

# **The Fiscal Survey of States**

**December 1997**

**National Governors' Association  
National Association of State Budget Officers**

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★ **The**  
★ **Fiscal**  
★ **Survey**  
★ **of**  
★ **States**

**December 1997**

**National Governors' Association  
National Association of State Budget Officers**

ISSN 0198-6562  
ISBN 1-55877-292-8

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Price: \$25.00

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## Preface

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*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 November 1997. The surveys were completed by Governors' state budget officers in the fifty states and the commonwealth of Puerto Rico.

Beginning with this edition, *The Fiscal Survey of States* will include a feature on a state policy or budget issue. This edition includes a feature on child development activities that states are undertaking.

Fiscal 1996 data represent actual figures, fiscal 1997 figures are preliminary actual, and fiscal 1998 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. NASBO staff Stacey Mazer and Kerry Wiersma compiled the data and prepared the text for the report. Editorial assistance was provided by Alicia Aebersold in NGA's Office of Public Affairs. Edna Friedberg of NASBO assisted in production, and Helene Stebbins of NGA provided assistance with the feature on child development activities. Dotty Esher of State Services Organization provided typesetting services.

## Executive Summary

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States are in a sound fiscal position that is in large part attributable to strong economic growth and prudent fiscal policies. The strong economy resulted in higher than anticipated revenues for many states in fiscal 1997. States have responded by enacting relatively moderate tax reductions, building reserves for the next economic downturn, and maintaining moderate spending growth.

States remain cautious in their spending commitments by using one-time revenues for nonrecurring costs and making selective investments in important new areas. Investment in child development is surfacing as an emerging priority in many states. This investment in child development, especially on those in the first three years of life, reflects the mounting scientific evidence about the importance of proper care during this critical time. As discussed later, states are increasingly focusing on prevention and investment in early childhood development.

Key findings of this survey include the following.

### State Spending

States estimate an increase in general fund spending of 5.0 percent for fiscal 1997 and 5.5 percent for fiscal 1998.

- With the continuation of steady economic growth, few states have been forced to make midyear budget reductions in the last several years. Only seven states reduced their fiscal 1997 enacted budgets. These total reductions are less than \$500 million, or less than one tenth of one percent of state general fund budgets.
- As part of the implementation of the Temporary Assistance for Needy Families (TANF) block grant, states are targeting the working poor by structuring programs to address the barriers that hinder employment for low-income workers. Most of the activity in state welfare programs centers around restructuring programs rather than adjusting cash assistance payments. For fiscal 1998, forty-one states maintained the same cash assistance benefit levels that were in effect in fiscal 1997, while nine states increased their cash assistance benefit levels.

For most states, the formulation of the new welfare policy has been coupled with substantial decreases in caseloads and higher funding levels. With expenditures for direct cash assistance declining because of caseload decreases, states have had the flexibility to shift funds and invest savings to provide services, such as child care, transportation, and other employment-related services.

- Almost all states granted pay raises for fiscal 1998, with the increase averaging 3.7 percent. States estimate a slight increase from fiscal 1997 to fiscal 1998 in the number of filled positions.
- About half of the states enacted changes that will affect aid to local governments. The most significant changes include property tax relief and both increasing aid and restructuring elementary and secondary education.

### State Revenue Actions

Net tax and fee changes will decrease fiscal 1998 revenues by \$4.6 billion. This is the fourth consecutive year that state legislative actions have resulted in a net decrease in state revenues. Thirty-one states enacted tax reductions, with the most significant reductions in personal income taxes.

- Fiscal 1997 revenue collections were about 2.7 percent higher than the estimates states originally used in adopting their budgets.
- Fiscal 1998 budgets include an increase of 3.9 percent over fiscal 1997 tax collections. These tax collections represent collections from the sales, personal income, and corporate income taxes.

### Year-End Balances

- Balances as a percentage of expenditures for fiscal 1996 and 1997 are at the highest levels since 1980. Balances in fifteen states are projected to exceed 10 percent of expenditures in fiscal 1997, a healthy cushion for economic and other uncertainties. States are building up reserves to combat future economic downturns and for other unforeseen circumstances.



## **Regional Impacts**

The positive outlook has yielded strong economic growth nationwide, with virtually all regions experiencing positive economic growth. The growth across regions is partly attributable to the impact of new technology that allows more options for business location.

## **State Restructuring**

States continue to make changes in their overall management of state government, most particularly in merging departments, using outcome measures to assess performance, and selectively reviewing privatization options. Even with a strong economy, states are emphasizing efficiency changes rather than expansion of services.

# State Expenditure Developments

## CHAPTER ONE

### Budget Management in Fiscal 1997

Only seven states made midyear reductions to their fiscal 1997 enacted budgets, totaling less than \$500 million, or less than one tenth of one percent of state general fund budgets (see Table 1). This compares with thirteen states in fiscal 1996, eight states in fiscal 1995, nine states in fiscal 1994, twenty-two states in fiscal 1993, and thirty-five states in fiscal 1992, the year that represented the peak in mid-year budget adjustments.

The steady performance of the national economy has helped maintain stable state budgets. The strategies used by states with mid-year budget cuts include across-the-board percentage cuts, program reorganizations, and program eliminations (see Appendix Table A-5).

### General Fund Spending in Recent Years

General fund budgets for fiscal 1998 are estimated to be 5.5 percent above the previous fiscal year (see Table 2 and Figure 1). About one third of the states reported expenditure growth below 5 percent in fiscal 1997, and the same number estimate expenditure growth to be below 5 percent for fiscal 1998 (see Table 3 and Appendix Table A-4).

### State Spending for Fiscal 1998

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

Assistance under the Temporary Assistance for Needy Families (TANF) Block Grant. For fiscal 1998, forty-one states maintained the same cash assistance benefit levels that were in effect in fiscal 1997. (see Table 4). However, most of the activity in state welfare programs centers around restructuring the program rather than adjusting cash assistance payments.

For most states, the formulation of new welfare policy has been coupled with substantial decreases in caseloads and relatively higher funding levels. With expenditures for direct cash assistance declining, states have had the flexibility to shift funds and invest savings to provide child care and other employment-related services. According to a recent survey conducted by the American Public Welfare Association, fourteen states indicated that they will transfer funds from TANF to the Child Care Development Fund. In addition, twenty-five states plan to spend more money than required under maintenance-of-effort requirements for child care.

TABLE 1

### Budget Cuts Made After the Fiscal 1997 Budget Passed

State	Size of Cut (Millions)	Programs or Expenditures Exempted from Cuts
Alaska	\$ 63.0	Elementary and secondary education.
Connecticut	108.6	Debt service. Represents reductions from the original biennial budget.
Hawaii	36.6	Elementary and secondary education, debt service, employees' retirement system and health insurance, unemployment insurance, and workers' compensation.
Idaho	28.0	Catastrophic health care.
New Jersey	26.0	State aid, higher education, and capital expenditures.
New York	175.0	Executive management review plan. Exempt programs include debt service, fixed costs, and revenue sharing.
Tennessee	38.0	Elementary and secondary education, TennCare/Medicaid, mental health and mental retardation, Temporary Assistance for Needy Families.
Total	\$475.2	---

SOURCE: National Association of State Budget Officers.

TABLE 2

**State Nominal and Real Annual Budget Increases, Fiscal 1979 to Fiscal 1998**

Fiscal Year	State General Fund	
	Nominal Increase	Real Increase
1998*	5.5%*	2.0%*
1997*	5.0*	1.8*
1996	4.5	1.6
1995	6.3	3.2
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
1979-1998 average	6.8%	1.9%

**NOTES:** The state and local government implicit price deflator was used for state expenditures in determining real changes. Fiscal 1997 figures are based on the change from fiscal 1996 actuals to fiscal 1997 preliminary actuals. Fiscal 1998 figures are based on the change from fiscal 1997 preliminary actuals to fiscal 1998 appropriated.

**SOURCE:** National Association of State Budget Officers.

States have also been planning for the future. Recognizing the strong ties between the health of the economy and TANF caseloads, a number of states have budgeted funds for contingency purposes. Several states have reserved either federal or state funds for future expenses. The reserves may not only be needed in an economic downturn but also as states face higher work participation rates and level federal funding in the next five years.

**Medicaid.** Medicaid spending continues to grow at more moderate levels after years of double-digit growth rates. In 1996, Medicaid growth was 3.3 percent, one of the smallest annual increases since Medicaid was enacted in 1965.

In 1990, Medicaid replaced higher education as the second largest category of state spending. From 1990 to 1992, program costs grew at an average rate

TABLE 3

**Annual State General Fund Expenditure Increases, Fiscal 1997 and Fiscal 1998**

Spending Growth	Number of States	
	Fiscal 1997 (Preliminary Actual)	Fiscal 1998 (Appropriated)
Negative growth	3	4
0.0% to 4.9%	16	21
5.0% to 9.9%	25	23
10% or more	6	2

**NOTE:** Average spending growth for fiscal 1997 (preliminary actual) is 5 percent; average spending growth for fiscal 1998 (appropriated) is 5.5 percent.

**SOURCE:** National Association of State Budget Officers.

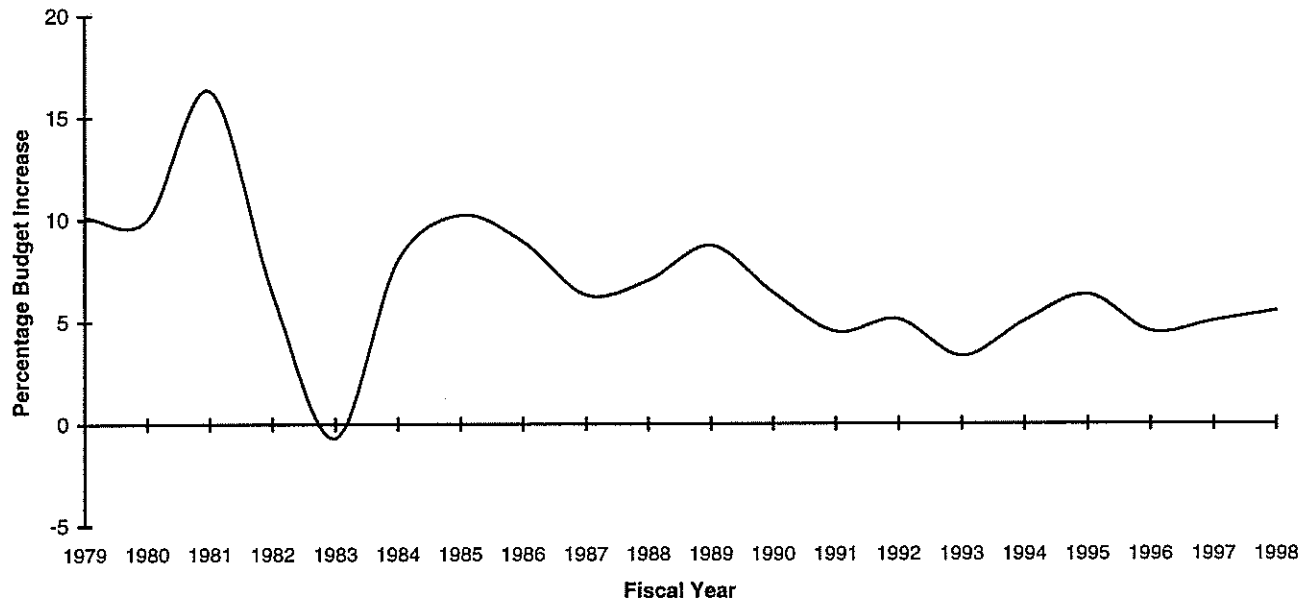
of 20 percent to 30 percent each year. Factors that contributed to these growth rates included federally mandated and state-initiated enrollment expansions, the 1990-1991 recession, and increased provider payment rates. Also during this time, states increased the use of provider donations and taxes and intergovernmental transfers to generate federal matching funds for disproportionate share hospitals. Expenditure growth in Medicaid slowed from 1993 to 1995 to an average of about 10 percent each year.

The Congressional Budget Office (CBO) is projecting an average annual increase of 7.7 percent for the period between 1996 and 2002. According to the General Accounting Office (GAO), no single pattern across states accounts for the dramatic decrease in 1996; a combination of factors explains this low growth rate. Several states' growth rates dropped because of a sharp reduction in high levels of disproportionate share hospital payments to conform with restrictions on such payments. Other factors included the leveling off of Medicaid enrollment following planned expansions in prior years. Another factor was that some states accelerated 1996 payments into 1995 in anticipation of block grant proposals that would have used 1995 as the base year for calculating future grant awards. GAO also points out that "these circumstances are unlikely to recur to dampen spending increases in future years."

GAO also points to a generally improved economy and state initiatives to control costs, such as managed care for primary and acute care services or alternative programs for long-term care. Seven states enacted Medicaid reductions for fiscal 1998 (see Appendix Table A-6).

FIGURE 1

## Annual Budget Increases, Fiscal 1979 to Fiscal 1998



NOTE: \*Data for these years are estimated.

SOURCE: National Association of State Budget Officers.

**State Employment.** The number of filled full-time equivalent positions supported by all state funds is estimated to increase slightly from fiscal 1997 to fiscal 1998 (see Appendix Table A-8). The number of state employees reflects those positions supported by all state, federal, and trust funds, rather than only state general funds. The most significant reductions for the 1996 to 1998 period are in South Dakota, Kansas, Rhode Island, and New Mexico, respectively.

**Employee Compensation.** Almost all states granted pay increases in their budgets for fiscal 1998, with the increase averaging 3.7 percent (see Appendix Table A-7).

**Employee Benefits.** The growth in employer health care costs continues to be moderate for the third consecutive year, according to a survey of both public and private employers by the consulting firm of Foster-Higgins. Factors contributing to this moderate growth include relatively low medical care inflation, the increase use of managed care plans, and the decline in coverage costs of health maintenance organi-

zations. This moderate rate of growth for health care benefits is waning in part because of factors such as the opposition to health maintenance organizations that is becoming widespread across the nation.

As a means to limit personnel costs, several states are shifting additional costs to employees, mostly for health benefits (see Appendix Table A-6).

**Aid to Local Governments.** About half of the states enacted changes affecting aid to local governments, with the majority of changes resulting in increased aid for localities (see Table 5). Significant changes occurred in property tax relief programs and in programs to increase funding and restructure elementary and secondary education. In Wisconsin, the state now assumes two thirds of the cost of elementary and secondary education. In Connecticut, a statewide interdistrict public school program was enacted to improve educational opportunities. The state also will assume control of Hartford schools.

TABLE 4

### Enacted Changes Affecting Cash Assistance Benefit Levels Under the Temporary Assistance for Needy Families Block Grant, Fiscal 1998

State	Percent Change
Alabama	11.9%
Alaska	4.4
Maryland*	2.9
Montana	2.0-3.0
New Hampshire*	2.5
New Jersey*	---
North Dakota	2.2
Ohio	6.0
Oklahoma*	5.0
Oregon*	---
Pennsylvania*	---
Rhode Island*	---
Vermont	2.0
Wisconsin*	---

#### NOTES:

Maryland	This increase is applicable for three fourths of the fiscal year.
New Hampshire	Effective increase because of income disregard.
New Jersey	Under the Work First New Jersey program, the basic benefit level of \$424 is unchanged for a family of three. However, new incentives have been created to encourage recipients' transition to work. The earned income disregard has been increased from one third to one half of income, health benefits are provided to recipients with earned income for up to two years, and allowable vehicle values have been increased to \$4,500.
Oklahoma	This increase was effective November 1, 1997.
Oregon	State contribution was increased to offset federal elimination of energy assistance allowance in benefit calculation. Clients will see no net change.
Pennsylvania	Although there is no change in the state grant level for TANF, implementation of two proposals related to welfare reform will impact the monthly grant amounts. First, the \$50 monthly pass-through of child support will be discontinued. Second, the income disregard will be increased from one third to one half of income.
Rhode Island	The basic benefit level for cash assistance clients is unchanged, at an average of \$544 per month for a family of three. However, there are two adjustments for state financing of cancelled federal benefits. Rhode Island replaced one federal benefit for the general assistance population, an annual payment of \$100 per household for heating costs. The net benefit was unchanged, with the cost shifting from federal to state. Rhode Island also chose to continue the income disregard for child support pass-through funds of \$50 per month, or \$600 annually. This benefit is for a subset of the assistance population; again, it is a cost-shift, not a new benefit.
Wisconsin	Wisconsin implemented its new, comprehensive welfare reform program Wisconsin Works (W-2) in September 1997. Under this program, cash assistance is no longer based on family size. Instead, it is tied directly to work or work experience. There are three levels of subsidized employment for those individuals who cannot find employment on their own: trial jobs; community service jobs (CSJ); and W-2 transition (W-2 T) placements. CSJs and W-2 T placements are most similar to the AFDC program. A person who cooperates fully with the work requirements of a CSJ will receive \$673 per month. A person who meets all of the requirements of the W-2 T placement will receive \$628 per month.

SOURCE: National Association of State Budget Officers.

TABLE 5

## Enacted Changes in Aid to Local Governments, Fiscal 1998

Alaska	State aid to local governments decreased by \$3.2 million, or 6 percent.
Arkansas	State assumption of the county trial court program was authorized by Act 209 of 1997 and Act 1079 of 1997. The 81st General Assembly also established a statewide trial public defender office (Act 855 of 1997). Funding for these programs is provided by the state administration of justice fund, which is composed of various court costs and filing fees assessed at the local level and remitted to the state.
California	The budget includes funds for an additional year for the Citizens' Option for Public Safety Program. This program will provide \$100 million to local jurisdictions for public safety purposes, front-line law enforcement services, criminal prosecution, and jail construction and operation for fiscal 1998.
Colorado	Changes include a 3 percent increase in general purpose revenue for local schools (\$90 million) and funding for new students in the elementary and secondary school system above local property tax revenues (\$14 million). Additional funds also provide programs for special education and gifted and talented students.
Connecticut	<p>The budget includes an increase in education grants under the Education Cost Sharing (ECS) and the school transportation program, a \$50 million increase in the Pequot/Mohegan property tax relief fund, a \$13.8 million increase in the Payment in Lieu of Taxes (PILOT) for private colleges and hospitals for fiscal 1998 and fiscal 1999, and a \$3 million increase in the PILOT for state property. One initiative provides for an increase in PILOT payments to any town within whose boundaries more than 50 percent of the property is state-owned real property. Another initiative expanded this program to include municipally owned airports, commencing in fiscal 2000. The grant will be based on 20 percent of the property taxes that would have been paid if the airports were taxable.</p> <p>Under Special Act 97-4, An Act Concerning the Hartford Public Schools, the state legislature created a mechanism for the state's takeover of one school system. The legislation dissolved the Hartford Board of Education and turned the day-to-day responsibility of running the school system to a Board of Trustees for a period of three to five years. The Hartford Education Board went out of existence on June 1, 1997.</p> <p>The state supreme court ruled that the present districting scheme for public elementary and secondary education is unconstitutional in <i>Milo Sheff et al. v. William O'Neill</i> (July 1996). In response, Public Act 97-290, An Act Enhancing Education Choices and Opportunities, established a statewide interdistrict public school program to improve academic achievement; address racial, ethnic and economic isolation; and provide students with a choice of educational programs to be phased in over three years.</p>
Delaware	The budget includes \$12 million in one-time aid to local governments to be used for one-time capital and equipment expenditures associated with public safety, public works, debt reduction, beach preservation, and water/waste water issues. No monies may be utilized for general operating or administrative expenditures.
Indiana	An increased appropriation was enacted to replace the lost revenue from the motor vehicle excise tax rate reductions. In addition, funds were appropriated to replace local inheritance tax revenue loss from the class A exemption increase.
Iowa	An additional \$50.6 million was provided to local governments in lieu of property taxes.
Kansas	A reduction in the mill levy for school finance caused state expenditures to increase to offset the loss in property tax receipts (\$92.9 million for fiscal 1998), although there was no net effect on the amount local governments receive.
Louisiana	<p>Sales taxes on hotel and motel rooms have increased dedications to local entities for economic development, tourism, capital improvements, and similar projects. This will result in a gain of \$11.6 million, an 88 percent increase over fiscal 1997. A new program was also initiated for victims' assistance coordinators, producing a 103 percent increase over fiscal 1997 (a \$737,500 increase in each judicial district).</p> <p>Special state aid to specific local entities will increase by \$2.3 million, a 700 percent increase over fiscal 1997. Supplemental pay to local law enforcement personnel will grow by 8 percent. In addition, legislation was enacted authorizing local entities to form consortia to finance local road and bridge projects. All of these funding changes are permanent and can only be altered by statute in the legislature, excluding special state aid to specific local entities.</p>
Maine	<p>Changes include a 2 percent increase in general purpose aid to local schools over fiscal 1997 (totaling \$10.2 million), plus an additional \$3 million to be used as a hardship cushion for school districts in dire need.</p> <p>A commission was established to analyze the possible consolidation and clustering of local school administrative units and functions.</p>
Maryland	Library aid increased by 12 percent (from \$8.25 to \$9.25 per capita). The income tax disparity grant increased by 36 percent (from 70 percent to 75 percent of the state average income tax per capita, calculated at 50 percent). In addition, police aid increased by 4.8 percent (50 cents per capita) and the municipal sworn officer grant increased from \$900 to \$1,200 per officer. Further, grants for elementary and secondary education and community colleges to Baltimore City and the twenty-three counties in connection with the Baltimore City settlement totaled \$62.3 million, with additional grants of \$5.7 million.
Massachusetts	<p>Fiscal 1998 lottery payments to cities and towns will increase by \$60.7 million over fiscal 1997 spending, an increase of 12 percent. The commonwealth will increase payments to municipalities for real estate tax abatements for qualified military veterans and their families by \$3.6 million, a 77 percent increase, and for payment in lieu of taxes for state-owned land by \$2.1 million, a 27 percent increase. The education reform law directed \$258 million in increased funding to schools in fiscal 1998.</p> <p>A bill is pending before the legislature that would abolish county government in Massachusetts. In fiscal 1998, legislation was approved that abolishes one of the state's thirteen remaining counties (one other was abolished in fiscal 1997). The law also provides for the abolition of two additional counties in fiscal 1999, or sooner if either county defaults on a bond or note.</p>

TABLE 5 (continued)

## Enacted Changes in Aid to Local Governments, Fiscal 1998

Michigan	<p>Fiscal 1998 includes an appropriation of \$1,346.9 million, which is \$62.6 million (4.8 percent) above the fiscal 1997 appropriation for general revenue-sharing payments. An additional \$8 million (including an estimated \$3 million carried forward from fiscal 1997) is available for payments to recognize population increases in sixty-six of the state's fastest-growing communities.</p> <p>Fiscal 1998 general funds to school aid are \$356.4 million, an increase of \$78.4 million (28.2 percent). Fiscal 1998 combined school aid from the general fund and the School Aid Fund (post-veto and post-Attorney General opinion and assuming at-risk restored to \$230 million) is \$9,909.9 million, an increase of \$532.6 million (6.2 percent). Fiscal 1998 gross school funding from the general fund, school aid fund, and federal funds is \$9,187 million, an increase of \$555.5 million (6.4 percent). All of the above numbers are being renegotiated between the administration and the legislature as a result of the <i>Durant</i> case.</p> <p>This summer the legislature approved a 4 cent increase in the state's gasoline tax, the first such increase since 1984. Local units of government will share in 60.9 percent of the 3 cent increase, estimated at more than \$86 million. (The remaining 1 cent is dedicated to state bridge projects.) Local units of governments will receive an estimated \$17.1 million in added revenues from the elimination of a 6 cent discount on diesel fuel.</p> <p>Additional impacts of the <i>Durant</i> case required significant restructuring of school aid payments. More funds are now designated and restricted specifically for the mandated programs at issue in the litigation (principally special education and special education transportation), reducing the amount of unrestricted funding. Generally, total funding did not change. However, additional funding of about \$70 million (less than 1 percent) will be provided to ensure full funding of the mandate and to provide hold-harmless dollars for districts potentially impacted by the redistribution.</p> <p>A child care fund settlement also took place. Historically, the state and counties have equally shared the responsibility of funding children's foster care services. In 1980, the Social Welfare Act was amended to provide that the state would continue to finance 50 percent of the annual costs for county foster care, but allowed the state to limit its reimbursement to a fixed "capped" amount. The Michigan Supreme Court decided on July 31, 1997, that the state is responsible for funding 50 percent of actual county-supervised foster care costs and removed the imposition of a cap. This will shift about \$29 million in costs annually from local county government to the state.</p>
Minnesota	<p>Counties will receive \$1 million in fiscal 1998 to implement various changes to the truth-in-taxation law. Local government aid for fiscal 1998 will also be increased by an additional \$500,000 for distribution to counties with Indian casinos.</p> <p>In addition, a property tax reform package will provide local property tax relief through additional education aid and a new education homestead tax credit. Reductions in selected property tax classification rules will be offset by an \$85 million increase in state general education aid and approximately \$150 million for a credit against local education property taxes. A majority of these payments will be made in fiscal 1999. These changes are permanent increases in the state's responsibility to fund education.</p> <p>Levy limits were enacted for fiscal 1998 on counties and cities with populations greater than 2,500. These limits restrict the growth of local levies to the rate of inflation and household growth. An exception is provided for local governments consolidating with or annexing other local governments. Levy limits can be overturned with voter approval.</p>
Missouri	There is a \$2 million, or 10 percent, increase in the per diem rate for state prisoners.
Montana	State support for public schools increased by \$16 million, approximately 3.5 percent, from fiscal 1997 to fiscal 1998.
Nebraska	<p>The school aid formula was changed and funding was increased by \$110 million. The community college formula was increased by \$8 million. In addition, a property tax reduction incentive fund was created with an annual appropriation of \$20 million.</p> <p>The 1997 session reinforced several property tax and spending limitation laws passed in 1996. Levy limits remain in force for all units of local government, while procedures were adopted to encourage the consolidation of local and county services.</p>
Nevada	<p>Enacted legislation changed the distribution of sales, cigarette, liquor, and motor vehicle privilege taxes between local governments without changing the dollars distributed to local governments as a whole.</p> <p>The 1997 legislative session gave some county governments authority to raise their sales tax from one eighth to one quarter of a percent. Additional funds generated within a redevelopment district because of a voter-approved property tax hike do not go to the redevelopment district. Carson City got authority to raise its sales tax one quarter of a percent with additional revenues dedicated for open space. In Clark County, which contains Las Vegas, the county's forecast of gaming revenue going to a city could lower the city's maximum allowable property tax rate.</p>
New Hampshire	A new program of school building aid for kindergarten was funded.
New Jersey	<p>Payments to municipalities from utility tax revenues increased by \$10 million, or 1.3 percent, in fiscal 1998. Direct aid to local school districts increased by \$537.5 million, or 12.8 percent, in fiscal 1998 as a result of the implementation of the Comprehensive Educational Improvement and Financing Act and subsequent state supreme court rulings.</p> <p>Final phase-in of state takeover of county courts occurs in fiscal 1998. This will further reduce county costs by approximately \$120 million. The total cost savings to counties over the four-year phased takeover is \$240 million.</p>

TABLE 5 (continued)

**Enacted Changes in Aid to Local Governments, Fiscal 1998**

New York	<p>The fiscal 1998 budget will result in an estimated net benefit of approximately \$1.05 billion for all classes of local government (city, town, village, county, and school district) when compared with the fiscal 1997 budget. Counties (including New York City) will realize savings of \$743 million in fiscal 1998. School districts (excluding New York City) will receive \$268 million in new aid. Cities, towns, and villages (excluding New York City) will save \$37 million.</p> <p>Areas providing the greatest benefits for localities include fiscal year increases of \$444 million in education aid, \$51 million in unrestricted local government assistance, and \$517 million in local savings and new aid resulting from welfare reform.</p> <p>The fiscal 1998 budget will provide local governments with more than \$1 billion in new assistance and savings over the fiscal 1997 budget. It includes no unfunded mandates or limitations or expansions of local government revenue-raising capacity. The budget begins a multiyear cut in local school property tax and the New York City personal income tax. The lost revenue to localities will be replaced with a corresponding amount of additional state aid.</p>
Oregon	<p>The increase in support in the 1997-99 biennium for elementary, secondary, and postsecondary schools includes a \$727.1 million general fund increase above the 1995-97 biennium level. Of this amount, \$431.2 million is to replace estimated property tax revenue limitations approved by voters.</p> <p>Voters passed Measure 50 in May 1997 amending November 1996's Measure 47 to establish a permanent tax rate for each district. This rate is established in 1997-98 after reducing most operating tax authority by 17 percent. Property values also were limited under the measure. Each property's maximum 1997-98 assessed value is 10 percent less than its 1995-96 value. Maximum value can grow by 3 percent in future years. This will reduce local property taxes by \$375.9 million (13.7 percent) in 1997-98, affecting local government's ability to manage its financial operations.</p>
Pennsylvania	<p>The second-year funding of a three-year technology initiative will distribute \$33.6 million in 1997-98 to school districts and vocational-technical schools for computers and related technology. In response to federal welfare reform, the system for providing day care services to the children of welfare clients will be changed to utilize the current system of subsidized day care for the working poor. This system uses local management agencies to coordinate payments and operate resource and referral services.</p> <p>Because of a reduction in the contribution rate for the pension fund, local education agencies will save \$51 million. A proposal also was enacted to increase dedicated funding to local municipalities for local road maintenance as a result of the increase in the motor fuels tax.</p> <p>A new program was enacted to provide grants to counties for drug and alcohol treatment programs for nonviolent offenders as an alternative to incarceration.</p>
Puerto Rico	According to Act 29 of 1997, local governments will contribute economically to health reform.
Rhode Island	Enacted fiscal 1998 school aid funding is \$26.5 million higher than the fiscal 1997 actual amount, an increase of 6.4 percent. The enacted fiscal 1998 local aid amount is \$2.9 million higher than the fiscal 1997 amount, an increase of 7.4 percent.
South Carolina	<p>The fiscal 1997-98 Appropriation Act provides an additional \$14.2 million, a total of \$227.8 million, to reimburse local governments for the property tax relief fund, which will maintain the current homestead exemption for residential school property taxes at \$100,000. The legislation also provides a \$10.2 million reimbursement to local governments for the first year of a three-year phase-in to reduce the floor for calculation of manufacturing depreciation from 20 percent to 10 percent. This calculation is used in formulating property taxes paid by manufacturers.</p> <p>The budget also provides an additional \$5.1 million to fully fund the local government fund. South Carolina statute requires an appropriation of no less than 4.5 percent of the latest completed fiscal year's general fund revenues to the local government fund. This also includes an increase of \$1.4 million to reimburse local governments for a \$20,000 residential homestead exemption provided to homeowners age sixty-five or older.</p>
Texas	<p>State funding for school enrollment increases, plus a teacher pay raise. In addition, \$1 billion is provided in additional state aid to pay for an increase in the school tax homestead exemption. The enrollment increase for fiscal 1998 is 135,000, or 2.9 percent. The total state-paid increase to school districts for the two-year budget period is \$2.5 billion.</p> <p>Local governments are required to publish any projected growth in property tax levy, not just for rate increases, forecast for an upcoming budget year.</p>
Utah	<p>The legislature reduced fiscal 1998 pass through funding to local governments for local liquor law enforcement programs by 33 percent, or \$1.3 million. Of this, \$300,000 went toward additional state liquor law enforcement agents.</p> <p>Beginning July 1, 1997, 1/8 cents of the sales tax, or \$36.0 million, was dedicated to local roads and water projects.</p>
Vermont	A major property tax reform proposal was enacted that equalizes the burdens of the property tax relative to school spending levels. A statewide property tax was enacted, as well as approximately \$50 million in general fund taxes. This reform legislation will be phased in by 2001.
Wisconsin	<p>Changes include a \$150 million increase in the school levy credit as the final state action in achieving two thirds of state support of elementary and secondary education in the 1996-97 school year. General and categorical school aid was also increased by \$239 million in order to continue two thirds of state support of schools during the 1997-98 school year.</p> <p>Optional local sales tax authority was granted to select municipalities with significant tourism related costs.</p>

SOURCE: National Association of State Budget Officers.



## State Investment in Child Development

In response to recent scientific discoveries about child development, investment in this area is surfacing as an emerging priority in many states. Research has shown that in a secure and attentive environment, children below the age of three will experience unparalleled physical, intellectual, linguistic, social, and emotional development. Conversely, the capacity to acquire knowledge, skills and appropriate development is largely diminished without appropriate and timely experiences between birth and age three.

States have taken notice and are responding to these new discoveries. Traditionally, state expenditures for children have been almost entirely targeted to elementary and secondary education. This is changing as states are increasingly targeting funding to meet the various needs of younger children. With the assumption that the benefits of prevention far outweigh the costs, states have been actively funding initiatives to promote healthy development. Recent initiatives include: increases in child care quality and availability, health care coverage for children, and programs that promote appropriate child development.

Table A-14 details some initiatives states have undertaken. This does not represent a comprehensive listing of services that states are providing for children, but primarily highlights recent initiatives or significant funding increases. Some of the investments states are making include the following.

### Comprehensive Support Services for Parents

Many states are implementing programs to encourage appropriate parental child-rearing skills. Through these programs, parents are advised to be attentive to the developmental needs of their infants and toddlers. Parents, many who may have been unaware of the enormous significance of their interactions with their infant, are taught the skills necessary to encourage optimal child growth and development. In addition to teaching parenting skills, these programs assist in coordinating services for families. These programs not only advise parents on developmental needs, but also promote appropriate child health, child care, and early education needs. Examples include the following.

- Delaware's Child Health and School Readiness program employs a comprehensive strategy to prepare children for school, including universal home visits, parent education classes, subsidized day care, and Head Start.
- Georgia's Children 1st initiative identifies, links, and monitors at-risk children from birth to age three to ensure that children have a healthy start in life.
- Nebraska's Good Beginnings program fosters the development of community-based partnerships to help parents address the needs of their children.
- Nevada's Family to Family Connections program will provide parents across the state with visitation services, activity centers, and resources to encourage healthy development.
- Oklahoma's Children First initiative allows public health nurses to work with new mothers of children at-risk.
- Vermont's Success by Six program is designed to ensure that children are ready for school through a combination of health screenings, parental education, and child care quality improvement programs.

### Child Care

In recognition of the needs of working families, many states are increasing the supply of child care. Some states are extending child care subsidies to some low-income working families, and many states are improving the quality of child care through provider training and education programs. Examples include the following.

- With the recent federal consolidation of child care funds into one block grant, many states are using the new flexibility to expand child care services to all low-income individuals regardless of welfare status, while other



states are expanding transitional services for welfare recipients beyond current requirements. States that are funding such initiatives include: Florida, Illinois, Indiana, New Jersey, North Carolina, South Carolina, Washington, and Wisconsin.

- Funds have been targeted in California, Kansas, and Montana to specifically expand child care services for infants and toddlers, a higher cost service.
- Connecticut, Minnesota, and North Dakota provide age-appropriate training to ensure that child care providers can encourage cognitive and social development of infants and toddlers.
- Utah's Crisis Nurseries serve all families in times of critical need, combining twenty-four-hour child care services and parental education, as needed.

### **Developmental Needs**

A number of states supplement federal funding under Part H of the Individuals with Disabilities Education Act (Part C of the newly reauthorized legislation). Under these programs, states develop coordinated systems to enhance the development of children with diagnosed disabilities and children at-risk of developmental delay. Because the federal legislation allows states the discretion to determine which children are eligible, this funding, combined with the state investment, provides the means to address the developmental needs of children in a comprehensive manner. Arkansas, Kentucky, Mississippi, Nebraska, Ohio, and West Virginia have devoted significant state resources to these programs. Rhode Island and California have recently increased funding to ensure the developmental needs of children within the child welfare system are also being addressed.

### **Child Health**

Finally, as many states indicated in Table A-14, there have been and continue to be many new initiatives to meet the health care needs of children. States continue to expand health care coverage for children through Medicaid expansions, state-only funded insurance programs and public-private partnerships. With access to new federal funding under Title XXI of the Social Security Act, these expansions will continue to grow rapidly. In addition, states are also coordinating health care resources, ensuring that families have access to needed services. Examples include the following.

- Massachusetts has launched a comprehensive home-visiting prevention program that not only seeks to improve parenting skills, but also actively promotes children's health.
- Virginia has a number of health programs that offer coordination of care as well as needed services such as immunization and well-child exams.

### **Next Steps**

States are addressing the needs of young children and are beginning to make early investments that will serve to enhance the traditional state funding for elementary and secondary education by ensuring that children start school ready to learn and succeed. To best serve our children, states must continue to shift from the patchwork of programs for early childhood development to a comprehensive system of support services for younger children and their families. Over time, as states increase funding and coordinate services under this new and emerging priority, the prevention effort will reduce the cost of future social problems and pay large dividends for children and for society.

## State Revenue Developments

### CHAPTER TWO

#### Overview

Net tax and fee changes will decrease revenues by \$4.6 billion for fiscal 1998 (see Table 6). This is the fourth consecutive year that state actions will result in a decrease in new revenues (see Figure 2). The majority of tax reductions are concentrated in reducing the personal income tax.

States are grappling with the implications of their sales tax systems with respect to the use of the Internet. Taxation of electronic commerce raises many issues for states, including deciding who is responsible for collecting the tax and ensuring uniformity of

treatment between states. Over time, the growth of on-line transactions could significantly erode state sales tax collections. How and if taxes are applied to the Internet and on-line services will evolve over the next few years.

#### Revenue Collections in Fiscal 1997

Revenue collections for the sales, personal income, and corporate income taxes for fiscal 1997 match or exceed projections in the majority of states (see Appendix Table A-9). In total, revenue collections are about 2.7 percent higher than the estimates states used in adopting fiscal 1997 budgets.

TABLE 6

#### Enacted State Revenue Changes, Fiscal 1979 to Fiscal 1998

Fiscal Year	Revenue Change (Billions)
1998	\$-4.6
1997	-4.1
1996	-3.8
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. Data for fiscal 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, and 1998 provided by the National Association of State Budget Officers.

#### Revenue Collections for Fiscal 1998

Fiscal 1998 budgets include an increase of 3.9 percent over fiscal 1997 estimated tax collections. Projected fiscal 1998 tax collections represent collections for the sales, personal income, and corporate income taxes (see Appendix Table A-10).

#### Revenue Changes for Fiscal 1998

Thirty-one states enacted net revenue changes for fiscal 1998 that will decrease revenues by \$4.6 billion (see Table 7). Fiscal 1998 actions are highlighted below and appear in Appendix Table A-11.

This survey differentiates between tax and fee increases and decreases (shown in Table 7 and Appendix Table A-11) and revenue measures (shown in Appendix Table A-12). Tax and fee changes reflect modifications to current law that affect taxpayer liability. Revenue measures include deferrals of tax increases or decreases that do not affect taxpayer liability. An example of a revenue measure is the extension of a tax credit that occurs each year.

**Sales Taxes.** Seventeen states changed sales taxes for fiscal 1998, mostly to reduce the sales tax. The most significant changes are Georgia's continued phase-out of the sales tax on groceries, Louisiana's reduction of the sales tax on food and utilities, and Missouri's elimination of the 3 percent sales tax on groceries. Action in electronic commerce includes Florida's exemption of Internet access and e-mail fees

from sales taxes and Wisconsin's taxing of telecommunications services that terminate in the state.

**Personal Income Taxes.** Twenty-six states made changes, mostly reductions, to personal income taxes. Significant actions include Arizona's decrease in all tax rates, Connecticut's rate reduction, Iowa's 10 percent rate reduction, Minnesota's tax rebate, Nebraska's across-the-board rate reduction, New York's phase-out of prior-year cuts, and Ohio's reduction attributable to its budget surplus. 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.** Fifteen states enacted changes in the corporate income tax, including New York's phase-out of prior-year reductions and Pennsylvania's research and development tax credits.

**Cigarette and Tobacco Taxes.** Utah increased the tobacco tax by twenty-five cents per pack and Wisconsin increased it by fifteen cents per pack. Often states seek increases as a means to discourage smoking as well as to raise revenue for health-related programs.

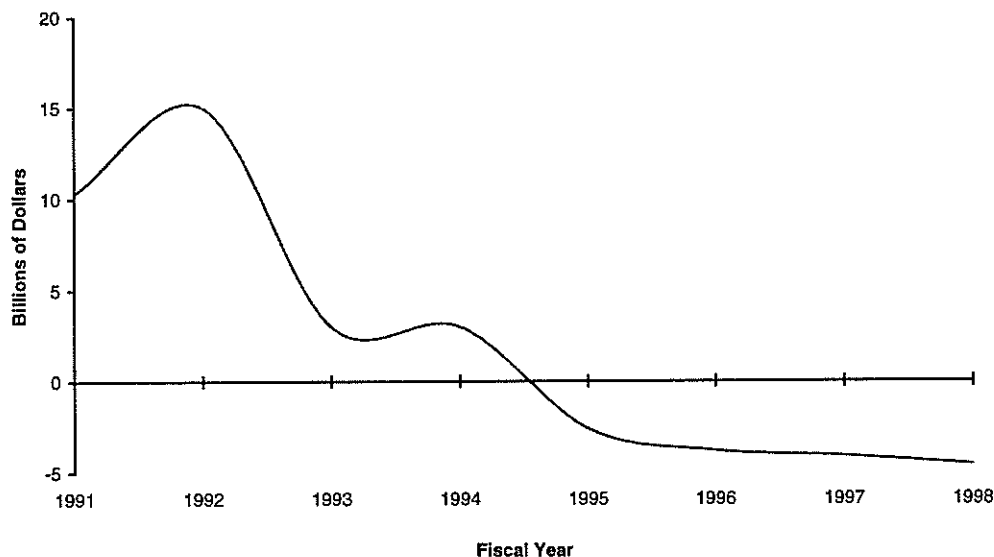
**Motor Fuel Taxes.** Changes include Connecticut's decrease in the gas tax and Michigan's and Pennsylvania's increase in the tax for motor fuels.

**Other Taxes and Fees.** Revenues generated from these taxes and fees usually cover costs for licensing and regulation, promote environmental conservation, and generate revenues for health care. Significant actions include Illinois' elimination of the hospital provider tax and Virginia's change in the formula for unemployment insurance contributions.

Fee increases are often for motor vehicles and other types of user fees.

FIGURE 2

### Enacted State Revenue Changes, Fiscal 1991 to Fiscal 1998



SOURCE: National Association of State Budget Officers.

TABLE 7

## Enacted Fiscal 1998 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				\$17.2	\$ 5.0				22.2
Arizona	\$-32.5	\$-110.0							-142.5
Arkansas	31.5							\$1.1	32.6
California	-10.0	-106.0	\$-78.0					24.0	-170.0
Colorado		-3.5					\$ -16.7	-8.9	-29.1
Connecticut		-113.8	-4.0		-40.0			3.2	-154.6
Delaware		-2.0					-1.0		-3.0
Florida	-\$14.1						-518.0	4.3	-527.8
Georgia	-222.0								-222.0
Hawaii	-3.6	1.9	-4.0	5.0					-0.7
Idaho									0.0
Illinois							-158.0		-158.0
Indiana		-49.1	-5.5						-54.6
Iowa	-4.0	-104.5	-5.0				-19.0		-132.5
Kansas		-19.7					-59.5		-79.2
Kentucky		-13.8							-13.8
Louisiana	-110.0		-8.0				8.0		-110.0
Maine			6.5						6.5
Maryland		-39.0							-39.0
Massachusetts	-8.0	-140.8							-148.8
Michigan		-45.0			185.6				140.6
Minnesota	0.4	-481.7	3.0				-4.1	8.9	-473.5
Mississippi		-2.5							-2.5
Missouri	-160.0	-12.0							-172.0
Montana							-1.0		-1.0
Nebraska		-82.7	-1.8						-84.5
Nevada									0.0
New Hampshire				22.0					22.0
New Jersey		-80.0	-5.0						-85.0
New Mexico									0.0
New York	-33.8	-1,658.0	-157.5				-13.8	-11.0	-1,874.1
North Carolina		-2.8						14.1	11.3
North Dakota									0.0
Ohio*		-313.9						11.5	-302.4
Oklahoma									0.0
Oregon		-14.7		-0.8				4.6	-10.9
Pennsylvania	-90.6	-35.8	-28.8		208.0		-16.4	180.0	216.4
Puerto Rico							-80.0		-80.0
Rhode Island		-7.2	-1.2	8.5			-8.4		-8.3
South Carolina		-12.7					-4.6	4.1	-13.2
South Dakota								1.0	1.0
Tennessee									0.0
Texas								-22.0	-22.0
Utah	-34.3			21.8	73.3		4.3	16.5	81.6
Vermont	16.4		7.0		10.5		16.0		49.9
Virginia							-50.0		-50.0
Washington	-6.9					\$-4.7	-60.6		-72.2
West Virginia									0.0
Wisconsin	10.1	-4.8	1.8	45.0	19.6				71.7
Wyoming									0.0
<b>Total</b>	<b>\$-671.4</b>	<b>\$-3,454.1</b>	<b>\$-280.5</b>	<b>\$118.7</b>	<b>\$462.0</b>	<b>\$-4.7</b>	<b>\$-982.8</b>	<b>\$231.4</b>	<b>\$-4,581.0</b>

NOTES: \*See Appendix Table A-11 for details on specific revenue changes.

SOURCE: National Association of State Budget Officers.

## Total Balances

### CHAPTER THREE

Balances as a percentage of expenditures in fiscal 1996 and 1997 are at the highest levels since 1980 (see Figure 3). Total balances reflect the funds that are available for unforeseen circumstances. Both ending balances and the balances of budget stabilization funds are included in total balance figures (see Appendix Tables A-1, A-2, A-3, and A-13).

The steady growth of the economy has allowed states to build up their reserves. In the past five years, balances have exceeded 5 percent of expenditures.

Balances for fiscal 1998 are estimated at \$24 billion, or 5.8 percent of expenditures (see Table 8). More than three fourths of the states estimate balances as a percentage of expenditures to be 3 percent or more in fiscal 1998 (see Table 9 and Figure 4). Balances in fifteen states are projected to exceed 1.0 percent of expenditures in fiscal 1997, a healthy cushion for economic and other uncertainties. With the outlook for level federal resources and the possibility of an economic downturn in the next several years, states need some cushion to deal with uncertainty.

The use of ending balances and budget stabilization funds is one of several mechanisms that states use to address the imbalance between revenues and expenditures. Many states rely on budget stabilization

funds to ease the adjustments during economic downturns. Forty-five states and Puerto Rico have some type of budget stabilization fund. States often use formulas to determine the method of deposit, withdrawal, and fund limits for budget stabilization or rainy day funds. Cyclical problems, especially if they are not too severe, are often addressed through the use of budget stabilization or rainy day funds.

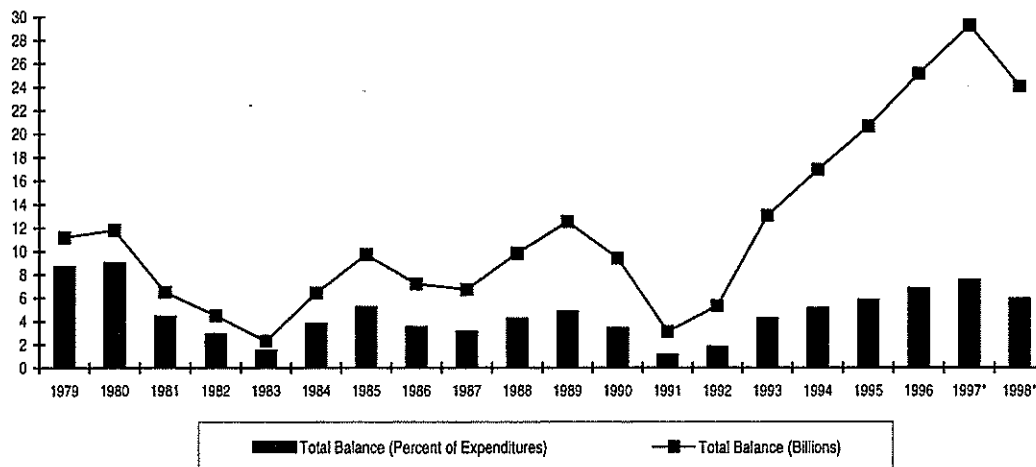
Reserves are often used to correct short-term imbalance between revenue and expenditures. Strategies that states use for long-term solutions include instituting multiyear forecasting, setting spending affordability limits, and controlling expenditures.

Tax and expenditure limits take many forms and are both statutory and constitutional in nature. Limits may be imposed on revenues, expenditures, or appropriations and may require approval by voters or a supermajority of the legislature. Fourteen states have some type of supermajority or voter approval requirement, with about one half of the restrictions adopted since 1990. These are all means to limit the size of government, especially during economic expansions.

Often revenue and expenditure limits are linked to measures such as personal income, inflation, and

FIGURE 3

### Total Year-End Balances, Fiscal 1979 to Fiscal 1998



NOTE: \*Data for these years are estimated.

SOURCE: National Association of State Budget Officers.

population growth. Colorado, with a limit of a 6 percent increase over the previous year's general fund appropriation, has one of the most restrictive limits. Additional funds may be transferred to a capital construction fund to pay for infrastructure needs. Colorado's revenue limit restricts growth of the general fund and cash accounts to the increase in inflation and population. Excess revenues either would be refunded to voters or would require voter approval to spend the excess.

Many appropriation limits, rather than limiting growth, serve as a safeguard for when revenues fall below expectations. By appropriating less than 100 percent of estimated revenues, as occurs in Delaware, Iowa, Mississippi, Oklahoma, and Rhode Island, states provide themselves a cushion for revenue shortfalls. This is preferable to the alternative, which is often to reduce enacted budgets midyear because of a revenue shortfall.

TABLE 8

### Total Year-End Balances, Fiscal 1979 to Fiscal 1998

<i>Fiscal Year</i>	<i>Total Balance (Billions)</i>	<i>Total Balance (Percentage of Expenditures)</i>
1998*	\$24.0*	5.8%*
1997*	29.2*	7.5*
1996	25.1	6.8
1995	20.6	5.8
1994	16.9	5.1
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 1997 are preliminary actuals, figures for fiscal 1998 are based on appropriations.

SOURCE: National Association of State Budget Officers.

TABLE 9

### Total Year-End Balances as a Percentage of Expenditures, Fiscal 1996 to Fiscal 1998

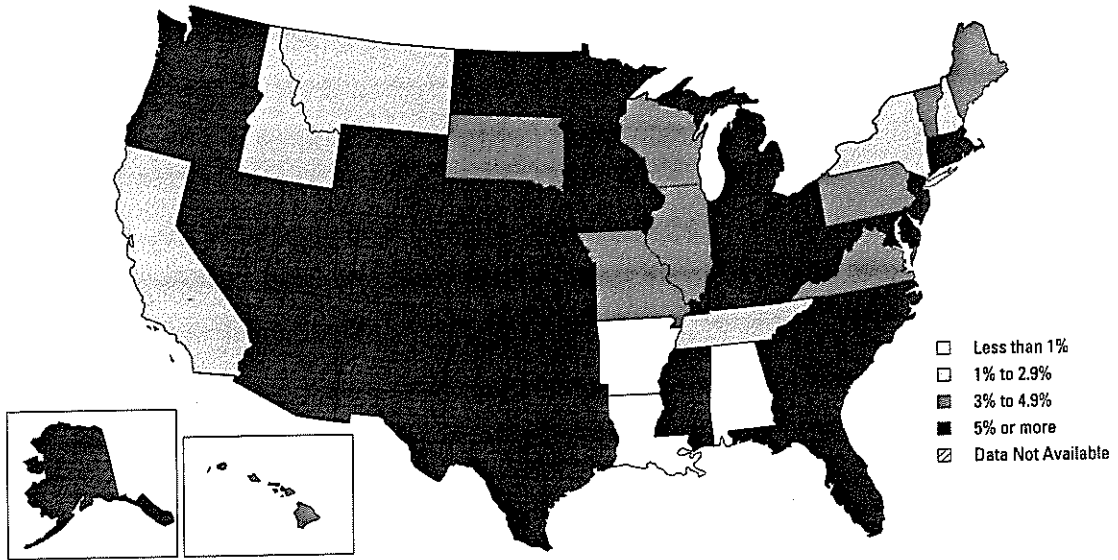
<i>Percentage of Expenditures</i>	<i>Number of States</i>		
	<i>Fiscal 1996 (Actual)</i>	<i>Fiscal 1997 (Preliminary Actual)</i>	<i>Fiscal 1998 (Appropriated)</i>
Less than 1.0%	4	3	3
1.0% to 2.9%	8	6	9
3.0% to 4.9%	4	10	13
5% or more	34	34	25

NOTE: The average for fiscal 1996 (actual) was 6.8 percent; the average for fiscal 1997 (preliminary actual) is 7.5 percent; and the average for fiscal 1998 (appropriated) is 5.8 percent.

SOURCE: National Association of State Budget Officers.

FIGURE 4

Total Year-End Balances as a Percentage of Expenditures, Fiscal 1997



SOURCE: National Association of State Budget Officers.



## Regional Fiscal Outlook

### CHAPTER FOUR

The positive outlook has yielded strong economic growth nationwide, with virtually all regions experiencing positive economic growth. The growth across regions is partly attributable to the impact of new technology that allows more options for business location. The relative high cost of business in California and the northeastern states will result in slightly below average economic growth.

Population trends differ significantly across regions (see Table 10). States in the Mid-Atlantic and New England regions experienced the slowest population growth between July 1995 and July 1996, at

0.2 percent and 0.4 percent, respectively. The Rocky Mountain and Southwestern regions continue to experience the greatest influx of people, with an annual growth rate of 1.8 percent, followed by the Southeastern region, with 1.2 percent annual growth from July 1995 to July 1996. The fastest-growing states will continue to be in the Rocky Mountain, Far West, Southwest, and Southeast regions, according to the U.S. Department of Commerce's Bureau of Economic Analysis.

TABLE 10

### Regional Budget and Economic Indicators

<i>Region</i>	<i>Weighted Unemployment Rate*</i>	<i>Average Annual Percentage Change in Personal Income**</i>	<i>Annual Percentage Change in Population***</i>	<i>Fiscal 1997 Total Balances as a Percentage of Expenditures</i>	<i>Appropriated 1998 General Fund Budget Growth (Percent)</i>	<i>Number of States in Region</i>
New England	4.3%	6.1%	0.4%	6.2%	4.2%	6
Mid-Atlantic	5.6	5.2	0.2	4.6	4.6	5
Great Lakes	4.0	5.0	0.5	7.5	5.3	5
Plains	3.7	5.2	0.6	13.2	4.4	7
Southeast	4.8	5.9	1.2	6.5	5.9	12
Southwest	5.1	6.6	1.8	10.7	8.1	4
Rocky Mountain	3.7	6.2	1.8	6.2	2.7	5
Far West	5.9	6.2	1.0	8.0	6.3	6
<b>Average</b>	<b>4.9%</b>	<b>5.7%</b>	<b>0.9%</b>	<b>7.5%</b>	<b>5.5%</b>	<b>--</b>

**SOURCES:** \* U.S. Department of Labor, Bureau of Labor Statistics, October 1997.  
 \*\* U.S. Department of Commerce, Bureau of Economic Analysis, October 1997.  
 \*\*\* U.S. Department of Commerce, Bureau of the Census, December 1996.

## Strategic Directions of States

### CHAPTER FIVE

States continue to make changes in the overall management of state government, particularly in merging departments, using outcome measures to assess performance, and selectively reviewing privatization options. Even with a strong economy, states are emphasizing efficiency changes rather than expansions of state services. The most prevalent change is the move toward performance-based budgeting, either through a statewide effort or through more emphasis on outcomes during budget deliberations.

Several states are eliminating government functions and departments in order to downsize state government. Examples include:

- eliminating the alternative assistance program in California; and
- discontinuing the commodities-testing laboratory in Pennsylvania.

States are consolidating departments to achieve efficiencies. Often these consolidations affect administrative or central government services, such as establishing an overall technology review, or affect health, social services, and job training. For administrative consolidations, the focus is on improving internal management and eliminating duplication. The focus in the health and human services area is on integrating services and improving case management. Examples of state restructuring include:

- restructuring Aid to Families with Dependent Children, Gain, and welfare-linked child care and replacing them with welfare-to-work in California;
- expanding the move away from cash assistance toward more supportive assistance in Connecticut;
- creating a cabinet-level department of education in Delaware;
- merging three departments and similar functional divisions from three other departments into one department for human services, effective fiscal 1998, in Illinois;
- consolidating youth centers and programs under a juvenile justice authority and transferring administration of all home and community-based services and nursing home programs for the elderly from

the department of social and rehabilitation services to the department of aging in Kansas;

- restructuring the department of labor to facilitate workforce development in Louisiana;
- establishing new legislative committees devoted solely to the consolidation of family and early childhood issues to mirror the executive branch reorganization in Minnesota;
- expanding Medicaid managed care to other areas of the state and implementing welfare-to-work and workforce initiatives in Missouri;
- consolidating health and social services agencies in Nebraska;
- implementing Medicaid managed care and welfare and workforce development changes in New Mexico;
- consolidating youth and social service agencies and reorganizing welfare programs in New York;
- implementing welfare reform in Ohio;
- automating the statewide criminal justice information system to provide access to state, federal, and local data and transferring the vehicle inspections station function from the state police to the department of transportation in Pennsylvania; and
- merging the department of employment and training and the department of labor into a new department of labor and training, merging the department of state library services into the department of administration, and reorganizing the department of environmental management in Rhode Island.

Several states are pursuing privatization to achieve cost savings, primarily by contracting out for services. Some significant areas being reviewed for privatization include mental health services under Medicaid, prison operations, and information technology services. As states modify their welfare programs, several states are seeking private firms to carry out welfare administrative operations, such as determining eligibility, tracking clients, and providing job placement. Recent examples of privatization include:

- outsourcing the state's information technology services in Connecticut;
- transferring responsibility for delivery of foster care, adoption support, family preservation, and child enforcement services from state employees of the department of social and rehabilitation services to contracts with private for-profit and not-for-profit agencies in Kansas;
- continuing privatization in mental health and corrections in Missouri; and
- privatizing the municipal statistics collection program and transferring some of the processing activities related to mainframe computers from the public sector to the private sector in Pennsylvania.

In an effort to reduce personnel costs, many states have reduced the number of positions or have offered early retirement incentives. Other states, including Georgia, Maryland, and Rhode Island, have recently reformed their personnel systems. Examples of recent state changes in workforce policies include:

- offering an early retirement incentive package that resulted in a reduction of 1,700 positions in the state's workforce in Connecticut;
- establishing a commission to coordinate all state efforts with regard to employment initiatives in Louisiana;
- instituting new employee performance evaluation forms and procedures in Maine;
- freezing full-time equivalent positions for agencies under the Governor's control in Nebraska;
- establishing an early retirement program in New York;
- reducing the number of full-time equivalent positions by approximately 203 and allowing the director of the department of administration to move individuals and positions from one department to another if not covered by a labor contract in Rhode Island; and
- capping the number of full-time equivalent positions and salary increases in Texas.

States are conducting statewide reviews of expenditures and revenues as part of an effort to maintain long-term balance in their budgets. These efforts may be in the form of a statewide commission to review overall operations. Other reviews focus on providing

adequate funding for infrastructure and reviewing needs and funding for transportation projects.

Examples include:

- enacting an infrastructure fund in Iowa;
- completing a review of highway and transportation funding needs in Missouri;
- implementing a consensus revenue forecasting conference in New York;
- establishing a review process for the state budget in North Carolina;
- reviewing and implementing recommendations from a commission report on improving efficiency of state operations, led by the lieutenant governor, through a process of deciding to privatize, retain, innovate, modify, and eliminate (PRIME) operations; seeking changes to the state's procurement code; and proposing amendments to the administrative code that governs the encumbrance, expenditure, and return of unspent funds to allow greater administrative flexibility in Pennsylvania;
- implementing the first phase of a pay-as-you-go asset protection program to be funded through the state's capital fund and the first phase of increasing allocations from the gasoline tax for transportation programs in Rhode Island; and
- reviewing the tax system during the legislative interim in Texas.

Performance-based budgeting is the most significant trend in state budgeting. States often proceed incrementally by establishing a strategic plan, assessing goals and objectives for agencies and programs, and developing performance measures. Many states have been working on some type of performance budgeting for several years, recognizing that systematic change requires a multiyear commitment. Examples include:

- adopting a policy for constitutional budget reserves in Alaska;
- implementing a biennial budget process beginning in fiscal 2000 in Arizona;
- conducting performance budgeting in four pilot departments in California;
- implementing results-based budgeting as required by statute in Georgia;

- implementing a budget-for-results program in Iowa;
- enacting performance budgeting in Louisiana;
- enacting performance budgets in the next biennium to coincide with department/agency strategic plans in Maine;
- linking strategic planning to budgeting and performance measures and implementing a new financial management system in Missouri;
- continuing to adopt performance-based methods in Nebraska;
- coordinating training for agencies in performance indicators by the budget division and dividing the budget into base, maintenance, and enhancements categories in Nevada;
- changing the budget structure to better separate previous appropriations levels from current service level elements such as inflation, caseload growth, and program phase-ins or phase-outs in Oregon;
- implementing the first phase of performance measurement with the development of measures for approximately one half of the state's programs in Rhode Island;
- developing a capital budget plan for the subsequent fiscal biennium in Texas;
- allocating a portion of available funds consistent with performance indicators for fiscal 1999 and implementing a new financial management system, including integrated accounting and budgeting capability to be phased in beginning fiscal 2000, in Vermont; and
- continuing performance budgeting in two pilot departments in Wisconsin.

States are continuing to consolidate and review their operations in the quest to make government more effective. The most prevalent change in state management is the continued emphasis on integrating performance measures into budgeting. These changes are often done incrementally. It may be several years before the impact is realized.

# Appendix

TABLE A-1

## Fiscal 1996 State General Fund, Actual (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Budget Stabilization Fund
<b>NEW ENGLAND</b>								
Connecticut*	\$ 0	\$ 9,111		\$ 9,111	\$ 8,861		\$ 250	\$241
Maine*	4	1,766	\$-48	1,723	1,682	\$-28	13	37
Massachusetts*	726	17,328		18,054	16,881		1,172	*
New Hampshire*	0	829	-22	808	852		-44	20
Rhode Island*	5	1,709		1,714	1,714		0	53
Vermont*	-15	715	7	707	702	5	0	0
<b>MID-ATLANTIC</b>								
Delaware*	374	1,656		2,030	1,651		379	*
Maryland*	132	7,208	56	7,396	7,383		13	461
New Jersey*	952	15,282		16,234	15,532	-165	867	*
New York*	158	33,173		33,331	32,679	363	287	*
Pennsylvania*	429	15,822	96	16,347	16,279	88	156	211
<b>GREAT LAKES</b>								
Illinois*	331	18,136	-200	18,267	18,041	-200	426	0
Indiana*	679	7,570		8,249	7,344	100	805	440
Michigan	0	8,673		8,673	8,673		0	1,183
Ohio*	70	16,575		16,645	15,858	537	251	828
Wisconsin*	401	8,346		8,747	8,132	-34	582	*
<b>PLAINS</b>								
Iowa*	0	4,141	-46	4,095	3,781	61	253	358
Kansas*	367	3,448	3	3,818	3,439		379	0
Minnesota*	1,020	9,401		10,421	9,078		1,343	*
Missouri	473	5,813		6,286	5,822		464	29
Nebraska*	176	1,837	-7	2,005	1,758		248	18
North Dakota*	31	668		699	651		48	0
South Dakota*	0	605	25	631	616	15	0	18
<b>SOUTHEAST</b>								
Alabama	54	4,244		4,298	4,240		58	0
Arkansas*	0	2,533	99	2,632	2,632		0	0
Florida	129	14,868		14,997	14,710		287	411
Georgia	320	10,608		10,928	10,439		489	313
Kentucky*	261	5,337	191	5,789	5,286	280	223	200
Louisiana*	146	5,157	8	5,311	5,090	-97	318	0
Mississippi	115	2,702		2,816	2,731		86	204
North Carolina*	321	10,090		10,411	9,685	436	291	501
South Carolina*	589	4,346		4,935	4,336		599	*
Tennessee*	138	5,302	31	5,471	5,326	20	125	*
Virginia*	17	7,742		7,759	7,655		104	85
West Virginia*	170	2,334	35	2,539	2,338	43	158	64
<b>SOUTHWEST</b>								
Arizona*	270	4,664		4,933	4,533		400	233
New Mexico*	59	2,939	-61	2,937	2,773	20	144	*
Oklahoma*	196	3,705	-62	3,838	3,549		289	114
Texas	1,852	24,831		26,682	24,636		2,046	8
<b>ROCKY MOUNTAIN</b>								
Colorado	489	4,269		4,758	4,408	20	369	0
Idaho*	3	1,351	-5	1,349	1,337		12	32
Montana*	47	963	7	1,017	985	2	30	NA
Utah	61	2,731		2,793	2,595		197	72
Wyoming*	26	437	50	512	459		53	4
<b>FAR WEST</b>								
Alaska	0	2,216	132	2,347	2,347		0	2,518
California*	807	46,296	-1,025	46,078	45,393		685	*
Hawaii	90	3,194		3,284	3,124		161	0
Nevada*	102	1,291		1,393	1,257	-23	159	123
Oregon*	496	3,564		4,060	3,531		529	36
Washington	559	8,616		9,175	8,619		556	0
<b>TERRITORIES</b>								
Puerto Rico	126	5,386		5,512	5,495		17	68
<b>Total</b>	<b>\$13,629</b>	<b>\$376,141</b>	<b>--</b>	<b>\$389,031</b>	<b>\$371,421</b>	<b>--</b>	<b>\$16,259</b>	<b>\$8,814</b>

NOTE: NA indicates data are not available.

\*See Notes to Table A-1.

## 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.

Arizona	In addition to the general fund ending balance and the balance in the budget stabilization fund, there was \$14 million in a medical services stabilization fund.
Arkansas	Revenue adjustments reflect a transfer made to the reserve fund for services and capital infrastructure.
California	Revenue adjustments reflect the \$1,025 million of the twenty-two-month deficit elimination plan. Ending balance includes a budget stabilization fund of \$235 million.
Connecticut	Figures include federal reimbursements such as Medicaid. Per Special Act Number 96-8, up to \$89.5 million of the fiscal 1996 surplus must be appropriated for payment of the fiscal 1997 economic recovery notes.
Delaware	The ending balance includes a budget stabilization fund of \$87.2 million.
Idaho	Revenue adjustments include one-time transfers to and/or from other funds.
Illinois	Revenue and expenditure adjustments reflect cash-flow borrowing amounts for the general funds; fiscal 1996 is \$200 million.
Indiana	Expenditure adjustments include those for Year 2000, auto excise tax distribution, pensions, and others.
Iowa	The ending balance includes \$13.4 million to be deposited in the cash reserve fund, \$58.8 million to be set aside in an economic emergency fund under current law, and \$180.6 million to be returned to the general fund in fiscal 1997. Revenue adjustments include \$46.2 million in gaming revenues diverted to the Rebuild Iowa Infrastructure Fund. Expenditure adjustments include a \$61 million reduction in additional property tax relief.
Kansas	Revenues are adjusted for released encumbrances.
Kentucky	Revenue adjustments include continuing appropriations, fund transfers, and fund substitutions. Expenditure adjustments include the reserve for continued appropriations, including the budget reserve trust fund.
Louisiana	Revenue adjustment is a carry-forward balance. Expenditure adjustments reflect the comprehensive annual financial report fund balance reconciliation.
Maine	Revenue adjustments reflect prior-year transactions and balances carried forward. Revenue figures were adjusted for the change to a modified accrual basis.
Maryland	Revenue adjustments reflect transfer from the reserve fund.
Massachusetts	These figures incorporate data for Massachusetts' three major funds (general fund, highway fund, and local aid). Massachusetts uses all three, although most states, which typically have far fewer dedicated funds, use just their general fund. The ending balance includes a budget stabilization fund of \$543.3 million and a tax reduction fund balance of \$231.7 million.
Minnesota	The rainy day fund balance includes \$350 million from the cash-flow account and \$220 million from the budget reserve, totaling \$570 million.
Montana	Revenue adjustments represent primarily residual equity transfers.
Nebraska	Revenue adjustments are transfers between the general fund and other funds. Expenditure adjustments are carryovers from fiscal 1997 and future deficit allocation for fiscal 1998.
Nevada	Expenditures include \$33.7 million in one-time expenditures for elementary and secondary education, \$8 million for the prison contingency fund, and \$23.4 million added to the budget stabilization fund. Expenditure adjustments reflect reversion of general fund expenditures of \$24.9 million, a transfer of fiscal 1997 appropriations to fiscal 1996 of \$0.5 million, and an adjustment to the fund balance of \$1.2 million.
New Hampshire	The balance in the health care transition fund was \$89.9 million. Revenue adjustments reflect transfers to and from the health care transition fund.
New Jersey	The ending balance includes a budget stabilization fund of \$272.3 million.
New Mexico	Revenue adjustments include a risk fund transfer of \$15.9 million. Expenditure adjustments include appropriations from reserves, disaster allotments, and transfers from risk reserves. Ending balance includes a budget stabilization fund of \$144 million.
New York	Reported totals do not reflect the use of \$271 million in LGAC bond proceeds to finance education aid that otherwise would have been financed through the general fund, nor the reclassification of \$92 million of spending formerly budgeted in special revenue funds that is now budgeted in the general fund. Ending balance includes a budget stabilization fund of \$237 million.
North Carolina	The beginning balance is the unreserved balance as of July 1, 1996. Expenditure adjustments are reserves authorized by the general assembly, including \$77.3 million to the budget stabilization reserve, \$130 million to the repairs and renovation reserve, \$47.2 million to the clean water management trust fund, \$39.5 million to the capital improvement reserve, \$26.2 million to the federal retiree refund reserve, \$115.5 million to the reserve for disaster relief, and \$0.3 million to the library grant reserve.

## NOTES TO TABLE A-1 (continued)

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 from the general fund.
Ohio	Ohio includes in its general fund federal reimbursements for Medicaid, Temporary Assistance for Needy Families, and several other but not all human service programs. The beginning balances are undesignated, unreserved fund balances net of designated transfers. The actual cash balance would be higher by the amount reserved for encumbrances, transfers to the rainy day fund, and other transfers in each year. Expenditures for fiscal 1996 and fiscal 1997 do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements from the general fund. Fiscal 1996 expenditure adjustments equal a transfer to the income tax reduction fund of \$400.8 million, a transfer to the state infrastructure bank fund of \$30 million, a transfer to the SchoolNet Plus fund of \$100 million, and other miscellaneous transfers, totaling \$32.7 million. These transfers are adjusted for a net change in encumbrances from the fiscal 1995 level of \$-27 million.
Oklahoma	Revenue adjustments are for a transfer to the rainy day fund and the cash flow reserve fund.
Oregon	Biennial budget estimation for total expenditures is assumed to be 48 percent for year one and 52 percent for year two. The rainy day fund balance reflects the figures at the beginning of the fiscal year. The fund balance also is included in the figure for total expenditures.
Pennsylvania	Revenue adjustments include adjustments to the beginning balance of \$8 million and lapses from prior-year appropriations of \$88 million. Expenditures reflect the total amount appropriated. Expenditure adjustments include the current-year lapses of \$116 million and the transfer to the rainy day fund of \$28 million, which actually occurred in the following fiscal year.
Rhode Island	Fiscal 1996 figures are actual and have been audited. Total resources are net of transfers to the budget reserve fund and include other financing uses.
South Carolina	The ending balance includes a budget stabilization fund of \$120.7 million.
South Dakota	Revenue adjustments include transfers from the budget reserve fund and obligated cash carried forward. Expenditure adjustments include transfers to the budget reserve fund and other funds. Expenditures also include future obligations against cash.
Tennessee	Revenue adjustments include a \$31 million transfer to the general fund from the debt service fund unexpended appropriations. Expenditure adjustments include a \$20 million transfer to the capital projects fund from the general fund revenues. Ending balance includes a budget stabilization fund of \$101 million.
Vermont	Revenue adjustments include a \$6.65 million transfer from the transportation fund. Expenditure adjustments include a \$4.83 million transfer to the budget stabilization trust, which was subsequently transferred to the undesignated fund balance to offset in part a generally accepted accounting principles deficit.
Virginia	The rainy day fund was appropriated in fiscal 1995.
West Virginia	The beginning balance includes reappropriations of \$61.5 million, surplus appropriations of \$43.1 million, and an unappropriated surplus of \$65.3 million, totaling \$169.9 million. Revenue adjustments include \$0.2 million in prior year redeposits and a \$34.9 million transfer from the budget stabilization fund. Total expenditures include regular appropriations of \$2,243.7 million, reappropriations of \$18.2 million, surplus appropriations of \$54.2 million, and thirty-one day prior-year expenditures of \$22.1 million, totaling \$2,338.2 million. Expenditure adjustment reflects a transfer to the budget stabilization fund.
Wisconsin	The ending balance includes a budget stabilization fund. Adjustments reflect prior-year designation of continuing balances.
Wyoming	Revenue adjustments represent budgeted interfund transfers.



TABLE A-2

## Fiscal 1997 State General Fund, Preliminary Actual (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Budget Stabilization Fund
<b>NEW ENGLAND</b>								
Connecticut*	\$ 0	\$ 9,582		\$ 9,582	\$ 9,320		\$ 263	\$337
Maine*	13	1,863	\$-60	1,816	1,769	\$-31	17	46
Massachusetts*	1,172	17,917		19,090	17,735	161	1,194	*
New Hampshire*	-44	854	39	893	847		-1	20
Rhode Island*	0	1,816		1,816	1,760		56	55
Vermont*	0	771		771	721	50	0	35
<b>MID-ATLANTIC</b>								
Delaware*	379	1,779		2,159	1,766		393	*
Maryland	13	7,568		7,581	7,374		207	490
New Jersey*	867	15,794		16,661	15,843	-290	1,108	*
New York*	287	33,043		33,330	32,897		433	*
Pennsylvania*	156	16,781	121	17,058	16,548	-107	403	412
<b>GREAT LAKES</b>								
Illinois	426	18,854		19,280	18,474		806	0
Indiana*	1,025	8,045		9,070	7,931	393	745	466
Michigan*	0	8,345		8,345	8,345		0	1,150
Ohio*	251	17,254		17,504	16,404	951	149	863
Wisconsin*	582	8,955	71	9,608	9,284	3	327	*
<b>PLAINS</b>								
Iowa*	181	4,565	-70	4,496	4,027	100	369	430
Kansas	379	3,643		4,022	3,559		463	0
Minnesota*	1,343	9,931		11,274	9,644		1,630	*
Missouri	464	6,252		6,716	6,590		126	121
Nebraska*	248	2,010	-32	2,226	1,870	-85	271	41
North Dakota*	48	719		767	685		82	*
South Dakota*	0	645	5	649	639	10	0	25
<b>SOUTHEAST</b>								
Alabama*	58	4,456		4,514	4,481		32	0
Arkansas*	0	2,685	87	2,772	2,772		0	0
Florida	287	15,833		16,120	15,537		583	629
Georgia*	489	11,312		11,801	11,122		679	334
Kentucky*	223	5,664	300	6,187	5,649	254	284	* 200
Louisiana*	318	5,578	16	5,913	5,913		0	0
Mississippi	86	2,832		2,917	2,850		67	212
North Carolina*	291	10,934	2	11,226	10,467	441	319	501
South Carolina*	599	4,588		5,187	4,613		574	*
Tennessee*	125	5,621	48	5,794	5,640	1	153	*
Virginia	104	8,512		8,616	8,361		255	157
West Virginia*	157	2,425	57	2,640	2,457	34	149	70
<b>SOUTHWEST</b>								
Arizona*	400	5,047		5,446	4,899		548	246
New Mexico*	144	3,028	23	3,194	2,975	8	212	*
Oklahoma*	289	4,093	-277	4,105	3,880		225	309
Texas	2,046	25,183		27,229	24,850		2,379	9
<b>ROCKY MOUNTAIN</b>								
Colorado	369	4,679		5,048	4,534	-140	375	0
Idaho*	12	1,392	1	1,405	1,392		13	28
Montana*	30	987	6	1,023	998	2	23	NA
Utah	197	2,885		3,082	3,011		71	79
Wyoming*	53	461	37	551	499		52	10
<b>FAR WEST</b>								
Alaska	0	2,498		2,498	2,436		62	3,297
California*	564*	49,205		49,769	48,910		859	*
Hawaii	161	3,161		3,322	3,186		136	0
Nevada*	159	1,353	76	1,589	1,552	-72	108	129
Oregon*	529	4,168		4,697	3,902		794	18
Washington	556	9,059		9,615	9,113		502	0
<b>TERRITORIES</b>								
Puerto Rico	17	5,708		5,725	5,712		13	14
<b>Total</b>	<b>\$15,472</b>	<b>\$394,622</b>	<b>--</b>	<b>\$410,972</b>	<b>\$390,031</b>	<b>--</b>	<b>\$18,494</b>	<b>\$10,718</b>

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.**

Alabama	Expenditure adjustments reflect the amounts in the fiscal 1997 supplemental appropriation bills.
Arizona	In addition to the general fund ending balance and the balance in the budget stabilization fund, \$60.2 million is expected in a medical services stabilization fund.
Arkansas	Revenue adjustments reflect a transfer made to the reserve fund for services and capital infrastructure.
California	The beginning balance includes \$121 million in prior-year adjustments. Revenue adjustment reflects the current-year change to the reserve. The ending balance includes a budget stabilization fund of \$408 million.
Connecticut	Figures include federal reimbursements such as Medicaid. Per Special Act Number 97-21, up to \$166.7 million of the fiscal 1995-97 surplus must be appropriated for payment of the fiscal 1997-98 and fiscal 1998-99 economic recovery notes.
Delaware	The ending balance includes a budget stabilization fund of \$92.9 million.
Georgia	Revenue adjustments reflect a phase out of the sales tax on groceries effective October 1, 1996.
Idaho	Revenue adjustments reflect one-time transfers to and/or from other funds.
Indiana	Expenditure adjustments include those for Year 2000, auto excise tax distribution, pensions, and others.
Iowa	The beginning balance represents the excess balances in the economic emergency fund above the 5 percent required by current law. The ending balance includes \$2 million to be deposited to the cash reserve fund, \$2 million to be set aside in an economic emergency fund, and \$364.6 million to be returned to the general fund in fiscal 1998. Revenue adjustments include \$69.6 million in gaming revenues diverted to the Rebuild Iowa Infrastructure Fund. Expenditure adjustments include an \$85 million reduction in additional property tax relief. In addition, \$15 million was approved for technology assistance to local schools.
Kentucky	Revenue adjustments include continuing appropriations, fund transfers, and fund substitutions. Expenditure adjustments include the reserve for continued appropriations, including the budget reserve trust fund.
Louisiana	Revenue adjustment is a carry-forward balance. Expenditure adjustments reflect the comprehensive annual financial report fund balance reconciliation.
Maine	Revenue adjustments reflect prior-year transactions and balances carried forward. Revenue figures were adjusted for the change to a modified accrual basis.
Massachusetts	These figures incorporate data for Massachusetts' three major funds (general fund, highway fund, and local aid). Massachusetts uses all three although most states, which typically have far fewer dedicated funds, use just their general fund. The ending balance includes a budget stabilization fund of \$799.3 million and a tax reduction fund balance of \$91.8 million. The expenditure adjustment reflects a transfer to capital projects fund created in fiscal 1997. When fiscal 1997 books are closed, the \$160.7 million will be treated as an interfund transfer.
Michigan	The general fund declined because of increased earmarking of taxes to the school aid fund.
Minnesota	The rainy day fund balance includes \$350 million from the cash-flow account and \$234 million from the budget reserve, totaling \$584 million.
Montana	Revenue adjustments represent primarily residual equity transfers.
Nebraska	Revenue adjustments are transfers between the general fund and other funds. Expenditure adjustments are carryovers from fiscal 1997 and future deficit allocation for fiscal 1998.
Nevada	Revenue adjustments include a \$76 million reversion from the distributive school account. Fiscal 1997 revenue is preliminary actual. Expenditures include one-time expenditures and supplementals. Expenditure adjustments include an estimated \$72 million reversion of general fund expenditures.
New Hampshire	The balance in the health care transition fund was \$50.9 million. Revenue adjustments reflect transfers to and from the health care transition fund.
New Jersey	The ending balance includes a budget stabilization fund of \$388.4 million.
New Mexico	Revenue adjustments include a risk fund transfer and interest on the risk reserve. Expenditure adjustments include appropriations from reserves, disaster allotments, and transfers from risk reserves. The ending balance includes a budget stabilization fund balance of \$212 million.
New York	The ending balance includes a budget stabilization fund of \$317 million.
North Carolina	Revenue adjustment reflects the general assembly's authorization of a \$1.6 million transfer from the reserve for disproportionate-share receipts to availability. Expenditure adjustments are authorized transfers to reserves from the unexpended cash balance, including \$156 million to the intangible tax refund reserve, \$174.3 million to the repair and renovation reserve, \$49.4 million to the clean water management trust fund, and \$61 million to the railroad purchase reserve.

## NOTES TO TABLE A-2 (continued)

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 from the general fund. The ending balance includes a budget stabilization fund of \$17 million.
Ohio	Ohio includes in its general fund federal reimbursements for Medicaid, Temporary Assistance for Needy Families, and several other but not all human service programs. The beginning balances are undesignated, unreserved fund balances net of designated transfers. The actual cash balance would be higher by the amount reserved for encumbrances, transfers to the rainy day fund, and other transfers in each year. Expenditures for fiscal 1996 and fiscal 1997 do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements from the general fund. Fiscal 1997 expenditure adjustments equal a transfer to the income tax reduction fund of \$262.9 million, a transfer to the budget stabilization fund of \$34.4 million, a transfer to the SchoolNet Plus fund of \$94.4 million, a transfer to the school building assistance fund of \$250 million, a transfer to the instructional education materials fund of \$35 million, a transfer to the distance learning fund of \$9.2 million, and other miscellaneous transfers, totaling \$89.8 million. These transfers are adjusted for an estimated net change in encumbrances from the fiscal 1996 level of \$175.6 million.
Oklahoma	Revenue adjustments are for a transfer to the rainy day fund and the cash-flow reserve fund.
Oregon	Biennial budget estimation for total expenditures is assumed to be 48 percent for year one and 52 percent for year two. The rainy day fund balance reflects the figures at the beginning of the fiscal year. The fund balance also is included in the figure for total expenditures. Fiscal 1997 proration is adjusted for appropriations made by the 1997 legislature for the 1995-97 biennium.
Pennsylvania	Revenue adjustments include adjustments to the beginning balance of \$2 million and lapses from prior-year appropriations of \$119 million. Expenditures reflect the total amount appropriated. Expenditure adjustments include the current-year lapses of \$82 million and the transfer to the rainy day fund of \$189 million, which actually occurs in the following fiscal year.
Rhode Island	Total resources are net of transfers to the budget reserve fund and include other financing uses. Expenditures include \$9 million in reappropriated balances to fund fiscal 1998 expenditures.
South Carolina	The ending balance includes a budget stabilization fund of \$127 million.
South Dakota	Revenue adjustments include transfers from the budget reserve fund and obligated cash carried forward. Expenditure adjustments include transfers to the budget reserve fund and other funds. Expenditures also include future obligations against cash.
Tennessee	Revenue adjustments include a \$42 million transfer to the general fund from the debt service fund unexpended appropriations and a \$6 million transfer to the general fund from reserves. Expenditure adjustments include a \$1 million transfer to the capital projects fund from the general fund revenues. The ending balance includes a budget stabilization fund of \$101 million.
Vermont	Expenditure adjustments include a \$35.12 million transfer to the budget stabilization trust, a \$4.9 million transfer to the transportation fund, \$2.89 million reserved to reduce debt service, and \$7.0 million reserved for education reform.
West Virginia	The beginning balance includes reappropriations of \$89.1 million, surplus appropriations of \$25.2 million, and unappropriated surplus of \$43.1 million, totaling \$157.4 million. Revenue adjustments include \$0.2 million in prior year redeposits, a \$3.1 million transfer from special revenue, and a \$54.0 million transfer from the budget stabilization fund. Total expenditures include regular appropriations of \$2,333.8 million, reappropriations of \$50.1 million, surplus appropriations of \$45.3 million, and thirty-one-day prior-year expenditures of \$27.5 million, totaling \$2,456.7 million. Expenditure adjustment reflects a transfer to the budget stabilization fund.
Wisconsin	The ending balance includes a budget stabilization fund. Adjustments reflect a \$13.7 million residual equity transfer to the general fund from the Badger Fund, State Housing Authority Reserve, lapses required by law, and federal program revenue appropriations. Adjustments also reflect \$-10.7 million as a prior-year designation for continuing balances.
Wyoming	Revenue adjustments represent budgeted interfund transfers.

TABLE A-3

## Fiscal 1998 State General Fund, Appropriated (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Budget Stabilization Fund
<b>NEW ENGLAND</b>								
Connecticut*	\$ 0	\$9,342		\$ 9,342	\$ 9,342		\$ 0	\$337
Maine*	17	1,870		1,888	1,830		58	NA
Massachusetts*	1,194	18,590		19,784	18,805		978	*
New Hampshire*	-1	920	\$ 8	929	927		0	20
Rhode Island*	56	1,814		1,870	1,853		17	57
Vermont*	0	811		811	756	\$ 50	5	36
<b>MID-ATLANTIC</b>								
Delaware*	393	1,864		2,257	1,938		319	*
Maryland	207	7,680		7,887	7,796		91	554
New Jersey*	1,078	15,875		16,953	16,393	7	554	*
New York*	433	35,094		35,527	34,600		927	*
Pennsylvania*	403	16,780		17,183	17,166	-3	14	436
<b>GREAT LAKES</b>								
Illinois	806	19,504		20,310	19,710		600	0
Indiana*	1,138	8,182	-57	9,263	8,036	404	823	475
Michigan	0	8,552		8,552	8,552		0	1,222
Ohio*	149	17,758		17,907	17,617	55	235	888
Wisconsin*	330	9,670		10,000	9,752		249	*
<b>PLAINS</b>								
Iowa*	365	4,824	-118	4,706	4,228	128	350	434
Kansas	463	3,723		4,186	3,835		351	0
Minnesota*	1,630	9,734		11,364	10,267		1,097	*
Missouri	126	6,421		6,547	6,461		86	128
Nebraska*	271	1,994	-99	2,165	1,980	-5	180	133
North Dakota*	82	694		776	714		62	*
South Dakota*	0	707	6	712	707	6	0	30
<b>SOUTHEAST</b>								
Alabama	32	4,603		4,635	4,635		0	0
Arkansas*	0	2,847	8	2,855	2,855		0	0
Florida	583	16,543		17,125	16,717		409	837
Georgia*	679	11,489	-222	11,946	11,946		0	334
Kentucky*	284	5,751	370	6,405	6,045	254	106	200
Louisiana*	0	5,563		5,563	5,558		5	0
Mississippi*	67	2,942	-60	2,948	2,947		1	221
North Carolina*	319	11,194	175	11,887	11,565		121	501
South Carolina*	574	4,676		5,250	5,031		219	*
Tennessee*	153	5,830	43	6,026	5,898	1	127	*
Virginia	255	8,549		8,804	8,800		4	215
West Virginia*	149	2,450	0	2,599	2,562	10	27	68
<b>SOUTHWEST</b>								
Arizona*	548	5,173		5,720	5,203		518	291
New Mexico*	212	3,031	6	3,249	3,001	19	228	*
Oklahoma*	225	4,180	-25	4,380	4,200		180	309
Texas*	2,379	25,663	318	28,360	27,152		1,208	58
<b>ROCKY MOUNTAIN</b>								
Colorado*	375	5,061		5,436	4,716	384	336	177
Idaho	13	1,450		1,463	1,441		22	28
Montana*	23	1,002	13	1,038	1,017	1	20	NA
Utah	71	3,004		3,075	3,032		43	81
Wyoming*	52	463	26	541	510		31	3
<b>FAR WEST</b>								
Alaska	62	2,075	233	2,371	2,371		0	3,459
California*	859	52,531		53,390	52,827		563	*
Hawaii	136	3,199		3,335	3,234		101	0
Nevada*	108	1,486	-50	1,544	1,451	-20	112	129
Oregon*	794	3,850		4,644	4,206		438	38
Washington*	502	9,547		10,049	9,384		668	*
<b>TERRITORIES</b>								
Puerto Rico	13	6,054		6,067	6,066		1	27
<b>Total</b>	<b>\$18,592</b>	<b>\$406,553</b>	<b>--</b>	<b>\$425,357</b>	<b>\$411,568</b>	<b>--</b>	<b>\$12,484</b>	<b>\$11,699</b>

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.**

Arizona	In addition to the general fund ending balance and the balance in the budget stabilization fund, \$76.9 million is expected in a medical services stabilization fund. The Governor also is recommending that a portion of the Temporary Assistance for Needy Families block grant be set aside as a temporary assistance stabilization fund; this would be an additional \$17.8 million.
Arkansas	A balanced budget reserve fund was created by the 81st general assembly consisting of one-time surplus monies for agency operations.
California	The ending balance includes a budget stabilization fund of \$112 million.
Colorado	The \$384 million adjustment includes a statutory transfer of \$151 million from the general fund to the state highway fund for road construction. The remainder of the adjustment is a potential refund to taxpayers because of state revenues exceeding the annual constitutional revenue growth limit (\$233 million).
Connecticut	Figures include federal reimbursements such as Medicaid.
Delaware	The ending balance includes a budget stabilization fund of \$100.9 million.
Georgia	Revenue adjustments reflect a phase out of the sales tax on groceries effective October 1, 1996.
Indiana	Expenditure adjustments include those for Year 2000, auto excise tax distribution, pensions, and others.
Iowa	Beginning balance represents the excess balances in the economic emergency fund above the 5 percent required by current law. Ending balance includes \$6.2 million to be deposited to the cash reserve fund, \$6.2 million to be set aside in an economic emergency fund, and \$337.2 million carried over to fiscal 1999 in the general fund. Revenue adjustments include \$74 million in gaming revenues diverted to the Rebuild Iowa Infrastructure Fund, a \$4 million sales tax reduction on machinery and equipment, a \$5 million reduction on Subchapter S corporations, and \$2.2 million in other tax reductions. Revenue adjustments also reflect \$33 million less in receipts deposited directly to the state institution for persons with mental retardation. Expenditure adjustments include \$130.8 million in property tax relief and \$30 million for technology assistance to local schools. Expenditures are \$33 million less to offset revenues deposited directly to the state institution for persons with mental retardation.
Kentucky	Revenue adjustments include continuing appropriations, fund transfers, and fund substitutions. Expenditure adjustments include the reserve for continued appropriations, including the budget reserve trust fund.
Louisiana	Revenue adjustment is a carry-forward balance. Expenditure adjustments reflect the comprehensive annual financial report fund balance reconciliation.
Maine	Revenue figures were adjusted for the change to a modified accrual basis.
Massachusetts	These figures incorporate data for Massachusetts' three major funds (general fund, highway fund, and local aid). Massachusetts uses all three, although most states, which typically have far fewer dedicated funds, use just their general fund. The ending balance includes a budget stabilization fund of \$849.0 million, as well as balances for the tax reduction fund and the capital projects fund.
Minnesota	The rainy day fund balance includes \$350 million from the cash-flow account and \$522 million from the budget reserve, totaling \$872 million.
Mississippi	Revenue adjustments reflect the income tax law change that affected the 2 percent budget limitation.
Montana	Revenue adjustments represent primarily residual equity transfers.
Nebraska	Revenue adjustments are transfers between the general fund and other funds. Expenditure adjustments are carryovers from fiscal 1997 and future deficit allocation for fiscal 1998.
Nevada	Fiscal 1998 expenditure adjustments include a forecasted \$20 million general fund reversion. The revenue adjustment subtracts the now-repealed insurance premium tax prepayment. Fiscal 1998 revenue reflects a 1997 Economic Forum forecast.
New Hampshire	The balance in the health care transition fund is \$50.9 million. Revenue adjustments include the revenue maximization project.
New Jersey	The ending balance includes a budget stabilization fund of \$327.7 million.
New Mexico	Revenue adjustments include a risk fund transfer and interest on the risk reserve. Expenditure adjustments include appropriations from reserves, disaster allotments, and transfers from risk reserves. The ending balance includes a budget stabilization fund of \$228.3 million.
New York	The ending balance includes a budget stabilization fund of \$332 million and a projected reserve for use in the 1998-99 fiscal year of \$530 million.
North Carolina	Revenue adjustments reflect the general assembly's authorization of \$0.3 million from the library grant reserve and \$174.3 million to the repair and renovation reserve to availability.
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 from the general fund. Ending balance includes a budget stabilization fund of \$17 million.

## NOTES TO TABLE A-3 (continued)

Ohio	Ohio budgets biennially. Fiscal 1998 information is based on the enacted budget for the fiscal 1998–99 biennium. Ohio includes in its general fund federal reimbursements for Medicaid, Temporary Assistance for Needy Families, and several other but not all human service programs. Beginning balances are undesignated, unreserved fund balances net of designated transfers. The actual cash balance would be higher by the amount reserved for encumbrances, transfers to the rainy day fund, and other transfers in each year. Expenditures for fiscal 1998 are based on the enacted budget for that year. Fiscal 1998 expenditure adjustments equal an estimated transfer to the budget stabilization fund of \$25.2 million and other miscellaneous transfers of \$30.2 million.
Oklahoma	Revenue adjustments are for a transfer to the rainy day fund and the cash flow reserve fund.
Oregon	Biennial budget estimation for total expenditures is assumed to be 48 percent for year one and 52 percent for year two. The rainy day fund balance reflects the figures at the beginning of the fiscal year. The fund balance also is included in the figure for total expenditures. Fiscal 1998 revenues reflect a September 1997 economic and revenue forecast, including a tax refund of 14.67 percent of 1996 state income tax liability because of revenues exceeding the previous close-of-session forecast by more than 2 percent.
Pennsylvania	Expenditures reflect the total amounts appropriated. Expenditure adjustments include a transfer to the rainy day fund of \$3 million, which is expected to occur in the following fiscal year.
Rhode Island	Total resources are net of transfers to the budget reserve fund and include other financing uses.
South Carolina	The ending balance includes a budget stabilization fund of \$130.4 million.
South Dakota	Revenue adjustments include transfers from the budget reserve fund and obligated cash carried forward. Expenditure adjustments include transfers to the budget reserve fund and other funds. Expenditures also include future obligations against cash.
Tennessee	Revenue adjustments include a \$43 million transfer to the general fund from the housing development authority reserves, as well as earmarked tax revenues. Expenditure adjustments include a \$1 million transfer to the capital projects fund from general fund revenues. The ending balance includes a budget stabilization fund of \$101 million.
Texas	The revenue adjustment reflects a change to the percentage distribution of lottery prizes. The state must receive a higher percentage than the players.
Vermont	Expenditure adjustments are a transfer to the budget stabilization reserve of \$0.93 million and a \$49.4 million property tax reform appropriation.
Washington	The ending balance includes a budget stabilization fund of \$166.9 million.
West Virginia	The beginning balance includes reappropriations of \$100.5 million, surplus appropriations of \$8.2 million, and an unappropriated surplus balance of \$40.6 million, totaling \$149.3 million. Revenue adjustments include \$0.1 million in prior-year redeposits. Total expenditures include regular appropriations of \$2,424.9 million, reappropriations of \$100.5 million, surplus appropriations of \$8.2 million, and thirty-one day prior-year expenditures of \$28.4 million, totaling \$2,562.0 million. Expenditure adjustment reflects a transfer to the budget stabilization fund.
Wisconsin	The ending balance includes a budget stabilization fund of \$98 million.
Wyoming	Revenue adjustments represent budgeted interfund transfers.

TABLE A-4

**Nominal Percentage Expenditure Change,  
Fiscal 1997 and Fiscal 1998\*\***

<i>Region/State</i>	<i>Fiscal 1997</i>	<i>Fiscal 1998</i>
<b>NEW ENGLAND</b>		
Connecticut	5.2%	0.2%
Maine	5.1	3.5
Massachusetts	5.1	6.0
New Hampshire	-0.5	9.4
Rhode Island	2.7	5.3
Vermont	2.6	4.8
<b>MID-ATLANTIC</b>		
Delaware*	6.9	9.7
Maryland	-0.1	5.7
New Jersey	2.0	3.5
New York	0.7	5.2
Pennsylvania	1.7	3.7
<b>GREAT LAKES</b>		
Illinois	2.4	6.7
Indiana	8.0	1.3
Michigan	-3.8	2.5
Ohio*	3.4	7.4
Wisconsin	14.2	5.0
<b>PLAINS</b>		
Iowa	6.5	5.0
Kansas	3.5	7.8
Minnesota	6.2	6.5
Missouri	13.2	-2.0
Nebraska	6.4	5.8
North Dakota	5.2	4.2
South Dakota	3.8	10.5
<b>SOUTHEAST</b>		
Alabama	5.7	3.4
Arkansas	5.3	3.0
Florida	5.6	7.6
Georgia	6.5	7.4
Kentucky	6.9	7.0
Louisiana	16.2	-6.0
Mississippi	4.4	3.4
North Carolina	8.1	10.5
South Carolina	6.4	9.1
Tennessee	5.9	4.6
Virginia	9.2	5.3
West Virginia	5.1	4.3
<b>SOUTHWEST</b>		
Arizona	8.1	6.2
New Mexico	7.3	0.9
Oklahoma	9.3	8.2
Texas	0.9	9.3
<b>ROCKY MOUNTAIN</b>		
Colorado	2.9	4.0
Idaho	4.1	3.5
Montana	1.3	1.9
Utah*	16.0	0.7
Wyoming	8.6	2.2
<b>FAR WEST</b>		
Alaska	3.8	-2.7
California	7.7	8.0
Hawaii	2.0	1.5
Nevada	23.5	-6.5
Oregon	10.5	7.8
Washington	5.7	3.0
<b>TERRITORIES</b>		
Puerto Rico	3.9	6.2
<b>Average</b>	<b>5.0%</b>	<b>5.5%</b>

**NOTES:** See Notes to Table A-4.

\*\*Fiscal 1997 reflects changes from fiscal 1996 expenditures (actual) to fiscal 1997 expenditures (preliminary actual). Fiscal 1998 reflects changes from fiscal 1997 expenditures (preliminary actual) to fiscal 1998 expenditures (appropriated).

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**NOTES TO TABLE A-4**

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Delaware	Fiscal 1997 and fiscal 1998 expenditures reflect activity in general fund capital project appropriations carried over from one or more prior fiscal years. These expenditure figures obscure the nominal percentage budget change, which was 5.65 percent in fiscal 1997 and 5.64 percent in fiscal 1998.
Ohio	The fiscal 1998 and 1997 growth rates reflect actual fiscal 1997 spending levels substantially below originally budgeted levels.
Utah	Fiscal 1997 expenditures included \$197 million carried over from fiscal 1996, thus overstating the 1997 increase. The majority of the carry-forward funds were one-time dollars spent on one-time expenditures.



TABLE A-5

## Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 1997

Region/State	Institute Fees	Eliminate Programs	Use Layoffs	Use Furloughs	Use Across-the-Board Percentage Cuts	Use Early Retirement	Reduce Local Aid	Reorganize Programs	Use Privatization
<b>NEW ENGLAND</b>									
Connecticut		X			X	X		X	X
Maine									
Massachusetts									
New Hampshire			X						
Rhode Island*									
Vermont	X					X			
<b>MID-ATLANTIC</b>									
Delaware									
Maryland									
New Jersey*								X	
New York*	X	X				X	X	X	
Pennsylvania									
<b>GREAT LAKES</b>									
Illinois									
Indiana									
Michigan*	X					X			
Ohio									
Wisconsin									
<b>PLAINS</b>									
Iowa									
Kansas									
Minnesota									
Missouri									
Nebraska									
North Dakota									
South Dakota		X	X						
<b>SOUTHEAST</b>									
Alabama									
Arkansas									
Florida									
Georgia*								X	X
Kentucky									
Louisiana									
Mississippi									
North Carolina									
South Carolina									
Tennessee									
Virginia									
West Virginia									
<b>SOUTHWEST</b>									
Arizona									
New Mexico		X						X	
Oklahoma									
Texas									
<b>ROCKY MOUNTAIN</b>									
Colorado									
Idaho					X				
Montana									
Utah									
Wyoming		X							
<b>FAR WEST</b>									
Alaska	X		X		X	X	X		
California*	X	X					X	X	
Hawaii*									
Nevada									
Oregon*	X								
Washington*									
<b>TERRITORIES</b>									
Puerto Rico								X	X
<b>Total</b>	6	6	3	0	3	5	3	7	3

\*See Notes to Table A-5.

## NOTES TO TABLE A-5

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California	Other strategies include deferral of the California Department of Social Services' Special Circumstances Program.
Georgia	Other strategies include redirection of lower priorities to higher priorities.
Hawaii	Other strategies include selected program cuts identified by departments.
Michigan	An early retirement option plan allowed eligible state employees to retire between April 1, 1997 and June 1, 1997. Although the retirements actually took place in fiscal 1997, savings to reflect the impact of these early retirements were built into the budget for fiscal 1998.  Other strategies include a hiring freeze, a move to managed care for Medicaid recipients, and the implementation of welfare reform initiatives.
New Jersey	Other strategies include targeted attrition, increased fraud detection, and improved procurement.
New York	Other strategies include a tax amnesty program and surplus fund transfers.
Oregon	Cuts were made prior to the fiscal year because of the biennial budget and special session actions.
Rhode Island	The fiscal 1997 budget utilizes revenues dedicated to the accelerated payment of Depositors Economic Protection Corporation debt.
Washington	There were selected program reductions in general fund programs.

TABLE A-6

## Changes Contained in Enacted Fiscal 1998 Budgets

<i>Region/State</i>	<i>Medicaid Reductions</i>	<i>Increased Employee Share: Health</i>	<i>Increased Employee Share: Pension</i>
<b>NEW ENGLAND</b>			
Connecticut*			X
Maine			
Massachusetts			
New Hampshire			
Rhode Island*			
Vermont			
<b>MID-ATLANTIC</b>			
Delaware			
Maryland			
New Jersey			
New York			
Pennsylvania*	X		
<b>GREAT LAKES</b>			
Illinois			
Indiana			
Michigan*	X	X	
Ohio			
Wisconsin	X		
<b>PLAINS</b>			
Iowa*			
Kansas			
Minnesota		X	
Missouri			
Nebraska*		X	
North Dakota			
South Dakota			
<b>SOUTHEAST</b>			
Alabama			
Arkansas			
Florida*	X		
Georgia			
Kentucky			
Louisiana	X		
Mississippi			
North Carolina			
South Carolina			
Tennessee			
Virginia			
West Virginia*		X	
<b>SOUTHWEST</b>			
Arizona			
New Mexico		X	
Oklahoma			
Texas			
<b>ROCKY MOUNTAIN</b>			
Colorado			
Idaho		X	
Montana			
Utah			
Wyoming			
<b>FAR WEST</b>			
Alaska		X	
California*	X		
Hawaii			
Nevada*			X
Oregon*			
Washington*	X		
<b>TERRITORIES</b>			
Puerto Rico			
<b>Total</b>	<b>7</b>	<b>7</b>	<b>2</b>

\*See Notes to Table A-6.

## NOTES TO TABLE A-6

California	Consistent with federal law, prenatal benefits for illegal immigrants will be discontinued October 1, 1997.
Connecticut	New hires contribute 2 percent for nonhazardous duty and 5 percent for hazardous duty in pension contributions.
Florida	The appropriations act did not include any reductions in Medicaid eligibility; however, the following are areas of reductions in services: enhance third-party liability functions, credential mental health providers, competitively bid selected services, implement disease-management services, contract with provider service networks, implement a variable dispensing fee for drugs, expand the nursing home diversion waiver, and expand fraud and abuse recoupment initiatives.
Iowa	This change reflects a 9.4 percent decrease in employee contributions to health insurance costs.
Michigan	State police troopers and sergeants who use the state health plan will pay a \$300 deductible per year for full family coverage instead of a \$150 deductible. This is comparable to all other bargaining units from fiscal 1997.
Nebraska	Although the overall cost of the health insurance plan decreased, a reduction in an accumulated savings pool caused an increase in the employee share.
Nevada	Health insurance coverage is still free for each employee. Some employee contributions for dependents' health coverage rose. There was no change in employee contributions for most state employee pensions, but police and firefighter contribution rates rose from 0.75 percent to 1.5 percent. This includes state highway patrol officers.
Oregon	Employee benefit contributions were not directly addressed by legislative action. Two previously independent benefit boards will be merged and any change to the amount of employee contributions will be determined by a combination of the revised contracted benefit costs and any contributions that may be made by the combined benefit board from financial reserves freed by the merger.
Pennsylvania	The state has expanded its mandatory managed care program for medical assistance clients to five full counties and separated physical and behavioral health services in these same counties. Since February 1997, funding for behavioral health services has flowed directly to the counties that select the providers. In fiscal 1997-98, \$439 million (\$239 state) will be paid to the counties based on a fixed rate per recipient enrolled in a mandatory managed care program.
Rhode Island	Beginning in fiscal 1998, the state will offer medical benefit options that were outside of the traditional indemnity plan. Those employees not choosing to opt for a health maintenance organization (HMO) will be required in some instances to make a copayment. Conversely, those choosing an HMO will be offered a bonus. Employees can also opt out of coverage for an annual bonus payment if they can prove they are covered under another, nonstate funded plan.
Washington	Reductions were the result of federal welfare reform.
West Virginia	Single insured employees will now pay, on average, \$10 per month. Prior to this change, single employees paid nothing.

TABLE A-7

## State Employment Compensation Changes, Fiscal 1998

Region/State	Across-the-Board	Merit	Other	Notes
<b>NEW ENGLAND</b>				
Connecticut	2.0%	---	---	The state negotiating pattern includes a 2 percent general wage increase effective in January and anniversary increases deferred five months from the historical effective date.
Maine	2.0%	2.0%	---	The merit increase is a weighted average. Employees who reach the top step in their range do not receive a merit increase.
Massachusetts	---	---	---	Collective bargaining agreements covering roughly 30 percent of classified employees, excluding those in public higher education, expired prior to fiscal 1998, and compensation changes for this segment of the workforce have not been finalized. Agreements covering the remaining 70 percent of these employees provide for fiscal 1998 across-the-board increases averaging 3.6 percent. Most classified employees are eligible for annual step increases that are tied to performance evaluations.
New Hampshire	---	---	---	\$1,400 flat one-time payment.
Rhode Island	3.0%	---	---	The fiscal 1998 cost-of-living adjustment is contingent on union agreement on negotiated medical benefits.
Vermont	---	---	---	A 2.25 percent cost-of-living-adjustment increase will be effective January 4, 1998. There also will be a continuation of step increases, worth about 3 percent and paid each year to approximately 60 percent of employees.
<b>MID-ATLANTIC</b>				
Delaware	---	3.0%	\$300	Employees at or above the maximum for their pay grade will receive 1.5 percent. Employees near the maximum will receive the amount needed to reach the maximum or 1.5 percent, whichever is greater. For the lowest-paid employees, this plan translates into a 5 percent increase. Most employees received an increase of from 3 percent to 4 percent.
Maryland	---	1.25%	---	The merit increase is a composite average ranging from 2 percent to 6 percent, depending on the step. It is estimated that 59 percent of the classified workforce is at the top step and will receive no merit increment. In addition, the state police and natural resources police received a 10 percent salary increase.
New Jersey	*	*	---	"Across-the-board" represents a \$1,260 annualized raise (\$840 in July 1997 and \$420 in January 1998). Union employees are eligible for incremental step or anniversary increases ranging from 3.7 percent to 5 percent of their salary, depending on the step in the range for up to eight years in a given range. Beginning January 1, 1998, members of the public employees retirement system and teachers pension annuity fund will have their pension contribution amount reduced by 0.5 percent, an average of \$200 per year for calendar years 1998 and 1999.  Union employees are eligible for incremental step or anniversary increases ranging from 3.7 percent to 5.0 percent of their salary, depending on the step in the range, for up to eight years in a given range.
New York	3.5%	1.0%	---	Most state employees received a 3.5 percent increase effective October 1, 1997. A relatively small number of state employees, approximately 23,000, received a 2 percent salary increase effective April 1, 1997. Merit increases are provided to eligible employees only.
Pennsylvania	3.0%	---	2.2%	On July 1, 1997, most employees received a 3 percent across-the-board increase. Those employees not at the maximum pay step will receive a 2.2 percent longevity increase effective January 1, 1998.

TABLE A-7 (continued)

## State Employment Compensation Changes, Fiscal 1998

Region/State	Across-the-Board	Merit	Other	Notes
<b>GREAT LAKES</b>				
Illinois	---	---	---	As the result of a pension plan enhancement, most employees will not receive a cost-of-living adjustment or a merit compensation increase. Those employees not receiving pension plan enhancements will receive a 3 percent cost-of-living adjustment. In addition, about 40 percent of bargaining unit employees will receive an average step increase of 4.2 percent on their anniversary.
Indiana	4.7%	---	---	Pay increases are offered according to an employee's current pay. Employees paid less than \$15,000 receive an increase of 8 percent, those making between \$15,000 and \$16,999 receive 7 percent, those making between \$17,000 and \$18,999 receive 6 percent, those making between \$19,000 and \$20,999 receive 5 percent, and those making more than or equal to \$21,000 receive 4 percent.
Michigan	2.97%	---	0.03%	One bargaining unit will receive a \$200 lump-sum payment per employee. This bargaining unit constitutes 6.1 percent of the workforce.
Ohio	3.0%	---	2.0%	"Other" represents the average step increase for state employees. Steps usually are 4 percent, but only about 50 percent of the state's workforce is estimated to be eligible for step increases in any given year.
Wisconsin	3.0%	1.0%	---	Compensation increases vary by bargaining unit and employee classification. Generally, the approved fiscal 1998 funded increases equal 3 percent across the board. Agencies may also award unfunded performance recognition awards (PRAs) from a pool equal to 1 percent of total payroll. Funding sources of PRAs include surplus turnover or other base funds. Total annual increases for a given employee may not exceed 10 percent.
<b>PLAINS</b>				
Iowa	0.8%	3.0%	---	Employees receive merit increases on their six-month, annual, or biannual review dates per the appropriate pay plan, up to the maximum salary for that classification.
Kansas	1.0%	---	2.5%	The 2.5 percent under "other" is for step movement on the pay matrix.
Minnesota	3.0%	0.25%	0.5%	Fiscal 1998 contracts are still being negotiated. Preliminary across-the-board increases are approximately 3 percent.
Missouri	1.0%	---	3.0%	"Other" is a marketplace within-grade increase given to successful employees who have been in state government at least eighteen months and who are not at the top of their pay range. Individuals who are two or more steps away from marketplace will get two steps (averaging 2 percent per step). Individuals one step below, at, or above the marketplace will get a one-step increase. Also, \$10 per month for flexible benefits plan (effective January 1, 1998).
Nebraska	*	---	---	The collective bargaining agreement with the primary employee unit includes an across-the-board increase of 2.75 percent for the fiscal year beginning July 1, 1997. All agencies except higher education were funded at that level, with an adjustment for a reduction in the employer cost of health insurance. Higher education salaries were funded at 3 percent.
North Dakota	*	---	---	The average increase is 3 percent, with \$30 across the board and the remaining amount used for merit and equality pay increases.
South Dakota	3.0%	---	2.5%	All state employees receive a 3 percent across-the-board pay increase. The other 2.5 percent is for employees who are below the midpoint of their job class.

TABLE A-7 (continued)

## State Employment Compensation Changes, Fiscal 1998

Region/State	Across-the-Board	Merit	Other	Notes
<b>SOUTHEAST</b>				
Alabama	---	5.0%	*	Merit raises are based on employee performance and may range from 0 percent to 5 percent based on actual evaluation. Longevity pay ranges are from \$300 to \$600 per employee per year, based on the number of years of state service.
Arkansas	2.8%	---	2.0%	Act 532 of 1997 provides a 2.8 percent increase for all employees on July 1. An additional 2 percent increase may be provided during the 1997-99 biennium, pursuant to sufficient general revenues being certified by the chief fiscal officer of the state. However, no amount of increase may cause an employee's salary to exceed pay level IV of an assigned grade. Act 899 of 1997 establishes the Incentive Pay Program for classified employees. The legislation establishes uniform performance evaluation categories and provides monetary awards ranging from 0 percent to 5.5 percent for an employee's evaluation of "exceeds standards," should the Governor determine sufficient funds are available to initiate the program.
Florida	---	---	*	Individuals making less than \$20,001 will receive a \$1,200 increase. Individuals making between \$20,001 and \$36,000 will receive a \$1,000 increase. Individuals making more than \$36,000 will receive a 2.78 percent increase.
Georgia	---	4.2%	---	The Georgia pay-for-performance compensation system became effective October 1, 1997. The increase is 0 percent for those who do not meet expectations, 4.0 percent for those who meet expectations, 5.5 percent for those who exceed expectations, and 7.0 percent for those who far exceed expectations.  The funding was based on a 2 percent, 83 percent, 10 percent, and 5 percent occurrence rate, respectively. This is based on industry averages for this type of pay-for-performance system.
Kentucky	5.0%	---	---	All classified employees are eligible to receive an annual merit increase of 4 percent if such increases are warranted.  A proposal has been submitted to the Governor that would raise the minimum pay scale by 4 percent and increase the maximum pay scale by 10 percent.
Louisiana	---	4.0%	---	
Maine	2.0%	2.0%	---	"Merit" is a weighted average. Employees who reach the top step in their range do not receive further merit increases.
Mississippi	1.0%	---	2.0%	The "other" category includes a \$300 across-the-board raise for full-time employees and realignment of certain positions with the regional average for those positions.
North Carolina	2.0%	---	2.0%	The "other" category reflects performance-based career growth.
South Carolina	2.5%	---	---	The increase became effective October 1, 1997.
Tennessee	1.5%	---	1.3%	The 1.5 percent increase is contingent on a reduction in the state's contribution to retirement effective January 1, 1998. The "other" category includes a 3.5 percent increase in minimum salary rates and employees adjusted to a new minimum, as well as upgrading salaries for accounting, auditing, and fiscal management classes, among others.
Virginia	4.0%	---	---	No increases were granted.
West Virginia	---	---	---	

TABLE A-7 (continued)

## State Employment Compensation Changes, Fiscal 1998

Region/State	Across-the-Board	Merit	Other	Notes
<b>SOUTHWEST</b>				
Arizona	2.5%	2.5%	0.3%	The following increases were enacted: a 2.5 percent across-the-board increase effective October 1, 1997, and capped at \$1,000; a 2.5 percent merit increase effective January 1, 1998; and a 0.33 percent of payroll increase for classification salary adjustments, effective October 1, 1997.
New Mexico	---	2.5%	---	State employees receive 2.5 percent of their salary range midpoint on their anniversary; judicial, state police, public school, and higher education employees receive an equivalent amount.
Oklahoma	---	---	---	
Texas	---	---	---	The across-the-board increase is a flat \$100 per month per employee; this is the first across-the-board change in five years of any kind. Merit increases are not specifically identified, but are limited to no more than 1.7 percent of each agency's prior-year salary expense.
<b>ROCKY MOUNTAIN</b>				
Colorado	1.68%	2.5%	---	The across-the-board change is the statewide average increase effective July 1, 1997. Some classes went up from 2.5 percent to 5.0 percent and some received no increase. The merit increase was provided for only approximately 40 percent of eligible state classified employees.
Idaho	---	---	---	
Montana	1.0%	---	0.5%	This includes a 1 percent across-the-board increase in pay matrices, plus progression to target "market ratio" for individual employees. Market ratio is based on market surveys for salary levels and years of service. The package also includes a \$20 per month increase in employee health insurance contributions.
Utah	2.67%	---	0.33%	"Other" includes market comparability and benefit adjustments.
Wyoming	---	---	---	
<b>FAR WEST</b>				
Alaska	1.1%			
California	--	---	---	The state has not yet reached agreement with any of the twenty-one employee collective bargaining units to replace the expired contracts; twenty contracts expired on June 30, 1995, and one expired on June 30, 1997. In the absence of new agreements, the terms and conditions of employment that were in effect prior to the expiration of the latest contracts will remain in effect until new agreements are reached.
Hawaii	2.5%	---	---	A tentative settlement includes a 2.5 percent increase beginning January 1, 1998.
Nevada	3.0%	2.25%	---	Merit increases are granted to most classified employees who are below step fifteen. Most advance two steps per year, receiving a raise of from 4 percent to 5 percent. About one half of all employees receive merit raises.
Oregon	3.0%	5.0%	---	The compensation package adopted by the legislature includes \$62.5 million for the general fund, which is expected to fund about two thirds of the cost of the negotiated compensation packages for the 1997-99 biennium. These packages include across-the-board increases and special salary adjustments for selected classifications (e.g., information systems positions). The amount of the across-the-board increase varies by job classification and union representation. Merit increases averaging 5 percent are included in agency budgets; about one half of the workforce is expected to receive merit increases.
Washington	3.0%	---	---	
<b>TERRITORIES</b>				
Puerto Rico	---	---	---	The 1998 budget includes funding to cover the federal minimum wage adjustment of \$18.5 million, as well as other increases in salary resulting mainly from the implementation of revised retribution plans and collective bargaining negotiations (\$17.1 million), totaling \$35.6 million in salary increases.

NOTE: NA indicates data are not available.



TABLE A-8

## Number of Filled Full-Time Equivalent Positions at the End of Fiscal 1996 to Fiscal 1998, in All Funds\*\*

Region/State	Fiscal 1996	Fiscal 1997	Fiscal 1998	Percent Change, 1996-1998	Percent Change, 1997-1998	Includes Higher Education Faculty	State-Administered Welfare System
<b>NEW ENGLAND</b>							
Connecticut	41,185	40,119	42,640	3.53%	6.28%		X
Maine	14,109	13,890	13,827	-2.00%	-0.45%		X
Massachusetts*	64,541	64,842	65,121	0.90%	0.43%	X	X
New Hampshire	11,479	11,475	11,406	-0.64%	-0.60%		X
Rhode Island*	16,538	15,949	15,746	-4.79%	-1.27%	X	X
Vermont	6,961	7,014	7,035	1.06%	0.30%		X
<b>MID-ATLANTIC</b>							
Delaware	24,916	25,247	25,922	4.04%	2.67%	X	X
Maryland*	72,412	71,534	71,558	-1.18%	0.03%	X	X
New Jersey*	69,363	68,600	69,000	-0.52%	0.58%		
New York*	233,000	228,500	226,800	-2.66%	-0.74%	X	
Pennsylvania*	86,656	85,500	84,223	-2.81%	-1.49%		X
<b>GREAT LAKES</b>							
Illinois*	67,089	67,198	NA	NA	NA		X
Indiana	36,245	36,245	36,245	0.00%	0.00%		X
Michigan	59,542	58,382	63,680	6.95%	9.07%		X
Ohio*	62,336	61,923	63,000	1.07%	1.74%		
Wisconsin	62,952	62,981	63,364	0.65%	0.61%	X	
<b>PLAINS</b>							
Iowa	22,586	22,870	24,106	6.73%	5.40%		X
Kansas	44,672	43,590	42,470	-4.93%	-2.57%	X	X
Minnesota	32,611	32,946	33,200	1.81%	0.77%		
Missouri*	55,692	55,656	57,076	2.49%	2.55%		X
Nebraska	15,777	15,648	NA	NA	NA		X
North Dakota	11,696	11,706	11,382	-2.68%	-2.77%	X	
South Dakota*	13,971	13,181	12,954	-7.28%	-1.72%	X	X
<b>SOUTHEAST</b>							
Alabama	40,297	42,247	42,247	4.84%	0.00%		X
Arkansas	27,323	27,323	26,968	-1.30%	-1.30%		
Florida	124,145	125,478	125,401	1.01%	-0.06%		X
Georgia	59,131	57,412	56,745	-4.04%	-1.16%		X
Kentucky	33,855	33,832	35,576	5.08%	5.15%		X
Louisiana*	58,423	58,429	59,307	1.51%	1.50%		X
Mississippi	29,544	30,450	30,582	3.51%	0.43%		X
North Carolina	233,347	240,142	245,927	5.39%	2.41%	X	X
South Carolina	67,787	68,292	68,292	0.75%	0.00%	X	X
Tennessee	41,900	40,300	40,300	-3.82%	0.00%		X
Virginia*	93,068	94,253	94,000	1.00%	-0.27%	X	
West Virginia	31,302	31,159	31,044	-0.82%	-0.37%	X	X
<b>SOUTHWEST</b>							
Arizona*	60,591	60,117	62,385	2.96%	3.77%	X	X
New Mexico*	23,824	23,228	22,771	-4.42%	-1.97%		X
Oklahoma	62,735	63,511	63,926	1.90%	0.65%	X	X
Texas	264,801	269,221	NA	NA	NA	X	X
<b>ROCKY MOUNTAIN</b>							
Colorado	26,929	27,724	28,438	5.61%	2.58%		
Idaho	16,319	16,343	16,514	1.19%	1.05%	X	X
Montana	10,032	9,995	10,194	1.61%	1.99%		X
Utah*	18,211	18,669	18,871	3.62%	1.08%		X
Wyoming	12,560	12,511	12,511	-0.39%	0.00%	X	X
<b>FAR WEST</b>							
Alaska	17,595	17,454	17,387	-1.18%	-0.38%	X	X
California	271,075	275,446	278,928	2.90%	1.26%	X	X
Hawaii*	40,589	40,744	41,603	2.50%	2.11%	X	X
Nevada	12,959	13,116	14,398	11.10%	9.77%		X
Oregon	41,730	41,704	43,958	5.34%	5.41%		X
Washington	91,828	93,682	94,178	2.56%	0.53%	X	X
<b>TERRITORIES</b>							
Puerto Rico	229,514	240,703	235,703	2.70%	-2.08%	X	X
<b>Total</b>	<b>2,938,228</b>	<b>2,947,779</b>	<b>2,623,206</b>	<b>1.3%</b>	<b>1.1%</b>	<b>23</b>	<b>42</b>

NOTES: NA indicates data are not available.

\*See Notes to Table A-8.

\*\*Unless otherwise noted, fiscal 1996 reflects actual figures, fiscal 1997 reflects preliminary actual figures, and fiscal 1998 reflects appropriated figures.

## NOTES TO TABLE A-8

Arizona	Fiscal 1998 figures include 2,115.7 full-time equivalent positions that are included for the first time in the executive budget. Approximately 50 percent of these are the result of the status of funds being changed from unappropriated to being subject to annual appropriation. The other half is the result of welfare reform. Federal monies have not been subject to appropriation, but the new block grant monies will be appropriated. After adjusting for the above, the fiscal 1998 increase for the new full-time equivalent positions is 981.7, or 2.4 percent growth over fiscal 1997.
Hawaii	Figures reflect authorized full-time equivalent positions, filled and vacant.
Illinois	Figures reflect employees working for the Governor but exclude other constitutional offices.
Louisiana	Figures reflect appropriated positions.
Maryland	Montgomery County does not have a state-administered welfare system. Figures reflect appropriated positions.
Massachusetts	Figures reflect budgetary funds only.
Missouri	Figures reflect appropriated positions.
New Jersey	Figures include county courts. Figures reflect full-time employees, not equivalents.
New Mexico	Figures reflect total positions, including approximately 10 percent that are typically vacant.
New York	Figures reflect end-of-year counts for annual and nonannual salaried full-time equivalent employees in the executive, legislative, and judicial branches. New York's welfare system is state-supervised but locally administered.
Ohio	Ohio does not "appropriate" full-time equivalent positions. The amounts provided for fiscal 1997 are estimates for the end of the year. Amounts provided for fiscal 1998 are estimates based on funding provided in the budget as enacted.
Pennsylvania	Figures reflect full-time equivalent salaried positions authorized rather than filled.
Rhode Island	Figures reflect authorized position cap.
South Dakota	Figures are budgeted numbers, not actual numbers.
Utah	Figures reflect funded positions (not filled). Filled data are not available.
Virginia	The statewide hiring freeze is still in effect.

TABLE A-9

## Fiscal 1997 Tax Collections Compared With Projections Used in Adopting Fiscal 1997 Budgets (Millions)\*\*

Region/State	Sales Tax		Personal Income Tax		Corporate Income Tax		Total Revenue Collection***
	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Original Estimate	Current Estimate	
<b>NEW ENGLAND</b>							
Connecticut	\$2,560	\$2,611	\$2,849	\$3,111	\$682	\$678	H
Maine*	663	649	676	733	64	93	H
Massachusetts	2,710	2,876	6,773	7,182	950	964	H
New Hampshire	NA	NA	NA	NA	NA	NA	H
Rhode Island	473	489	582	632	61	68	H
Vermont	191	184	280	323	47	42	H
<b>MID-ATLANTIC</b>							
Delaware	NA	NA	654	663	82	88	T
Maryland*	2,044	2,094	3,641	3,767	224	265	H
New Jersey	4,403	4,385	4,610	4,855	1,288	1,303	H
New York*	6,896	6,792	17,101	16,371	1,754	2,067	H
Pennsylvania	5,851	6,037	5,509	5,746	1,677	1,697	H
<b>GREAT LAKES</b>							
Illinois	4,973	4,992	5,907	6,139	1,006	1,085	H
Indiana	3,098	3,113	3,112	3,197	1,007	999	H
Michigan	1,395	1,399	4,237	4,340	2,369	2,288	T
Ohio*	4,925	4,969	5,465	5,382	1,109	1,151	H
Wisconsin	2,892	2,864	4,417	4,558	627	644	H
<b>PLAINS</b>							
Iowa	1,250	1,237	2,006	2,123	283	319	T
Kansas	1,392	1,404	1,410	1,467	215	250	H
Minnesota	2,977	3,040	4,099	4,540	645	672	H
Missouri	1,685	1,712	3,247	3,410	498	472	H
Nebraska	757	756	863	944	131	137	H
North Dakota	317	316	152	164	44	50	H
South Dakota	364	365	NA	NA	NA	NA	H
<b>SOUTHEAST</b>							
Alabama	1,210	1,194	1,615	1,643	200	196	T
Arkansas	1,422	1,418	1,375	1,414	217	248	H
Florida	11,954	12,103	NA	NA	1,169	1,362	H
Georgia	3,860	3,903	4,345	4,742	787	743	H
Kentucky	1,871	1,883	2,110	2,205	304	293	H
Louisiana	1,966	2,006	1,203	1,256	289	400	H
Mississippi	1,123	1,136	772	792	280	280	H
North Carolina	3,090	3,128	4,965	5,330	664	718	H
South Carolina	1,605	1,635	1,836	1,933	256	220	H
Tennessee*	3,913	3,907	112	129	591	586	T
Virginia*	1,807	1,827	4,497	4,728	408	432	H
West Virginia	779	775	775	786	145	161	H
<b>SOUTHWEST</b>							
Arizona	2,212	2,212	1,560	1,668	408	601	H
New Mexico	1,336	1,275	674	676	190	171	T
Oklahoma	1,167	1,194	1,566	1,669	178	224	H
Texas	NA	11,340	NA	NA	NA	1,797	H
<b>ROCKY MOUNTAIN</b>							
Colorado	1,262	1,310	2,522	2,573	205	237	H
Idaho	487	477	687	705	117	122	H
Montana	NA	NA	404	407	74	72	T
Utah	1,241	1,252	1,196	1,237	175	183	H
Wyoming	215	216	NA	NA	NA	NA	T
<b>FAR WEST</b>							
Alaska	63	92	NA	NA	270	318	H
California*	16,486	16,677	22,218	23,371	5,862	5,865	H
Hawaii	1,455	1,457	1,011	1,012	38	58	L
Nevada	450	492	NA	NA	NA	NA	H
Oregon*	NA	NA	3,089	3,401	123	384	H
Washington*	4,389	4,340	NA	NA	1,654	1,692	H
<b>TERRITORIES</b>							
Puerto Rico	420	434	1,744	1,848	1,452	1,475	H
<b>Total</b>	<b>\$117,178</b>	<b>\$129,532</b>	<b>\$136,121</b>	<b>\$141,323</b>	<b>\$29,365</b>	<b>\$32,693</b>	<b>--</b>

NOTES: NA indicates data are not available because, in most cases, these states do not have this type of tax.

\*See Notes to Table A-9.

\*\*Unless otherwise noted, original estimates reflect the figures used when the fiscal 1997 budget was adopted, and current estimates reflect the most recent figures.

\*\*\*KEY: L=Revenues lower than estimates. H=Revenues higher than estimates. T=Revenues on target.

## NOTES TO TABLE A-9

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California	Figures for the sales tax reflect only the general fund share.
Maine	Fiscal 1997 revenues are 2.9 percent higher than projected.
Maryland	The corporate income tax reflects only the general fund share.
New York	Fiscal 1997 preliminary actual figure for personal income tax collection does not include increased amounts used or reserved for tax refunds, which lowers reported figures; a reported fiscal 1997 surplus of \$1.4 billion is transferred to fiscal 1998 primarily through this transaction. Sales tax figures include a share for the local government assistance corporation.
Ohio	Amounts reported for the income tax are net of the impact of the income tax reduction fund (ITRF). These amounts represent baseline revenues adjusted for permanent tax changes without any adjustments for reimbursed reductions because of the ITRF. Current fiscal 1997 estimates reflect the impact of tax reduction initiatives enacted after the original biennial budget was enacted. These amounts are considered to be "on target" based on the estimates for the revenue loss of the tax changes.
Oregon	Original estimates for fiscal 1997 reflect the figures at the close of the 1995 legislative session.
Tennessee	Tax collections are shared with local governments.
Virginia	Original estimates for fiscal 1997 were estimated on April 17, 1996; current fiscal 1997 figures were estimated on August 8, 1997.
Washington	Corporate income tax collections are for the business and occupation tax.

TABLE A-10

## Fiscal 1997 Tax Collections Compared With Projections Used in Adopting Fiscal 1998 Budgets (Millions)\*\*

Region/State	Sales Tax		Personal Income Tax		Corporate Income Tax	
	Fiscal 1997	Fiscal 1998	Fiscal 1997	Fiscal 1998	Fiscal 1997	Fiscal 1998
<b>NEW ENGLAND</b>						
Connecticut	\$2,611	\$2,695	\$3,111	\$3,135	\$678	\$626
Maine	649	739	733	724	93	90
Massachusetts	2,876	2,875	7,182	7,162	964	900
New Hampshire	NA	NA	NA	NA	NA	NA
Rhode Island	489	504	632	635	68	63
Vermont	184	194	323	324	42	46
<b>MID-ATLANTIC</b>						
Delaware	NA	NA	663	708	88	93
Maryland*	2,094	2,171	3,767	3,836	265	251
New Jersey	4,385	4,550	4,855	5,036	1,303	1,282
New York*	6,792	7,238	16,371	18,865	2,067	1,972
Pennsylvania	6,037	6,151	5,746	5,820	1,697	1,658
<b>GREAT LAKES</b>						
Illinois	4,992	5,140	6,139	6,420	1,085	1,105
Indiana	3,113	3,200	3,197	3,277	999	1,040
Michigan	1,399	1,465	4,340	4,541	2,288	2,390
Ohio*	4,969	5,170	5,382	5,645	1,151	1,160
Wisconsin	2,864	3,015	4,558	4,810	644	646
<b>PLAINS</b>						
Iowa	1,237	1,336	2,123	2,129	319	289
Kansas	1,404	1,460	1,467	1,520	250	230
Minnesota*	3,040	3,199	4,540	4,160	672	697
Missouri	1,712	1,635	3,410	3,526	472	510
Nebraska	756	793	944	895	137	133
North Dakota	316	321	164	163	50	45
South Dakota	365	386	NA	NA	NA	NA
<b>SOUTHEAST</b>						
Alabama	1,194	1,235	1,643	1,707	196	211
Arkansas	1,418	1,452	1,414	1,496	248	238
Florida	12,103	12,808	NA	NA	1,362	1,286
Georgia	3,903	4,102	4,742	4,619	743	725
Kentucky	1,883	1,976	2,205	2,208	293	309
Louisiana	2,006	1,959	1,256	1,338	400	382
Mississippi	1,136	1,183	792	843	280	284
North Carolina	3,128	3,249	5,330	5,547	718	680
South Carolina	1,635	1,706	1,933	2,019	220	225
Tennessee*	3,907	4,070	129	128	586	577
Virginia*	1,827	1,903	4,728	4,811	432	395
West Virginia	775	802	786	814	161	153
<b>SOUTHWEST</b>						
Arizona	2,212	2,285	1,668	1,735	601	495
New Mexico	1,275	1,344	676	723	171	160
Oklahoma	1,194	1,256	1,669	1,710	224	175
Texas	11,340	11,802	NA	NA	1,797	1,832
<b>ROCKY MOUNTAIN</b>						
Colorado	1,310	1,384	2,573	2,798	237	236
Idaho	477	514	705	732	122	123
Montana	NA	NA	407	420	72	70
Utah	1,252	1,313	1,237	1,327	183	178
Wyoming	216	224	NA	NA	NA	NA
<b>FAR WEST</b>						
Alaska	92	94	NA	NA	318	215
California*	16,677	17,330	23,371	25,522	5,865	6,028
Hawaii	1,457	1,489	1,012	1,047	58	55
Nevada	492	533	NA	NA	NA	NA
Oregon	NA	NA	3,401	3,235	384	322
Washington*	4,340	4,647	NA	NA	1,692	1,749
<b>TERRITORIES</b>						
Puerto Rico	434	469	1,848	1,995	1,475	1,402
<b>Total</b>	<b>\$129,532</b>	<b>\$134,894</b>	<b>\$141,323</b>	<b>\$148,111</b>	<b>\$32,693</b>	<b>\$32,328</b>

NOTES: NA indicates data are not available because, in most cases, these states do not have this type of tax.

\*See Notes to Table A-10.

\*\*Unless otherwise noted, fiscal 1997 figures reflect preliminary actual tax collection estimates as shown in Table A-9, and fiscal 1998 figures reflect the estimates used in the enacted budgets.

**NOTES TO TABLE A-10**

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California	Figures for the sales tax reflect only the general fund share.
Maryland	Corporate income tax reflects only the general fund share.
Minnesota	Fiscal 1998 personal income tax figure includes a one-time rebate of \$475 million, as well as \$25 million in fiscal 1999, based on property tax payments.
New York	Fiscal 1997 preliminary actual figure for personal income tax collection does not include increased amounts used or reserved for tax refunds, which lowers reported figures; a reported fiscal 1997 surplus of \$1.4 billion is transferred to fiscal 1998 primarily through this transaction. Sales tax figures include a share for the local government assistance corporation.
Ohio	<p>Amounts reported for the income tax understate Ohio's real underlying income tax activity. The income tax reduction fund (ITRF) mechanism causes income tax receipts to be reduced on a one-time basis each year. However</p> <p>Actual fiscal 1997 income tax estimates reflect the impact of tax reduction initiatives enacted after the original fiscal 1996-97 biennial budget was enacted. These amounts are considered to be "on target" based on the estimates for the revenue loss of the tax changes.</p>
Tennessee	Tax collections are shared with local governments.
Virginia	Figures for fiscal 1997 were estimated on August 6, 1997; figures for fiscal 1998 were estimated on April 2, 1997.
Washington	Corporate income tax collections are for the business and occupation tax.

TABLE A-11

## Enacted Revenue Changes by Type of Revenue, Fiscal 1998

State	Tax Change Description	Effective Date	Fiscal 1998 Revenue Changes (Millions)
<b>SALES TAXES</b>			
Arizona	Provides funding for local school construction and improvements.	7/97	\$-32.5
Arkansas	Changes used motor vehicle sales tax.	1/98	-4.2
	Exempts 38 percent of new manufactured homes.	7/97	-1.9
	Exempts car leases; institutes rental tax	8/97	-2.7
	Increases sales tax by 1/8 percent.	7/97	40.3
	Extends sales tax exemption for bunker fuel.	1/98	-10.0
California	Exempts complimentary meals at hotels and motels.	7/97	-2.2
Florida	Provides retroactive exemption for certain health care systems.	7/97	-1.0
	Exempts Internet access and e-mail fees.	7/97	-10.9
	Adds urban high-crime areas and rural job credit program; \$5.3 million is recurring.	7/97	0.0
Georgia	Removes sales tax on groceries.	10/96	-222.0
Hawaii	Exempts aircraft maintenance.	7/97	-2.0
	Allows deduction on subleases.	10/97	-1.6
Iowa	Reduces tax on machinery and equipment.	7/97	-4.0
Louisiana	Reduces the sales tax on some items, primarily food and utilities, from 4 percent to 3 percent.	7/97	-110.0
Maryland	Provides partial tax credit for purchases of certain tangible property used in a production activity. Tax credit is replaced by a full tax exemption beginning July 1, 2001. Estimated revenue loss is \$11 million for fiscal 1999, \$22 million for fiscal 2000, and \$39 million for fiscal 2001.	7/98	0.0
Massachusetts	Excludes Internet and related on-line services from the 5 percent telecommunications tax.	8/97	-8.0
Minnesota	Institutes storage and use taxes.	7/97	1.2
	Adds tax on prepared foods.	7/97	3.0
	Exempts farm machinery.	7/97	-1.2
	Institutes waste management taxes.	1/98	-2.6
Missouri	Eliminates the 3 percent state general revenue sales tax on groceries.	10/97	-158.0
	Eliminates the sales tax on vending machine sales.	10/97	-2.0
New York	Authorizes various exemptions.	various	-28.4
	Increases the photo image fee for licenses.	4/97	3.1
	Reflects current-year phase of prior tax cuts.	various	-8.5
Pennsylvania	Repeals tax on computer services, candy and gum, retail bakery equipment, and other miscellaneous items.	7/97	-90.6
Utah	Reduces sales tax by 1/8 cent.	7/97	-34.3
Vermont	Reflects new telecommunications sales tax of 4.36 percent included as part of sales and use tax.	9/97	8.0
	Increases purchase and use tax from 5 percent to 6 percent.	8/97	8.4
	Provides sales tax deferral for local government to build a football stadium.	7/97	-1.9
Washington	Provides sales tax exemption for warehouse and grain operators.	7/97	-3.3
	Provides sales tax relief for distressed areas.	NA	-1.7
Wisconsin	Authorizes the department of revenue to enter into agreements with direct marketers for the collection of sales taxes.	First six months of fiscal 1998	6.8
	Imposes the sales tax on telecommunications services that terminate in Wisconsin, regardless of the location where the charge is billed or paid, excluding 800 or 888 services originating out of state and terminating within the state.	12/97	3.3
<b>Total Revenue Changes—Sales Taxes</b>			<b>\$-671.4</b>

TABLE A-11 (continued)

## Enacted Revenue Changes by Type of Revenue, Fiscal 1998

State	Tax Change Description	Effective Date	Fiscal 1998 Revenue Changes (Millions)
<b>PERSONAL INCOME TAXES</b>			
Arizona	Reduces marginal rate of the individual income tax.	7/97	\$-110.0
California	Increases dependent credit; indexes alternative minimum tax exemptions; conforms to federal changes for individual retirement accounts and capital gains on home sales.	various	-106.0
Colorado	Provides a credit against tax for employers for certain expenses related to employees receiving public assistance.	1/98	-3.4
	Provides a income tax credit for investment in qualified school-to-career programs.	1/97	-0.2
Connecticut	Increases the levels of taxable income subject to 3 percent rate and expands the Social Security exemption by 50 percent. Increases the credit for personal or real property tax from \$100 to a maximum of \$215 in tax year 1997 and \$285 in tax year 1998 and subsequent tax years.	1/97	-113.8
Delaware	Expands \$3,000 pension exclusion to include 401(k) plans, individual retirement accounts, interest, dividends, and rental income.	1/97	-2.0
Hawaii	Provides proportional deduction and exemption in personal income tax for nonresidents.	1/97	3.7
	Expands deduction for individual retirement accounts, health insurance plans, and medical savings plans.	1/97	-1.8
Indiana	Creates low-income tax deduction, increases standard deduction, increases exemption of inheritance tax, and includes other minor changes.	7/97	-49.1
Iowa	Reduces rate by 10 percent, with an additional reduction of \$96.9 million in fiscal 1999.	1/98	-104.5
Kansas	Creates equity between single and married rates.	7/97	-16.3
	Adds an adoption credit.	7/97	-1.9
	Adds threatened and endangered species tax credit.	7/97	-1.5
Kentucky	Increases standard deduction to \$1,700 from the current \$650 over four years.	1/97	-13.8
Louisiana	Phases out the inheritance tax during the period fiscal 1999 to fiscal 2006, ultimately generating an annual loss of \$66 million. Retains the estate transfer tax as the only tax on inheritance.	7/98	0.0
Maryland	Reduces the personal income tax rate and measure in personal exemption amount each year between 1998 and 2002, for a net 2 percent reduction in tax each of the next five years. Estimated revenue loss is \$125 million for fiscal 1999, \$223 million for fiscal 2000, \$336 million for fiscal 2001, and \$437 million for fiscal 2002.	1/98	-39.0
Massachusetts	Provides a one-time increase in personal income tax exemption to expend remainder of fiscal 1996 transfer to tax reduction fund, which stems from fiscal 1996 revenue surplus.	1/97	-88.0
	Doubles the dependent child deduction for qualified taxpayers with children below age twelve to \$1,200.	1/97	-7.2
	Allows a credit for eligible taxpayers of up to \$1,500 per year for up to four years to repair or replace cesspool and septic systems.	1/97	-17.0
	Provides an earned income tax credit to equal 10 percent of eligible taxpayers' federal credit.	1/97	-28.6
Michigan	Increases personal exemption by \$200.	1/98	-45.0
Minnesota	Provides income tax rebate.	Based on 1997 property tax liability	-475.0
	Conforms to federal law.	various	-6.7
Mississippi	Eliminates marriage penalty.	7/97	-2.5



TABLE A-11 (continued)

## Enacted Revenue Changes by Type of Revenue, Fiscal 1998

State	Tax Change Description	Effective Date	Fiscal 1998 Revenue Changes (Millions)
<b>PERSONAL INCOME TAXES (continued)</b>			
Missouri	Phases in private pension exemption from state taxes to equalize treatment with public and federal pensions. Phase-in starts with \$1,000 in 1998 and rises to \$6,000 in 2002 when fully implemented. Full implementation is estimated at \$61 million reduction.	1/98	-2.0
	Increases tax credit for community banks and community development corporations from 30 percent to 50 percent.	1/98	-5.0
	Provides a historic preservation tax credit for rehabilitation of commercial and residential historic structures (full implementation cost is \$14 million reduction).	1/98	-3.0
	Allows taxpayers to receive 100 percent of the federal low-income housing tax credit as a credit against Missouri taxes. Previously, only 20 percent could be used. Full implementation cost is \$20 million.	1/97	-2.0
Nebraska	Reduces the tax rate by 4.38 percent across the board. Increases the personal exemption credit by \$10. Increases the deduction for health insurance premiums by self-employed taxpayers.	1/97	-82.7
New Jersey	Phases in property tax deduction on income tax. Enacted in 1996 with a three-year phase-in through 1999.	1/96	-80.0
New York	Reflects current-year phase of prior tax cuts.	various	-1,658.0
North Carolina	IRC update.	NA	-8.0
	Nonresident withholding.	NA	8.5
	Conservation credit.	NA	-3.2
	Other.	NA	-0.1
Ohio*	Reduces annual income tax based on surpluses.	NA	-262.9
	Provides changes in personal exemption.	NA	-51.0
Oregon	Reflects earned income tax credit, which reduces revenues, and taxation of lottery winnings, which increases revenues.	NA	-14.7
Pennsylvania	Expands the tax exemption for low-income taxpayers. Excludes the value of cafeteria benefits plans from tax.	1/97	-35.8
Rhode Island	Reduces rate from 27.5 percent to 27.0 percent.	1/98	-6.0
	Increases investment tax credit from 4 percent to 10 percent.	1/98	-1.2
South Carolina	Provides a double tax exemption for children below age six. Reflects final step of the four-year phase-in.	1/97	-10.0
	Provides deduction of up to \$11,500 for taxpayers sixty-five years of age and older.	1/97	-2.7
Wisconsin	Excludes from income amounts received under a long-term care insurance contract. This is the only fiscal 1998 impact of several budget initiatives that reduce income taxes by \$100 million over the 1997-99 biennium.		-4.8
<b>Total Revenue Changes—Personal Income Taxes</b>			<b>\$-3,454.1</b>

\*Legislation in Ohio passed in both 1995 and 1996 modified the personal exemption to the state income tax on a phased-in basis. The amounts shown represent the incremental reduction in income taxes because of the phase-in process.

<b>CORPORATE INCOME TAXES</b>			
California	Conforms to enhanced federal research credit and liberalized rules for Subchapter-S rules.	1/97	\$-78.0
Connecticut	Provides a single-factor formula for credit-card income.	1/97	-4.0
Florida	Reflects urban high-crime areas and rural job credit program; -4.7 million is recurring.	7/97	0.0
Hawaii	Reflects corporate income tax credit for hotel renovation.	6/97	-4.0
Indiana	Updates corporate income tax to comply with federal tax law.	1/97	-5.5
Iowa	Reflects Subchapter S tax refunds.	1/96	-5.0
Louisiana	Allows a credit for <i>ad valorem</i> taxes paid to local government by motor vehicle dealers on their inventories.	7/97	-8.0

TABLE A-11 (continued)

## Enacted Revenue Changes by Type of Revenue, Fiscal 1998

State	Tax Change Description	Effective Date	Fiscal 1998 Revenue Changes (Millions)
<b>CORPORATE INCOME TAXES (continued)</b>			
Maine	Eliminates investment tax credit.	7/97	6.5
Maryland	Subjects all revenue from telephone business to the CIT and provides credit against the tax for property taxes paid by a public utility. Estimated revenue gain of \$12 million to the general fund and \$4 million to the state fund begins in fiscal 1999.	7/98	0.0
Minnesota	Reflects Border City Enterprise Zone tax credits.	7/97	-1.5
	Conforms to federal law.	various	4.5
Nebraska	Allows an offset against corporate income tax for premiums paid to the comprehensive health insurance pool.	1/97	-1.8
New Jersey	Reduces tax rates for Subchapter S corporations.	7/97	-5.0
New York	Reflects current-year phase of prior tax cuts.	various	-152.4
	Authorizes energy tax credits.	upon enactment	-5.1
Ohio	Changes the corporate franchise tax to reduce the net worth component and close loopholes regarding flow-through entities; fiscal 1999 impact is \$-26.0 million.	7/98	0.0
	Changes financial institution taxation via the corporate franchise tax. This involves a reduction in the millage rate applied to net assets. Fiscal 1999 impact is \$-15.2 million.	7/98	0.0
Pennsylvania	Reflects a research and development tax credit. Conforms Subchapter S corporations and limited liability companies with federal treatment.	7/97	-28.8
Rhode Island	Increases investment tax credit from 4 percent to 10 percent.	1/98	-1.2
Vermont	Increases corporate tax rates by 1.5 percent and increases minimum tax from \$150 to \$250.	1/97	7.0
Wisconsin	Provides a credit for sales tax on fuel and electricity used in manufacturing.	1/98	1.8
<b>Total Revenue Changes—Corporate Income Taxes</b>			<b>\$-280.5</b>
<b>CIGARETTE AND TOBACCO TAXES</b>			
Alaska	Increases the cigarette tax from twenty-one cents per pack to one dollar per pack.	10/97	\$17.2
Hawaii	Increases the cigarette tax from three to five cents per cigarette.	9/97	5.0
New Hampshire	Increases the cigarette tax by twelve cents per pack.	7/97	22.0
Oregon	Extends the cigarette tax surcharge of ten cents per pack.	NA	-0.8
Rhode Island	Increases the cigarette tax from sixty-one cents to seventy-one cents per pack.	7/97	8.5
Utah	Increases the cigarette tax by twenty-five cents per pack.	5/97	21.8
Wisconsin	Increases the cigarette tax by fifteen cents per pack.	11/97	45.0
<b>Total Revenue Changes—Cigarette and Tobacco Taxes</b>			<b>\$118.7</b>
<b>MOTOR FUEL TAXES</b>			
Alaska	Repeals gasoline exemption for eight months; reduces rate by two cents for eight months.	7/97	\$5.0
Connecticut	Reduces the gasoline tax from thirty-nine cents to thirty-six cents per gallon.	7/97	-40.0
Michigan	Increases the tax per gallon by four cents.	8/97	185.6
Pennsylvania	Increases tax from 38.5 mills to 153.5 mills.	5/97	208.0
Utah	Increases gasoline tax by five cents per gallon. Changes collection point of diesel fuel tax from point of sale to distributor.	7/97	73.3
Vermont	Increases gasoline tax from fifteen cents to nineteen cents per gallon.	8/97	10.5
Wisconsin	Increases the motor fuel tax by one cent per gallon.	11/97	19.6
<b>Total Revenue Changes—Motor Fuel Taxes</b>			<b>\$462.0</b>
<b>ALCOHOL TAXES</b>			
Washington	Reduces beer tax and increases tax on microbreweries.	7/97	\$-4.7
<b>Total Revenue Changes—Alcohol Taxes</b>			<b>\$-4.7</b>

TABLE A-11 (continued)

## Enacted Revenue Changes by Type of Revenue, Fiscal 1998

State	Tax Change Description	Effective Date	Fiscal 1998 Revenue Changes (Millions)
<b>OTHER TAXES</b>			
Colorado	Reduces tax rates for new employees.	7/97	\$-16.7
Delaware	Increases inheritance tax exemption amounts. Eliminates gift tax. Earmarks auto lessor and lessee taxes and license fees to transportation trust fund.	1/98	-1.0
Florida	Reflects one-year reduction in tax rates for unemployment compensation.	7/97	-87.1
	Freezes rate for special disability trust fund assessment.	7/97	-410.7
	Provides offsets for certain dividends or premium refunds for the special disability trust fund assessment.	7/97	-4.6
	Exempts Internet access and e-mail fees from the gross receipts utilities tax.	7/97	-10.6
	Exempts transfers of residences pursuant to divorce decrees from documentary stamp tax.	7/97	-3.7
	Adds various streamlining provisions to the intangible personal property tax.	7/97	-1.3
	Eliminates hospital provider tax.	4/97	-158.0
Iowa	Reduces inheritance tax, with an additional reduction of \$26.4 million in fiscal 1999.	7/97	-19.0
Kansas	Reduces annuity tax premium and retaliator tax collection.	7/97	-1.5
	Extends unemployment contribution moratorium for another year.	7/97	-52.2
	Increases homestead property tax refunds.	7/97	-5.8
Louisiana	Shortens the time period for unclaimed property to be remitted to the state.	7/97	8.0
Maryland	Reclarifies certain telephone utility property, which subjects it to a zero tax rate for the state property tax. Estimated state fund revenue loss of \$3 million will begin in fiscal 1999.	1/99	0.0
Minnesota	Repeals physician surcharge related to the health care provider tax and replaces it with Health Care Access Fund (HCAF) money.	7/97	-4.1
Montana	Reflects inheritance tax exclusions.	NA	-1.0
New Jersey	Revises taxation of public utilities from a gross receipts and franchise tax on sales, corporations, and transitional assessment to a sales and corporate income tax; this is budget-neutral in both fiscal 1997 and fiscal 1998.	1/98	0.0
New York	Reflects current-year phase of prior tax cuts.	various	-13.8
Ohio*	Reflects a five-year phase-in on changes to insurance company taxation involving the elimination of domestic preference provisions and a reduction in the millage rate applied to net worth; fiscal 1999 impact is \$-12.2 million.	7/98	0.0
Pennsylvania	Increases exemption from capital stock and franchise tax by \$25,000 from \$100,000 to \$125,000.	1/97	-16.4
Puerto Rico	Transfers revenues from a special excise tax on certain petroleum products to the road and transportation authority pursuant to Act 34 of 1997.	NA	-110.0
	Adds slot machine tax.	NA	30.0
Rhode Island	Phases out the telecommunications rate.	7/97	-3.1
	Phases out the manufacturing energy tax.	7/97	-0.6
	Phases out the bank deposits tax.	7/97	-4.7
South Carolina	Phases out the soft drinks tax; fiscal 1998 is the second step of a six-year phase-out.	7/97	-4.6
Utah	Implements a 2.5 percent tax on rental cars to pay for transportation corridors.	7/97	4.3
Vermont	Increases taxes for meals, rooms, and liquor, respectively, from 7 percent, 7 percent, and 10 percent to 9 percent, 9 percent, and 10 percent.	10/97	11.7
	Increases bank franchise tax from .004 percent to .0096 percent of deposits.	8/97	3.6
	Increases minimum security registration fee from \$250 to \$300. Increases maximum payable amount from \$1,000 to \$1,200.	7/97	0.7

TABLE A-11 (continued)

## Enacted Revenue Changes by Type of Revenue, Fiscal 1998

State	Tax Change Description	Effective Date	Fiscal 1998 Revenue Changes (Millions)
<b>OTHER TAXES (continued)</b>			
Virginia	Changes the formula used to calculate the unemployment insurance trust fund's adequate fund balance from the average of the highest three cost rates of the last twenty-five years to the last twenty years and the reserve multiplier from 1.5 years to 1.33 years. The result would be lower revenues than current projections over the next six years and employment tax saving to Virginia employers of almost \$200 million from July 1997 through June 2003.	7/97	-50.0
Washington	Reflects property tax relief per voter referendum.	7/97	-59.0
	Reflects credit for insurance guaranty fund assessments.	7/97	-1.6
<b>Total Revenue Changes—Other Taxes</b>			<b>\$-982.8</b>
*Legislation in Ohio passed in both 1995 and 1996 modified the personal exemption to the state income tax on a phased-in basis. The amounts shown represent the incremental reduction in income taxes because of the phase-in process.			
<b>FEES</b>			
Arkansas	Reflects tax amnesty program.	9/97	\$ 1.1
California	Increases vehicle registration and transfer fees.	9/97	38.0
Colorado	Eliminates fee for licenses among regulatory agencies.	7/97	-4.9
	Eliminates surcharge by department of education.	7/97	-4.0
Connecticut	Increases civil court, jury, and pretrial alcohol fees.	7/97	3.2
Florida	Reduces duration of disabled parking permits from six years to four years.	7/97	-2.2
	Eliminates certain securities dealers' registration fees.	7/97	-2.5
	Imposes \$3 additional court cost for certain traffic infractions.	7/97	4.5
	Increases driving-under-the-influence fines for operating vehicles and vessels.	7/97	2.5
	Adds criminal history check fee for physician licenses.	7/97	2.0
Minnesota	Reflects regional treatment center collections (general fund).	7/97	1.7
	Reflects regional treatment center collections (special revenue).	7/97	-3.3
	Increases snowmobile registration fee.	7/97	1.3
	Increases fishing license fee.	3/98	1.3
	Repeals blenders' credit.	7/97	1.9
	Reflects petroleum reimbursement for small gas stations.	1/97	3.4
	Adds \$2.50 title surcharge for law enforcement vehicles.	5/97	2.6
New York	Decreases the assessment rate on hospitals and nursing homes.	4/97	-11.0
North Carolina	Reflects court fees.	9/97	12.6
	Reflects fees to the secretary of state.	9/97	1.5
Ohio	Increases various regulatory fees.	NA	3.0
	Increases driver's license reinstatement fees.	NA	8.5
Oregon	Increases state court fees by 40 percent, on average.	NA	180.0
South Carolina	Increases the coin-operated device fee.	7/97	4.1
South Dakota	Increases the fees charged by the secretary of state.	7/97	1.0
Texas	Eliminates a \$2 per tire environmental fee.	12/97	-22.0
Utah	Increases motor vehicle registration fee by \$10 and trucking fees by about 10 percent.	7/97	16.5
<b>Total Revenue Changes—Fees</b>			<b>\$231.4</b>

NOTES: NA indicates data are not available.

TABLE A-12

## Enacted Revenue Measures, Fiscal 1998

State	Description	Effective Date	Fiscal 1998 Changes (Millions)
Arizona	Redirects 50 percent of the flight property tax from the aviation fund to the general fund.	NA	\$8.1
Arkansas	Makes several changes to the individual income tax code, subject to approval of the sales tax initiative in November 1998.	11/98	0
Florida	Reflects a postsecondary tuition deduction.	1/98	0
	Documentary stamp tax: Shifts general revenue to trust funds to pay additional debt service on environmental bonds.	7/97	-5.0
Hawaii	Allows contracting of tax assessment, enforcement, and collections.	6/97	8.8
Iowa	Requires that revenues for state general operated ICF-MR be deposited directly to the institution rather than the general fund.	7/97	-33.0
Kansas	Changes the percentage transferred from the state gaming revenues fund from 30.75 to 31.25.	7/97	1.7
Maine	Reflects interest from tax anticipation note.	7/97	4.5
	Increases state's portion of real estate transfer tax.	7/97	2.5
	Transfers surplus of revenues from the securities division of the bureau of banking to the general fund.	7/97	1.0
Minnesota	Extends motor vehicle transfer fee for Superfund.	7/97	3.9
	Reflects contaminated waste site cleanup fees.	7/97	6.2
	Reflects noncriminal record check fees (general fund).	5/97	-1.3
	Reflects noncriminal record check fees (special revenue).	5/97	1.3
Montana	Eliminates increase in property valuations that would result from cyclical reappraisal.	7/97	-44.0
Nevada	Removes previously scheduled change in due dates for insurance premium tax, which would have resulted in one-time additional payment of \$50 million in spring 1998.	1/98	-50.0
New York	Increases the period of original issuance of motor vehicle licenses to five years.	NA	2.0
	Ceases granting prorated refunds for second year of motor vehicle registration.	4/97	12.0
	Extends current provisions of law pertaining to commercial banks.	1/97	575.0
	Extends current provisions pertaining to regional business tax surcharge.	4/97	535.0
	Extends provisions on simulcasting horse races.	4/97	2.0
	Extends assessments on health facility providers.	4/97	371.0
	Extends additional assessments on residential nursing homes.	4/97	220.0
	Authorizes liberalization of payment requirements for some alcoholic beverage control licenses.	1/98	-4.0
	Imposes retroactive assessments on facilities for the mentally retarded.	4/97	55.7
	Extends imposition of mandatory surcharges and crime victims' assistance fee.	11/97	20.0
Ohio	Extends environmental protection agency fees scheduled to sunset.	NA	17.0
Oregon	Reduces 2 percent "kicker" law because of increased fiscal 1997 expenditures. Reconnects to federal tax code and increases auditor staff for tax collections.	NA	45.8
	Reduces forecasted increase in taxes because of property tax reductions.	NA	11.3
	Shifts revenues from ten-cent tax per pack of cigarettes from the general fund to other funds.	NA	-16.0
Pennsylvania	Reallocates one cent of existing cigarette tax to children's health insurance fund.	1/97	-11.0
	Dedicates 1.22 percent of sales tax to mass transit operating grants.	7/97	-75.0
Rhode Island	Extends hospital license fee at current rate of 2 percent.	7/97	37.2
	Extends nursing home provider tax at current rate of 3.75 percent.	7/97	11.0
Texas	Increases state's share of lottery sales.	9/97	317.7

NOTES: NA indicates data are not available.

TABLE A-13

## Total Balances and Balances as a Percentage of Expenditures, Fiscal 1996 to Fiscal 1998\*

Region/State	Total Balances (Millions)**			Balances as a Percent of Expenditures		
	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1996	Fiscal 1997	Fiscal 1998
<b>NEW ENGLAND</b>						
Connecticut	\$ 491	\$ 600	\$337	5.5%	6.4%	3.6%
Maine	50	63	58	3.0	3.6	3.1
Massachusetts	1,172	1,194	978	6.9	6.7	5.2
New Hampshire	-24	19	20	-2.8	2.2	2.2
Rhode Island	53	111	74	3.1	6.3	4.0
Vermont	0	35	41	0.0	4.9	5.5
<b>MID-ATLANTIC</b>						
Delaware	379	393	319	23.0	22.3	16.5
Maryland	474	697	645	6.4	9.5	8.3
New Jersey	867	1,108	554	5.6	7.0	3.4
New York	287	433	927	0.9	1.3	2.7
Pennsylvania	367	815	450	2.3	4.9	2.6
<b>GREAT LAKES</b>						
Illinois	426	806	600	2.4	4.4	3.0
Indiana	1,244	1,211	1,299	16.9	15.3	16.2
Michigan	1,183	1,150	1,222	13.6	13.8	14.3
Ohio	1,079	1,012	1,123	6.8	6.2	6.4
Wisconsin	582	327	249	7.2	3.5	2.5
<b>PLAINS</b>						
Iowa	611	799	784	16.1	19.8	18.5
Kansas	379	463	351	11.0	13.0	9.2
Minnesota	1,343	1,630	1,097	14.8	16.9	10.7
Missouri	493	247	214	8.5	3.7	3.3
Nebraska	266	311	313	15.1	16.6	15.8
North Dakota	48	82	62	7.4	12.0	8.7
South Dakota	18	25	30	3.0	3.9	4.2
<b>SOUTHEAST</b>						
Alabama	58	32	0	1.4	0.7	0.0
Arkansas	0	0	0	0.0	0.0	0.0
Florida	698	1,211	1,246	4.7	7.8	7.5
Georgia	802	1,013	334	7.7	9.1	2.8
Kentucky	423	484	306	8.0	8.6	5.1
Louisiana	318	0	5	6.2	0.0	0.1
Mississippi	289	279	222	10.6	9.8	7.5
North Carolina	791	819	622	8.2	7.8	5.4
South Carolina	599	574	219	13.8	12.4	4.4
Tennessee	125	153	127	2.3	2.7	2.2
Virginia	189	411	219	2.5	4.9	2.5
West Virginia	221	220	95	9.5	8.9	3.7
<b>SOUTHWEST</b>						
Arizona	633	793	809	14.0	16.2	15.6
New Mexico	144	212	228	5.2	7.1	7.6
Oklahoma	403	534	489	11.4	13.8	11.6
Texas	2,054	2,387	1,266	8.3	9.6	4.7
<b>ROCKY MOUNTAIN</b>						
Colorado	369	375	336	8.4	8.3	7.1
Idaho	44	41	50	3.3	2.9	3.5
Montana	30	23	20	3.0	2.3	2.0
Utah	269	150	124	10.3	5.0	4.1
Wyoming	56	62	34	12.3	12.3	6.7
<b>FAR WEST</b>						
Alaska	2,518	3,360	3,459	107.3	137.9	145.9
California	685	859	563	1.5	1.8	1.1
Hawaii	161	136	101	5.2	4.3	3.1
Nevada	283	237	241	22.5	15.3	16.6
Oregon	565	812	476	16.0	20.8	11.3
Washington	556	502	668	6.4	5.5	7.1
<b>TERRITORIES</b>						
Puerto Rico	85	27	27	1.5	0.5	0.4
<b>Total</b>	<b>\$25,072</b>	<b>\$29,211</b>	<b>\$24,006</b>	<b>6.8%</b>	<b>7.5%</b>	<b>5.8%</b>

NOTES: NA indicates data are not available.

\*Fiscal 1996 are actual figures, fiscal 1997 are preliminary actual figures, and fiscal 1998 are appropriated figures.

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

Table A-14

Fiscal 1998 State Funding Initiatives for Children

State	Title	Description	Type of Initiative	State Funding (millions)	Age Group Served	Children Served
Alabama	Children's Health Insurance Program	The program will expand health care coverage for low-income, uninsured children.	Child health	\$5.0	Birth to nineteen	NA
Alaska	Smart Start for Alaska's Children	This new initiative will expand health care coverage to low-income children and pregnant women and provide parental education services, child care, health screenings, and improved child protective services.	Comprehensive care	\$31.0 <sup>1</sup>	Birth to nineteen	See note <sup>2</sup>
Arizona	Child Care Expansion <sup>3</sup>	Several child care programs were consolidated and expanded to provide child care for low-income working families.	Child care	\$30.5	Birth to thirteen	38,750
Arkansas	Early Intervention	Building on Part H of the Individuals with Disabilities Education Act, the state Interagency Coordinating Council is collaborating with other agencies to achieve a comprehensive statewide system to enhance the development of children.	Developmental disabilities	\$1.5	Birth to three	2,021
	ARKIDS First	The program will expand health care coverage for uninsured, low-income children whose family income is at or below 200 percent of the federal poverty level.	Child health	\$11.0	Birth to nineteen	37,000
	Operation Kid Care <sup>4</sup>	This program provides preventative health care through immunization of all children. A coalition made up of the state department of health, the University of Arkansas Medical Sciences, Arkansas Children's Hospital, and other hospitals joined the state department of human services to provide services and funding for the program.	Child health	\$1.2	Birth to six	140
California	Adoption Initiative, Options for Recovery, and Uniform Child Risk Assessment (UCRA)	Under these three programs, California has begun to develop a statewide risk assessment tool to better identify abuse factors (UCRA), increase opportunities for adoption for children in public foster care who are unable to return to their parents (Adoption Initiative), and provide increased services to foster families with children who have medical problems related to substance exposure or HIV (Options for Recovery).	Child welfare	\$30.1	Birth to eighteen <sup>5</sup>	7,900
	Healthy Families Program	The program will expand health care coverage for uninsured children in families below 200 percent of poverty.	Child health	\$1.8 <sup>6</sup>	Birth to eighteen	580,000 <sup>7</sup>
	Child Care Expansion	Under the revised Child Care Development Fund, funding is targeted for programs that serve families with young children. The funds will expand child care services for infants and toddlers and provide full-day child care services for children enrolled in the part-day state preschool program. It is anticipated targeted funding will double in the 1998-99 budget, thus representing a commitment of \$76 million for child care services for very young children.	Child care	\$38.0 <sup>8</sup>	Birth to five	80,300 <sup>9</sup>
Colorado	Child Care Assistance Program	This program provides increased funding for child care in fiscal 1998 and enables counties to serve children up to 185 percent of the federal poverty level. In addition, funding was dedicated in fiscal 1998 to build or renovate child care facilities in rural counties.	Child care	NA	Birth to twelve	NA
	Developmental Needs	This program promotes coordination of early intervention mental health services with other services, including child care and preschool. The intent is to identify developmental problems early and prevent multiple-system involvement later in the child's life.	Child development	\$0.5	NA	NA
	Colorado Children's Basic Health Plan	The plan offers insurance coverage to all children in families with incomes below 185 percent of the poverty level.	Child health	NA	NA	NA
Connecticut	Early Child Development -- School Readiness	The new program will expand Head Start, provide more child care for employed recipients of Temporary Assistance for Needy Families, assist in improving the skills of child care providers, and assist child care centers in attaining accreditation by nationally recognized child care organizations.	Child care	\$20.0	Three to five	NA

### Fiscal 1998 State Funding Initiatives for Children

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Table A-14 (continued)

## Fiscal 1998 State Funding Initiatives for Children

State	Title	Description	Type of Initiative	State Funding (millions)	Age Group Served	Children Served
Indiana	Child Care for Working Families	All child care subsidy programs were combined under one funding stream that provides subsidies to families below 150 percent of poverty.	Child care	\$24.5	Birth to thirteen	28,000 <sup>14</sup>
	I Am Your Child Initiative	Under this new initiative, a wide spectrum of agencies and individuals from the public and private sectors have begun participating in a coalition to address child care, early education, children's health and protection, responsible parenthood, and community mobilization issues in the state.	Parental education	NA	Birth to three	NA
Iowa	Child Development Program	The program provides services to ensure that children are ready to learn when entering school.	Early education	\$8.1 <sup>15</sup>	Three to five	2,229
Kansas	Child Care Reimbursement for Infants and Young Children	Under this initiative, the child care reimbursement rates were increased by 10 percent to meet the higher cost of care for infants and young children and to attract the necessary number of child care providers.	Child care	\$33.5 <sup>16</sup>	Birth to eighteen	1,781
Kentucky	Kentucky Early Intervention Services	Building on Part H of the Individuals with Disabilities Education Act, the state program addresses developmental needs of children, supports the family, and saves on future program services through therapy, learning instruction, nutrition, and other services that address the physical, cognitive, communication, social, and emotional needs of a child.	Developmental disabilities	\$7.2	Birth to three	2,750
Maine	Children's Health Reserve	The program provides primary and preventive care for uninsured children.	Child health	\$6.2	Birth to eighteen	NA
Maryland	Maryland Kids Count	The program provides primary and preventative care.	Child health	\$0.6	Born after September 30, 1983	5,000
Massachusetts	MassHealth	As part of a federal waiver, Massachusetts has streamlined eligibility (eliminated the asset test) for medical assistance and raised eligibility requirements to 133 percent of the federal poverty level. The eligibility requirements will be raised to 200 percent in fiscal 1998.	Child health	\$11.0 <sup>17</sup>	Birth to eighteen	18,000 <sup>18</sup>
	Newborn Home Visiting	The voluntary, comprehensive home-visiting prevention program is aimed at identifying and serving all first-time parents below age twenty-one. Services will be provided by family advocates, social workers, developmental educators, and health professionals. The program seeks to decrease child abuse and neglect, as well as out-of-home placements; enhance children's intellectual development by improving communication skills and mental and motor development; improve parenting skills and children's emotional health; and promote children's health by improving access to perinatal services, nutrition, full immunization, and well-child care visits.	Child health	\$6.0	Infants and young mothers	1,890
Minnesota	Childcare Expansion	The state increased child care funding both for parents who receive income maintenance and for those with low incomes.	Child care	\$76.0 <sup>19</sup>	Birth to twelve <sup>20</sup>	27,384
	Child Care Training	The state provided new money for child care development activities including education and training, an apprenticeship and mentor program, a child care improvement grant program to assist in expanding the supply of child care facilities, technical assistance grants to increase the supply of nontraditional-hour care, sick child care, and care for special needs children.	Child care	\$5.9	Birth to twelve	See above
	Head Start Expansion	Minnesota increased state funding for the Head Start Program to bring about a greater degree of social competence in the children and to promote economic self-sufficiency for the parents.	Child care	\$18.7 <sup>21</sup>	Birth to four	12,145
Mississippi	First Steps Infant and Toddler Early Intervention System	The goal is to implement the state's comprehensive coordination system of Early Intervention Services as required by Part H of the Individuals with Disabilities Education Act.	Developmental disabilities	\$2.0	Birth to three	2,500

ble A-14 (addendum)

ical 1998 State Funding Initiatives for Children

<i>State</i>	<i>Title</i>	<i>Description</i>	<i>Type of Initiative</i>	<i>State Funding (millions)</i>	<i>Age Group Served</i>	<i>Children Served</i>
Michigan	MChild	Under this program, expanded medical services not otherwise covered by Medicaid or private insurance are provided to children using state and Title XXI funds.	Child health	\$92.0	Birth to eighteen	150,000
	Child Care	This initiative increases child care eligibility and subsidies.	Child care	\$50.0	Birth to twelve	30,000
	Prevention of Abuse and Neglect	Grants are distributed to local collaborative bodies to provide prevention services through parenting education and training and other related services.	Parental education	\$9.0	Birth to thirteen	20,000
	Head Start Wrap Around	This program provides full-time before- and after-school day care for Head Start and at-risk young children.	Early education	\$1.0	Birth to five	1,000

Table A-14 (continued)

Fiscal 1998 State Funding Initiatives for Children

State	Title	Description	Type of Initiative	State Funding (millions)	Age Group Served	Children Served
Missouri	Parents as Teachers	The program educates parents on appropriate screening processes and furnishes information related to their children's development. Recommended services include developmental screenings in the areas of language, sight and hearing perception, motor development, health, and physical development; and parent education programs that provide resources for home learning activities, private and group educational training, and other activities designed to improve learning within the home.	Parental education	\$26.2 <sup>22</sup>	Birth to four	146,150
	Child Care Inspections	The goal of the child care safety and licensure activities is to ensure that child care providers regulated by the state department of health provide healthy and safe environments for Missouri children. Additional inspections will ensure that providers are in compliance with fire, safety, sanitation, and child care regulations.	Child care	\$4.2 <sup>23</sup>	Birth to twelve	200,000
	Child Care and Educare Programs	The child care program provides reimbursement to parents or direct payment to eligible child care providers. The state pays a maximum rate based on the area where the family resides, the type of provider, the duration of the service, and the child's age bracket. Educare is a prevention tool that targets preschool children and is included in the child care program. This school-readiness program works in communities to increase the child's education opportunities through enhanced services offered to families and providers.	Child care	\$31.6 <sup>24</sup>	Preschool and birth to twelve	34,729
	Immunization Registry	Funding was provided to create a statewide immunization registry and electronically link 114 local health departments to the registry.	Child health	\$1.5	Birth to two	NA
Montana	Child Care Quality Initiatives	Under the new Child Care Development Fund, the state is funding programs to expand and improve services to infants, provide merit pay for providers with knowledge of early childhood development, provide specialized training opportunities, create the Montana Early Childhood Professional Development Center, and manage a consumer education campaign to help parents with quality child care and quality choices.	Child care	\$0.8	Birth to thirteen	10,675
	Healthy Child Care Montana	This program targets public health nurse involvement with child care providers to establish links between public health and child care, enable the public health nurse to offer ongoing education regarding health issues and health needs of young children, and establish the public health nurse as a viable resource for child care providers.	Child health	\$0.05	Birth to five	NA
Nebraska	Good Beginnings	The program fosters the development of voluntary, community-based partnerships that address the health, education, and social service needs of Nebraska families prenatally to age five.	Child health and education	NA	Birth to five	NA
	Early Intervention Services Coordination	The Early Intervention Act entitles families who have eligible infants and toddlers with disabilities to year-round service coordination and the development of an individual family service plan.	Developmental disabilities	\$1.5 <sup>25</sup>	Birth to three	832
	Children's Health Program	The state is planning a new program to expand health coverage to children.	Child health	\$5.5	Birth to eighteen	NA
	Employment First Child Care	Under the state's new welfare program Employment First child care has been expanded for individuals transitioning from welfare to work and has been increasingly available for low-income families.	Child care	\$25.0 <sup>26</sup>	Birth to twelve	NA

Table A-14 (continued)

## Fiscal 1998 State Funding Initiatives for Children

State	Title	Description	Type of Initiative	State Funding (millions)	Age Group Served	Children Served
Nevada	Family to Family Connection	Thirteen service delivery districts, called Infant Support Districts, are being established in Nevada. The districts will be operated and administered at the community level by local organizations. Largely state-funded, these districts will establish visitation services for parents of infants from birth to age one, establish New Baby Center activities, and establish Resource Lending Centers that will provide families of newborns with community support and encourage optimal child growth and development.	Parental education	\$2.9 <sup>27</sup>	Birth to one	13,000 <sup>28</sup>
New Hampshire	Quality Assurance Initiative in Early Care and Education	The state has increased the focus on policy and program recommendations to establish a career development system for early childhood and to improve and expand training opportunities for targeted populations.	Child care	NA	NA	NA
	Public Awareness Campaign for SIDS and Shaken Baby Syndrome	The goal of the Back to Sleep campaign and the shaken baby syndrome campaign is to increase awareness of these issues with child care providers and the public.	Parental education	\$0.02	Birth to three	59,445
	Newborn Screenings and Child Development Services	These programs provide early detection for certain metabolic conditions and special diagnostic services for special needs children	Developmental disabilities	\$0.6	Birth to three	14,300
New Jersey	Bright Beginnings and Early Childhood Care Services	The Bright Beginnings program is a new initiative to increase the quality and quantity of child care for children. The Early Childhood Care Services initiative expands child care for working poor families, integrating child care services at Community Family Resource Centers.	Child care	\$28.5	Birth to six	NA
New Mexico	Child Protective Services	New Mexico has implemented a number of initiatives in the child welfare area. These include implementing a statewide risk assessment tool, mandating permanency hearings within twelve months, expediting placement of children in cases of serious bodily injury, consolidating federal and state reporting, and other reform measures.	Child welfare	\$0.16	Birth to eighteen	28,661 referrals
	Child Development Program	Based on community priorities, this program provides child care and child developmental services, preschool programs for children at risk, child development programs for teen parents, home-visitation programs, screenings, and family resource programs.	Parental education and child development	\$1.0	Birth to five	1,800
	Parenting Initiative	The program provides a free subscription to a monthly age-graded newsletter for all parents of children from birth to age three. The newsletter is distributed to parents, as well as pediatricians, child care providers, libraries, and health clinics.	Parental education	\$0.07	Birth to five	11,000
	Child Care Inspections	New regulations passed in March 1997 provide for a three-tiered licensure system with differential reimbursement for higher levels of quality.	Child care	NA	Birth to thirteen	NA
New York	Child Health Plus	This program provides for expansion of the state-subsidized insurance program to cover inpatient services and children below age nineteen.	Child health	\$109.0	Birth to eighteen	160,000
	Child Care Block Grant	This block grant supports day care subsidies for low-income families and people receiving public assistance or families transitioning from welfare to full-time employment.	Child care	\$93.0	Birth to thirteen	114,000
	Preschool, School-Age, and Summer School for Disabled Students	These programs provide educational and therapeutic services to disabled preschool and public and private school-age students.	Special education	\$1,611.9 <sup>29</sup>	Three to twenty-one	422,000 <sup>30</sup>
	Pre-Kindergarten, Universal Pre-Kindergarten, and Full-Day Kindergarten	Currently, the state spends \$50.2 million to offer disadvantaged students access to prekindergarten. In fiscal 1998-99, an additional \$50 million will be spent to expand prekindergarten to all four year olds and an additional \$14.4 million for full-day kindergarten, if districts elect to participate.	Early education	\$50.2 <sup>31</sup>	Four and five	See note <sup>32</sup>
North Carolina	Smart Start	This program seeks to improve the quality of child care services, increase access to child care, make child care more affordable, provide education and training for parents, and provide preventative health care for children.	Child care	\$87.6 <sup>33</sup>	Preschool	12,526 <sup>34</sup>

Table A-14 (continued)

## Fiscal 1998 State Funding Initiatives for Children

State	Title	Description	Type of Initiative	State Funding (millions)	Age Group Served	Children Served
North Dakota	Infant and Toddler Enrichment Program	The program develops high-quality child care by establishing a network of trainers, recruiting new caregivers of infants and toddlers, providing training and support for all infant and toddler caregivers, and encouraging long-term retention of infant and toddler caregivers.	Child care	\$0.1 <sup>35</sup>	Birth to three	NA
Ohio	Medicaid Children's Expansion	Ohio's biennial budget includes a health care initiative that expands Medicaid eligibility to all children up to age nineteen at or below 150 percent of the poverty level.	Child health	\$9.6 <sup>36</sup>	Birth to nineteen	15,400 <sup>37</sup>
	Early Start	Ohio Early Start was created to provide early intervention services to children age zero to three who are at significant risk of abuse, neglect, or future developmental delay. The program offers comprehensive child and family development with a focus on the learning experiences of the child.	Developmental disabilities	\$12.3 <sup>38</sup>	Birth to three	4,000
Oklahoma	Children First	Under this child abuse prevention program, public health nurses work with mothers and children prenatally through age two.	Parental education	\$4.2 <sup>39</sup>	Prenatal to two	1,274 families
Oregon	Oregon Health Plan Expansion	This program expands Oregon Health Plan coverage to low-income, uninsured children at or below 170 percent of the federal poverty level through a new health insurance subsidy program and an expansion of Oregon's Medicaid program under Title XX.	Child health	See note <sup>40</sup>	Birth to nineteen	25,000
	Oregon Pre-Kindergarten Expansion	This program expands access to Head Start and prekindergarten services to 37 percent of eligible children statewide.	Early education	\$10.0	Three to five	1,675
	Child Protective Services	This new funding increases the number of child protective service workers to enable investigation, placement, and case management services to address an increase in demand.	Child welfare	\$8.0	Birth to eighteen	1,500
	Adoption Worker Expansion	This new funding shortens the amount of time children spend in foster care by providing increased access to permanent placement services.	Child welfare	\$2.0	Birth to eighteen	650
Pennsylvania	The Children's Health Insurance Program	The program provides free and low-cost health insurance to low-income working families.	Child health	\$1.9 <sup>41</sup>	Birth to seventeen	3,000
Rhode Island	Therapeutic Foster Care	This new program provides highly focused, carefully managed foster care for children with physical or behavioral problems.	Child welfare	\$0.5	Birth to eighteen	25
	Child Care	The state provides child care services to allow parents, foster parents, or other caregivers to work.	Child care	\$2.2 <sup>42</sup>	Birth to twelve	2,900
	Child Care for Recipients of Temporary Assistance for Needy Families	Under Rhode Island's new welfare reform initiative, child care is provided as a supportive service to assist with independence.	Child care	\$0.8 <sup>43</sup>	One week to age three	1,900
South Carolina	Child Care Program	The state's child care program serves children from age zero to age thirteen with child care funds targeted to support welfare reform efforts and serve low-income working families.	Child care	\$1.6 <sup>44</sup>	Birth to thirteen	3,173
	Partners for Healthy Children	Under this initiative, the state's Medicaid program was expanded to children whose family income is at or below 150 percent of the federal poverty standard.	Child health	\$3.9 <sup>45</sup>	Birth to eighteen	8,021 <sup>46</sup>
	Healthy Options Program and the Physician Enhanced Program	The Healthy Options Program provides enhanced reimbursement for primary care services to physicians who agree to provide a medical home for children age eighteen and below. The Physician Enhanced Program is an alternative reimbursement methodology for physicians. Physicians provide a minimum basic set of services for a monthly fee. Physicians provide coverage twenty-four-hours a day, seven days a week, including patient education. This program is to establish a medical home for Medicaid recipients.	Child health	\$2.0	Birth to eighteen	NA <sup>47</sup>

Table A-14 (continued)

Fiscal 1998 State Funding Initiatives for Children

State	Title	Description	Type of Initiative	State Funding (millions)	Age Group Served	Children Served
Texas	Texas Healthy Kid Care	This public/private initiative funds health insurance for children.	Child health	\$3.2	Birth to seventeen	39,000
	Governor's Reading Initiative	This program ensures that all students read at their grade level or better by the end of third grade and that they continue to read at their grade level or better throughout their schooling.	Education	\$7.5 <sup>48</sup>	School-age	NA
	Child Care	The goal is to make high-quality child care accessible to assist recipients of Temporary Assistance to Needy Families, recipients of other public assistance, and low-income families in gaining and maintaining financial independence and to improve the quality of child care services through research, identification of best practices, and certification of activities through the Child Care Work and Family Clearinghouse.	Child care	\$319.7 <sup>49</sup>	Birth to twelve	83,764
	Child Development	Texas operates a statewide system providing a full array of early childhood intervention services specified in Part H of the Individuals with Disabilities Education Act.	Child development	\$38.2 <sup>50</sup>	Birth to three	22,600
Utah	Crisis Nurseries	This program offers twenty-four-hour crisis respite to children when their parents are in crisis, an intervention that prevents child abuse and neglect. The program also provides support services to strengthen families, including parenting and home-based services.	Child care and parental education	\$1.6 <sup>51</sup>	Birth to eleven	1,861
	Early Intervention for Infants and Toddlers with Disabilities	The program improves the health and development of children with disabilities through the following services: speech and physical therapy, nutrition, special instruction, home visits, and audiology and vision care.	Developmental Disabilities	\$3.9 <sup>52</sup>	Birth to two	3,800
	Immunization Program	The program reduces vaccine-preventable diseases by providing immunizations, an immunization tracking system, and a public awareness campaign.	Child health	\$0.9	Birth to two	23,000
Vermont	Success by Six	The state project is designed to ensure that children are ready for school and schools are ready for children. State general fund dollars are combined with local community resources to provide Welcome Baby Visits, Family Literacy, Parent Education Groups, Parent Child Interaction Groups, Two-and-a-Half-Year-Old Screenings, and Transition to Kindergarten programs.	Child development	\$1.1 <sup>53</sup>	Birth to six	12,000
Virginia	Healthy Families	The project provides prenatal assessment, health care, parenting education, child abuse prevention, pregnancy prevention, and a wide range of related services.	Child health	\$0.8 <sup>54</sup>	Prenatal to four	325
	Maternal and Child Health Services, Child Health Insurance Program, and Child Specialty Services	These three child health programs provide intensive care for children. The Maternal and Child Health Services program works with mothers to facilitate good health practices and utilization of health care services, then offers care coordination and immunization for infants. The Child health Insurance Program provides care coordination, health care access, and family support services for children below age six. Finally, the Child Specialty Services program provides medical-surgical treatment, clinical followup referrals, and care coordination for medically at-risk children.	Child health	\$5.4 <sup>55</sup>	Prenatal to twenty-one	29,100 <sup>56</sup>
Washington	Working Connections Child Care	Under this new program, child care subsidies for families with incomes below 175 percent of the federal poverty level will be available based on a family's income. The state will move away from the categorical funding streams and give all low-income working families access to child care.	Child care	NA	Birth to twelve	50,000
West Virginia <sup>57</sup>	Birth to Three Early Intervention	This program seeks to prevent disabilities, lessen the effects of existing impairments, and improve developmental outcomes as mandated through the Individuals with Disabilities Education Act.	Developmental disabilities	\$2.8	Birth to three	3,216
	Right from the Start Program	The Right from the Start program is a home visiting project that helps families of high-risk infants locate and access medical and social services. This program offers care coordination to uninsured children, from zero to age one. It provides intensive outreach for early identification and entry into care. Children born in West Virginia have a birth score card completed. Any child who scores as "very high risk" for adverse medical outcome is referred to the Right From the Start program for case management.	Child health and parental education	\$0.5	Birth to one	3,018

Table A-14 (continued)

## Fiscal 1998 State Funding Initiatives for Children

State	Title	Description	Type of Initiative	State Funding (millions)	Age Group Served	Children Served
Wisconsin	Badgercare	Badgercare will provide health care to children and families at or below 200 percent of the federal poverty level.	Child health	See note <sup>58</sup>	Birth to nineteen	20,000 <sup>59</sup>
	Child Care	Under this new initiative, the state provided an additional \$25 million to increase the supply of child care providers, maintain resource and referral services, and eliminate waiting lists for the low-income working poor.	Child care	\$25.0	Birth to twelve	NA
Wyoming	Help Me Grow—Safe Kids, Best Beginnings, Home Visits for Pregnant and Parenting Families, and Health Passport Demonstration Project	These four programs promote the healthy growth of Wyoming's children by educating parents on preventable illnesses, integrating an effective system of community-based health care services for pregnant and parenting women, emphasizing a healthy pregnancy and good parenting skills, providing case management services for low-income, first-time teenage mothers, and coordinating health information and needed services for children.	Child health and parental education	\$0.7	Birth to six	NA
	Preschool Services	This program provides preschool services for children who are physically and mentally developmentally delayed.	Developmental disabilities	\$6.2	Birth to six	1,733
	Child Care Development	This program provides day care services for low-income families.	Child care	\$2.5	Birth to twelve	611
Puerto Rico	Family with Children Services	The program strengthens the family as the primary and basic unit for the integrated development of its members in their environment. This is accomplished through child day care services, services to minors with mental retardation and other mental conditions, family planning services, family preservation and support services, and other services.	Developmental disabilities	\$36.9	Birth to eighteen	145,900 families
	Preventative Medicine and Family Health	This program provides preventative health services, such as inoculations, education, counseling, and other services to medically indigent populations.	Health	\$20.2	All	1.9 million families

NOTES: NA indicates data are not available.

<sup>1</sup> The new initiative is funded with \$1 million in new money and \$30 million in reallocated funds.

<sup>2</sup> Among the initiatives, more than 11,000 children will receive health care coverage, 1,000 more will receive child care, and 200 more will be enrolled in Head Start.

<sup>3</sup> Not a new initiative, but a consolidation of existing programs.

<sup>4</sup> This is not a new initiative.

<sup>5</sup> The Options for Recovery program is targeted to children from birth to age three.

<sup>6</sup> Fiscal 1998 is a planning year. Beginning in fiscal 1999, the state plans to spend \$500 million to fully implement the Healthy Families Program.

<sup>7</sup> Beginning in fiscal 1999.

<sup>8</sup> Funding for child care in California increased 11 percent in fiscal 1997 and 31 percent in fiscal 1998.

<sup>9</sup> This is an estimate of the number of new child care slots that will be made available and the number of children already in child care who will receive extended day services.

<sup>10</sup> This is not a new program, but represents a significant increase in state funding.

<sup>11</sup> Funds for the Voluntary Pre-Kindergarten Program are provided from revenues generated by the Georgia Lottery for Education. Funds were first appropriated in fiscal 1992 to start prekindergarten on a pilot basis. The program is now statewide. Funding increased 17 percent in fiscal 1997 and 14 percent in fiscal 1998.

<sup>12</sup> These programs are not new to Georgia, but demonstrate just a part of the comprehensive approach the state is taking to meet the needs of children.

<sup>13</sup> Combined, these programs receive \$20 million in state funding. This is not new money.

<sup>14</sup> The Child Care and Development Fund currently serves 28,000 children.

<sup>15</sup> This is not a new initiative; however, funding increased 8.1 percent in fiscal 1997 and 17.9 percent in fiscal 1998.

<sup>16</sup> The state contributes \$33.5 million for child care. Of this, \$1 million was allocated for the rate change.

<sup>17</sup> For children age zero to six, expanded health insurance through MassHealth is expected to cost approximately \$11 million in fiscal 1998, annualizing to about \$17 million in fiscal 1999.

<sup>18</sup> MassHealth will serve 18,000 children age zero to six.

<sup>19</sup> Under the child care expansion, funding for child care for recipients of Temporary Assistance for Needy Families increased 10 percent in fiscal 1997 and 53 percent in fiscal 1998; for low-income recipients, funding increased 60 percent in fiscal 1997 and 68 percent in fiscal 1998.

Table A-14 (continued)

## Fiscal 1998 State Funding Initiatives for Children

- <sup>20</sup> This program also serves thirteen- and fourteen-year-old children who have disabilities.
- <sup>21</sup> The new state money included a \$1 million set-aside for full-year programming for children age zero to three; the overall funding for fiscal 1998 was increased 63 percent from fiscal 1997 levels.
- <sup>22</sup> Funding for this program increased 15 percent in fiscal 1997 and 8 percent in fiscal 1998.
- <sup>23</sup> Funding increased 35 percent in fiscal 1998.
- <sup>24</sup> Funding for these child care programs increased 10 percent in fiscal 1997 and 42 percent in fiscal 1998.
- <sup>25</sup> The Early Intervention Services Coordination is not a new program; however, state funding has increased 39 percent between fiscal 1996 and fiscal 1997.
- <sup>26</sup> The state commitment to child care has increased 95.3 percent, from \$12.8 million in fiscal 1997 to \$25 million in fiscal 1998.
- <sup>27</sup> Funding for Family to Family Connection will increase to \$6.4 million in fiscal 1999, a 120 percent increase.
- <sup>28</sup> Nevada's Family to Family Connection is scheduled to begin January 1998. The state plans to reach 13,000 infants, or 50 percent of all live births.
- <sup>29</sup> Funding for New York's special education programs increased by 3 percent in fiscal 1997-98.
- <sup>30</sup> The special education program serves 422,000 children. On average, 24,000 of these children are enrolled in both the school year program and the summer school program.
- <sup>31</sup> Funding for prekindergarten and full-day kindergarten will more than double in fiscal 1989-99 to \$114.6 million.
- <sup>32</sup> Up to 200,000 children will be eligible for expanded prekindergarten and up to 65,000 children will be eligible for all-day kindergarten.
- <sup>33</sup> North Carolina's Smart Start program began in 1993. In 1993, the state allocated \$20 million for the program. Funding for Smart Start has increased steadily since that time. The North Carolina General Assembly approved an increase of 18 percent in state fiscal 1996-97 and 32 percent in state fiscal 1997-98.
- <sup>34</sup> The Smart Start program serves 12,536 children per month with child care subsidies. Annually, approximately 283,419 child care spaces are provided in regulated facilities and homes. Additional measures on the number of children receiving preventative health screenings and immunizations are being developed.
- <sup>35</sup> North Dakota received a three-year, \$929,601 grant to be used to continue the Infant/Toddler Caregivers Training Program. The state used \$100,000 of the Child Care and Development Fund to augment this project.
- <sup>36</sup> The new Medicaid Children's Expansion is scheduled to begin January 1, 1998. The estimated cost for the program is \$71 million (state and federal). The estimated incurred costs for infants and toddlers (age one to five) is \$23 million, of which \$9.6 million is contributed by the state.
- <sup>37</sup> An average of 99,500 children will be served under the new program, 15,400 of which are infants and toddlers.
- <sup>38</sup> This is not a new initiative for Ohio; however, the Early Start program has experienced significant funding increases of 16.5 percent in fiscal 1997 and 210.4 percent in fiscal 1998.
- <sup>39</sup> Oklahoma's Children First program was first funded in 1997. In fiscal 1998, the funding for the program increased 263 percent.
- <sup>40</sup> During the phase-in period, the approximate cost will be from \$11 million to \$12 million. At full capacity, the estimated program cost is from \$22 million to \$24 million.
- <sup>41</sup> Pennsylvania's Children's Health Insurance Program has been expanded by a one-cent increase in the cigarette tax. The one-cent increase funds a premium increase and a 6 percent increase in the number of children served. The increase from fiscal 1997 to fiscal 1998 was 12 percent.
- <sup>42</sup> Recognizing the need to offer higher reimbursement rates to child care providers to expand the availability of child care, Rhode Island increased funding of child care services by 14 percent in fiscal 1998.
- <sup>43</sup> To move welfare clients to independence, Rhode Island increased funding of the child care entitlement by 18.3 percent in fiscal 1997.
- <sup>44</sup> Total state funding for the child care program is \$6.3 million, of which approximately \$1.6 million is for children from zero to three.
- <sup>45</sup> Total state funding for this initiative is \$6.4 million, of which \$3.9 million will be for children from zero to five.
- <sup>46</sup> The program will serve 75,000 children, of which 8,021 will be below age five.
- <sup>47</sup> Not yet determined.
- <sup>48</sup> To increase to \$25.5 million in fiscal 1999.
- <sup>49</sup> Not all new funding; however, funding for child care increased 33 percent in fiscal 1997.
- <sup>50</sup> Not a new program; however, funding has increased 9 percent in both of the past two fiscal years.
- <sup>51</sup> Not a new initiative; however, funding increased 11 percent in both fiscal 1997 and fiscal 1998.
- <sup>52</sup> Not a new initiative; however, funding increased 24 percent in fiscal 1998.
- <sup>53</sup> The Success by Six program started in 1993 with \$62,000 in state funds and provided services to 599 children.
- <sup>54</sup> This is not a new program; however, it received significant funding increases in the last fiscal year.
- <sup>55</sup> Combined, state funding for these three programs is \$5.4 million. These are not new initiatives.
- <sup>56</sup> Combined, the three child health programs serve more than 29,000 children.
- <sup>57</sup> These are not new programs, nor increased funding initiatives.
- <sup>58</sup> Fiscal 1998 is a planning year. \$15.7 million has been budgeted in fiscal 1999 for implementation.
- <sup>59</sup> This estimate represents all children from birth to age nineteen.