbrances in each year. Fiscal 1995 expenditures reflect fiscal 1995 estimated disbursement of $15.9 million, minus an adjustment for other transfers out and the net change in encumbrances over the year of $50.6 million. State law requires any amount in excess of $70 million at the end of fiscal 1995 to be transferred into the rainy day fund at the beginning of fiscal 1996. This would mean an additional $171.7 million would be transferred, resulting in a rainy day fund of $453 million.

Pennsylvania — Expenditures include a transfer to the rainy day fund, which will occur in the subsequent year.

Puerto Rico — Rainy day fund balance includes $20 million for corrections.

Rhode Island — Resources are net of transfers to the Budget Reserve Fund.

South Carolina	Ending balance includes a budget stabilization fund of $110.2 million. Ending balance includes revenue set-aside of $54.6 million for use at the end of the fiscal year.
South Dakota	Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.
Tennessee	Ending balance includes a budget stabilization fund of $125.0 million.
Texas	The general fund closes with a positive balance in odd-numbered years.
Utah	$30 million was transferred from the rainy day fund in fiscal 1993 to the general fund to cover costs associated with settlement of federal retirees' lawsuit. The fund will be replenished with transfers from the general fund in fiscal 1994 of approximately $20 million and $15 million in fiscal 1995.
Virginia	Ending balance includes a budget stabilization fund of $79.9 million and is appropriated in fiscal 1995.
Washington	Revenues for fiscal 1995 include net accruals of $-172.3 million.
West Virginia	Beginning balance includes thirty-one-day expenditures of $21.6 million, reappropriations of $26.7 million, surplus appropriations of $6.0 million, appropriated surplus of $7.9 million, and unappropriated surplus of $6.6 million. Total expenditures include regular appropriations of $2,223.0 million, reappropriations of $26.7 million, surplus appropriations of $6.0 million, and 31 day expenditures of $21.6 million.
Wisconsin	Ending balance includes a budget stabilization fund of $78.8 million.

TABLE A-4

Nominal Percentage Expenditure Change, Fiscal 1994 and Fiscal 1995

Region/State	*Fiscal 1994*	*Fiscal 1995*
NEW ENGLAND		
Connecticut	3.9%	10.6%
Maine	-0.4	3.8
Massachusetts	3.7	7.3
New Hampshire	3.8	-1.6
Rhode Island	-4.3	4.2
Vermont	2.2	4.5
MID-ATLANTIC		
Delaware*	6.7	19.9
Maryland	3.0	4.8
New Jersey	5.8	-1.5
New York	4.3	6.3
Pennsylvania	7.2	4.6
GREAT LAKES		
Illinois	6.4	6.0
Indiana	5.2	-1.2
Michigan	1.9	-1.9
Ohio	7.6	7.7
Wisconsin	6.6	7.9
PLAINS		
Iowa	2.5	3.8
Kansas*	17.3	6.2
Minnesota	12.7	4.1
Missouri	10.7	10.6
Nebraska	-0.1	6.3
North Dakota	-6.4	4.7
South Dakota	7.0	-6.9
SOUTHEAST		
Alabama	8.2	7.6
Arkansas	9.3	4.1
Florida	10.8	7.6
Georgia	8.7	6.9
Kentucky	2.8	7.1
Louisiana	5.7	2.4
Mississippi	8.3	20.7
North Carolina	14.3	14.0
South Carolina	7.3	8.1
Tennessee	6.1	1.5
Virginia	5.9	9.5
West Virginia	2.5	9.5
SOUTHWEST		
Arizona	6.6	8.7
New Mexico	21.1	0.3
Oklahoma	-0.5	4.1
Texas	5.9	-2.4
ROCKY MOUNTAIN		
Colorado	9.5	6.4
Idaho	11.1	10.2
Montana*	-4.8	25.7
Utah	7.0	8.6
Wyoming	18.7	-1.6
FAR WEST		
Alaska	17.2	-21.4
California	-4.0	4.2
Hawaii	-0.1	1.9
Nevada	1.5	7.8
Oregon	9.2	6.2
Washington	2.7	3.1
TERRITORIES		
Puerto Rico	10.7	12.1
Average	**5.0%**	**4.9%**

*See Notes to Table A-4.

NOTES TO TABLE A-4

Delaware	Expenditures for fiscal 1995 include funds for one-time capital expenditures and a land and water bill.
Kansas	Expenditures for fiscal 1994 reflect a state assumption of $300.1 million of local school spending as a result of school finance reform. Excluding school finance reform, which shifted significant responsibility for school spending from local to state government, the growth for fiscal 1994 is estimated to be 4.8 percent.
Montana	Fiscal 1995 expenditures are increased by changes in the earmarking of taxes for school equalization.

TABLE A-5

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 1994

Region/State	Fees	Eliminate Programs	Layoffs	Furloughs	Across-the-Board Percentage Cuts	Early Retirement	Reduce Local Aid	Reorganize Programs	Privatization
NEW ENGLAND									
Connecticut									
Maine									
Massachusetts									
New Hampshire									
Rhode Island									
Vermont*					X				
MID-ATLANTIC									
Delaware									
Maryland									
New Jersey		X	X	X	X	X			
New York									
Pennsylvania									
GREAT LAKES									
Illinois									
Indiana		X			X				
Michigan									
Ohio									
Wisconsin									
PLAINS									
Iowa									
Kansas									
Minnesota									
Missouri									
Nebraska*									
North Dakota									
South Dakota									
SOUTHEAST									
Alabama									
Arkansas									
Florida									X
Georgia									
Kentucky	X				X		X		
Louisiana									
Mississippi									
North Carolina									
South Carolina									
Tennessee									
Virginia									
West Virginia									
SOUTHWEST									
Arizona									
New Mexico									
Oklahoma									
Texas									
ROCKY MOUNTAIN									
Colorado									
Idaho									
Montana*	X				X		X		
Utah									
Wyoming									
FAR WEST									
Alaska*									
California									
Hawaii*									
Nevada									
Oregon									
Washington									
TERRITORIES									
Puerto Rico									
Total	2	2	1	1	5	1	2	0	1

*See Notes to Table A-5.

NOTES TO TABLE A-5

Alaska	Alaska reduced budget gaps by issuing a hiring freeze.
Hawaii	Hawaii reduced budget gaps with selective reductions.
Montana	Other strategies used by Montana included funding switches, fund balance transfers, and targeted reductions.
Nebraska	Nebraska reduced budget gaps by issuing a hiring freeze.
Vermont	Vermont also used a transfer of $21.2 million from the transportation fund to eliminate carry-forward general fund deficit.

TABLE A-6

Changes Contained in Fiscal 1995 Budgets

Region/State	*Medicaid Reductions*	*Increased Employee Share: Health*	*Increased Employee Share: Pension*
NEW ENGLAND			
Connecticut			
Maine			X
Massachusetts			
New Hampshire			
Rhode Island*			
Vermont			
MID-ATLANTIC			
Delaware			
Maryland*		X	
New Jersey*	X		
New York*			
Pennsylvania*	X		
GREAT LAKES			
Illinois*	X		
Indiana	X	X	
Michigan*			
Ohio			
Wisconsin*			
PLAINS			
Iowa			
Kansas		X	
Minnesota			
Missouri			
Nebraska			
North Dakota			
South Dakota			
SOUTHEAST			
Alabama			
Arkansas			
Florida			
Georgia*			
Kentucky			
Louisiana			
Mississippi			
North Carolina			
South Carolina			
Tennessee		X	
Virginia			
West Virginia			
SOUTHWEST			
Arizona*			X
New Mexico			
Oklahoma			
Texas			
ROCKY MOUNTAIN			
Colorado		X	
Idaho			
Montana	X		
Utah			
Wyoming			
FAR WEST			
Alaska	X	X	
California*			
Hawaii			
Nevada			
Oregon			
Washington			
TERRITORIES			
Puerto Rico			
Total	**6**	**6**	**2**

*See Notes to Table A-6.

NOTES TO TABLE A-6

Arizona	The retirement pretax contribution was increased from 3.14 percent to 3.75 percent of gross wages.
California	For fiscal 1994, state employee health benefit premiums were reduced, thereby resulting in either savings or no increase to employee contributions. For fiscal 1995, there is no increase in employee retirement contributions, which are set in statute.
Georgia	The pension contribution for teachers is reduced by 1 percent of their salary in fiscal 1995.
Illinois	The fiscal 1995 budget includes a restructuring of the state's Medicaid program, designed to reduce costs through increased enrollment in managed care. Fraud prevention efforts also will increase in order to curb Medicaid abuse.
Maryland	This increase affects only those participants in fee-for-service plans.
New Jersey	Medicaid reductions are reductions to the rate.
New York	The employees' share of the health insurance premiums was not increased. However, program changes were negotiated that will increase some out-of-pocket expenditures for many employees (e.g., deductibles, maximum out-of-pocket expenses, and in some cases, copayments for prescriptions).
Michigan	Other increases, averaging 2 percent, occur because management and the state employee unions are working together to reduce health care costs. A portion of these savings are returned to employees as incentive payments.
Pennsylvania	The Governor's fiscal 1995 budget does not propose reductions in optional services for federally eligible clients, but it does propose the elimination of dental and medical supplies for all nonfederally eligible clients. It also proposes the restriction of pharmaceutical benefits to only those general assistance clients who are chronically needy.
Rhode Island	The fiscal 1995 budget contains no reductions in eligibility for Medicaid. It provides for the expansion of coverage to the "RiteTrack" population, approved through a federal waiver on November 1, 1993, for women and children with an annual income of up to 250 percent of the federal poverty level. It also provides for expansions in optional services, including organ transplants (reduced in 1994, restored in 1995).
Wisconsin	The fiscal 1995 budget contains no Medicaid reductions, but the state is implementing stricter cost containment measures.

TABLE A-7

State Employment Compensation Changes, Fiscal 1995

Region/State	Across-the-Board	Merit	Other	Notes
NEW ENGLAND				
Connecticut	---	---	---	There are no collective bargaining unit agreements in place with across-the-board increases for 1994-95. In addition, annual increments (step increases) have been removed from state statutes and now are strictly a subject of collective bargaining. Only one bargaining unit has a negotiated annual increment for 1994-95. The state's current position in negotiations for 1994-95 is a 0 percent general wage increase and no annual increment increases.
Maine	---	2.0%	---	Merit increases reflect the weighted average increase. Employees who have reached the top step in their range do not receive a merit increase.
Massachusetts	---	---	---	Agreements affecting compensation for most of the commonwealth's workforce covered by collective bargaining are not yet determined, nor is any change in the statutory provisions governing managers' compensation.
New Hampshire	4.75%	---	---	
Rhode Island	5.0%	---	---	The 5.0 percent increase, effective January 1, 1995, represents the cost-of-living adjustment contained in most negotiated contracts. Employees also may receive step increases and longevity increases.
Vermont	2.0%	---	1.9%	The 2.0 percent across-the-board increase is effective January 6, 1995.
MID-ATLANTIC				
Delaware	3.0%	---	*	The pay scale was compressed from a range of 75 percent to 125 percent to a range of 80 percent to 120 percent. All employees below the adjusted 80 percent were raised to 80 percent. On September 1, 1994, up to 4 percent of the midpoint for those employees below 100 percent of their pay range.
Maryland	3.0%	1.25%	---	The merit increase is a composite average. The range is from 0 percent to 6 percent, depending on step. It is estimated that 54 percent of the classified workforce is at the top step and will receive no merit increment.
New Jersey	6.0%	3.0%-5.0%	---	Across-the-board increase for unionized workers; annual merit increase for unionized workers based on 5 percent of the bottom of a range for up to eight years. Ninth-year merit increase is not given until eighteen months after eighth year.
New York	5.25%	0.9%	---	A 4 percent general salary increase was payable in April 1994 and an additional 1.25 percent is payable in October 1994. The total cash impact of these salary increases in fiscal 1995 is 4.625 percent. The merit increase reflects the cost of increase as a percentage of total payroll. Only certain eligible employees receive merit increases (performance advances).
Pennsylvania	3.69%	---	2.2%	Effective July 1, 1994, employees will receive an additional forty-five cents per hour or 3.5 percent, whichever is greater. Effective January 1, 1995, those not at the maximum will receive a 2.2 percent longevity increase.
GREAT LAKES				
Illinois	---	---	---	This includes a 3 percent cost-of-living adjustment for union and merit employees. About 50 percent of bargaining unit employees will receive an average 3.6 percent increase on their anniversaries.
Indiana	4.0%	---	---	The 4 percent increase is effective January 1, 1995, for all employees.
Michigan	---	---	2.0%	Other increases, averaging 2 percent, occur because management and the state employee unions are working together to reduce health care costs. A portion of these savings are returned to employees as incentive payments.
Ohio	3.0%	---	2.0%	"Other" represents the average "step" increase for state employees. Steps are usually 4 percent, but only 50 percent of the state workforce usually is eligible for step increases.
Wisconsin	2.5%	0.5%	---	An across-the-board 2.5 percent increase is effective at the beginning of fiscal 1995, and the 0.5 percent merit increase is effective January 1995 for selected groups. Several employee groups will receive a "pay grid" increase during fiscal 1995.

TABLE A-7 (continued)

State Employment Compensation Changes, Fiscal 1995

Region/State	Across-the-Board	Merit	Other	Notes
PLAINS				
Iowa	3.0%	0.6%	---	The 2 percent across-the-board increase is effective July 1, 1994, and an additional 2 percent increase takes effect January 1, 1995.
Kansas	1.5%	---	2.5%	The 1.5 percent across-the-board increase is effective for the last three-fourths of the fiscal year. The 2.5 percent increase is for step movement on the pay matrix.
Minnesota	3.25%	---	0.16%	"Other" is the average of progression increases based on length of service.
Missouri	4.0%	---	---	Three percent plus $200.00.
Nebraska	---	---	---	All classified employees earning less than $45,000 will receive an increase of $500 on July 1, 1994. In addition, employees with 10 years of service will receive an increase of $100 on their service anniversary date. There are no percentage or inflation adjustments and there is no step increase.
North Dakota	---	---	*	Up to a 3 percent across-the-board salary increase is encouraged. This increase was not funded directly by appropriations. The salary increases are to be paid by savings in other areas of an agency's budget.
South Dakota	3.0%	---	2.5%	The "other" 2.5 percent is for employees who are at the midpoint of their job class.
SOUTHEAST				
Alabama	8.0%	---	*	There was an 8 percent cost-of-living adjustment passed for state employees in lieu of merit raises. Longevity pay awards range from $300 to $600 based on years of state service.
Arkansas	1.0%	2.5%	---	Employees are eligible for a 2.5 percent merit increase on their anniversary date.
Florida	4.0%	---	*	Correctional officers and probation officers will be transitioned into a step pay plan with a guaranteed minimum increase of 4 percent. Law enforcement officers received one step increase (4.5 percent) plus a $1,200 annual increase for nonmanagerial classes.
Georgia	---	4.0%	---	A merit increase on the employee's anniversary date is based on a satisfactory evaluation.
Kentucky	5.0%	----	---	
Louisiana	---	4.0%	*	All state employees who have not reached their maximum salary are eligible to receive an annual merit increase of 4 percent if such a merit increase is warranted. Approximately 24 percent of state employees are at the maximum salary of the pay scale and will not qualify for further merit increases. The 1994-95 Appropriation Act provides a salary supplement equal to 5 percent of the annual salary of state employees up to a maximum of $1,200 per employee. This salary supplement will not be incorporated into the employees' base salary and is contingent upon the receipt of Land Based Casino Gaming Revenues, but only to the extent that such revenues are recognized as available by the Revenue Estimating Conference.
Mississippi	*	---	*	State employees receive a 1 percent salary increase on their anniversary hire date; certain positions are realigned; $500 across-the-board increase.
North Carolina	*	---	---	The majority of increases average 4 percent.
South Carolina	2.0%	1.3%	1.06%	"Other" is a base-pay increase based on length of service in current position, ranging from 0.5 percent to 1.5 percent for an overall average of 1.06 percent.
Tennessee	4.0%	---	1.25%	An across-the-board contingency salary increase plan of up to 4 percent is effective July 1, 1994, or at such date as revenues will support a raise. The "other" raise is available for state employees for classification-compensation adjustments.
Virginia	---	3.57%	---	Raises are based on a merit pay plan: an employee rated as "meets expectations" receives a 2.25 percent raise; an employee rated as "exceeds expectations" receives a 4.55 percent raise; an employee rated as "exceptional" receives a 6.90 percent raise. Raises are effective December 1, 1994. About 3 percent of state employees will not get a raise.
West Virginia	*	--- *	---	Public education professionals were granted a $500 annual increase in basic salary plus a $40 annual increase in the experience increment for each year of service. Higher education professionals received the second year of a three-year salary increase, with an average of $1,500 for faculty and $750 for nonfaculty. Other state employees received an $1,000 across-the-board increase.

TABLE A-7 (continued)

State Employment Compensation Changes, Fiscal 1995

Region/State	*Across-the-Board*	*Merit*	*Other*	*Notes*
SOUTHWEST				
Arizona	5.0%	---	---	This includes special pay packages for faculty salaries, correctional service officers, and teachers in juvenile corrections system. The general salary adjustment is funded at 3 percent as of July 1, 1994, and 2 percent as of April 1, 1995. (The effective pay increase funded in fiscal 1995 is 3.515 percent.)
New Mexico	3.0%	3.0%	---	Executive agency employees receive an average 4.5 percent increase, comprised of 3 percent on July 2, 1994, and 3 percent of salary range midpoint on the anniversary date of employment or promotion. State police received funding for implementation of new salary plan. Public school teachers received a 6 percent average increase.
Oklahoma	*	---	1.9%	Employee pay was increased $800 annually but is effective for only nine months of fiscal 1995. All employees will get a $600 gross pay increase in fiscal 1995.) The $600 equates to an average increase of 1.9 percent for all state employees. The $800 equates to 2.5 percent. In addition, certain other positions received greater pay increases.
Texas	---	---	---	
ROCKY MOUNTAIN				
Colorado	2.45%	5.0%	---	Only about one-third of classified employees are eligible for merit raises.
Idaho	2.6%	2.4%	1.2%	"Other" has two components: 0.4 percent to convert to a new pay schedule and 0.8 percent to fund the state's share of the third year of an enhancement in retirement benefits.
Montana	1.5%	---	---	Across-the-board increase is effective January 1995, therefore fiscal 1995 cost increase is 0.75 percent. The state contribution to health insurance is increased by $240 per year.
Utah	1.0%	2.72%	0.48%	This represents statewide funding of the compensation package. Employees with satisfactory or better performance received a 2.75 percent increase. Outstanding performance received an additional increase in the form of a bonus or ongoing increase. "Other" represents a health insurance increase of 3.0 percent and market adjustments for certain positions.
Wyoming	---	---	*	All general fund reversions were authorized to be placed in a compensation and productivity pool to be used to correct salary compression and inequities. The amount is not yet determined; the plan is still being developed.
FAR WEST				
Alaska	---	3.5%	---	All state employees are eligible for merit increases. Union agreements were reached to provide the following in fiscal 1995: a 3.1 percent salary increase for Marine Engineer Beneficial Association members; a $4.70 per month increase in health insurance coverage for confidential employees; up to 5 percent cost-of-living adjustment on January 1995 for Alyeska Central Study Education Association members. (These have small union representation; the combined budget impact is minimal.)
California	3.0%	---	---	State civil service employees (excluding higher education employees) will receive a 3 percent general salary increase, effective January 1, 1995. However, funding will only be provided to those agencies providing safety, 24-hour care, and revenue-producing services to the public. All other agencies will fund the general salary increase within existing resources.
Hawaii	2.0%	---	---	The increase is effective January 1, 1994.
Nevada	---	2.25%	---	About half the employees received merit raises (step increases) averaging 4.5 percent. Those who did not get merit pay raises were mostly at the top step of their grade, and therefore were ineligible. Almost all employees eligible for a merit pay raise received it.
Oregon	--	2.0%	0.3%	In general, there are no inflation increases for employees during 1993-95. Approximately one-half of all employees will receive a 5 percent merit increase in salary (shown as a percentage of salary and benefits). "Other" is the average expected increase in insurance premium contribution of 4.5 percent (shown as percentage of salary and benefits).
Washington	---	---	---	
TERRITORIES				
Puerto Rico	4.0%	---	---	A 4 percent maximum increase by defined unit based on team-work productivity is a new program implemented. This excludes teacher law increase of $1,500 per year, a 12.5 percent increase, and police law increase of $1,200 per year, a 12.9 percent increase.

TABLE A-8

Number of Filled Full-Time Equivalent Positions at the End of Fiscal 1993 to Fiscal 1995, in All Funds**

Region/State	*Fiscal 1993*	*Fiscal 1994*	*Fiscal 1995*	*Percent Change, 1993-1995*	*Percent Change, 1994-1995*	*Includes Higher Education Faculty*	*State-Administered Welfare System*
NEW ENGLAND							
Connecticut	38,959	40,535	39,798	2.15%	-1.82%		X
Maine	7,302	6,882	6,613	-9.44	-3.91		X
Massachusetts*	65,257	63,809	NA	-2.2	NA	X	X
New Hampshire	NA	NA	NA	NA	NA		X
Rhode Island*	17,599	17,215	16,495	-6.28	-4.18	X	X
Vermont	6,904	7,100	7,268	5.27	2.37		X
MID-ATLANTIC							
Delaware*	23,549	23,708	24,501	4.04	3.34	X	X
Maryland*	72,534	71,241	72,625	0.13	1.94	X	X
New Jersey*	64,849	64,808	64,200	-1.0	-0.94		
New York*	242,900	244,300	245,700	1.15	0.57	X	
Pennsylvania	78,725	81,512	NA	NA	NA		X
GREAT LAKES							
Illinois	65,297	66,657	67,876	3.95	1.83		X
Indiana	40,387	40,011	40,010	-0.93	0.0		X
Michigan	59,088	59,085	NA	NA	NA		X
Ohio*	60,254	61,797	62,800	4.23	1.62		
Wisconsin*	62,340	63,127	63,071	1.17	-0.09	X	
PLAINS							
Iowa	21,301	21,246	22,846	7.25	7.53		X
Kansas*	42,993	42,885	43,315	0.75	1.0	X	X
Minnesota	31,032	31,387	31,387	1.14	0.0		
Missouri*	52,841	53,587	55,567	5.16	3.69		X
Nebraska*	NA	NA	NA	NA	NA		
North Dakota*	12,141	12,164	12,164	0.19	0.0	X	
South Dakota*	13,354	13,950	13,982	4.7	0.23	X	X
SOUTHEAST							
Alabama	34,087	34,546	34,600	1.5	0.16		X
Arkansas	17,070	17,668	17,668	3.5	0.0		X
Florida*	137,657	141,371	121,793	-11.52	-13.85	X	X
Georgia*	52,258	53,574	54,468	4.23	1.67		X
Kentucky	37,490	37,490	36,515	-2.6	-2.6		X
Louisiana	46,966	47,729	47,704	1.57	-0.05		X
Mississippi	28,803	28,649	33,347	15.78	16.4		X
North Carolina	216,924	217,818	222,907	2.76	2.34	X	X
South Carolina*	67,620	67,175	67,175	-0.66	0.0	X	X
Tennessee	39,853	40,890	41,862	5.04	2.38		X
Virginia*	96,790	98,640	108,402	12.0	9.9	X	
West Virginia	32,543	30,536	30,461	-6.4	-0.25	X	X
SOUTHWEST							
Arizona*	31,672	32,080	33,230	4.92	3.59	X	X
New Mexico*	20,356	21,775	22,231	9.21	2.09		X
Oklahoma*	40,294	39,376	39,300	-2.47	-0.19		X
Texas	146,196	150,212	NA	NA	NA		X
ROCKY MOUNTAIN							
Colorado*	42,492	44,131	44,330	4.33	0.45		
Idaho	15,828	16,240	16,431	3.81	1.18	X	X
Montana	NA	10,441	10,768	NA	3.13		X
Utah*	16,655	26,767	27,726	66.47	3.58	X	X
Wyoming	12,800	12,800	12,560	-1.88	-1.88	X	X
FAR WEST							
Alaska	18,257	18,506	18,833	3.15	1.77	X	X
California*	260,939	268,727	268,844	3.03	0.04	X	X
Hawaii*	40,858	41,954	42,437	3.86	1.15	X	X
Nevada*	11,402	11,926	11,941	4.73	0.13		X
Oregon	47,073	46,047	45,996	-2.29	-0.11	X	X
Washington*	90,157	89,604	91,703	1.71	2.34	X	X
TERRITORIES							
Puerto Rico*	217,000	213,847	213,847	-1.45	0.0		X
Total	**2,682,645**	**2,733,678**	**2,393,450**	**2.1%**	**0.6%**	**23**	**42**

NOTES: NA indicates data are not available.

*See Notes to Table A-8.

**Fiscal 1995 figures are estimates. Figures reported reflect all funds, whereas figures in the previous reports reflected the general fund only.

NOTES TO TABLE A-8

Arizona	Figures published in the October 1993 edition of *The Fiscal Survey of States* reflected a change in methodology. These figures reflect the former methodology and are not directly comparable with the data from October 1993.
California	Fiscal 1994 and fiscal 1995 positions represent budgeted personnel rather than filled positions.
Colorado	Figures reflect appropriated positions.
Delaware	Figures reflect authorized positions.
Florida	Information represents total number of positions, both filled and vacant. Higher education positions are no longer noted in the full-time equivalent count.
Georgia	State-funded welfare positions are grant-in-aid slots, not position counts.
Hawaii	Figures reflect appropriated positions.
Kansas	Fiscal 1993 and fiscal 1994 figures are authorized positions.
Maryland	Figures reflect appropriated positions.
Massachusetts	Figures reflect standard workforce in all budgeted funds, excluding federal, capital, and trust funds; seasonal help; and board members and members of the legislature and executive council.
Missouri	Figures reflect authorized full-time equivalent positions, by appropriation.
Nebraska	Figures not available by fund type.
Nevada	Figures exclude temporary/seasonal positions, unclassified positions, staff in the university system, and members of the judicial branch, the legislative council bureau, and the trade unions.
New Jersey	Figures reflect full-time paid employees, not full-time equivalents.
New Mexico	Figures reflect authorized positions.
New York	The figures for authorized full-time equivalent positions reflect end-of-year counts for annual and nonannual salaried full-time equivalent positions in the executive, legislative, and judicial branches, regardless of funding source. These figures are significantly higher than those reported in prior surveys because they include positions funded from all sources of support.
North Dakota	Figures reflect legislatively authorized positions.
Ohio	Ohio does not appropriate full-time equivalents. The fiscal 1995 figure is an estimate.
Oklahoma	Full-time equivalent positions for fiscal 1995 are estimated.
Puerto Rico	Figures do not include staff at the University of Puerto Rico or members of the legislative and judicial branches.
Rhode Island	Fiscal 1993 figures represent authorized positions.
South Carolina	Fiscal 1995 figures reflect the number of positions filled at the beginning of the fiscal year.
South Dakota	Figures reflect appropriated positions.
Utah	Fiscal 1993 actual figures do not include higher education faculty.
Virginia	The welfare system is state-supervised and locally administered.
Washington	Figures include positions in both the operating and capital funds.
Wisconsin	Figures reflect authorized position levels.

TABLE A-9

Fiscal 1994 Tax Collections Compared With Projections Used in Adopting Fiscal 1994 Budgets (Millions)

	Sales Tax		Personal Income Tax		Corporate Income Tax		
Region/State	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Total Revenue Collection**
NEW ENGLAND							
Connecticut	$ 2,132	$ 2,170	$ 2,494	$ 2,520	$ 607	$ 695	T
Maine	638	582	584	582	53	63	T
Massachusetts	2,260	2,302	5,755	5,690	690	782	H
New Hampshire	NA	NA	NA	NA	110	112	T
Rhode Island*	421	420	529	524	64	60	L
Vermont*	148	166	296	292	30	41	L
MID-ATLANTIC							
Delaware*	NA	NA	524	547	49	61	H
Maryland*	1,795	1,806	3,173	3,223	147	169	T
New Jersey	3,920	3,780	4,748	4,527	1,100	1,040	L
New York*	6,135	6,074	16,854	16,034	1,745	1,948	H
Pennsylvania	5,043	5,124	4,947	4,873	1,613	1,554	H
GREAT LAKES							
Illinois	4,323	4,371	4,960	4,947	731	755	H
Indiana*	2,502	2,580	2,536	2,542	769	799	H
Michigan	3,040	3,145	3,819	4,017	1,898	1,995	H
Ohio	4,065	4,251	4,622	4,539	875	897	T
Wisconsin*	2,410	2,428	3,640	3,639	515	541	H
PLAINS							
Iowa	1,062	1,110	1,785	1,785	234	221	H
Kansas	1,196	1,224	1,158	1,200	195	205	H
Minnesota	2,572	2,543	3,452	3,548	556	554	H
Missouri	1,380	1,447	2,516	2,463	298	290	T
Nebraska*	667	649	738	722	110	113	T
North Dakota	249	263	125	138	46	51	H
South Dakota	303	308	NA	NA	NA	NA	H
SOUTHEAST							
Alabama*	952	1,058	1,289	1,313	176	179	H
Arkansas	1,156	1,210	1,109	1,118	166	185	H
Florida	10,457	10,073	NA	NA	884	1,047	T
Georgia*	3,139	3,392	3,619	3,586	466	553	H
Kentucky	1,486	1,540	1,916	1,722	316	261	L
Louisiana	1,660	1,687	960	990	273	255	L
Mississippi	913	1,013	569	633	187	218	H
North Carolina	2,456	2,579	4,124	4,255	512	488	H
South Carolina	1,250	1,347	1,547	1,531	139	199	H
Tennessee*	2,968	3,170	100	100	392	430	H
Virginia	1,521	1,539	3,711	3,812	309	312	H
West Virginia	670	682	660	670	120	114	H
SOUTHWEST							
Arizona	1,700	1,793	1,400	1,404	205	302	H
New Mexico	891	922	511	563	83	123	H
Oklahoma	1,013	1,034	1,370	1,307	147	160	L
Texas*	9,356	9,753	NA	NA	925	1,196	T
ROCKY MOUNTAIN							
Colorado	1,016	1,041	1,918	1,905	140	144	H
Idaho	420	453	532	559	58	88	H
Montana*	NA	NA	328	346	69	69	H
Utah	910	965	905	916	88	105	H
Wyoming	183	187	NA	NA	NA	NA	H
FAR WEST							
Alaska	NA	NA	NA	NA	168	176	L
California	14,180	13,796	17,686	17,525	4,762	4,615	L
Hawaii*	1,376	1,332	892	962	42	39	H
Nevada	329	357	NA	NA	NA	NA	H
Oregon	NA	NA	2,514	2,584	198	263	H
Washington*	3,833	3,922	NA	NA	1,506	1,475	H
TERRITORIES							
Puerto Rico*	1,066	1,160	1,366	1,425	1,066	1,146	H
Total	**$110,095**	**$111,587**	**$116,914**	**$116,150**	**$24,763**	**$25,941**	-

NOTES: NA indicates data are not available.
*See Notes to Table A-9.
**Key: L=Revenues lower than estimates. H=Revenues higher than estimates. T=Revenues on target.

NOTES TO TABLE A-9

Alabama	Alabama's fiscal year ends September 30. Revenue amounts are based on ten actual months and two estimated months.
Delaware	Figures represent collections net of refunds.
Georgia	Fiscal 1994 estimates have not been changed since the original estimates used for budget adoption. Any surplus funds will be added to the rainy day fund at the end of the fiscal year.
Hawaii	Sales tax collection figures include $5.0 million transferred to the compound interest bond reserve fund each year. In fiscal 1994, $0.5 million has been transferred to the tax administration fund.
Indiana	Corporate income tax collections for fiscal 1994 exclude the $106 million in one-time speed-up from shifting the tax filing schedule.
Maryland	Corporate income tax collections represent the general fund portion.
Montana	Fiscal 1994 estimates were adopted in the December 1993 special session.
Nebraska	Miscellaneous receipts were projected at $148.2 million, but the actual amount was $169.4 million, resulting in overall receipts being $8.7 million of projected for less than a 1 percent total error.
New York	The state ended fiscal 1993 with a general fund surplus of $671 million. The state ended fiscal 1994 with a surplus of $1,140 million; however, the actual operating surplus is $1,026 million, as $114 million of the surplus relates to the sale of Local Government Assistance Corporation (LGAC) bonds and is not considered part of the state's operating surplus. Because any general fund surplus is automatically deposited into the state's Tax Stabilization Reserve Fund (which cannot be accessed on a planned basis, but only in the case of a deficit), the state instead chose to deposit the excess monies into the Personal Income Tax Refund Reserve Account. As a result, in fiscal 1993, tax revenues were reduced by $671 million and in fiscal 1994, tax revenues were reduced by $1,026 million. However, as the result of the fiscal 1993 surplus, tax revenues were artificially inflated by $671 million in fiscal 1994, resulting in a net tax revenue reduction for fiscal 1994 of $469 million. Also, tax revenue projections for fiscal 1995 are artificially inflated by $1,026 million. Additionally, the fiscal 1994 disbursements include a $265 million transfer from the general fund to the Contingency Reserve Fund. These monies are projected to be disbursed from the Contingency Reserve Fund in fiscal 1995 for litigation expenses.
Puerto Rico	Sales tax collection figures represent the tax on imports or local production.
Rhode Island	Original estimates are those enacted during the 1994 legislative session. Current estimates are preliminary actual closing figures.
Texas	Corporate tax collections are for the franchise tax.
Tennessee	Sales tax and personal income tax collections are shared with local governments.
Vermont	Preliminary actual sales tax collections for fiscal 1994 reflect tax law change.
Washington	Corporate income tax figures are for the corporate business and occupations tax.
Wisconsin	Estimates used when the budget was adopted for fiscal 1994 are the estimates when the 1993-95 biennial budget was adopted. Preliminary actual fiscal 1994 personal income tax collections include $10.1 million paid as refunds in federal retiree settlements.

TABLE A-10

Fiscal 1994 Tax Collections Compared With Projections Used in Adopting Fiscal 1995 Budgets (Millions)

	Sales Tax		Personal Income Tax		Corporate Income Tax	
Region/State	*Fiscal 1994*	*Fiscal 1995*	*Fiscal 1994*	*Fiscal 1995*	*Fiscal 1994*	*Fiscal 1995*
NEW ENGLAND						
Connecticut	$ 2,170	$ 2,374	$ 2,520	$ 2,677	$ 695	$ 669
Maine	582	608	582	615	63	54
Massachusetts	2,302	2,450	5,690	6,203	782	854
New Hampshire	NA	NA	NA	NA	112	118
Rhode Island	420	439	524	565	60	70
Vermont*	166	176	292	291	41	34
MID-ATLANTIC						
Delaware*	NA	NA	547	578	61	56
Maryland*	1,806	1,914	3,223	3,414	169	159
New Jersey	3,780	3,980	4,527	4,582	1,040	915
New York*	6,074	6,390	16,034	18,556	1,948	1,875
Pennsylvania	5,124	5,398	4,873	5,078	1,554	1,529
GREAT LAKES						
Illinois	4,371	4,565	4,947	5,261	755	796
Indiana*	2,580	2,612	2,542	2,645	799	790
Michigan	3,145	3,193	4,017	4,286	1,995	2,070
Ohio	4,251	4,323	4,539	4,920	897	931
Wisconsin*	2,428	2,595	3,639	3,919	541	541
PLAINS						
Iowa	1,110	1,144	1,785	1,850	221	225
Kansas	1,224	1,275	1,200	1,285	205	198
Minnesota	2,543	2,652	3,548	3,701	554	628
Missouri	1,447	1,505	2,463	2,795	290	348
Nebraska	649	675	722	783	113	118
North Dakota	263	272	138	131	51	45
South Dakota	308	319	NA	NA	NA	NA
SOUTHEAST						
Alabama*	1,058	1,070	1,313	1,377	179	188
Arkansas	1,210	1,245	1,118	1,191	185	178
Florida	10,073	10,760	NA	NA	1,047	1,081
Georgia	3,392	3,463	3,586	3,904	553	494
Kentucky	1,540	1,611	1,722	1,929	261	263
Louisiana	1,687	1,742	990	1,060	255	220
Mississippi	1,013	1,059	633	678	218	225
North Carolina	2,579	2,761	4,255	4,593	488	511
South Carolina	1,347	1,385	1,531	1,620	199	177
Tennessee*	3,170	3,298	100	104	430	478
Virginia	1,539	1,664	3,812	4,101	312	314
West Virginia	682	726	670	707	114	127
SOUTHWEST						
Arizona	1,793	1,868	1,404	1,605	302	261
New Mexico	922	991	563	602	123	110
Oklahoma	1,034	1,074	1,307	1,440	160	150
Texas*	9,753	9,697	NA	NA	1,196	1,360
ROCKY MOUNTAIN						
Colorado	1,041	1,070	1,905	2,031	144	148
Idaho	453	483	559	628	88	79
Montana	NA	NA	346	345	69	71
Utah	965	1,035	916	996	105	103
Wyoming	187	196	NA	NA	NA	NA
FAR WEST						
Alaska	NA	NA	NA	NA	176	128
California	13,796	14,608	17,525	18,356	4,615	4,858
Hawaii*	1,332	1,388	962	986	39	29
Nevada	357	340	NA	NA	NA	NA
Oregon	NA	NA	2,584	2,688	263	211
Washington*	3,922	4,001	NA	NA	1,475	1,623
TERRITORIES						
Puerto Rico*	1,160	1,200	1,425	1,539	1,146	1,216
Total	**$111,586**	**$116,393**	**$116,150**	**$125,076**	**$25,941**	**$26,409**

NOTES: NA indicates data are not available.
*See Notes to Table A-10. The fiscal 1994 figures reflect the latest tax collection estimates as shown in Table A-9.
The total percentage change from fiscal 1994 to fiscal 1995 for all sources is 5.6 percent.

NOTES TO TABLE A-10

Alabama	Figures include debt service savings of $42.6 million from bond refinancing.
Delaware	Figures represent collections net of refunds.
Hawaii	Sales tax collection figures include $5.0 million transferred to the Compound Interest Bond Reserve Fund each year. In fiscal 1994, $0.5 million has been transferred to the Tax Administration Fund.
Indiana	Corporate income tax collections for fiscal 1994 exclude the $106 million in one-time speed-up from shifting the tax filing schedule.
Maryland	Corporate income tax collections represent the general fund portion.
New York	The state ended fiscal 1993 with a general fund surplus of $671 million. The state ended fiscal 1994 with a surplus of $1,140 million; however, the actual operating surplus is $1,026 million, as $114 million of the surplus relates to the sale of Local Government Assistance Corporation (LGAC) bonds and is not considered part of the state's operating surplus. Because any general fund surplus is automatically deposited into the state's Tax Stabilization Reserve Fund (which cannot be accessed on a planned basis, but only in the case of a deficit), the state instead chose to deposit the excess monies into the Personal Income Tax Refund Reserve Account. As a result, in fiscal 1993, tax revenues were reduced by $671 million and in fiscal 1994, tax revenues were reduced by $1,026 million. However, as the result of the fiscal 1993 surplus, tax revenues were artificially inflated by $671 million in fiscal 1994, resulting in a net tax revenue reduction for fiscal 1994 of $469 million. Also, tax revenue projections for fiscal 1995 are artificially inflated by $1,026 million. Additionally, the fiscal 1994 disbursements include a $265 million transfer from the general fund to the Contingency Reserve Fund. These monies are projected to be disbursed from the Contingency Reserve Fund in fiscal 1995 for litigation expenses.
Puerto Rico	Sales tax collection figures represent the tax on imports of local production.
Texas	Corporate tax collections are for the franchise tax.
Tennessee	Sales tax and personal income tax collections are shared with local governments.
Vermont	Preliminary actual sales tax collections for fiscal 1994 reflect tax change law.
Washington	Corporate income tax figures are for the corporate business and occupations tax.
Wisconsin	Estimates used when the budget was adopted in fiscal 1995 are fiscal 1995 estimates of the budget adjustment bill.

TABLE A-11

Enacted Revenue Changes by Type of Revenue, Fiscal 1995

State	*Tax Change Description*	*Effective Date*	*Fiscal 1995 Revenue Change (Millions)*
	SALES TAX		
Florida	Exempts aircraft repair/maintenance labor charges.	7/94	-1.8
	Forgives back taxes on government-sponsored events.	7/94	-2.3
Georgia	Repeals sales tax on private vehicle sales between individuals and refunds prior collections.	8/93	-40.0
Kansas	Adds three additional exemptions to the sales and use tax.	7/94	-2.0
Maryland	Exempts certain production machinery and expenses for establishing/maintaining "clean rooms" for the manufacture of drugs, medical devices, and biologics.	1/95	-1.1
Michigan	Increases the rate from 4 percent to 6 percent.	5/94	1,629.3
Minnesota	Replacement capital equipment.	7/94	-12.6
	Special tooling.	7/94	-1.1
	Farm equipment.	7/94	-1.2
New York	Exempts certain race horse sales.	9/94	-1.0
Ohio	Repeals sales tax on warranty property.	7/94	-30.0
	Exempts purchases of warehouse tangible property.	7/94	-2.0
Pennsylvania	Eliminates sales tax on magazines by subscription, interior office cleaning, and defense-related contract manufacturing.	7/94	-9.8
Texas	Phases out tax on manufacturing equipment.	10/93	-483.0
Utah	1/8 cent reduction.	7/94	-23.6
	Enacts exemption for replacement parts for steel mills.	7/94	-.5
	Repeals various exemptions.	7/94	14.0
Washington	Sales tax deferral for research and development facilities.	1/95	-4.7
	Expands sales tax deferral in distressed areas.	7/94	-12.0

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 1995

State	*Tax Change Description*	*Effective Date*	*Fiscal 1995 Revenue Change (Millions)*
	PERSONAL INCOME TAX		
Arizona	Decreases all tax rates, primarily concentrated in the lower (below $50,000 married family) income levels.	1/94	-106.9
	Modifies Arizona law to be consistent with federal definitions. Arizona calculations start with federal adjusted gross income.	1/94	6.2
	Provides for a tax credit for expenses incurred to purchase and install an agricultural water conservation system. The credit is equal to 75 percent of the qualifying expenses.	1/94	-1.2
Connecticut	Fixes "cliffs" problems on exemption and tax credit structure, effective January 1995; limits state taxation of Social Security benefits taxable for federal purposes, effective January 1994; replaces the current alternative minimum tax with a tax based on adjusted federal tentative minimum tax, effective January 1994.	1/94 1/95	-18.7
Georgia	Increases the dependent exemption by $1,000 and the elderly income exclusion by $2,000.	7/94	-100.0
	Establishes a food tax credit.	1/92	-40.0
Maine	Establishes a catastrophic health care plan that allows patients a deduction on income tax returns.	7/94	2.0
Massachusetts	Creates head-of-household filing status eligible for specific exemptions.	1/94	-18.1
Michigan	Lowers rate from 4.6 percent to 4.4 percent and eliminates tax on private pensions.	5/94	-331.5
Minnesota	Elderly subtraction.	1/94	-9.0
	Federal update.	1/94	27.9
	Dependent credit.	1/94	-1.9
Mississippi	Capital gains exemption.	1/94	-2.5
Missouri	Doubles low-income housing tax credit.	1/95	-2.0
	Property tax relief for the disabled.	1/94	-11.0
Montana	Temporary surtax expires.	1/94	-6.5
New Jersey	Five-percent reduction, increasing threshold from $3,000 to $7,500 in fiscal 1994; 10 percent reduction in lower brackets, 2.5 percent reduction in second highest bracket; 1.0 percent reduction in highest brackets in fiscal 1995.	1/94 1/95	-325.0
New Mexico	Expands low-income credits, reduces marriage tax penalty, credits prescription drugs.	1994	-31.0
New York	Earned income tax credit.	1/94	-21
	Modifies tax liability computation used for nonresidents.	1/94	2.0
Oklahoma	Changes method of calculating out-of-state part-year resident taxes.	NA	18.0
Pennsylvania	Increases exemption for low-income families.	1/94	-46.0
South Carolina	Doubles tax exemption for children below six years of age (first step of four-year phase-in).	1/94	-9.0
Virginia	Lowers base amount of age deduction, eliminates indexing.	7/94	8.0
Wisconsin	Head-of-household standard deduction.	1/94	-4.9

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 1995

State	*Tax Change Description*	*Effective Date*	*Fiscal 1995 Revenue Change (Millions)*
	CORPORATE INCOME TAXES		
Alaska	Provides an oil and gas exploration incentive credit.	8/94	N/A
Arizona	Conforms Arizona law to federal changes.	1/94	10.0
	Reduces tax rate from 9.3 percent to 9.0 percent.	1/94	-5.8
Florida	Adds a grandfather clause for existing enterprise zone credits.	7/94	-2.3
Idaho	Clarifies "water's edge" provision.	1/94	-1.0
	Establishes a credit for buying equipment used in connection with recycled products.	1/94	-1.0
Massachusetts	Extends the investment tax credit to equipment acquired through operating lease.	7/94	-1.2
Michigan	Decreases rate from 2.35 percent to 2.3 percent and raises the filing threshold.	10/94	-85.0
Minnesota	Federal update.	1/94	11.2
Mississippi	Ad valorem taxes on merchandise held for resale (inventory tax).	7/94	-10.0
Missouri	Tax credits for investing in commmunity development corporations.	1/94	-2.0
Montana	Temporary surtax expires.	1/94	-2.5
New Hampshire	Reduces corporate income tax from 7.5 percent to 7.0 percent.	7/94	-14.0
New York	Reduces business tax surcharge.	1/94	-151.0
	Alternative minimum tax reforms.	1/94	-70.0
	S Corporation rate relief.	1/94	-16.0.
	Miscellaneous provisions.	1/94	-17.0
Pennsylvania	Reduces tax rate to 11.99 percent for 1994, 10.99 percent for 1995, 10.75 percent for 1996, and 9.99 percent for 1997; establishes a credit for net operating loss carried forward; taxes business trusts.	1/94 and 95	-81.0
Washington	Tax credit for research and development expenditures.	1/95	-4.9
	Reduces temporary surtax from 6.5 percent to 4.5 percent.	1/95	-7.9
	Replaces income threshold with a tax credit.	7/94	-18.3

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 1995

State	Tax Change Description	Effective Date	Fiscal 1995 Revenue Change (Millions)
	FEES		
Florida	Increases dissolution of marriage fee.	7/94	1.5
	Increases marriage license fee.	7/94	3.1
	Increases motor vehicle license fee by $1.00.	7/94	9.3
	Increases motor vehicle license fee by $.50.	10/94	4.7
	Inmate health care copayment.	7/94	1.3
	Various increases to professional regulation fees.	Various	1.4
	Forgives interest payments on certain trust fund loans.	7/94	-4.2
	Fees for fertilizer distributors.	7/94	1.0
	Exempts nonprofits from supplemental corporation filing fee.	7/94	-3.4
	Increases temporary motor vehicle tag fee.	7/94	2.1
Hawaii	Increases fee for driver abstracts.	7/94	1.0
Indiana	Environmental.	7/93	9.9
	Insurance.	7/93	1.3
	Insurance.	7/93	2.0
Iowa	Court fines and fees.	7/94	1.9
Maine	Increases all fees within the department of inland fisheries and wildlife.	7/94	1.6
Maryland	Various purchases.	Various	5.1
Massachusetts	Check cashing services licensing.	7/94	0.2
	Teacher certification.	9/94	1.2
	Nurse licensing.	12/94	0.4
Minnesota	Eliminates juvenile fee-for-service.	7/94	-3.5
Missouri	Air emission fees on vehicles as mandated by the Clean Air Act.	1/96	5.0
New Jersey	Increases motor vehicle fees.	7/94	60.0
	Increases fees for criminal history record checks performed by state police.	7/94	5.2
	Increases fees for registration and licensing of commercially used weights and measures devices.	7/94	1.6
	New $35.00 fee for registration of commercial vehicles with gross weight over 10,000 pounds.	7/94	3.4
	Clean Air Act operating permits.	5/95	11.0
New Mexico	Adds twenty-five cents to thirty-five cents per tire fee to promote tire recycling.	7/94	1.6
New York	Repeals certain environmental and beverage control fees and a high school equivalency diploma exam fee.	Various	-5.0
Ohio	Variety of EPA, regulatory, licensing, and franchise fees.	7/93	5.0
Oklahoma	Decreases truck overweight fees.	NA	-2.3
	Increases motor vehicle reinstatement fees.	NA	5.8
	Wildlife commission fees.	NA	1.7
	Increases fees for the department of human services—intermediate care facilities for the mentally retarded.	NA	1.2
Rhode Island	Hospital licensing fee—4.42 percent of gross receipts.	7/94	71.4
South Carolina	Increases patient day fee from $5.00 to $8.50 for intermediate care facilities for the mentally retarded.	7/94	4.1
Texas	Reinstatement fee for drivers' license of $50 for DWI offenders.	NA	2.0
Virginia	Requires inmates to pay part of incarceration costs.	7/94	1.4
	Increases certain court fees.	7/94	3.7

NOTE: NA indicates data are not available.

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 1995

State	Tax Change Description	Effective Date	Fiscal 1995 Revenue Change (Millions)
	CIGARETTE AND TOBACCO TAXES		
Idaho	Increase of ten cents per pack, for public school substance abuse programs.	7/94	8.0
Michigan	Increase from twenty-five cents to seventy-five cents per pack.	5/94	343.1
Puerto Rico	Increase in percentage.	NA	4.0
Rhode Island	Increase in excise tax of twelve cents per pack.	7/94	9.4
	MOTOR FUEL TAXES		
Montana	Four cents on fuel for fiscal 1994, three cents on fuel for fiscal 1995, plus changes in fees.	7/93	19.0
New Mexico	Two cents per gallon gas tax reduction for three years.	7/94	-16.0
New York	Petroleum business tax exemption for farmers, fishermen, manufacturers, and commercial entities.	9/94	-27.0
Rhode Island	One cent per gallon on gasoline tax to be dedicated to the Underground Storage Tank Fund.	7/94	4.2
	ALCOHOLIC BEVERAGE TAXES		
New York	Sparkling wine tax reduction.	8/94	-2.0
Pennsylvania	Extension of tax credit.	1/94	-0.5
	OTHER TAXES		
Alaska	Increases aviation fuel tax rates.	9/94	1.6
Connecticut	Insurance company: reduces premiums tax from 2.0 percent to 1.75 percent; imposes premium tax on health maintenance organizations.	1/95	2.5
Delaware	Reduces utility tax on manufacturers.	9/94	-2.0
	Eliminates temporary surcharge on gross receipts tax.	1/95	-4.3
Florida	Jai Alai tax rate reduction.	7/94	-2.4
	Dry cleaning gross receipts tax.	10/94	6.9
	Pollutants tax on dry cleaning solvents.	10/94	1.4
Hawaii	Increases transit accommodation tax rate from 5 percent to 6 percent.	7/94	15.0
Idaho	20 percent offset on insurance premium tax.	1/94	2.0
	Reduces insurance premium tax from 3.0 percent to 2.75 percent.	1/94	-1.0
Kansas	Reduces severance tax rate for natural gas.	7/94	-8.9
Louisiana	Exempts stripper oil from severance tax.	7/94	-1.0
	Increases tax rate on video poker receipts.	7/94	14.0
Maine	Suspends for one year investment tax credit for paper industries.	7/94	1.4
Michigan	Replaces inheritance tax with estate tax.	1/94	-77.0
	Increases use tax from 4 percent to 6 percent.	5/94	300.0
	New real estate transfer tax of 0.75 percent.	1/95	109.0
	Cuts property taxes.	7/94	-2,909.7
Missouri	Nursing facility federal reimbursement allowance.	12/94	NA
Nebraska	Fertilizer tax receipts moved out of general fund to support ethanol plant construction.	10/94	-4.0
New York	Repeals hotel occupancy tax.	9/94	-35.0
	Real property gains tax reforms.	2/94	-33.0
	Pari-mutuel tax reductions.	8/94	-8.0
	Miscellaneous provisions.	Various	-18.0
Pennsylvania	Increases the credit for neighborhood assistance projects, exemption for inheritance tax, title insurance company change, and capital stock fixed formula.	7/94	-29.1
Puerto Rico	Decreases percentage in soda beverage tax.	NA	-12.8
Rhode Island	Phases out energy tax on manufacturers.	7/94	-1.7
Texas	Repeals bingo tax.	NA	-10.0
Vermont	Extends rooms and meals tax at 7 percent.	7/94	7.0
Virginia	Increases insurance premiums tax rate paid by Blue Cross.	7/94	1.4

TABLE A-12

Enacted Revenue Measures

State	*Description*	*Effective Date*	*Fiscal 1995 Changes (Millions)*
California	Settlement Authority Extension.	N/A	45.0
Florida	Changes special fuel tax credits to refunds.	7/94	-1.2
	Staggers renewal for long-term "for hire" vehicles.	7/94	-1.2
Iowa	Changes in gaming limits.	4/94	18.2
Minnesota	Two-year renewal for insurance agent license.	9/94	1.9
New York	Allows a sales tax vendor allowance.	9/94	-12.0
	Broadens use of electronic fund transfer for sales tax payments.	9/94	14.0
	Freezes current personal income tax rate.	1/94	800.0
	Conforms state tax statutes to federally estimated tax rules.	1/94	-65.0
	Broadens use of electronic fund transfer for withholders.	1/94	12.0
	Miscellaneous personal income tax provisions.	1/94	-19.0
	Extends business tax surcharge.	1/94	300.0
	Conforms state tax statutes to federally estimated tax rules.	1/94	12.0
	Extends assessment on medical providers.	N/A	275.0
South Carolina	Increases drivers' license fee from $10.00 to $12.50; renewal extended from four to five years	1/95	1.0
Texas*	Fifteen-day speed-up on sales tax in final fiscal month.	9/94	120.0
	Three-month speed-up on corporate income in final fiscal month.	9/94	18.0
	Three-month delay on fuel tax transfer to highway fund.	9/94	300.0
	Speed-up of hotel and insurance tax collections.	9/94	103.0
Virginia	Defers exemptions for nonprescription drugs.	7/94	13.2
	Defers housing development tax credit.	7/94	1.0
	Defers additional withholding allowances.	7/94	22.4
	Defers housing development tax credit.	7/94	1.0
	Defers neighborhood assistance tax credit.	7/94	2.8
	Creates provisions for the payment of certain fees on installment.	7/94	2.4
Washington	Variety of technical corrections and miscellaneous legislation.	7/94	10.7

*Sales taxes of $120 million will go negative by the same amount the following month in fiscal 1996 with no effect thereafter. Corporate taxes of $18 million are one-time gains with no effect on outyears; revenues will drop back in fiscal 1996 with no effect thereafter. Motor fuel taxes will go negative by same amount in fiscal 1996 with no effect thereafter. Other taxes are a one-time gain with no effect on outyears; revenues will fall back to customary streams in fiscal 1996 and thereafter.

TABLE A-13

Total Balances and Balances as a Percent of Expenditures, Fiscal 1993 to Fiscal 1995

	Total Balances (Millions)*			Balances as a Percent of Expenditures		
Region/State	*Fiscal 1993*	*Fiscal 1994*	*Fiscal 1995*	*Fiscal 1993*	*Fiscal 1994*	*Fiscal 1995*
NEW ENGLAND						
Connecticut	$ 114	$ 141	$ 0	1.5%	1.8%	0.0%
Maine	16	3	0	1.0	0.2	0.0
Massachusetts	443	500	442	3.8	4.1	3.4
New Hampshire	51	32	20	6.5	3.9	2.5
Rhode Island	32	48	46	2.0	3.1	2.9
Vermont	-46	1	2	-7.2	0.2	0.2
MID-ATLANTIC						
Delaware	210	313	162	16.6	23.3	10.0
Maryland	62	221	270	1.0	3.4	3.9
New Jersey	1,112	951	446	7.8	6.3	3.0
New York	67	399	207	0.2	1.2	0.6
Pennsylvania	223	332	68	1.6	2.2	0.4
GREAT LAKES						
Illinois	172	230	200	1.4	1.8	1.5
Indiana	310	460	586	4.9	6.9	8.9
Michigan	329	664	1,025	4.2	8.3	13.1
Ohio	111	581	523	0.8	3.9	3.3
Wisconsin	168	234	93	2.4	3.2	1.2
PLAINS						
Iowa	54	127	231	1.6	3.7	6.4
Kansas	460	433	265	17.1	13.7	7.9
Minnesota	876	749	630	12.0	9.1	7.3
Missouri	251	213	114	5.8	4.5	2.2
Nebraska	140	180	202	8.7	11.2	11.8
North Dakota	20	28	28	3.1	4.6	4.4
South Dakota	21	22	3	3.6	3.5	0.6
SOUTHEAST						
Alabama	130	119	122	3.7	3.1	3.0
Arkansas	0	0	0	0.0	0.0	0.0
Florida	543	303	281	4.5	2.3	2.0
Georgia	222	334	334	2.7	3.8	3.6
Kentucky	68	188	124	1.5	4.0	2.5
Louisiana	101	0	0	2.4	0.0	0.0
Mississippi	335	526	300	16.9	24.5	11.6
North Carolina	176	141	141	2.2	1.6	1.4
South Carolina	159	407	314	4.5	10.8	7.7
Tennessee	266	196	125	5.8	4.0	2.5
Virginia	169	262	35	2.6	3.8	0.5
West Virginia	71	89	7	3.5	4.3	0.3
SOUTHWEST						
Arizona	86	229	91	2.3	5.8	2.1
New Mexico	215	124	118	9.9	4.7	4.5
Oklahoma	196	164	228	5.9	5.0	6.6
Texas	1,382	1,813	2,212	7.5	9.3	11.6
ROCKY MOUNTAIN						
Colorado	327	338	258	10.0	9.5	6.8
Idaho	41	71	62	4.0	6.2	4.9
Montana	41	33	43	7.8	6.6	6.9
Utah	44	73	63	2.2	3.5	2.7
Wyoming	86	91	65	20.4	18.2	13.1
FAR WEST						
Alaska	1,633	706	231	59.6	22.0	9.2
California	511	-419	359	1.2	-1.1	0.9
Hawaii	264	291	212	8.6	9.5	6.8
Nevada	-2	100	86	-0.2	9.8	7.8
Oregon	362	432	404	12.8	14.0	12.3
Washington	334	515	395	4.3	6.4	4.8
TERRITORIES						
Puerto Rico	35	83	83	0.8	1.8	1.6
Total	**$12,955**	**$13,991**	**$12,170**	**4.2%**	**4.3%**	**3.5%**

*Total balances include both the ending balance and balances in budget stabilization funds.