



The Fiscal Survey of States

December 2003

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

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Price: \$25.00

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Preface

The Fiscal Survey of States is published twice annually by the National Association of State Budget Officers (NASBO) and the National Governors Association (NGA). The series was started in 1979. 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 NASBO in July through November 2003. The surveys were completed by Governors' state budget officers in the 50 states.

Fiscal 2002 data represent actual figures, fiscal 2003 figures are preliminary, and fiscal 2004 data reflect appropriations.

Forty-six states begin their fiscal years in July and end them 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. Additionally, 20 states operate on a biennial budget cycle.

NASBO staff members Nick Samuels and Greg Von Behren compiled the data and prepared the text for the report. Dotty Esher of State Services Organization provided typesetting services.

Executive Summary

While the economy has begun to show some signs of improvement, states continue to grapple with short-term cyclical and long-term structural problems. Plagued by budget shortfalls for the past three years, states still face uncertainty in the current fiscal year and difficult budgetary choices in the years ahead, even amid strong growth recently in gross domestic product and declining job losses.

States currently find themselves in a familiar spot: struggling to keep their budgets in balance. Budget gaps are lingering as spending pressures persist—particularly from Medicaid and other health care—and as revenues remain sluggish, although in some states recently they have shown signs of resuscitation. As in previous years, states are confronting these challenges by enacting negative growth budgets, increasing taxes and fees, reorganizing programs, and drawing from reserves.

This edition of *The Fiscal Survey of States* reflects actual fiscal 2002, preliminary actual fiscal 2003, and appropriated fiscal 2004 figures. Data were collected during fall 2003 and illustrate the continued fiscal plight in the states.

State Spending

States pared back spending significantly in fiscal 2003 and fiscal 2004. General fund spending in fiscal 2003 grew only by 0.6 percent above fiscal 2002 levels. Based on fiscal 2004 appropriations, expenditures are expected to rise only by 0.2 percent over the previous year—the smallest nominal increase since 1979, the first covered by this report. By comparison, between fiscal 2000 and fiscal 2001, general fund expenditures increased by 8.3 percent. Expenditures include one-time spending from surplus funds, transfers into budget stabilization funds and other reserve funds, and payments to local governments to reduce property taxes. Findings include the following:

In fiscal 2003, 21 states had negative general fund spending compared with the previous year. In fiscal 2004, 13 states enacted negative growth budgets.

Forty states reduced fiscal 2003 enacted budgets by \$11.8 billion after they were passed—two states more than the previous year. Eight states already

have reduced their enacted budgets by \$2 billion in fiscal 2004.

States continue to rely heavily on certain budget balancing strategies to close spending and revenue gaps. To address these gaps, in fiscal 2003 32 states enacted across-the-board cuts, 25 states used rainy day funds, 16 states laid off employees, 13 states used early retirement, 13 states reorganized programs, and 29 states used a variety of other methods.

More than half the states' budget changes affected local governments in fiscal 2004. Many of these changes reduced aid to local governments.

Medicaid spending increased by 9.3 percent in fiscal 2003, and 32 states are assuming they will have a shortfall in their Medicaid budgets for fiscal 2004.

The number of filled full-time equivalent positions (FTE) in state government decreased by 0.9 percent in fiscal 2003 and, based on appropriations, by 2.8 percent in fiscal 2004.

Continuing to provide supportive services for families to achieve self-sufficiency, seven states increased their Temporary Assistance for Needy Families (TANF) cash assistance benefit levels from 1 percent to 2 percent in fiscal 2004. One state decreased cash assistance benefit levels by 26 percent.

State Revenue Actions

Revenue collections at the beginning of fiscal 2004 were stagnant, due largely to the length of time it has taken economic recovery to take hold, although revenues recently have begun to improve in some states. In addition to controlling expenditures, drawing from one-time revenue sources, and using a mass of other budget balancing strategies to deal with the budget problems still hounding them, 36 states enacted broad-based net tax and fee increases for fiscal 2004 totaling \$9.6 billion. Two states enacted net tax reductions totaling \$31.1 million. Findings include the following:

The largest enacted increases are in the sales tax (\$2.6 billion), personal income tax (\$2.3 billion),

and fees (\$1.8 billion). Additionally, 24 states enacted revenue measures that enhance general fund revenue but do not affect taxpayer liability totaling \$3 billion.

In fiscal 2003, sales taxes, personal income taxes, and corporate income taxes were 6 percent lower than originally budgeted.

Anticipating a rebound in fiscal 2004, states enacted budgets that project revenues to grow by 5.1 percent above current fiscal 2003 estimates.

Year-End Balances

Year-end balances—which include both ending balances and the amounts in budget stabilization funds—play a critical role in providing states with necessary resources to deal with unforeseen fiscal downturns. Balances appear to have stabilized: actual fiscal 2002 balances totaled \$18.3 billion or 3.7 percent of expenditures, preliminary actual fiscal 2003 balances totaled \$15.2 billion or 3.1 percent of expenditures, and appropriated fiscal 2004 balances totaled \$15.8 billion or 3.2 percent of general fund expenditures.

State Expenditure Developments

CHAPTER ONE

Budget Management in Fiscal 2003

Continuing the trend of the previous two years, state finances in fiscal 2003 remain fragile. To combat persistent budgetary stress, states have ratcheted down expenses both through across-the-board and targeted reductions to a wide array of programs. While several states have exempted K-12 education from cuts, even many of the most politically sensitive areas have not been spared the budget ax. Forty states—the most recorded in the 23 year history of this *Fiscal Survey*—made either across-the-board or selective program cuts in fiscal 2003. The cuts totaled \$11.8 billion, the second highest only after fiscal 2002, when 38 states cut their budgets by nearly \$13.7 billion (see Table 1).

During the beginning of the most recent economic downturn, priority programs such as Medicaid, K-12 education, higher education, debt service, public safety, and aid to towns and cities, or those set by predetermined formulas such as school aid, typically have been held harmless from budget cuts. As the state fiscal crunch has lingered during the past two years, these programs now are being cut—albeit to a lesser extent than some others—and are at high risk for further reductions if fiscal conditions fail to improve.

Aside from making cuts, states have implemented a wide variety of other strategies to control expenditures and balance their budgets. In fiscal 2003, 32 states used across-the-board cuts, 25 states drew from rainy day funds, 16 states laid off employees, 13 states offered early retirement, 13 states reorganized programs, and 29 states utilized a variety of other methods (see Appendix Table A-5). Other methods include refinancing state debt to take advantage of record-low interest rates, hiring freezes, tobacco settlement securitization, targeted reductions, one-time fund transfers, deferred payments, tax amnesty programs, and using available reserves (see Notes to Appendix Table A-5).

State Spending for Fiscal 2004

This report captures only state general fund spending, the primarily discretionary expenditure of revenues derived from general sources not earmarked for specific items. According to the most recent edition of

NASBO's *State Expenditure Report*, fiscal 2003 state spending from all sources is estimated to be slightly more than \$1.1 trillion, with the general fund representing 46.2 percent of the total. For fiscal 2002—the most recent year for which actual data are available—the components of total state spending are: elementary and secondary education, 21.6 percent; Medicaid, 20.8 percent; higher education, 11.2 percent; transportation, 8.1 percent; corrections, 3.6 percent; public assistance, 2.1 percent; and all other expenditures, 32.6 percent.

Specifically within the general fund, the components of state spending are elementary and secondary education, 35.4 percent; Medicaid, 16 percent; higher education, 12.6 percent; corrections, 6.9 percent; public assistance, 2.3 percent; transportation, 0.7 percent; and all other expenditures, 26.1 percent. Elementary and secondary education has dominated state spending since fiscal 1993, with Medicaid the second largest and fastest growing component of state spending—both from state general funds and from all spending sources.

Notably, state general fund spending in both fiscal 2003 and fiscal 2004 has been reduced from prior year levels. Representing the smallest increase in general fund spending levels in the history of this report, budgeted fiscal 2004 expenditures total \$492.2 billion, an increase of just 0.2 percent from fiscal 2003 levels. Previously, the smallest decrease in state general fund expenditures tracked in *The Fiscal Survey of States* was in 1983 when budgets dropped by 0.7 percent from prior year levels. In fiscal 2003, state general fund expenditures increased by only 0.6 percent compared to fiscal 2002 amounts. Fiscal 2002 through fiscal 2004 represents the slowest period of growth in nominal general fund spending since this report originated. Nominal state spending has increased at an average of 6.2 percent since 1979 (see Table 2 and Figure 1).

Reflecting the need to balance budgets through all available means, 21 states report negative budget growth and more than two-thirds of states report expenditure growth of less than 5 percent in fiscal 2003. Additionally, in fiscal 2004 more than two-thirds of states have budgeted expenditure growth below 5 percent, with 13 states enacting negative growth budgets (see Table 3 and Appendix Table A-4).

TABLE 1

Budget Cuts Made After the Fiscal 2003 and Fiscal 2004 Budgets Passed

<i>State</i>	<i>FY 2003 Size of Cuts (Millions)</i>	<i>FY 2004 Size of Cuts (Millions)</i>	<i>Programs or Expenditures Exempted from Cuts</i>
Alabama	\$5.1	---	Debt Service, Federal Court Ordered Payments and Youth Services Operations
Arizona	\$106.2	152.1	In fiscal 2003, Department of Corrections, K-12 Education, and voter-protected and mandated programs. In fiscal 2004, Department of Corrections, K-12 Education, and voter-protected and mandated programs. Additionally, lump sum reductions to the Department of Administration, Agriculture, and Land were vetoed.
Arkansas	73.0	---	---
California	2,112.0	---	The Legislative branch.
Colorado	533.6	---	K-12 Total Program, K-12 Categorical Programs, Colorado School for the Deaf and the Blind, Developmental Disabilities.
Connecticut	192.8	---	None.
Delaware	44.1	---	Debt Service.
Georgia	292.0	---	In fiscal 2003 education (direct instruction), property tax relief and debt service payments. In fiscal 2004, property tax relief and debt service payments.
Hawaii	20.7	---	Debt service, employees' retirement system and health insurance, unemployment insurance, workers' compensation, public welfare payments, children and adult mental health, and lower and higher education instruction programs.
Idaho	44.0	---	Health Education, Public Health Districts, and Catastrophic Health Care.
Illinois	N/A	N/A	In fiscal 2003, reserves placed on spending excluded education and public safety. In fiscal 2004, Education (non-administrative), Public Safety, Health and Human Services and Medicaid, any programs entirely federally funded.
Indiana	345.7	30.0	K-12 education general fund tuition support.
Iowa	---	82.5	Under current law, agencies designated as Charter agencies, the Legislative Branch and the Judicial Branch are exempt from a Governor initiated across the board reduction.
Kansas	260.9	---	None.
Kentucky	90.1	---	Elementary and secondary education formula aid, Student financial aid, most Human service programs, Corrections, Prosecutors and Public defenders.
Louisiana	18.6	---	Higher education, special schools, economic development, federally mandated medical care, constitutionally protected areas and public safety programs to the greatest extent possible.
Maryland	218.0	208.0	In fiscal 2003, judiciary, legislature, state debt payments, public school aid, foster care payments, temporary cash assistance, local health aid, and local police aid. In fiscal 2004, judiciary, legislature, state debt payments, mandated public school aid, temporary cash assistance, and local police aid.
Massachusetts	420.0	---	Debt service and pensions.
Michigan	676.5	570.0	For fiscal 2003, debt service, TANF maintenance of effort, tax reimbursement for economic development, and services provided to veterans. In fiscal 2004, the level of expenditure reductions, which programs will be affected, and/or revenue enhancements are currently under review in order to maintain a balanced budget.
Minnesota	274.0	---	E-12 education.
Missouri	304.7	240.0	Public Debt.
Mississippi	47.8	---	Public Education, Higher Education, Legislature.
Montana	57.9	---	School equalization aid.
North Dakota	18.3	---	State school aid.
Nebraska	211.3	---	State operated facilities for the mentally ill, veterans, developmentally disabled, and juvenile offenders; community-based aid for mental health/substance abuse and the developmentally disabled, aging services, bioterrorism preparedness and response.
Nevada	57.0	---	K-12 education was exempt from the initial 3 percent across-the-board cuts.
New Hampshire	25.0	25.0	Aid to cities and towns.
New Jersey	334.0	---	State institutions and debt service.
North Carolina	499.6	---	Public schools, community colleges, universities and justice and public safety Agencies were required to cut significantly less than other areas. debt service and capital improvement (R & R) were exempt from reduction.

TABLE 1 (continued)

<i>State</i>	<i>FY 2003 Size of Cuts (Millions)</i>	<i>FY 2004 Size of Cuts (Millions)</i>	<i>Programs or Expenditures Exempted from Cuts</i>
Ohio	690.6	---	The judicial branch agencies, the Ohio Veterans' Home, veterans' organizations, TANF, Day Care, CHIP, Medicaid, Adoption Assistance, Disability Assistance, child support appropriations, property tax allocation appropriations, tangible tax exemption appropriations, appropriations for debt service, including lease rental payments, building and office rent appropriations, and pension system payments made by the Treasurer of State.
Oklahoma	376.6	---	None.
Oregon	465.0	---	None.
Pennsylvania	387.3	---	Attorney General, Auditor General and Treasurer (which are independently elected); the legislature and judiciary; and the State System of Higher Education and the Pennsylvania Higher Education Assistance Agency.
South Carolina	416.6	---	Debt service, scholarships, national guard pension fund.
Tennessee	64.0	---	K-12, Medicaid, and direct care services.
Texas	1,267.0	---	Foundation School Program (public schools), acute care Medicaid, Children's Health Insurance Program (CHIP), debt service on bonds, constitutionally required contributions to retirement systems, and other agencies/programs as determined by the legislature.
Utah	183.3	---	While no single agency or budget was held harmless from cuts, several were protected from significant cuts such as public education (1.8 percent), and higher education (4 percent). The health budget (Medicaid) participated in budget cuts but after receiving supplemental appropriations ended the year +1.8 percent above their original base budget. Actual cuts totaled \$261.7 million with \$78.4 million in supplemental appropriations.
Vermont	13.1		Judiciary, higher education, teachers retirement, commerce & community development, debt service.
Virginia	385.7	661.0	In fiscal 2003 and fiscal 2004 only direct public safety, and preparedness staff, police officers and corrections security staff, direct care staff in the Commonwealth's mental health and aging facilities. Some aid-to-localities programs, debt service, revenue generating activities at the Department of Taxation, direct aid for K-12, student financial aid in the institutions of higher education, funding for indigent care. Direct community health services in local health departments, excluding administration and 'set-out' pass through dollars, state welfare and support enforcement funding. The general Assembly modified the proposed reductions or restored funds in its 2003 Session actions.
West Virginia	29.6		Legislature, Judicial, Debt Service, Lease Rental Payments, Public Defender Services, Children's Health Insurance Agency, Dept. of Education, Division of Human Services - Medical Services, and Division of Corrections and West Virginia State Police.
Wisconsin	170.5	---	Most health and public safety programs.
Total	\$11,752.9	\$1,968.6	---

SOURCE: National Association of State Budget Officers.

TABLE 2

State Nominal and Real Annual Budget Increases, Fiscal 1979 to Fiscal 2004

<i>Fiscal Year</i>	<i>State General Fund</i>	
	<i>Nominal Increase</i>	<i>Real Increase</i>
2004*	0.2%	-2.0%
2003*	0.6	-1.6
2002	1.3	4.0
2001	8.3	4.0
2000	7.2	4.0
1999	7.7	5.2
1998	5.7	3.9
1997	5.0	2.3
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
1979–2004 average	6.2%	2.0%

SOURCE: National Association of State Budget Officers.**State Cash Assistance Increased Under the Temporary Assistance for Needy Families Program**

Since welfare reform was passed in 1996, states have focused on providing supportive services for families to achieve self-sufficiency rather than cash assistance. For fiscal 2004, 42 states maintain the same cash assistance benefit levels that were in effect in fiscal 2003. Seven states have increased cash assistance benefit levels—ranging from 0.1 percent to 2 percent—and one state has decreased cash assistance benefit levels by 26 percent. Under court order, New York will increase the shelter allowance for families, which will vary by local district and household size (see Table 4 and Notes to Table 4).

TABLE 3

Annual State General Fund Expenditure Increases, Fiscal 2003 and Fiscal 2004

<i>Spending Growth</i>	<i>Number of States</i>	
	<i>Fiscal 2003 (Preliminary Actual)</i>	<i>Fiscal 2004 (Appropriated)*</i>
Negative growth	21	13
0.0% to 4.9%	22	25
5.0% to 9.9%	6	6
10% or more	1	5

NOTE: Average spending growth for fiscal 2003 (preliminary actual) is 0.6 percent; average spending growth for fiscal 2004 (appropriated) is 0.2 percent. *Because Pennsylvania had not passed a budget by publication, fiscal 2004 reflects 49 states.

SOURCE: National Association of State Budget Officers.

The Temporary Assistance for Needy Families (TANF) program had an original expiration date of September 30, 2002. The program has been extended through continuing resolutions since then. The current continuing resolution extends the TANF program through March 31, 2004 at fiscal 2002 levels until the program is reauthorized.

Medicaid and Other Health Care Trends

The rise in Medicaid spending, coupled with the downturn in state revenue collections, continues to strain state budgets severely. Medicaid is a means-tested entitlement program financed by the states and the federal government that provides medical care for about 51 million low-income individuals.

Of the total Medicaid beneficiaries, approximately one-quarter are elderly and disabled and three-quarters are children and non-disabled adults, while the costs of Medicaid services are approximately three-quarters for the elderly and the disabled and one-quarter for children and non-disabled adults.

Health care costs have a significant impact on state budgets since Medicaid and other health care spending accounts for 30 percent of total state spending.

Growth in Medicaid Spending

Medicaid spending increased by 9.3 percent in fiscal 2003, after increasing by 12.8 percent in fiscal 2002, based on the most recent findings of the Kaiser Commission on Medicaid and the Uninsured. This growth rate—at about 23 percent over two years—compares

TABLE 4

Enacted Changes for Cash Assistance Benefit Levels Under the TANF Block Grant, Fiscal 2004

<i>State</i>	<i>Percent Change</i>
Florida	1.6%
Maryland	1.0
Montana*	-26.0
Nebraska	*
New Mexico	0.1
New York	*
South Dakota	2.0
Texas	2.0

*See Note to Table 4.

SOURCE: National Association of State Budget Officers.

to an actual decline of 0.3 percent in state revenue growth during the same time period.

States appropriated an increase of 4.6 percent for fiscal 2004, an amount that most likely will prove to be too low. In fact, 32 states already assume they will have a shortfall in their fiscal 2004 Medicaid budgets.

The trends in Medicaid are consistent with the rise in private insurance costs, though Medicaid growth rates in fact are lower. The most recent figures for private insurance reflect an increase in employer-

NOTES TO TABLE 4

Montana	The TANF cash assistance benefit level had risen above surrounding states in recent years. The Legislature placed priority on child care services and allowed the reduction of cash assistance benefit levels if current levels were unsustainable due to caseload growth. Reduced levels were implemented in August 2003.
Nebraska	No increase in the maximum grant an individual may receive has been enacted for fiscal 2004. Current Nebraska law adjusts the maximum "standard of need" every two years for TANF cash assistance eligibility based on the rate of growth of the Consumer Price Index for the two preceding years. For fiscal 2004, for instance, the maximum "standard of need" for a family of three has increased from \$587 to \$611 per month.
New York	The state is under court order to increase the shelter allowance maximum for families and has promulgated regulations which will increase the shelter allowance maximum effective November 1, 2003. The amount of the benefit increase varies by local district and household size. The 2003-2004 Budget includes funding to support the increased benefit levels.

sponsored health benefits of 13.9 percent in 2003, up from 12.9 percent in 2002.

Medicaid Cost Containment Actions

States have been able to maintain a growth rate below private insurance levels due to the aggressive cost containment efforts used by all 50 states. Over the past three years, fiscal 2002 through fiscal 2004, the

FIGURE 1

Annual Percentage Budget Increases, Fiscal 1979 to Fiscal 2004

See Page 56

SOURCE: National Association of State Budget Officers.

number of states that have implemented policies to control Medicaid costs are as follows:

- 50 states reduced or froze provider payments;
- 50 states implemented policies to control prescription drug costs, such as prior authorization and preferred drug lists;
- 34 states have reduced or restricted eligibility;
- 35 states have reduced benefits; and
- 32 states have increased co-payments.

States are faced with the same cost pressures affecting private insurance, such as prescription drug costs increasing at double-digit rates and rising medical services. Enrollment increases have also played a major role in the increase in Medicaid spending, with enrollment increases of 7.8 percent in fiscal 2003 and an additional 5.3 percent estimated in fiscal 2004.

States are not only limiting spending, but about one-half of them also planned to generate additional revenues for Medicaid. Additional resources often involve fees or taxes placed on health care providers. Other measures include reallocating tobacco settlement funds and increasing cigarette taxes.

Outlook for Medicaid Spending. Escalating Medicaid costs continue to place Medicaid in the forefront of state budget issues. The Jobs and Growth Reconciliation Act has helped states by providing a temporary increase in the federal Medicaid matching rate, which is expected to provide \$10 billion in fiscal relief to states during fiscal 2003 and fiscal 2004. As states plan for fiscal 2005, the drop-off of the federal relief will force another round of difficult decisions in Medicaid. Over the decade, Medicaid spending is projected to increase at an average annual rate of 8.5 percent, according to the Congressional Budget Of-

fice, a rate that would far outstrip state revenue growth even after a full economic recovery is underway.

Aid to Local Governments

More than half the states made changes to their fiscal 2004 budgets affecting local governments in fiscal 2004. Unlike recent years, many of these changes reduced aid to local governments. A handful of states increased aid to education and provided property tax relief (see Table 5).

Aid to local governments takes many forms, such as direct aid, substitution of state revenues for local revenues, and assumption of local services. For example, Georgia provided \$380 million to continue its property tax relief program and offset any loss to local governments resulting from an increase in the state homestead exemption in fiscal 2004; Nebraska expended its state sales tax base to additional services generating \$5.7 million in revenue for municipalities via a local option sales tax; and Wisconsin increased school equalization aid by \$72.2 million and total direct school aid by \$31.9 million.

Employee Compensation

Approximately 22 states granted employee compensation increases for fiscal 2004, with an average across-the-board increase of approximately 2.1 percent. By comparison, in fiscal 2003 across-the-board increases averaged 3.3 percent. Eligible employees may receive additional amounts for merit pay, movement along pay scales, and other forms of compensation (see Appendix Table A-8).

TABLE 5

Enacted Changes in Aid to Local Governments, Fiscal 2004

Alaska	One-hundred percent of the State Revenue Sharing program (\$9.6 million), Safe Communities program (\$12.6 million), and Community Matching Grants program (\$13.5 million capital funds) was eliminated from fiscal 2004 budget. However, \$15 million in one-time federal fiscal relief funds were distributed to provide some funding to local governments.
Arizona	In the fiscal 2004 enacted budget counties will contribute, through either direct payments or assumption of state cost, \$34.1 million.
California	Local loss of vehicle license fee revenue of \$825 million (13.3 percent). State will repay locals for this in 2006-07 and will provide up to \$40 million in 2003-04 for locals experiencing specified hardships. Also, for a period of about six years, the allowable sales tax rates for cities and counties sales taxes were reduced and replaced with a comparable amount of property tax revenue to compensate for the sales tax reduction. A total of \$93.6 million (58 percent) of mandates were not funded.
Colorado	Enacted changes in aid to local governments include changes to the Colorado Heritage Communities Fund (264,000) and the Noxious fWeed Management Program (53,000).
Connecticut	For fiscal 2004, the total decrease in municipal grants is \$10 million over the total paid in the previous year. Grants to municipalities will increase by \$16 million, however, in the second year of the biennium. A 2003 public act changes the definition of service in time of war to make all veterans who have 90 days of active service since 1990 eligible for local property tax exemptions.
Delaware	The funding of the County Paramedic programs is shared by the County and State. Up until fiscal 2004, the state was responsible for 60 percent of the funding for this program. Legislation passed in fiscal 2003 changed this percentage to 50 percent for fiscal 2004.
Georgia	Georgia will provide \$380 million (a 7.6 percent increase) to local governments in fiscal 2004 to continue the property tax relief program and offset any loss to local governments resulting from the increase in the state homestead exemption.
Illinois	Closing of tax loopholes at state level will generate additional revenue to local governments. Certain EPA fees may impact local governments who operate their own utilities.
Iowa	The various state aid to local government appropriations for fiscal 2004 were reduced by \$60 million. In exchange for this reduction, local governments have been granted additional flexibility and relief from state regulations.
Kansas	No demand transfers and revenue transfers from state general fund to Local Ad Valorem Tax Fund, City/County Revenue Sharing Fund, and Special City/County Highway Fund. No demand transfers will be made in fiscal 2004.
Louisiana	Established procedure for re-investment of interest earnings in tobacco settlement trust funds and amounts that can be appropriated.
Maine	Delay increase of municipal revenue sharing from 5.1 percent to 5.2 percent until July 1, 2005. Fiscal 2004 impact is (\$2.1 million).
Maryland	For K-12 education, fiscal 2004 grant programs were reduced \$32.1 million (\$30.6 million teachers' salaries; \$1.4 million to reward schools for successful performance). Fiscal 2004 aid is \$3.3 billion, including contributions to teachers' retirement system on behalf of local school teachers. For Police, legislation changed the formula, reducing the grant by an amount that approximates 30 percent of the State's cost of the crime lab. Fiscal 2004 impact, a \$2.5 million reduction to \$61.1 million. For program open space, a portion of transfer tax revenues was diverted to the general fund; however, some of the loss to local governments was made up with authorizations for general obligation bonds for local programs. The net reduction was \$12.7 million. For fiscal 2005, 50 percent of transfer taxes (after 3 percent administration costs) will be diverted to the general fund, there by reducing funds otherwise shared with local governments. For property tax credit reimbursement, fiscal 2004 reimbursements reduced by \$10 million to \$37 million. For highway user revenues, a total of \$102.4 million that otherwise would have gone to local governments diverted to the general fund, reducing the fiscal 2004 grant to \$358.6 million. Fiscal 2005 reduction will be \$52.3 million. For community colleges, the fiscal year grant was not reduced by statutory formula, nor was the formula changed. However, because the formula is based on state funds per full-time equivalent (FTE) for the prior year at 4-year public colleges, for which State funding was reduced in fiscal 2003, fiscal 2004 aid to community colleges was less than it would have otherwise been.
Massachusetts	In fiscal 2004, Massachusetts reduced payments to cities and towns by \$287.9 million (5.8 percent).
Michigan	Fiscal 2004 is the sixth year of a 10-year phase-in of a new formula to distribute aid to local governments. Funding is shifted from formulas primarily based upon local millages to formulas based primarily upon taxable value. The new formula was suspended in fiscal 2003 and again in fiscal 2004 to insure that funding reductions to local governments would be uniformly distributed by a 3 percent reduction to each unit's fiscal 2003 revenue sharing payment. The reduction in aid to local government provides \$221 million to help balance the fiscal 2004 general fund budget.
Minnesota	Local government aids to cities and counties were reduced by just over \$200 million in fiscal 2004, a reduction of about 16 percent from previous expectations for fiscal 2004. In fiscal 2005 (levy year 2004), the law allows local governments to levy back up to 60 percent of the aid loss in fiscal 2004.
Nebraska	Spending on state aid to municipalities is estimated to increase by \$1.5 million for fiscal 2004, a 1.3 percent increase in these programs. These programs include general state aid programs, a program geared toward municipal infrastructure redevelopment, and funding for roads construction. State aid to counties is estimated to increase by \$5.3 million for fiscal 2004, a 3.8 percent increase in these programs. These programs include general state aid programs, a jail cost reimbursement program, a property tax relief program which reimburses counties for lost revenue, and funding for roads construction. Additionally in fiscal 2004, the state enacted a local property tax buy-down totaling .5 million, a .8 percent increase.
	In addition to the increased spending for state aid to municipalities, the Legislature's expansion of the state sales tax base to additional services is estimated to generate about \$5.7 million in addition revenue for municipalities with a local option sales tax.

TABLE 5 (continued)

New Jersey	<p>Formula-based State aid to municipalities increased by \$7.7 million overall due to an annual inflation adjustment. This inflation adjustment affected the component of State aid that is derived from State energy receipts tax (ERT) revenue only. It represents a 1 percent increase in ERT aid and a .4 percent increase in municipal aid overall. County governments will benefit in fiscal 2004 from a significant increase in the realty transfer fee, which is collected by county government and shared between the county and the State. County revenue is expected to increase by \$22 million or 41 percent as a result of this change. One newly enacted State law will affect local government financial operations: A new State hotel tax includes an option for municipalities to piggyback their own 1 percent tax on top of the new State tax. The revenue this will provide to local governments is unknown since they are not required to opt into this new tax and since they had a very short timeframe in which to pass a local ordinance on the tax.</p>
New Mexico	<p>SB 241, Class A County Extraterritorial Zoning (Ch. 438) Eliminates Albuquerque's zoning, planning and platting authority in its extraterritorial jurisdiction, and restricts annexations to those the County approves.</p> <p>SB 887, Albq.-Bernalillo Co. Water Authority (Ch.437) Transfers Albuquerque's water and wastewater utility system to a new joint utility authority comprised of three councilors and the mayor along with three county commissioners. Revenue bonds shall be issued to refund the bonds pledged by property taxes.</p> <p>SB 655, Section 3.B. FY 2003 Other State Funds Appropriations transfers \$ 1,500,000 from the Local DWI Grant Fund to the Administrative Office of the Courts to replace federal funding for drug courts and to expand drug courts, contingent upon HB 190 allowing funds to be used for drug courts. AOC is a state agency, while the Local DWI Grant Fund is intended to be used by counties for DWI prevention or reduction. This Act reduced funds to Counties by \$ 1,500,000 in FY 2004. There is disagreement on whether this is a recurring reduction of the LDWI Grant Fund. There is another DWI Program Fund, Section 6-4-8, administered by the DFA Budget Division for State agencies' DWI funding. It has not been specifically funded since 1994 (administered by Tom McHugh). In subsequent years, the agencies included their on going funding for their DWI FTEs in their base budget requests.</p> <p>Small Cities Assistance Act, Chap. 3 Article 37A, was amended to increase the formula for the amount of distributions to small cities. The program is administered by Taxation and Revenue Department and the distribution will be made in 2004 and subsequent years.</p> <p>Small Counties Assistance Act, Section 4-61-3, was amended to increase the formula to include other counties that did not qualify for a distribution prior to the amendment. The increased distribution will initially occur in 2004.</p> <p>Legislation in 2003 affecting local government revenues include an increase in small counties assistance (\$800,000); increase small cities assistance (\$650,000); San Juan eligible for local option GRT (no direct fiscal impacts); limit property value increase for blind and disabled and Veterans property tax exemption proposed amendment (Limits on evaluation for certain taxpayers will not directly affect revenues. The primary impact will be to shift the property tax burden to other taxpayers); expand notification requirements for issuing IRB's (no direct fiscal impacts); and expand development initiative authority (no direct fiscal impacts).</p>
New York	<p>The fiscal year 2003-2004 enacted budget will result in net benefits of approximately \$104 million for all classes of local governments (counties, cities, towns, villages, and school districts). Of this, New York City will realize savings and benefits totaling nearly \$145 million, while county governments and cities, towns and villages outside New York City, can anticipate savings of approximately \$35 million and \$20 million respectively. School districts outside New York City will experience a loss of approximately \$96 million. In addition, the Legislature enacted a separate aid package for the City of New York valued at \$1.67 billion, primarily resulting from increases in the City's sales and personal income tax.</p> <p>The fiscal year 2003-2004 enacted budget includes no new unfunded mandates on local governments. As part of this budget, the State converted the year-round sales tax exemption on clothing and footwear to two one-week periods which are expected to generate an additional \$231 million in local revenue statewide. The budget also included increases in certain vehicle and traffic-related fees and fines that are expected to provide an additional \$34 million in revenue for local governments statewide. The City of New York is expected to receive an additional \$600 million in personal income tax revenue and an additional \$90 million in sales tax revenue in State fiscal year 2003-2004, resulting from a separate NYC aid package passed by the State Legislature.</p>
Ohio	<p>Like the fiscal 2002-2003 budget, the fiscal 2004-2005 budget temporarily replaces the statutory funding mechanism and the county allocation formula for the Local Government Fund and the Local Government Revenue Assistance Fund. Funding will be limited to the lesser of the amount they received last year, or the amount they would receive using the codified distribution percentages in permanent law. This will provide an additional \$120.2 million in fiscal 2004 to the state General Revenue Fund.</p>
Oregon	<p>Children & Families prevention programs were reduced approximately 6 percent. Community corrections funding was reduced nearly 1 percent. Juvenile Crime Prevention was reduced about 54 percent. Community College support was reduced about 3 percent. Programs serving people with developmental disabilities grew by 14 percent. Local revenue from the Oregon Department of Transportation to cities and counties increased about 20 percent.</p> <p>Oregon budgets on a biennial basis. Reductions listed are estimates of changes between fiscal years. It should be noted that the second year of the 01-03 biennium (fiscal 2003) had significantly less spending than the previous fiscal year. This was due to the fact that Oregon's budget is required to be balanced at the end of the biennium. Most reductions were taken in the second year as revenue forecasts and budget reductions were taken by the Legislature and Governor.</p>
Rhode Island	<p>Enacted changes in aid to local governments for fiscal 2003-2004 reflect full funding of payments in lieu of property taxes of \$3.6 million (19.5 percent); vehicle phase-out growth of \$4.1 million, and freezing of a cost of living adjustment on the vehicle tax phase-out of \$4.9 million. New in fiscal 2004 is an additional 1 percent meals and beverage tax totaling \$9.5 million collected by the state as a pass through to local governments.</p>
Tennessee	<p>Distribution of state-shared taxes to local governments reduced by \$36.7 million or 5.5 percent.</p>
Texas	<p>State funding for the new public school employee health insurance program annual supplement was cut in half, saving about \$400 million in fiscal 2004. School districts will receive an additional \$600 million in fiscal 2004 from a new \$110 per weighted student allocation.</p>
Utah	<p>Changes in aid to local governments reflect a \$1.1 million (5.1 percent) reduction of pass-through to local mental health programs ongoing; a \$.3 million (3.3 percent) reduction of pass-through to local substance abuse programs ongoing; a \$.3 million (2.9 percent) increase for Susan Gall Involuntary Commitment for the Mentally Ill and pass-through to local aging agencies ongoing; a \$.1 million (3.5 percent) reduction to block grant to local health departments ongoing. These figures are net of increases provided during the 2003 general legislative session.</p>

Vermont	Reduce reliance on the local property tax for support of K-12 education by a sales tax increase from 5 percent to 6 percent.
Washington	<p>2ESSB 5659 - New local voter-approved retail sales and use tax of up to 0.3 percent for counties. Forty percent of revenue must be distributed to cities within the county on a per capita basis. Motor vehicle sales and some motor vehicle leases are exempt from this sales tax. One-third of this tax money must be used only for criminal justice purposes. All regular property tax districts, subject to voter approval, may increase property tax collections year-over-year at a rate that exceeds 1 percent, for up to six consecutive years.</p> <p>ESSB 6026 - Counties of populations between 40,000 and one million, and incorporated cities and towns within them, may establish a tourism promotion area if the legislative authority receives an initiation petition by the most affected lodging businesses. Within a tourism promotion area, the city or county legislative authority may impose a charge of up to \$2 per night on lodging that is currently subject to retail sales tax.</p>
Wisconsin	Schools equalization aid increased by \$72.2 million (1.7 percent) over fiscal 2003; total direct school aid increased by \$31.9 million (0.6 percent) over fiscal 2003. Counties and municipalities shared revenue payments increased by \$10.3 million (1.0 percent) over fiscal 2003.

State Revenue Developments

CHAPTER TWO

Overview

Continuing the pattern states have become too familiar with since the bull market ended, revenue collections in fiscal 2003 continued to dwindle. Following a booming economy that generated exceptional state tax receipts—particularly from personal income taxes that included record capital gains, options, and bonuses—and then a dramatic fall, recovery shuffled to take hold. Two years of economic doldrums have resulted in an uncertain revenue outlook, as sales, personal income, and corporate income tax collections all missed their projected marks in fiscal 2003. For fiscal 2004, 36 states enacted tax and fee increases totaling a net \$9.6 billion, in concert with another round of massive budget cuts, the use of reserve funds, and the implementation of an extensive array of other budget balancing strategies (see Table 6 and Figure 2). States also enacted \$3 billion of revenue measures that enhance general fund revenue but do not affect taxpayer liability, such as deferrals of tax phase-outs, tax amnesty programs, and accelerated remittance of sales taxes by vendors (see Table A-12).

Collections in Fiscal 2003

Reflecting the constrained recovery, fiscal 2003 revenue collections again were sobering for most states. Ongoing economic uncertainty makes revenue estimating an even more challenging task than it normally is. For example, employment decreased during

seven months of fiscal 2003 (after decreasing in every month of fiscal 2002), squeezing not only payroll taxes but affecting consumer outlook and a variety of other revenue-influencing factors as well. In fiscal 2003, collections of sales, personal income, and corporate income taxes were below the estimates used in the budget in 31 states, missing the anticipated level by 6 percent. Personal income taxes created the heaviest drag, falling short of the budgeted projection by 9 percent. Current estimates of fiscal 2003 sales tax collections are 2.9 percent lower than original estimates, while corporate income taxes are 3.7 percent lower (see Table A-9).

Projected Collections for 2004

Compared to the last two difficult years, the revenue outlook reflected in states' fiscal 2004 enacted budgets is a relatively optimistic one. With two years of revenues that failed to meet projections behind them, states anticipate economic circumstances that finally will bolster collections, at least somewhat (see Table A-10). Early anecdotal indications of fiscal 2004 collections are mixed; while many states have realized increases in some revenue categories, others continue to see collections miss their budgeted targets.

FIGURE 2

Enacted State Revenue Changes, Fiscal 1991 to Fiscal 2004

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Enacted Fiscal 2004 Revenue Changes

Thirty-six states enacted net tax and fee increases for fiscal 2004, totaling \$9.6 billion. Two states enacted a net tax cut, by \$31.1 million. The bulk of the net enacted increases are in sales taxes (\$2.6 billion), personal income taxes (\$2.3 billion) and fees (\$1.8 billion). This report distinguishes between tax and fee increases or decreases (listed in Table 7 and Table A-11) and revenue measures (described in Table A-12). Tax and fee changes refer to revisions in current law that affect taxpayer liability, and in some instances may reflect one-time actions such as sales tax holidays. Revenue measures are actions that do not affect taxpayer liability, such as the deferral of a tax increase or decrease or the extension of a tax credit that occurs each year.

Sales Taxes. Thirteen states enacted net sales tax increases for fiscal 2004, totaling \$2.6 billion. Ohio enacted a temporary increase in its sales tax rate, raising it by 1 percent for two years, expanded the sales tax to a broader array of services, among other changes. New York increased its sales tax rate and limited the clothing exemption. Idaho also enacted a temporary increase. Several states made changes that reflect compliance with the Streamlined Sales Tax Project. Four state enacted net sales tax decreases, including elimination of the hospital sales tax in Connecticut, changes to the use tax in Michigan, and a sales tax holiday in West Virginia.

Personal Income Taxes. Nine states increased personal income taxes by a net \$2.4 billion. New York temporarily increased its personal income tax rate, resulting in a \$1.4 billion increase. Connecticut also increased its rate, a \$540 million boost, while Oregon enacted a surcharge and other changes amounting to a \$299 million net increase. Hawaii, New Mexico, and West Virginia each enacted changes that result in small net decreases.

Corporate Income Taxes. Eight states enacted a net \$601 million increase in corporate income taxes. The increases reflect a variety of changes, many of them closing various loopholes. Three states cut corporate income taxes.

Cigarette, Tobacco and Alcohol Taxes. Fifteen states enacted increases in cigarette and tobacco taxes, a net increase of \$751 million, and four raised taxes on alcoholic beverages, resulting in a net increase of \$46.5 million. While most of the cigarette taxes reflect increases in the per pack tax, Alaska made

TABLE 6

Enacted State Revenue Changes, Fiscal 1979 to Fiscal 2004

<i>Fiscal Year</i>	<i>Revenue Change (Billions)</i>
2004	\$9.6
2003	8.3
2002	0.3
2001	-5.8
2000	-5.2
1999	-7.0
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. Fiscal 1988-2002 data provided by the National Association of State Budget Officers.

changes regarding its tobacco tax stamp and North Carolina discontinued discounts to distributors and wholesalers.

Motor Fuels Taxes. Two states, Illinois and Ohio, increased motors fuels taxes to reflect changes in federal motor fuels excise taxes.

Other Taxes and Fees. Fourteen states made changes in other taxes for fiscal 2004 resulting in a net increase of \$1.2 billion, and 25 increased fees by a net \$1.8 billion. Revenue from other taxes, such as personal property taxes, provider taxes and levies on hotels and rental cars usually cover the costs for license and regulation enforcement, promote environmental conservation, and generate revenues for health care. Fees frequently are associated with motor vehicle and other types of licensing.

TABLE 7

Enacted Fiscal 2004 Revenue Actions by Type of Revenue and Net Increase or Decrease* (Millions)

State	Sales	Personal Income	Corporate Income	Cigarettes/ Tobacco	Motor Fuels	Alcohol	Other Taxes	Fees	Total
Alabama									\$ 0.0
Alaska				\$ 1.7			\$ 1.0	\$ 21.1	23.8
Arizona									0.0
Arkansas		\$51.3	\$ 3.2	54.8					109.3
California								\$152.0	152.0
Colorado								2.1	2.1
Connecticut	\$ -74.6	540.3	114.6	73.5			10.0		663.8
Delaware				28.9			123.0		151.9
Florida			-46.9				-3.1	22.9	-27.1
Georgia				180.0				12.8	192.8
Hawaii		-4.0							-4.0
Idaho	160.0			26.0					186.0
Illinois	79.0		53.0		\$ 3.0	\$ 24.0	255.0	414.0	828.0
Indiana								2.0	2.0
Iowa									0.0
Kansas									0.0
Kentucky	6.0	3.5					-1.5		8.0
Louisiana									0.0
Maine								7.9	7.9
Maryland								59.4	59.4
Massachusetts			174.0					218.0	392.0
Michigan	-1.7	131.4	2.0					284.4	416.1
Minnesota	-1.4			1.5			94.1	58.4	152.6
Mississippi									0.0
Missouri									0.0
Montana		1.4		28.7			12.9		43.0
Nebraska	24.5					4.9			29.4
Nevada				63.3		13.9	246.6	41.0	364.8
New Hampshire									0.0
New Jersey				177.0			376.0		553.0
New Mexico	26.2	-0.2		30.6			31.4		88.0
New York	944.6	1,426.0	232.6				22.0	234.5	2,859.7
North Carolina	53.2	19.9		1.7		3.7		5.7	84.2
North Dakota								1.1	1.1
Ohio	1,309.1		24.2		129.9			184.1	1,647.3
Oklahoma							5.5	10.0	15.5
Oregon		299.0	69.0					5.1	373.1
Pennsylvania									0.0
Puerto Rico									0.0
Rhode Island	1.1		-1.7	14.4			11.3	3.4	28.5
South Carolina									0.0
South Dakota	5.3			9.0				0.7	15.0
Tennessee									0.0
Texas								15.2	15.2
Utah	14.0						2.2	2.0	18.2
Vermont	27.5						9.7		37.2
Virginia								14.3	14.3
Washington	1.6						-12.9	37.4	26.1
West Virginia	-4.7	-9.0	-23.0	60.0			-5.0		18.3
Wisconsin		1.8							1.8
Wyoming									0.0
Total	\$2,569.7	\$2,461.4	\$601.0	\$751.1	\$132.9	\$46.5	\$1,178.2	\$1,809.5	\$9,550.3

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

SOURCE: National Association of State Budget Officers.

Total Balances

CHAPTER THREE

The robust economic growth of the late 1990s allowed states to bolster their financial reserves considerably. Amid the fiscal straits that states currently are grappling with, the balances available to them have provided a crucial buffer to even more severe budget cuts and larger tax increases. Total balances include both ending balances and the amounts in states' budget stabilization funds, and reflect the funds states may use to respond to unforeseen circumstances after budget obligations have been met. Reflecting the hearty economy of the time, total balances peaked in fiscal 2000 at \$48.8 billion, or 10.4 percent of expenditures. As state finances deteriorated, total balances likewise have declined as ending balances shrank and as states tapped rainy day funds rather than paid into them. In fiscal 2003, total balances reflect a nearly 70 percent decline from their height only three years ago.

While total balances for fiscal 2002, estimated fiscal 2003 and enacted fiscal 2004 all fall below the levels generally considered to be an adequate fiscal cushion, it is notable that they have stabilized somewhat. Total balances are \$18.3 billion, or 3.7 percent of expenditures in fiscal 2002, \$15.2 billion and 3.1 percent of expenditures for estimated fiscal 2003, and \$15.8 billion and 3.2 percent of expenditures based on enacted fiscal 2004 budgets (see Table 8 and Appendix Tables A-1, A-2, A-3, and A-11).

The balances reported in the June 2003 edition of *The Fiscal Survey of States* were lower than those detailed now. Several factors may account for this. States have cut their budgets and raised taxes in concert, and the economy has bucked further into recovery. However, perhaps the most potent ingredient was the federal fiscal relief package that was a component of the Jobs and Growth Tax Reconciliation Act of 2003 enacted in May. That measure provided \$20 billion in fiscal relief to ease states' budget pain in two ways: by making changes in the Federal Medical Assistance Percentage (a formula used to determine the share of Medicaid that states pay), and through \$10 billion in direct flexible grants to states. The influx of the direct grants to states—made in two payments, one at the end of fiscal 2003 and one this fall—made the difference for some states between being able to balance their budgets and having to face further cuts or tax increases.

After the recession of the early 1990s, states worked hard to build their rainy day fund balances and ending balances to safeguard against disruption of services should economic growth slow. The fiscal downturn during those years and during a similar period in the early 1980s caused state balances to fall rapidly. During the one-year period from 1980 to 1981, for example, balances plunged from 9 percent of expenditures to 4.4 percent, forcing states to cut budgets and raise taxes. During the early 1990s, states found themselves lacking balances adequate to manage a fiscal slowdown once again. Before the economy slowed in 1989, state balances equaled 4.8 percent of expenditures. Within two years, balances hit bottom, totaling only 1.1 percent of expenditures in 1991. In

TABLE 8

Total Year-End Balances, Fiscal 1979 to Fiscal 2004

<i>Fiscal Year</i>	<i>Total Balance (Billions)</i>	<i>Total Balance (Percentage of Expenditures)</i>
2004*	\$15.8	3.2%
2003*	15.2	3.1
2002	18.3	3.7
2001	37.8	7.8
2000	48.8	10.4
1999	39.3	8.4
1998	35.4	9.2
1997	30.7	7.9
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 2003 are preliminary actuals; figures for fiscal 2004 are based on appropriations.

SOURCE: National Association of State Budget Officers.

fiscal 1992, 35 states were forced to cut current-year budgets. The following year, 23 states were obliged to take that action again, causing uncertainty both for citizens receiving necessary services and for the governments delivering them. To stem these losses, states raised \$25 billion in new revenues during the same two-year period. Remembering how swiftly that economic decline transpired, states prepared them-

selves cautiously to handle the next slowdown, and indeed, would be even more hamstrung to deal with the current fiscal situation had they not done so.

Forty-eight states have budget stabilization funds, which may be budget reserve funds, revenue-shortfall accounts or cash-flow accounts. About three-fifths of the states have limits on the size of their budget reserve funds, ranging from 3 percent to 10 percent of appropriations. Ordinarily, funds above those limits remain in a state's ending balance.

TABLE 9

Total Year-End Balances as a Percentage of Expenditures, Fiscal 2002 to Fiscal 2004

Percentage of Expenditures	Number of States		
	Fiscal 2002 (Actual)	Fiscal 2003 (Preliminary Actual)	Fiscal 2004 (Appropriated)*
Less than 1.0%	11	9	10
1.0% to 2.9%	15	19	17
3.0% to 4.9%	4	12	10
5.0% or more	20	10	12

NOTE: The average for fiscal 2002 (actual) was 3.7 percent; the average for fiscal 2003 (preliminary actual) is 3.1 percent; and the average for fiscal 2004 (appropriated) is 3.2 percent. *Because Pennsylvania had not passed a budget by publication, fiscal 2004 reflects 49 states.

SOURCE: National Association of State Budget Officers.

FIGURE 3

Total Year-End Balances and Total Year-End Balances as a Percentage of Expenditures, Fiscal 1979 to Fiscal 2004

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SOURCE: National Association of State Budget Officers.

TABLE 10

Enacted Changes to Budgeting and Financial Management Practices**NEW ENGLAND**

Connecticut	Implementation of the new CORE-CT financial system.
Maine	The Department of Human Services and the Department of Behavioral and Developmental Services shall be reorganized and unified into one department. Net savings of \$5.8 million. Implemented a "state of the art" Budget and Financial Management System to develop the biennial budget. Changed the name of the Maine Rainy Day Fund to the Maine Budget Stabilization Fund and increased the amount of the limit from 6 percent of General Fund revenue of the immediately preceding fiscal year to 10 percent. Established internal control standards for all state agencies and departments.
Massachusetts	Major restructuring of health and human services and environmental programs. Major policy proposal with respect to early retirement incentives. Eliminated several dedicated budgeted funds.
Rhode Island	Initiated discussions of state employee contributions for healthcare. Governor's "Fiscal Fitness Program" which is reviewing all aspects of government service delivery and spending.

MID-ATLANTIC

Delaware	Reorganization of the Department of Public Safety into the Department of Safety and Homeland Security. Delaware historically performs a statewide review of expenditures or revenues.
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GREAT LAKES

Illinois	Several consolidations of state agencies and functions. Fiscal 2003 hiring freeze (along with early retirement incentive led to lowest headcount since 1980), functional consolidation of several areas of state government. Reviewed administrative expenses and sufficiency of revenues for fee supported activities. Fundamental change from overestimating revenues and plugging expenses to accurately estimate expenditures and generating revenues to close the budget gap.
Michigan	The fiscal 2004 enacted budget does not fund \$250 million for increased employee wages and benefits. Nearly all employees and union representatives have agreed to banked leave time plus unpaid furlough hours in order to avoid employee layoffs.
Wisconsin	Arranging state employee health insurance plans into tiers based on risk adjusted cost; requiring more cost sharing by employees, carving out of prescription drug benefit (administered by PBM). Initiated a program to perform a detailed review of each agency's expenditure and revenues for the preceding 5 years as part of the budget development process. 1/3 of all agencies are reviewed each year.

PLAINS

Iowa	Legislation establishing charter agencies was passed. This allows agencies flexibility in regulations in return for reductions in appropriations or increases in revenue. Also, payments to local governments were reduced in return for greater flexibility from state oversight.
Minnesota	Major property tax reform and relief began in fiscal 2003. The major change eliminated the local property tax component on businesses of the K-12 general education levy. The state assumed the full share of general education costs beginning in fiscal 2003. A corresponding change created a new statewide property tax on businesses and cabins. Expanded authority to carry forward unspent operating funds at the end of the 2002-2003 biennium to provide additional flexibility for agencies to manage fiscal 2004 budget reductions. Significant permanent reductions and changes to local government aid formulae were enacted in the budget beginning in fiscal 2004.
Missouri	Workforce functions consolidated in the Dept of Economic Development. Collections functions consolidated in the Dept of Revenue. Early retirement legislation-replacement of non-critical positions limited to 25 percent. Review of agency budgets to reduced administrative and program expenses. Review of tax loopholes to increase revenues.
South Dakota	The 2003 legislature passed a bill that accelerated the proration of interest earnings in the cash flow fund by having 90 percent of the estimated proration due to the general fund for the next fiscal year transferred to the general fund in the year in which the interest is earned. This results in one year (fiscal 2004) where the general fund will receive two years of earnings deposits. This is estimated to result in additional one-time revenue of \$11.8 million in fiscal 2004.

SOUTHEAST

Alabama	The Administration implemented a 5 percent personnel reduction and a freeze on all merit raises effective April, 2003. The Administration unallocated some pass through grants.
Arkansas	Amended Performance Budgeting & Accountability System (Act 1463 of 2003).
Florida	Florida has historically had a large number of trust funds earmarked for specific purposes. This results in very complicated budgeting and accounting systems. In periods of revenue shortfalls, expenditures from trust funds do not receive the same scrutiny as the General Revenue Fund. Previously the solution has been to initiate cuts in critical areas such as school aid and health and human services because they are funded from the General Revenue Fund. The portion of the budget in trust funds that has traditionally been "off limits" is growing. This results in a substantial portion of state funds that are unavailable for the spending priorities of the state. Therefore, the goal is to shift revenue from the eliminated trust funds to general revenue which would reduce the large number of trust funds as well as increase the scrutiny by which programs are appropriated.

TABLE 10 (continued)**SOUTHWEST**

Oklahoma	Enactment of the Legislative Oversight Committee on the State Budget and Performance which will thoroughly analyze all state agency budgets over a four year cycle. Oklahoma is in the process of updating its budgeting and financial systems and will go live with the first phase on November 1, 2003.
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ROCKY MOUNTAIN

Utah	Medicaid accrual to cash accounting; pay date shift for state personnel.
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FAR WEST

California	Through Governor's veto process, some long standing programs were eliminated. Elimination of Technology, Trade, & Commerce Agency and transfer of key (non-GF, and Film Commission permitting activities) programs to other agencies/departments. As well as eliminating the Office of Criminal Justice Planning. Authority to transfer funds across items of appropriations. Change in accounting for Medi-Cal program from accrual to cash (one-time General Fund savings of \$930 million).
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FIGURE 4**Total Year-End Balances as a Percentage of Expenditures, Fiscal 2004****See Page 59****SOURCE:** National Association of State Budget Officers.

Appendix

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TABLE A-1

Fiscal 2002 State General Fund, Actual (Millions)

<i>Region and State</i>	<i>Beginning Balance</i>	<i>Revenues</i>	<i>Adjustments</i>	<i>Total Resources</i>	<i>Expenditures</i>	<i>Adjustments</i>	<i>Ending Balance</i>	<i>Budget Stabilization Fund</i>
NEW ENGLAND								
Connecticut**	\$ 0	\$10,845	\$ 0	\$10,845	\$11,663	\$ -595	\$ -222	\$ 0
Maine**	39	2,424	116	2,579	2,565	0	14	20
Massachusetts*	3,013	21,175	0	24,188	22,800	0	1,388	882
New Hampshire	0	1,152	17	1,136	1,174	0	-38	0
Rhode Island**	142	2,603	-55	2,691	2,650	0	41	82
Vermont	4	835	20	860	872	-13	0	13
MID-ATLANTIC								
Delaware* **	510	2,426	0	2,936	2,454	0	482	128
Maryland**	538	9,504	808	10,850	10,947	-406	309	548
New Jersey*	1,290	20,549	450	22,289	21,997	0	292	0
New York* **	1,110	41,144	0	42,254	41,222	0	1,032	710
Pennsylvania**	335	19,093	1,144	20,572	20,429	0	143	0
GREAT LAKES								
Illinois**	1,126	21,900	1,478	24,504	22,739	1,509	256	226
Indiana**	19	8,269	1,501	9,788	9,737	51	0	269
Michigan**	28	8,702	510	9,240	9,126	0	115	145
Ohio**	207	21,463	0	21,669	21,627	-67	108	428
Wisconsin*	208	10,262	882	11,352	11,259	39	54	0
PLAINS								
Iowa	0	4,680	0	4,680	4,591	0	89	166
Kansas**	366	4,113	0	4,478	4,466	0	12	0
Minnesota* **	1,574	12,310	0	13,884	12,754	0	1,130	0
Missouri**	109	7,699	0	7,808	7,643	0	165	235
Nebraska**	236	2,363	56	2,655	2,599	0	56	110
North Dakota	62	795	0	857	862	0	-5	25
South Dakota**	0	843	24	867	850	17	0	116
SOUTHEAST								
Alabama	67	5,278	0	5,344	5,325	0	19	261
Arkansas	0	3,182	0	3,182	3,182	0	0	0
Florida	489	19,662	0	20,151	19,166	0	984	941
Georgia*	2,602	14,006	0	16,607	14,053	0	2,554	700
Kentucky**	0	6,693	519	7,212	7,082	107	24	0
Louisiana**	0	6,464	57	6,521	6,487	16	18	266
Mississippi**	5	3,371	60	3,436	3,579	-151	8	111
North Carolina**	0	13,116	745	13,861	13,741	116	4	0
South Carolina* **	134	4,930	155	5,219	5,168	0	50	0
Tennessee**	31	7,002	560	7,593	7,516	65	12	178
Virginia	0	12,176	0	12,176	12,043	0	133	478
West Virginia**	161	2,824	44	3,030	2,817	16	197	56
SOUTHWEST								
Arizona**	13	5,760	566	6,340	6,339	0	1	65
New Mexico* **	449	3,936	10	4,395	4,049	26	320	N/A
Oklahoma**	290	4,791	10	5,090	5,016	0	75	72
Texas**	3,994	28,400	0	32,393	29,890	77	2,426	904
ROCKY MOUNTAIN								
Colorado*	469	5,837	517	6,823	6,685	0	138	0
Idaho**	185	1,702	94	1,981	1,980	0	1	53
Montana**	173	1,264	1	1,437	1,356	0	81	0
Utah**	12	3,431	290	3,734	3,733	0	1	20
Wyoming**	47	638	47	732	722	0	10	65
FAR WEST								
Alaska**	0	1,660	732	2,392	2,392	0	0	2,114
California* **	2,380	72,239	0	74,618	76,752	0	-2,133	-3,535
Hawaii	349	3,441	0	3,790	3,656	0	134	50
Nevada	126	1,752	102	1,980	1,889	0	90	136
Oregon**	363	4,329	0	4,692	5,760	0	-1,068	0
Washington**	599	10,451	602	11,652	11,214	0	437	116
Total***	\$23,517	\$464,387	-	\$498,789	\$488,186	-	\$9,795	\$7,153

NOTES: N/A indicates data are not available. *In these states, the ending balance includes the balance in the budget stabilization fund. **See Notes to Table A-1. ***Pennsylvania was not able to provide data for fiscal 2004 and has been excluded from the total for comparative purposes.

SOURCE: National Association of State Budget Officers.

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.

Alaska	Revenue adjustments reflect a Constitutional Budget Reserve (CBR) draw.
Arizona	The adjustments to revenues figure includes \$166.15 million and \$84.4 million of budget stabilization fund transfers as well as \$315.72 million in other fund transfers.
California	For fiscal 2002, California had an estimated ending balance of -\$2,133.3 million. The ending balance consists of a Reserve for Liquidation of Encumbrances of \$1,401.9 million and the Special Fund for Economic Uncertainties (California's "rainy day" fund balance) of -\$3,535.2 million.
Colorado	Revenue adjustments include diversions to the State Education Fund as well as \$789.7 million in revenue transferred to the General Fund to mitigate revenue decline.
Connecticut	Used all of the Rainy Day Fund to reduce the fiscal year deficit. Issued 5 year short term notes to cover remaining deficit.
Delaware	Adjustments reflect implemented spending cuts; the Rainy Day Fund is intact.
Idaho	Revenue adjustments include \$17.2 million in transfers to other funds and \$111.5 million in transfers from other funds.
Illinois	Numbers for all fiscal years exclude transfers from Budget Stabilization Fund for cash flow purposes and the related re-transfers prior to the end of the fiscal year. Revenue adjustments include transfers in of 1,478 million. Expenditure adjustments include transfers out of 2,159 million and an accounts payable increase of \$650 million.
Indiana	Revenue adjustments represent one-time transfers from dedicated funds and the Rainy Day Fund. Expenditure Adjustments represent one-time expenditures for capital projects.
Kansas	Revenues are adjusted for released encumbrances. Kansas does not have a separate rainy day fund.
Kentucky	Revenue includes \$132.8 million in tobacco settlement funds. Adjustments to revenues include \$393.0 million that represents appropriation balances carried over from the prior fiscal year. Adjustments to revenues include \$125.5 million that represents fund transfers into the general fund from other funds. Adjustments to expenditures represent appropriation balances forwarded to the next fiscal year.
Louisiana	Revenue adjustments include \$17.2 million in carry-forward from fiscal 2000-2001 and \$39.8 million in one-time funds. Expenditure adjustments include \$15.5 million in carry-forward expenditures.
Maine	Revenue adjustments reflect \$116.4 million legislative and statutory authorized transfers. This includes \$37.9 million transferred from the rainy day fund, \$20 million transferred from the Maine Learning Technology Endowment, \$19.3 million from the unappropriated surplus, \$10 million transferred from the Fund for a Healthy Maine (Tobacco Settlement Payments) and \$29.2 million of transfers and lapsed balances.
Maryland	Revenue adjustments reflect a transfer from rainy day fund (\$533 million), other transfers (\$146 million), and transfers from prior years' PAYGO balances. Expenditure adjustments reflect cost containments (\$-57 million), targeted reversions (\$-349 million), and federal funds for operating expenditures.
Michigan	Fiscal 2002 revenue adjustments include federal and state tax law changes (-\$311.7 million); a rainy day fund withdrawal (\$452.8 million); deposits from state restricted funds (\$340.4 million); and lapses from prior year work projects (\$28.6 million).
Minnesota	Ending balance includes Tax Relief Account of \$158.1 million and appropriations carried forward of \$316.4 million.
Mississippi	Revenue adjustments include \$10.1 million re-appropriation from fiscal 2001 and a \$50 million transfer from Working Cash. Expenditure adjustments include \$150.6 million of general fund budget cuts.
Missouri	Revenues include transfers to general revenue. Expenditures include refunds of \$1,116.6 million.
Montana	Fiscal Year 2002 includes \$49 million of expenditures and revenues from school trust land income which are removed from the general fund to an earmarked fund in subsequent years. Adjustments primarily reflect prior year activity.
Nebraska	Revenue adjustments are transfers between the general fund and other funds.
New Mexico	Adjustments reflect reserve account activity.
New York	The ending balance includes \$710 million in the tax stabilization reserve fund (rainy day fund) and \$157 million in reserve funds for litigation risks. In addition to general fund reserves, \$1.1 billion was reserved to guard against economic uncertainties.
North Carolina	Revenue adjustments reflect additions to general fund availability to aid in balancing fiscal 2002 budget and the expenditure adjustments of \$116 million transfer back to disaster relief reserve the amount that was included in the \$745 million of revenue adjustments.

NOTES TO TABLE A-1 (continued)

Ohio	Federal reimbursements for Medicaid and other human services programs are included in the general revenue fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balances would be higher by the amount reserved for encumbrances and designated transfers from the general revenue fund, including transfers to the budget stabilization fund. Expenditures for fiscal 2002 do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements for the general revenue fund. Expenditure adjustments reflect miscellaneous transfers-out of \$20.0 million. These transfers-out are adjusted for a net change in encumbrances from fiscal 2001 levels of -\$86.7 million.
Oklahoma	Revenue adjustments reflect a decrease in the general revenue fund cash-flow reserve, increasing available revenue by \$9.8 million.
Oregon	Oregon budgets on a biennial basis. While fiscal years may have a negative balance, the state is constitutionally required to have a balanced budget at the end of the biennium. The Legislature held five special sessions and passed one fiscal bill during the last regular session to balance the 2001-2003 biennium.
Pennsylvania	Revenue adjustments include \$1,038.4 million from the total withdrawal of the budget stabilization (rainy day) fund, lapses of \$104.6 million from prior-year appropriations and a \$1 million increase to the beginning balance.
Rhode Island	Revenue adjustments reflect a contribution to the budget stabilization fund.
South Carolina	Revenue adjustments reflect \$154.9 million from the state's General Deposit Account used for closing fiscal 2002.
South Dakota	Revenue adjustments reflect \$13.3 million transferred from the rainy day funds to cover the budget shortfall, and \$11 million of obligated cash carried forward from fiscal 2001. Expenditure adjustments reflect \$11 million transferred to the rainy day funds from the prior year's obligated cash, and \$6.2 million of obligated cash to the Budget Reserve Fund.
Tennessee	Revenue adjustments reflect a \$243.8 million reserve on June 30, 2001 for 2001-2002 appropriations; a \$40.1 million transfer from debt service fund unexpended appropriations; and a \$275.6 million transfer from other reserves. Expenditure adjustments reflect a \$20 million transfer to Transportation Equity Fund; a \$40 million transfer to capital outlay projects fund; and \$5.4 million for dedicated revenue appropriations.
Texas	Total expenditures are 2002 expended, as reported by the Governor's Office. Expenditure adjustments reflect reconciliation of the actual ending balance with the Comptroller's January 2003 Biennial Revenue Estimate.
Utah	Revenue adjustments include: a \$104.2 million transfer from the rainy day fund, a \$99.6 million reserve from the prior fiscal year, \$78.5 million in transfers from other restricted accounts, the \$4 million liquidation of the Utah Technology Finance Corp., -\$2 million in reserve for the following fiscal year, and \$5.7 million from miscellaneous sources.
Vermont	Revenue adjustments reflect \$20.2 million in direct applications and transfers in. Expenditure adjustments reflect \$13.9 million to the transportation fund, \$5.6 million to the education fund, and \$32.1 million from the budget stabilization reserve.
Washington	Revenue adjustments reflect the transfer of fund balances from other accounts to the general fund.
West Virginia	Revenue adjustments reflect a \$44.1 million transfer from Special Revenue and \$0.3 million from prior year redeposits. Expenditure adjustments reflect a \$15.8 transfer to Rainy Day Fund.
Wisconsin	Revenue adjustments include the Tobacco Settlement (\$156.2 million), the Tobacco Securitization (\$681.0 million), a residual equity transfer (\$35.3 million), and designated balances carried forward (\$9.9 million). Expenditure adjustments include a designation for continuing balances (\$33.0 million) and a transfer to the Tobacco Control Fund (\$6.0 million).
Wyoming	The state budgets on a biennial basis. To complete the survey using annual figures, certain assumptions and estimates were required. Caution is advised when drawing conclusions or making projections.

TABLE A-2

Fiscal 2003 State General Fund, Preliminary Actual (Millions)

<i>Region and State</i>	<i>Beginning Balance</i>	<i>Revenues</i>	<i>Adjustments</i>	<i>Resources</i>	<i>Expenditures</i>	<i>Adjustments</i>	<i>Ending Balance</i>	<i>Budget Stabilization Fund</i>
NEW ENGLAND								
Connecticut**	\$ 0	\$11,531	\$ 485	\$12,016	\$12,345	\$ -225	\$ -104	\$ 0
Maine**	0	2,372	192	2,564	2,540	0	24	0
Massachusetts*	1,388	21,975	0	23,363	22,390	0	973	726
New Hampshire**	-38	1,207	91	1,336	1,336	0	0	20
Rhode Island**	41	2,750	-56	2,735	2,699	0	36	83
Vermont	0	863	21	884	890	-6	0	24
MID-ATLANTIC								
Delaware* **	482	2,436	0	2,918	2,454	0	464	129
Maryland**	309	9,377	783	10,469	10,669	-323	123	490
New Jersey*	292	22,931	0	23,223	22,927	46	250	0
New York* **	1,032	39,296	0	40,328	39,513	0	815	710
Pennsylvania**	143	20,385	152	20,679	20,715	-245	209	70
GREAT LAKES								
Illinois**	256	21,103	3,802	25,161	21,893	2,951	317	226
Indiana**	0	9,945	500	10,446	10,309	0	137	279
Michigan**	115	8,084	696	8,895	8,821	0	74	0
Ohio**	108	22,450	0	22,558	22,653	-148	53	181
Wisconsin*	54	10,464	255	10,772	11,033	22	-282	0
PLAINS								
Iowa**	0	4,484	0	4,484	4,529	0	-46	209
Kansas**	12	4,248	0	4,260	4,138	0	123	0
Minnesota	1,130	13,050	0	14,180	14,000	0	180	0
Missouri**	165	7,504	0	7,669	7,548	0	121	231
Nebraska**	56	2,456	109	2,622	2,619	0	3	59
North Dakota**	-5	856	19	870	855	0	15	6
South Dakota**	0	875	17	891	884	8	0	106
SOUTHEAST								
Alabama**	19	5,296	270	5,585	5,513	-41	113	68
Arkansas	0	3,251	0	3,251	3,251	0	0	0
Florida	984	20,213	0	21,197	20,707	0	491	959
Georgia*	2,554	13,829	0	16,383	15,271	0	1,112	562
Kentucky**	24	6,914	506	7,444	7,179	102	163	5
Louisiana**	0	6,403	259	6,662	6,617	21	23	191
Mississippi**	4	3,443	47	3,494	3,509	-48	33	22
North Carolina**	25	14,109	137	14,271	13,856	165	251	150
South Carolina* **	50	4,968	22	5,040	4,995	0	46	0
Tennessee**	12	7,939	175	8,126	8,026	79	21	111
Virginia	133	12,071	0	12,204	12,118	0	86	257
West Virginia**	197	2,917	24	3,139	2,933	10	196	58
SOUTHWEST								
Arizona**	1	5,640	391	6,031	6,014	0	18	14
New Mexico* **	320	3,944	75	4,339	4,051	43	245	N/A
Oklahoma**	75	4,581	31	4,687	4,656	0	31	0
Texas**	2,426	28,734	-96	31,064	30,389	592	83	561
ROCKY MOUNTAIN								
Colorado*	138	5,665	334	6,137	5,914	0	223	0
Idaho**	1	1,764	176	1,941	1,926	0	16	0
Montana**	81	1,246	-6	1,322	1,280	0	42	0
Utah**	1	3,476	83	3,560	3,521	20	18	31
Wyoming**	10	625	134	768	694	71	4	36
FAR WEST								
Alaska**	0	1,977	494	2,471	2,471	0	0	2,142
California**	-2,133	81,527	18	79,412	78,142	-132	1,402	0
Hawaii	134	3,789	0	3,923	3,806	0	117	53
Nevada**	90	1,819	229	2,139	2,036	2	100	1
Oregon**	-1,068	5,038	0	3,969	3,912	0	57	0
Washington**	437	10,711	518	11,666	11,368	0	298	58
Total***	\$9,913	\$482,145	-	\$502,868	\$491,198	-	\$8,462	\$8,756

NOTES: N/A indicates data are not available. *In these states, the ending balance includes the balance in the budget stabilization fund. **See Notes to Table A-2. ***Pennsylvania was not able to provide data for fiscal 2004 and has been excluded from the total for comparative purposes.

SOURCE: National Association of State Budget Officers.

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	Revenue adjustments reflect a \$180 million transfer from the Education Trust Fund Rainy Day Account, a \$12.8 million transfer from the State General Fund Proration Prevention Fund, \$75.6 million in federal assistance, and \$1.9 million in land sale proceeds. Expenditure adjustments reflect \$12.2 million from the repayment of 16th Section Land funds, -\$47.6 million of reversions/adjustments, and a -\$5.1 million across-the-board cut.
Alaska	Revenue adjustments reflect a Constitutional Budget Reserve (CBR) draw.
Arizona	Revenue adjustments include a Ladewig court judgement costs set aside of (\$15.0 million), \$348.9 in fund transfers, a revenue generating plan \$5.8 million, and asset sales of \$50.9 million.
California	Revenue adjustments include \$10,675.4 million for a deficit financing bond, and also reflect a prior year revenue adjustment of \$17.7 million. Expenditure adjustments of \$131.8 million reflect a prior year expenditure adjustment.
Colorado	Revenue adjustments include a diversion to the State Education Fund and the Older Coloradans Program, as well as \$525.3 million in revenue transferred to the General Fund to mitigate revenue decline.
Connecticut	Includes mid-year enacted legislation reducing expenditures and raising revenues. Will issue short term notes to cover estimated deficit.
Delaware	Adjustments reflect implemented spending cuts; the Rainy Day Fund is intact.
Idaho	Revenue adjustments include \$18.7 million in transfers to other funds and \$194.7 million in transfers from other funds.
Illinois	Adjustments on revenues includes \$1,675 million received from short term borrowing proceeds and \$1,827 million that were deposited into the general funds. The adjustments to expenditures includes the repayment of short term borrowing of \$710 million that came due in fiscal year 2003, accounts payable pay down of \$210 million and transfers out of \$2,031 million.
Indiana	Revenue adjustments represent one-time transfers from dedicated funds and the federal Jobs and Growth Tax Relief Reconciliation Act of 2003.
Iowa	The rainy day fund balance includes \$43.8 million of one-time transfers to various other funds. It is anticipated that action will occur to use the reserve funds to bring the fiscal 2003 ending balance to zero.
Kansas	Revenue adjustments reflect released encumbrances. Kansas does not have a separate rainy day fund.
Kentucky	Revenue includes \$130.8 million in tobacco settlement funds. Adjustment for revenues includes \$107.2 million that represents appropriation balances carried over from the prior fiscal year. Adjustments to revenues include \$329.8 million that represents fund transfers into the General Fund, and \$68.7 in Federal Fiscal Relief funds. Adjustment to expenditures represents appropriation balances forwarded to the next fiscal year.
Louisiana	Revenue adjustments include \$19.9 million in carry-forward from fiscal 2001-2002, \$86.4 million from the Budget Stabilization Fund and \$152.2 million in one-time funds. Expenditure adjustments include \$21.3 million in carry-forward expenditures.
Maine	Revenue adjustments reflect \$191.7 million in legislative and statutorily authorized transfers. These include \$25 million from the Federal Relief Fund Reserve, \$48.7 million from transfers of unencumbered balances and lapsed balances, \$38.5 million transferred from the rainy day fund, \$14.6 million transferred from the Maine Learning Technology Endowment, \$38.3 million transferred from the Fund for a Healthy Maine (Tobacco Settlement Payments), \$10 million from operating capital, and \$16.6 million from Highway Fund.
Maryland	Revenue adjustments reflect a transfer from rainy day fund (\$249 million), other transfers (\$501 million), and additional federal Medicaid (\$33 million). Expenditure adjustments reflect cost containments of (\$-218 million), targeted reversions (\$-15 million), and federal funds for operating expenditures (\$-90 million).
Michigan	Fiscal 2003 revenue adjustments include federal and state tax law changes (-\$198.6 million); a Rainy Day Fund withdrawal (\$124.1 million); unrestricted federal aid (\$169 million); revenue sharing accounting adjustments (\$181 million); legal settlement revenue (\$31.9 million); and deposits from state restricted funds (\$388.6 million).
Mississippi	Fifty percent of the fiscal 2002 ending balance is brought forward as the beginning balance; revenue adjustments include \$8.3 million re-appropriation, \$16 million transfer from working cash, and \$26.7 million transfer from special funds in lieu of general fund budget cuts.
Missouri	Revenues include transfers to general revenue. Revenues include \$150 million from revenue bond proceeds for capital improvement projects. Expenditures include refunds of \$1,160.2 million.
Montana	Adjustments primarily reflect prior year activity.
Nebraska	Revenue adjustments are transfers between the general fund and other funds.
Nevada	The fiscal 2002 ending balance and fiscal 2003 beginning balance differ due to rounding.
New Hampshire	Revenue adjustments reflect \$33.9 million transferred from the Health Care Fund; \$ 35.7 million from the Rainy Day Fund; and \$21.6 million from the Education Trust Fund.
New Mexico	Adjustments reflect reserve account activity.
New York	The ending balance includes \$710 million in the tax stabilization reserve fund (rainy day fund), \$85 million in the Community Projects Fund and \$20 million in reserve funds for litigation risks.
North Carolina	Revenue adjustments equal \$136.9 million of federal fiscal relief. Expenditure adjustments equal \$150 million transfer to rainy day fund and \$15 million transfer to repair and renovation reserves.

NOTES TO TABLE A-2 (continued)

North Dakota	Revenue adjustments reflect a transfer from the state's budget reserve at the Bank of North Dakota.
Ohio	Federal reimbursements for Medicaid and other human services programs are included in the general revenue fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balances would be higher by the amount reserved for encumbrances and designated transfers from the general revenue fund. Expenditures for fiscal 2003 do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements for the general revenue fund. Expenditure adjustments reflect miscellaneous transfers-out of \$18.9 million. These transfers-out are adjusted for an anticipated net change in encumbrances from fiscal 2002 levels of -\$166.7 million.
Oklahoma	Revenue adjustments reflect decrease in general revenue fund cash-flow reserve increasing available revenue by \$31.3 million.
Oregon	Oregon budgets on a biennial basis. While fiscal years may have a negative balance, the state is constitutionally required to have a balanced budget at the end of the biennium. The Legislature held five special sessions and passed one fiscal bill during the last regular session to balance the 2001-2003 biennium.
Pennsylvania	Revenue adjustments include lapses of \$151.8 million from prior-year appropriations and a \$0.3 million decrease to the beginning balance. Total expenditures reflect the total amount appropriated. Expenditure adjustments include current-year lapses of \$315.1 million and the year-end transfer of \$69.8 million to the budget stabilization (rainy day) fund. (Note: The previously enacted transfer of \$300 million to re-establish the budget stabilization (rainy day) fund was repealed).
Rhode Island	Adjustment to revenues is contribution to budget stabilization fund.
South Carolina	Revenue adjustments reflect \$22 million from the State's General Deposit Account used for closing fiscal 2003.
South Dakota	Revenue adjustments reflect \$10.5 million transferred from the Property Tax Reduction Fund to cover the budget shortfall, and \$6.2 million of obligated cash carried forward from fiscal 2002. Expenditure adjustments reflect \$6.2 million transferred to the Budget Reserve Fund from the prior year's obligated cash, and \$1.4 million of obligated cash to the Budget Reserve Fund.
Tennessee	Revenue adjustments reflect a \$28 million transfer from debt service fund unexpended appropriations; a \$30 million transfer from highway fund, a \$50 million transfer from other reserves, and a \$67.2 million transfer from Rainy Day Fund. Expenditure adjustments reflect a \$21 million transfer to Transportation Equity Fund, a \$27.9 million transfer to capital outlay projects fund, and a \$29.9 million for dedicated revenue appropriations.
Texas	The revenue/balance information is from the Comptroller's September 2003 revenue update. Revenue adjustments reflect dedicated account balances. Total expenditures are preliminary 2003 budgeted, as reported by the Governor's Office, adjusted to reflect budget cuts of \$1.267 billion adopted by the legislature. Total expenditures include appropriations from the Rainy Day Fund. Expenditure adjustments include a \$353 million reserve for transfer to the Rainy Day Fund and other adjustments to reconcile the actual ending balance reported by the Comptroller.
Utah	(Original Budget): Revenue adjustments include: a \$44.4 million transfer from tobacco settlement funds, \$35 million of bonding for capital projects which originally received a general fund appropriation, a \$19.4 million transfer from various restricted accounts, \$10 million from designated sales taxes for water projects, \$2 million reserved from the previous year, -\$35.6 million reserved for following fiscal year, and \$7.7 million from other miscellaneous sources. Preliminary year-end actuals subject to audit reflect: \$24.1 million in additional revenue collections, including lower than budgeted sales, income, and miscellaneous tax collections (-\$13.9 million) and \$38 million in Federal relief aid; an expenditure reduction of \$14.1 million from agency year-end lapsing balances; and expenditure adjustments of \$19.9 million, including funds reserved for the next fiscal year of \$8.9 million, and \$11 million transferred to the rainy day fund per statute.
Vermont	Revenue adjustments reflect \$18.1 million in direct applications and transfers in and a \$2.9 million increase in property transfer tax estimate. Expenditure adjustments reflect \$6.5 million from the transportation fund, \$9.2 million from the tobacco settlement fund, \$0.8 million from the human services caseload reserve, \$2 million from the general bond fund, and \$10.8 million to the budget stabilization reserve.
Washington	Revenue adjustments reflect the transfer of fund balances from other accounts to the general fund.
West Virginia	Revenue adjustments reflect a \$24.2 million transfer from Special Revenue and \$0.2 million prior year redeposits. Expenditure adjustments reflect a \$9.9 transfer to Rainy Day Fund and a \$0.2 million transfer to Special Revenue.
Wisconsin	Revenue adjustments include the Tobacco Settlement (\$153.9 million), a residual equity transfer (\$67.7 million), and designated balances carried forward (\$33.0 million). Expenditure adjustments included a transfer to the Tobacco Control Fund (\$15.3 million) and a designation for continuing balances (6.4 million).
Wyoming	The state budgets on a biennial basis. To complete the survey using annual figures, certain assumptions and estimates were required. Caution is advised when drawing conclusions or making projections.

TABLE A-3

Fiscal 2004 State General Fund, Appropriated (Millions)

<i>Region and State</i>	<i>Beginning Balance</i>	<i>Revenues</i>	<i>Adjustments</i>	<i>Resources</i>	<i>Expenditures</i>	<i>Adjustments</i>	<i>Ending Balance</i>	<i>Budget Stabilization Fund</i>
NEW ENGLAND								
Connecticut	\$ 0	\$12,452	\$ 0	\$12,452	\$12,452	\$ 0	\$ 0	\$ 0
Maine**	24	2,603	-59	2,568	2,556	0	12	0
Massachusetts*	814	22,390	0	23,205	22,344	0	861	733
New Hampshire	0	1,282	42	1,323	1,302	0	21	20
Rhode Island**	36	2,805	-57	2,784	2,784	0	0	85
Vermont	0	881	45	925	896	30	0	41
MID-ATLANTIC								
Delaware* **	464	2,514	0	2,978	2,589	0	389	137
Maryland**	123	10,083	461	10,667	10,514	-294	447	498
New Jersey*	250	23,492	0	23,742	23,493	0	249	0
New York* **	815	40,437	0	41,252	40,522	0	730	710
Pennsylvania**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
GREAT LAKES								
Illinois**	317	22,983	3,911	27,211	22,698	4,321	192	276
Indiana**	137	10,855	415	11,407	11,407	0	0	273
Michigan**	74	8,159	185	8,418	8,418	0	0	0
Ohio**	53	24,097	0	24,150	24,006	7	137	181
Wisconsin*	-282	11,152	0	10,870	10,615	109	146	0
PLAINS								
Iowa**	0	4,498	0	4,498	4,561	-83	20	163
Kansas	100	4,458	0	4,558	4,533	0	25	0
Minnesota* **	180	14,362	0	14,542	13,995	0	547	300
Missouri**	121	7,836	0	7,957	8,058	0	-101	230
Nebraska**	3	2,732	-29	2,706	2,655	41	9	148
North Dakota	15	888	0	903	884	0	19	9
South Dakota**	0	880	27	907	906	0	0	106
SOUTHEAST								
Alabama**	113	5,270	75	5,458	5,432	0	26	68
Arkansas	0	3,526	0	3,526	3,526	0	0	0
Florida	491	21,214	0	21,705	21,272	0	433	966
Georgia*	1,112	14,898	0	16,009	15,040	0	970	420
Kentucky**	139	7,207	198	7,543	7,420	123	0	55
Louisiana**	0	6,480	53	6,532	6,545	-12	0	191
Mississippi**	17	3,582	8	3,607	3,591	0	16	72
North Carolina**	251	14,449	246	14,945	14,775	0	170	150
South Carolina* **	46	4,997	0	5,043	4,944	0	99	49
Tennessee**	21	8,291	0	8,312	8,239	73	0	111
Virginia	86	12,208	0	12,294	12,276	0	18	129
West Virginia**	196	3,041	0	3,238	3,226	10	2	68
SOUTHWEST								
Arizona**	18	5,889	417	6,323	6,300	0	24	1
New Mexico* **	245	4,138	0	4,383	4,113	34	237	N/A
Oklahoma	31	4,920	0	4,951	4,699	0	252	0
Texas**	83	28,750	0	28,833	28,774	111	-51	218
ROCKY MOUNTAIN								
Colorado*	223	5,908	-254	5,877	5,647	0	230	0
Idaho**	16	2,022	-14	2,024	2,004	0	20	0
Montana	42	1,303	0	1,346	1,297	0	49	0
Utah**	0	3,544	54	3,598	3,596	0	2	31
Wyoming**	4	660	148	812	779	29	4	36
FAR WEST								
Alaska**	0	1,825	473	2,298	2,298	0	0	1,858
California*	1,402	73,353	0	74,755	71,137	0	3,618	2,216
Hawaii	117	3,807	0	3,924	3,825	0	99	51
Nevada**	100	1,902	452	2,454	2,320	0	134	1
Oregon**	57	5,067	0	5,124	5,529	0	-405	0
Washington**	298	11,088	101	11,488	11,371	0	117	0
Total	\$8,348	\$491,176	-	\$506,423	\$492,160	-	\$9,765	\$10,599

NOTES: N/A indicates data are not available. *In these states, the ending balance includes the balance in the budget stabilization fund.
 **See Notes to Table A-3.

SOURCE: National Association of State Budget Officers.

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.

Alabama	Revenue adjustments reflect federal assistance.
Alaska	Revenue adjustments reflect a Constitutional Budget Reserve (CBR) draw.
Arizona	Revenue adjustments include Medicaid premium tax \$69.7, DOR revenue generating plan \$53.2, and DOR tax amnesty/minimum withholding \$30, federal fiscal relief \$174.5, fund transfers \$49.5, and miscellaneous revenue adjustments \$40.
Colorado	Revenue adjustments include a diversion to the State Education Fund and the Older Coloradans Program. Additionally, they include \$14.2 million in revenue transferred to the General Fund to mitigate revenue decline.
Delaware	Adjustments reflect spending cuts implemented; the Rainy Day Fund is intact. Ninety-eight percent of available revenues were appropriated, and a revenue package enacted.
Idaho	Revenue adjustments include \$13.5 million in transfers to other funds.
Illinois	Adjustments on revenues includes \$1,600 million received from general obligation pension bond proceeds that are scheduled to be transferred into the general funds and transfers in of \$2,311 million. The adjustments to expenditures includes the repayment of short term borrowing that came due in fiscal year 2004 (\$1,450 million), payment of owed prior year income tax refunds (\$325 million), permanent paydown of prior year carry over of accounts payable (\$416 million), transfers out (\$2,080 million), and a transfer to increase balance in Budget Stabilization ("rainy day") Fund (\$50 million).
Indiana	Revenue adjustments represent one-time transfers from dedicated funds, the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 and the rainy day fund.
Iowa	Revenue estimates are based upon the Revenue Estimating Conference estimate for fiscal 2004 done on October 10, 2003. This estimate includes a 2.5 percent across the board reduction in allotments which will reduce spending by \$82.5 million.
Kansas	Kansas does not have a separate rainy day fund.
Kentucky	Revenue includes \$110.2 million in tobacco settlement funds. Adjustment for revenues includes \$102.2 million that represents appropriation balances carried over from the prior fiscal year. Adjustments to Revenues include \$95.3 million that represents fund transfers into the general fund. Adjustment to expenditures represents appropriation balances forwarded to the next fiscal year.
Louisiana	Revenue adjustments Include one-time revenue from settlements, premium generated from general obligation bond sale, and elimination of funds. Expenditure adjustments are for across the board budget cut.
Maine	Revenue adjustments reflect -\$59.1 million in legislative and statutorily authorized transfers. They include the following transfers: -\$53 million to Affordable Health Care, -\$26.7 million to the Federal Relief Fund Reserve, \$6.1 million from Funds for a Healthy Maine (Tobacco Settlement Payments), \$5 million from Highway Fund, \$3.0 million from hospital rate adjustments and \$2.4 million from Unfunded Actuarial Liability savings.
Maryland	Revenue adjustments reflect other transfers (\$329 million) and additional federal Medicaid (\$132 million). Expenditure adjustments reflect cost containments (\$-204 million) and federal funds for operating expenditures (\$-90 million).
Michigan	Fiscal 2004 revenue adjustments include federal and state tax law changes (-\$373.3 million); increased driver license revenue (\$90.9 million); unrestricted federal aid (\$169 million); and deposits from state restricted funds (\$298.5 million). The Rainy Day Fund balance is equally distributed, with \$73.1 million earmarked for the Budget Stabilization Fund and \$73.1 million deposited to a new, School Aid Rainy Day Fund.
Minnesota	Ending balance includes budget reserve of \$300 million.
Mississippi	Fifty percent of the fiscal 2003 preliminary ending balance is brought forward as beginning balance; revenue adjustments include an \$8.2 million re-appropriation.
Missouri	The fiscal 2004 revenue estimate was revised in May 2003. Expenditures do not include Medicaid and other supplemental funding needed for fiscal 2004. The Governor withheld \$240 million at the beginning of the fiscal year to balance the budget. Revenues include transfers to general revenue. Revenues also include \$124.5 million from revenue bond proceeds for capital improvement projects and \$387 million from federal fiscal relief. Expenditures include refunds of \$1,272.1 million.
Nebraska	Revenue adjustments are transfers between the general fund and other funds. Expenditure adjustments are carryovers from prior years and a small amount reserved for supplemental appropriations.
Nevada	The fiscal 2003 ending balance and fiscal 2004 beginning balance differ due to rounding.
New Mexico	Adjustments reflect reserve account activity.
New York	The ending balance includes \$710 million in the tax stabilization reserve fund (rainy day fund) and \$20 million in reserve funds for litigation risks.
North Carolina	Revenue adjustments equal \$136.9 million of federal fiscal relief and \$108.8 million transfer of disaster relief funds originally appropriated for Hurricane Floyd relief.

NOTES TO TABLE A-3 (continued)

Ohio	Federal reimbursements for Medicaid and other human services programs are included in the general revenue fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balances would be higher by the amount reserved for encumbrances and designated transfers from the general revenue fund. Expenditures for fiscal 2004 do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements for the general revenue fund. Expenditure adjustments reflect miscellaneous transfers-out of \$30.5 million. These transfers-out are adjusted for an anticipated net change in encumbrances from fiscal 2003 levels of -\$23.8 million.
Oregon	Oregon budgets on a biennial basis. While fiscal years may have a negative balance, the state is constitutionally required to have a balanced budget at the end of the biennium. Current spending projections will show a \$100 million ending balance at the end of the 2003-2005 biennium (fiscal year 2005).
Pennsylvania	The enactment of the fiscal 2004 budget was not yet completed at the time this report was published.
Rhode Island	The fiscal 2004 ending balance is projected as \$.5 million. Revenue adjustments reflect a contribution to budget stabilization fund
South Carolina	Figures do not include funds associated with the President's Jobs and Growth Reconciliation Act of 2003.
South Dakota	Revenue adjustments reflect \$26.8 million in one-time revenues.
Tennessee	Expenditure adjustments reflect a \$21 million transfer to Transportation Equity Fund, a \$27.5 million transfer to capital outlay projects fund, and a \$24.6 million for dedicated revenue appropriations.
Texas	The revenue, expenditure, and balance information is from the Comptroller's June 27, 2003 certification worksheet. Expenditure adjustments reflect the estimated reserve for transfer to the Rainy Day Fund.
Utah	Revenue adjustments include: a \$35.6 million reserve from the previous year, a \$9.8 million transfer from tobacco settlement funds, \$7.4 million in transfers from other miscellaneous sources, and \$1.6 million from the sale of the Iron County Jail.
Vermont	Revenue adjustments reflect \$13.2 million direct applications and transfers in, \$4.3 million increase in property transfer tax revenue estimate, and \$27.4 million sales tax implementation. Expenditure adjustments reflect \$17.6 million to the budget stabilization reserve and \$11.9 million to the general fund surplus reserve.
Washington	Revenue adjustments reflect the transfer of fund balances from other accounts to the general fund.
West Virginia	Revenue adjustments include \$0.1 million in prior year redeposits. Expenditure adjustments include a \$9.8 transfer to Rainy Day Fund.
Wisconsin	Expenditure adjustments include Compensation Reserves (\$109.2 million).
Wyoming	The state budgets on a biennial basis. To complete the survey using annual figures, certain assumptions and estimates were required. Caution is advised when drawing conclusions or making projections.

TABLE A-4

**General Fund Nominal Percentage
Expenditure Change, Fiscal 2003 and Fiscal
2004***

<i>Region and State</i>	<i>Fiscal 2003</i>	<i>Fiscal 2004</i>
NEW ENGLAND		
Connecticut	1.7%	2.6%
Maine	-1.0	0.6
Massachusetts	-1.8	-0.2
New Hampshire	13.9	-2.5
Rhode Island	1.8	3.1
Vermont	2.0	0.7
MID-ATLANTIC		
Delaware	0.0	5.5
Maryland	-2.5	-1.5
New Jersey	4.2	2.5
New York	-4.1	2.6
Pennsylvania	1.4	N/A
GREAT LAKES		
Illinois	-3.7	3.7
Indiana	5.9	10.6
Michigan	-3.3	-4.6
Ohio	4.7	6.0
Wisconsin	-2.0	-3.8
PLAINS		
Iowa	-1.3	0.7
Kansas	-7.4	9.6
Minnesota	9.8	0.0
Missouri	-1.2	6.7
Nebraska	0.8	1.4
North Dakota	-0.8	3.4
South Dakota	4.0	2.6
SOUTHEAST		
Alabama	3.5	-1.5
Arkansas	2.1	8.5
Florida	8.0	2.7
Georgia	8.7	-1.5
Kentucky	1.4	3.4
Louisiana	2.0	-1.1
Mississippi	-2.0	2.3
North Carolina	0.8	6.6
South Carolina	-3.4	-1.0
Tennessee	6.8	2.7
Virginia	0.6	1.3
West Virginia	4.1	10.0
SOUTHWEST		
Arizona	-5.1	4.8
New Mexico	0.1	1.5
Oklahoma	-7.2	0.9
Texas	1.7	-5.3
ROCKY MOUNTAIN		
Colorado	-11.5	-4.5
Idaho	-2.7	4.1
Montana**	-5.6	1.3
Utah	-5.7	2.1
Wyoming	-3.9	12.3
FAR WEST		
Alaska	3.3	-7.0
California	1.8	-9.0
Hawaii	4.1	0.5
Nevada	7.8	13.9
Oregon	-32.1	41.3
Washington	1.4	0.0
Average	0.6%	0.2%

NOTES: *Fiscal 2003 reflects changes from fiscal 2002 expenditures (actual) to fiscal 2003 expenditures (preliminary actual). Fiscal 2004 reflects changes from fiscal 2003 expenditures (preliminary actual) to fiscal 2004 expenditures (appropriated). ** See note to Table A-4.

NOTE TO TABLE A-4

Indiana	<p>Because of a continuing decline in revenue, a special session of the General Assembly was convened in May, 2002. During that session, the governor and Legislature succeeded in passing a major tax restructuring plan, saving taxpayers from significant raises in their property taxes by increasing the homestead and renters' exemptions. This restructuring was necessitated by a court-ordered change in the assessment of property. The 2002 legislation increased the sales tax by 1 percent, the cigarette tax by 40 cents per pack and the gas tax by 3 cents per gallon. Revenue was also enhanced through an increase in the tax imposed on riverboats. Owners of the riverboats, in turn, were granted their request that dockside gambling be allowed.</p> <p>In all, a total of \$1.5 billion in taxes (\$800 million alone from the sales tax increase) was raised, and \$1 billion of that was earmarked for property tax relief. The state's increase in the homestead exemption could not totally offset the tax implications of a court order mandating that property assessments be based on market value. In response, lawmakers reduced schools' reliance on local property taxes. With the restructuring, 67 percent of the property taxes levied for a school general fund will be paid through a state property tax replacement credit. This will result in the state being responsible for 85 percent of the funding of the school general fund.</p>
Montana	<p>Of the 5.6 percent reduction, 3.6 percent results from the removal of \$49 million of school trust land revenue and expenditure from the general fund to an earmarked fund.</p>

TABLE A-5

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2003

<i>Region and State</i>	<i>Fees</i>	<i>Layoffs</i>	<i>Furloughs</i>	<i>Early Retirement</i>	<i>Across-the-Board Percentage Cuts</i>	<i>Reduce Local Aid</i>	<i>Programs Reorganized</i>	<i>Privatization</i>	<i>Rainy Day Fund</i>	<i>Other</i>
NEW ENGLAND										
Connecticut*	x	x		x	x	x	x			x
Maine										
Massachusetts	x	x	x	x		x	x		x	x
New Hampshire					x				x	
Rhode Island*	x				x					x
Vermont					x					
MID-ATLANTIC										
Delaware*					x		x			x
Maryland										x
New Jersey*	x									x
New York*	x			x						x
Pennsylvania									x	x
GREAT LAKES										
Illinois				x						x
Indiana*	x		x	x	x	x				x
Michigan*	x			x	x	x			x	x
Ohio*		x		x	x	x			x	x
Wisconsin			x		x					
PLAINS										
Iowa									x	
Kansas*	x				x	x				x
Minnesota*	x	x		x	x		x		x	x
Missouri*		x								x
Nebraska*		x			x	x	x		x	x
North Dakota					x				x	
South Dakota									x	
SOUTHEAST										
Alabama					x				x	
Arkansas	x	x			x				x	
Florida										
Georgia*	x				x		x		x	x
Kentucky					x					x
Louisiana					x				x	
Mississippi*									x	x
North Carolina		x			x		x		x	
South Carolina		x	x	x	x				x	
Tennessee*									x	x
Virginia	x	x	x	x	x	x	x		x	
West Virginia					x					
SOUTHWEST										
Arizona		x			x		x		x	
New Mexico										
Oklahoma*		x	x		x				x	x
Texas										x
ROCKY MOUNTAIN										
Colorado*	x	x	x	x	x		x			x
Idaho*	x	x	x	x	x		x		x	x
Montana*					x	x				x
Utah*	x	x			x					x
Wyoming										
FAR WEST										
Alaska										
California*	x			x	x	x	x		x	x
Hawaii*					x					x
Nevada		x	x		x		x		x	
Oregon					x	x			x	x
Washington										
Total	16	16	9	13	32	11	13	0	25	29

NOTES: *See Notes to Table A-5.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-5

California	Other strategies include a deficit financing bond, expenditure reductions, fund shifts, loans, and transfers.
Colorado	Other strategies reflect a tax amnesty program, elimination of homestead exemption.
Connecticut	Other strategies include tax increases.
Delaware	A hiring freeze was implemented.
Georgia	The tobacco tax was increased.
Hawaii	Other strategies include the transfer of excess savings from special funds. Across-the-board cuts were by 5 percent.
Idaho	In addition to taking all \$53.1 million from the Budget Stabilization Fund, the Legislature also took all \$70.3 million in tobacco settlement payments that had been placed in the Millennium Trust Fund. It also took \$55 million from the Permanent Building Fund and \$15.9 million from three other funds.
Illinois	Reimbursement of final quarter of fiscal year 2003 pension costs with the proceeds of sale of General Obligation Pension Funding Bonds. Transfers of surplus balances from other state funds.
Indiana	Other reflects the administrative transfer of dedicated funds.
Kansas	Other strategies reflect reduced out-of-state travel, balances transferred from other funds, and the elimination of some local aid.
Kentucky	Fiscal year 2003 began without an enacted budget. Governor Patton through an Executive Order established a spending plan to operate the government. The 2003 Regular Session of the Kentucky General Assembly ultimately enacted a budget for fiscal year 2003 on March 25, 2003. At the inception of the 2003 Regular Session it was estimated that the budget shortfall would be \$165.4 million.
Maryland	Specific agency reductions.
Massachusetts	In fiscal 2003 the Governor enacted emergency powers granted in the Massachusetts General Laws to unilaterally reduce appropriation allotments due to the reduction in available revenues.
Michigan	Across-the-board cuts were 2.5 percent. Other strategies include use of prior year surplus; reducing restricted fund spending and lapsing these revenues to the general fund; reducing general fund spending through two Executive Orders, including targeted reductions in the number of state cars and in information technology projects; and restrictions placed on hiring, travel, energy use, contractual services and procurement.
Minnesota	Executive unallotments, one-time transfers from other funds, administrative delay in payment of refunds on sales taxes paid on capital equipment.
Mississippi	Excluding education (K-D), and general fund budget cuts.
Missouri	A review of agency budgets was conducted to reduce administrative costs and program spending. Total general revenue cost reductions of \$184.7 million were related to these efforts. In addition, elementary and secondary education spending was reduced by \$89.6 million and higher education spending was reduced by \$30.4 million. Revenue bonds were issued with \$150 million of the proceeds used to assist with the fiscal 2003 shortfall by funding capital improvement projects otherwise funded from general revenue.
Montana	Other strategies reflect a hiring freeze, funding shifts, fund balance transfers, targeted reductions, revenue reallocations, and revenue accelerations.
Nebraska	Other strategies include specific program reductions throughout state government.
New Jersey	Other reflects tobacco securitization and current year lapses.
New York	Deferred \$1.9 billion in payments to replace revenues from tobacco securitization that was not approved by the Legislature until the 2003-2004 fiscal year; refinancing of high-cost state debt to take advantage of record-low interest rates, and other administrative actions.
Ohio	The General Assembly passed legislation allowing the Director of the Office of Budget and Management to transfer funds from the Budget Stabilization Fund to the General Revenue Fund and transfer funds from the Tobacco Master Settlement Agreement Fund to the General Revenue Fund in the fiscal 2002-2003 biennium. The General Assembly also approved several revenue enhancements to fund the shortfall, including increasing the cigarette tax and permitting Ohio's participation in the multi-state lottery.
Oklahoma	Agencies have discretion in addressing their individual budget gaps. Oklahoma law requires proportionate decreases in all appropriations in case of a shortfall; i.e., across the board cuts.
Oregon	Bonding of Tobacco Master Settlement Agreement dollars and fund shifts.
Pennsylvania	A mid-year spending freeze was implemented in fiscal 2003 in the amount of \$387.3 million.
Rhode Island	Other strategies reflect a hiring freeze.
Tennessee	Dedicated reserve balances required legislation (forced lapses).
Texas	Other strategies reflect a variety of state agency budget reductions totaling \$1.267 billion, \$355 million in additional federal flexible grant money, and \$174 million in various revenue measures.
Utah	Other strategies reflect a soft freeze on in-state and out-of-state travel, hiring new employees, and equipment purchases as determined by department directors. Utah's \$241.7 million budget gap was addressed during two special legislative sessions and the 2003 general session as revenue estimates were revised.

TABLE A-6

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2004

<i>Region and State</i>	<i>Fees</i>	<i>Layoffs</i>	<i>Furloughs</i>	<i>Early Retirement</i>	<i>Across-the-Board Percentage Cuts</i>	<i>Reduce Local Aid</i>	<i>Programs Reorganized</i>	<i>Privatization</i>	<i>Rainy Day Fund</i>	<i>Other</i>
NEW ENGLAND										
Connecticut										
Maine										
Massachusetts	x	x		x		x	x			
New Hampshire		x			x		x			
Rhode Island*	x				x	x				x
Vermont										
MID-ATLANTIC										
Delaware*										x
Maryland	x	x				x				x
New Jersey										
New York*										x
Pennsylvania										
GREAT LAKES										
Illinois	x	x					x			
Indiana*	x				x	x	x		x	x
Michigan*										x
Ohio										
Wisconsin	x	x			x					
PLAINS										
Iowa					x					
Kansas*	x	x				x	x			x
Minnesota										
Missouri*		x		x	x					x
Nebraska										
North Dakota										
South Dakota										
SOUTHEAST										
Alabama										
Arkansas										
Florida										
Georgia*					x		x		x	x
Kentucky										x
Louisiana										
Mississippi										
North Carolina		x			x	x	x		x	
South Carolina					x				x	
Tennessee										
Virginia	x	x	x	x	x	x	x		x	
West Virginia										
SOUTHWEST										
Arizona		x			x	x	x		x	
New Mexico										
Oklahoma										
Texas										
ROCKY MOUNTAIN										
Colorado										
Idaho										
Montana										
Utah										
Wyoming										
FAR WEST										
Alaska										
California*										
Hawaii*										x
Nevada										
Oregon										
Washington										
Total	8	10	1	3	11	8	9	0	6	11

NOTES: *See Notes to Table A-6.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-6

California	While we do not anticipate a budget gap for the 2003-2004 fiscal year (fiscal 2004), California did experience a large budget deficit prior to the enactment of the 2004 Budget that was addressed using the following strategies: Fees increases, layoffs, across-the-board cuts, reduced local aid, reorganized programs, fund shifts, loans, transfers, and the sale of Tobacco Securitization Bond. No program in the Executive Branch was exempt from budget cuts.
Delaware	Although no budget gap has been officially forecast, the hiring freeze begun in fiscal 2003 is still in effect.
Georgia	Other strategies include an increase in the tobacco tax, and accelerating the collection of income taxes (employer withholding) into fiscal 2004-funds that normally would be collected in fiscal 2005.
Hawaii	Other strategies include the transfer of excess savings from revolving and trust funds, and restructuring debt service.
Indiana	Other strategies reflect the administrative transfer of dedicated funds.
Kentucky	The fiscal year 2004 budget shortfall of \$304.1 million has just recently been announced. Actions on the budget shortfall have not yet been taken.
Maryland	Specific agency reductions were made to address projected fiscal 2005 budget gap.
Michigan	Strategies to address the anticipated budget gap are under consideration. Included in the enacted fiscal 2004 budget are the following strategies to address a revenue shortfall that existed prior to the enactment of budget bills: continuation of most fiscal 2003 strategies; full-year effect of Executive Order spending reductions; employee concessions; closing tax loopholes; refinancing debt; federal Medicaid waivers; higher education reductions; information technology reductions; and use of unrestricted federal aid.
Missouri	A review of agency budgets was conducted to reduce administrative costs and program spending. Total general revenue cost reduction of \$30.4 million related to these efforts. In addition, elementary and secondary education spending was reduced by \$190million and higher education spending was reduced by \$20 million.
New York	The Legislature enacted, over the Governor's vetoes, a budget that was \$900 million out of balance, but extraordinary Federal aid authorized shortly after enactment is expected to be sufficient to eliminate the potential shortfall.
Rhode Island	Other strategies reflect continuing a hiring freeze.

TABLE A-7

Number of Filled Full-Time Equivalent Positions at the End of Fiscal 2002 to Fiscal 2004, in All Funds**

<i>Region and State</i>	<i>Fiscal 2002</i>	<i>Fiscal 2003</i>	<i>Fiscal 2004</i>	<i>Percent Change, 2002-2003</i>	<i>Percent Change, 2003-2004</i>	<i>Includes Higher Education Faculty</i>	<i>State- Administered Welfare System</i>
NEW ENGLAND							
Connecticut	40,875	36,352	41,884	-11.07%	15.22%		X
Maine	14,724	14,602	14,418	-0.83%	-1.26%		
Massachusetts	67,755	65,825	N/A	-2.85%	N/A	X	X
New Hampshire	12,000	12,000	12,000	0.00%	0.00%		
Rhode Island	15,856	15,401	15,289	-2.87%	-0.73%	X	X
Vermont	7,671	7,738	7,862	0.87%	1.60%		X
MID-ATLANTIC							
Delaware	17,604	17,738	17,551	0.76%	-1.06%	X	X
Maryland	82,087	80,816	78,448	-1.55%	-2.93%	X	X
New Jersey	74,675	74,132	74,205	-0.73%	0.10%		
New York*	195,600	190,800	186,100	-2.45%	-2.46%	X	
Pennsylvania*	86,197	86,130	84,352	-0.08%	-2.06%		X
GREAT LAKES							
Illinois*	69,003	58,704	63,019	-14.93%	7.35%		X
Indiana	36,886	36,259	36,180	-1.70%	-0.22%		X
Michigan	53,405	51,003	50,000	-4.50%	-1.97%		X
Ohio*	59,026	58,321	58,321	-1.20%	0.00%		
Wisconsin*	77,640	77,611	67,292	-0.04%	-13.30%	X	
PLAINS							
Iowa	41,486	39,569	39,667	-4.62%	0.25%	X	X
Kansas	41,134	40,631	40,708	-1.22%	0.19%	X	X
Minnesota*	33,903	33,808	N/A	-0.28%	N/A		
Missouri*	62,402	61,703	62,523	-1.12%	1.33%		X
Nebraska	17,770	17,996	N/A	1.27%	N/A		X
North Dakota	7,454	7,341	7,675	-1.52%	4.55%		
South Dakota	12,953	12,996	13,305	0.34%	2.37%	X	
SOUTHEAST							
Alabama	38,359	38,254	N/A	-0.27%	N/A		X
Arkansas	29,778	29,661	29,978	-0.39%	1.07%		X
Florida	121,772	117,934	116,241	-3.15%	-1.44%		X
Georgia	92,557	92,402	91,759	-0.17%	-0.70%	X	X
Kentucky	38,763	38,370	36,861	-1.01%	-3.93%		
Louisiana*	86,829	88,871	47,177	2.35%	N/A	X	X
Mississippi	31,556	32,335	38,505	2.47%	19.08%		X
North Carolina	264,723	264,613	N/A	-0.04%	N/A	X	
South Carolina	64,247	61,719	61,243	-3.93%	-0.77%	X	X
Tennessee	42,300	42,800	42,500	1.18%	-0.70%		X
Virginia	109,513	109,670	109,495	0.14%	-0.16%	X	
West Virginia	33,412	33,869	33,850	1.37%	-0.06%	X	X
SOUTHWEST							
Arizona	50,529	49,147	48,475	-2.73%	-1.37%	X	X
New Mexico	18,752	19,270	19,413	2.76%	0.74%		X
Oklahoma	37,179	37,359	35,117	0.48%	-6.00%		X
Texas	223,375	231,365	226,630	3.58%	-2.05%	X	X
ROCKY MOUNTAIN							
Colorado	25,675	25,893	26,609	0.85%	2.77%		
Idaho	17,504	17,174	17,087	-1.89%	-0.51%	X	X
Montana	11,160	11,266	11,262	0.95%	-0.04%		X
Utah	20,848	20,361	19,968	-2.34%	-1.93%		X
Wyoming	N/A	N/A	N/A	N/A	N/A		
FAR WEST							
Alaska	18,808	19,362	19,348	2.95%	-0.07%	X	X
California	325,762	327,744	311,899	0.61%	-4.83%	X	X
Hawaii*	43,703	43,620	44,403	-0.19%	1.80%	X	X
Nevada*	15,892	16,033	16,085	0.88%	0.33%		X
Oregon	47,119	47,113	47,067	-0.01%	-0.10%	X	X
Washington	103,818	104,127	101,624	0.30%	-2.40%	X	X
Total***	2,571,059	2,546,696	2,476,217	-0.9%	-2.8%		

NOTES: N/A indicates data are not available. *See Notes to Table A-7. **Unless otherwise noted, fiscal 2002 reflects actual figures, fiscal 2003 reflects preliminary actuals and fiscal 2004 reflects appropriated figures. ***Totals exclude states that were not able to provide data for all three years.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-7

Arkansas	Figures do not include institutions of higher education. The Fiscal 2004 figure is the projected full-time equivalent level at the end of the fiscal year.
Hawaii	Position totals reflect appropriated amounts.
Illinois	Only includes agencies under the Governor.
Louisiana	The fiscal 2004 appropriated figure does not include higher education faculty.
Minnesota	Totals do not include the Legislature nor higher education institutions. Minnesota does not have complement control.
Missouri	Figures include overtime payments and leave payoffs due to separation from state service.
Nevada	The full-time equivalent (FTE) count of employees excludes employees of the following types: non-classified, board/commission, seasonal, temporary, university, the courts, intermittent, special project, trade union, expired and elected positions. For fiscal 2004 Appropriated, we do not have information on positions that have not been entered into the Human Resources Data Warehouse System (e.g., new positions effective October 1, January 1, etc.).
New York	State employees are counted as full-time equivalent employees funded from all funds including part-time and temporary employees but excluding seasonal, legislative and judicial employees.
Ohio	Fiscal 2002 FTEs includes 58,143 full-time permanent employees and 1,767 part-time permanent employees. Fiscal 2003 FTEs includes 57,425 full-time permanent employees and 1,791 part-time permanent employees. Fiscal 2004 Appropriated FTEs is the same as fiscal 2003. However, because of actual budget amounts to agencies, the exact number of employees will very likely be less than fiscal 2003 amounts. At this time, it is too early to know by how many.
Pennsylvania	Figures reflect total authorized salaried positions on a full-time equivalent basis.
Wisconsin	Fiscal 2002 and 2003 reflect the actual head count of all employment categories. Fiscal 2004 reflects budgeted permanent and project FTEs.

TABLE A-8

State Employment Compensation Changes, Fiscal 2004

<i>Region/State</i>	<i>Across-the-Board</i>	<i>Merit</i>	<i>Other</i>	<i>Notes</i>
NEW ENGLAND				
Connecticut	3.0	---	---	State employees with approved contracts will also receive an annual increase, however, the administration's position is that unsettled units would have their wages frozen for fiscal 2004. Approximately 39 percent of the unions (excluding education units) are unsettled for fiscal 2004.
Maine	0.0	0.0	---	Merit increases, regardless of funding source, may not be awarded, authorized or implemented unless these savings are replaced by other Personal Services savings.
Massachusetts	---	---	---	---
Rhode Island	0.0	0.0	2.0	Estimated costs for step and longevity increases which are unique to each employee and not exercised in every year for each employee.
Vermont	1.5	---	2.0	A 1.5 percent cost of living adjustment (COLA). Also, per the state employee contract, about 56 percent of employees receive annual step increases worth in aggregate about 2 percent of statewide salary costs.
MID-ATLANTIC				
Delaware	0.0	0.0	---	Longevity step increases for all of Public Education and for Delaware Technical and Community College were funded in the budget. Also, collective bargaining agreements with those unions that bargain wages were funded.
New Jersey	*	*	*	Across-the-board increases for State Police Unions of 4 percent (effective July 2003); Judiciary Unions of 2 percent (effective July, 2003) and 2.5 percent in July, 2004; and Judiciary Unions Salary Progression of 4.15 percent effective January 2004 (judges secretaries get 4.75 percent). Estimated step increases for classified employees is approximately 4 percent.
New York	0.0	0.0	0.0	There is a step increase within each pay grade until reaching a salary threshold. Collective bargaining agreements with most of the State's employee unions expired on March 31, 2003. New bargaining negotiations continue at this time. A step increase in fiscal 2004 will not be given to non-unionized employees (approximately 7 percent of the State workforce).
Pennsylvania	0.0	0.0	0.0	Due to fiscal constraints, the collective bargaining agreement impacting the largest number of state employees, which became effective July 1, 2003, does not provide for any salary increase in fiscal 2004.
GREAT LAKES				
Illinois	*	0.0	---	Union employees receive COLA of approx 4 percent per collective bargaining contract. Non-union held flat and have begun contributing 4 percent of salary to pension system.
Indiana	2.0	---	*	Effective January 1, 2004, employees will receive either a 2 percent or a \$.25/hour (whichever is higher) across-the-board increase. *An annual flat-rate increase of \$884 to offset projected increases to employee healthcare costs will also be provided.
Michigan	3.0	---	---	Across-the-board increase is offset by employee concessions, resulting in an average 4.1 percent reduction in state employee compensation. In addition, the Governor has directed pay-for-performance awards be suspended during fiscal 2004 for state employees, excluding employees of the Department of State and Office of Attorney General which are not under the Governor's management control.
Wisconsin	---	---	---	No increase awarded to non-represented employees for fiscal 2004; fiscal 2004 collective bargaining agreements are not yet finalized.

TABLE A-8 (continued)

State Employment Compensation Changes, Fiscal 2004

Region/State	Across-the-Board	Merit	Other	Notes
PLAINS				
Iowa	2.0	4.0	---	The percentage of merit increases is the annualized percentage. Merit increases are provided to eligible employees on their annual review date.
Kansas	1.5	---	---	Effective in 4th biweekly pay period out of 26 for fiscal 2004.
Minnesota	0	0	0-2.75	Two-year agreements with the two largest bargaining units have been negotiated but not yet ratified. No general increases. A projected 9 percent increase in health care insurance in calendar 2004 is offset by a negotiated increase in employees' share. There will be a net 2% reduction in the state's contribution. About 50 percent of employees are eligible for a step increase at an average of 3.1 percent.
Missouri	---	---	---	Non-statutory employees earning less than \$40,000 received a \$600 annual increase.
Nebraska	1.5	---	---	Salary increase effective July 1, 2003
North Dakota	1.0	---	---	The increase is unfunded and will be provided only to the extent possible with savings generated by state agency actions to permanently eliminate state employee positions.
South Dakota	2.0	---	2.5	Other represents the movement to job worth for employees who are under the midpoint of their job classification.
SOUTHEAST				
Alabama	0.0	*	*	The Administration froze merit raises effective April 1, 2003. Longevity Pay ranges from \$300 to \$600 annually based on the employees length of state service.
Arkansas	2.6	Up to 8	---	By law, merit increases allows up to 8 percent bonus upon recommendation of supervisor/director.
Florida	2.0	*	*	The 2.0 percent across-the-board pay increase is effective December 1, 2003. This includes a minimum increase of \$500 and is not to exceed a maximum annualized adjustment of \$1,400. In addition, employees earning greater than \$70,000 annually receive an increase of \$1,400 rather than the 2 percent increase. Pay increases for fiscal 2003-2004 include pay increases for Graduate Assistants, Professional Health Care, State University System, and Select Exempt Service (SES) Physician CBU Lump Sum, and SES Supervisory Non-professional (\$145,874,297); FDLE Performance Based Compensation Plan (\$1,823,494); FDLE Sworn Structured Retention and Recruitment Plan (\$1,125,960); and Judicial Assistants in Certain Circuits and County Courts (\$283,071). In addition, the General Appropriations Act allows each agency head the discretion to grant nonrecurring lump sum performance bonuses for employees in order to recruit, retain and reward quality personnel. The aggregate amount cannot exceed 0.25 percent of the agency's initial approved salary rate for the fiscal year. Agencies are required to submit plans for awarding bonuses to the Governor's Office of Policy and Budget for review and approval prior to bonus payments being made.
Georgia	0.0	0.0	0.0	---
Kentucky	2.7	---	---	The actual policy provides an annualized salary increment of \$1,080 to each employee. On average, this amount represents approximately 2.7 percent.
Louisiana	0.0	4.0	0.0	If the employee receives a satisfactory rating and has not reached the maximum pay scale according to their classification, then they receive the 4 percent merit increase.
North Carolina	---	---	1.8	Teachers and Instructional Support will receive 1.8 percent average pay increase, Principals and Assistant Principals, 1.9 percent average pay increase. Community College System faculty and professional staff will receive a one half percent salary increase. All other state employees will receive a one-time \$550 bonus.
South Carolina	0.0	0.0	0.0	---
Tennessee	0.0	0.0	0.0	No appropriation.
Virginia	---	2.3	---	A 2.25 percent increase granted to all employees who, on their latest performance evaluation, attained a least a "contributor" status. Increase effective November 25, 2003.
West Virginia	---	---	---	No general salary increase.

TABLE A-8 (continued)

State Employment Compensation Changes, Fiscal 2004

<i>Region/State</i>	<i>Across-the-Board</i>	<i>Merit</i>	<i>Other</i>	<i>Notes</i>
SOUTHWEST				
Arizona	---	---	---	
New Mexico	---	3.0	---	---
Oklahoma	0.0	0.0	0.0	There were no changes to the employee compensation packages for fiscal 2004.
Texas	0.0	---	---	---
ROCKY MOUNTAIN				
Colorado	0.0	0.0	0.0	No salary or performance pay increases were granted to state employees for fiscal 2003-2004.
Idaho	0.0	0.0	0.0	For the second year in a row no funds were provided for salary increases.
Montana	0.0	0.0	0.0	Employer contribution to health insurance increased \$44/ month.
Utah	0.0	0.0	0.0	While no salary increases were approved for fiscal 2004 the state did fund several benefit increases as follows: 11.5 percent retirement contribution rates, 8.5 percent health insurance premiums, 3.0 percent dental insurance premiums, and an extra 8 hour day. These benefit increases for state employees only were funded with \$13.5 million in state funds. (Plus \$33.5 million in state funds were provided to public and higher education for comparable adjustments).
FAR WEST				
Alaska	---	3.0	*	Seventy-five dollars per month, per employee, to help offset increased health insurance premiums. Most receive merit increase on their anniversary date.
California	0.0	0.0	0.0	On average, represented state employees were to receive a 5 percent general salary increase in 2003-2004. However, the State is negotiating with all 21 of its bargaining units to suspend these increases.
Hawaii	---	---	---	Only nurses and firefighters received increases in fiscal 2004. Nurses received other increases of 4.2 percent; firefighters received an across-the-board increase of 1.5 percent and other increases of 3.87 percent.
Nevada	0.0	0.0	0.0	Standard merit increase is 2.5 percent. This stayed the same for fiscal 2004. Longevity payments increased by \$50 per year for employees with over 15 years of service but less than 25 years. Employees with 25 plus years of service get an increase of \$150 per year.
Oregon	0.0	0.0	0.0	State employee salaries were frozen for the entire 2003-2005 biennium to help offset the budget gap.
Washington	0.0	0.0	0.0	---

TABLE A-9

Fiscal 2003 Tax Collections Compared with Projections Used in Adopting Fiscal 2003 Budgets (Millions)**

Region and State	Sales Tax		Personal Income Tax		Corporate Income Tax		Total
	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Revenue Collection***
NEW ENGLAND							
Connecticut	\$3,141	\$3,039	\$4,553	\$4,267	\$ 470	\$ 510	L
Maine	862	858	1,064	1,072	88	91	H
Massachusetts	3,763	3,708	8,446	8,026	636	799	H
New Hampshire	N/A	N/A	N/A	N/A	288	235	T
Rhode Island	778	N/A	809	N/A	64	N/A	T
Vermont	220	219	408	411	23	35	T
MID-ATLANTIC							
Delaware	N/A	N/A	739	710	57	66	H
Maryland	2,731	2,697	5,059	4,704	302	288	L
New Jersey	6,172	5,945	7,298	6,800	1,882	2,573	T
New York	6,356	6,328	23,342	21,006	1,728	1,407	L
Pennsylvania	7,532	7,520	7,396	7,106	1,598	1,397	L
GREAT LAKES							
Illinois	6,430	6,059	7,840	7,341	830	738	L
Indiana	4,065	4,172	4,290	3,644	941	729	L
Michigan*	6,800	6,417	6,399	5,815	1,864	1,843	L
Ohio	6,520	6,398	8,735	7,421	1,030	747	L
Wisconsin	3,830	3,738	5,311	5,052	535	527	T
PLAINS							
Iowa	1,459	1,450	2,371	2,418	203	237	L
Kansas	4,185	4,142	1,780	1,750	105	105	L
Minnesota	3,935	3,937	5,507	5,372	529	589	H
Missouri	1,769	1,738	3,868	3,597	256	163	L
Nebraska	1,040	1,029	1,339	1,130	134	111	L
North Dakota	398	391	232	199	52	47	L
South Dakota	483	476	N/A	N/A	N/A	N/A	H
SOUTHEAST							
Alabama	1,346	1,305	2,124	2,022	107	165	T
Arkansas	1,769	1,787	1,576	1,658	163	189	L
Florida	14,958	14,496	N/A	N/A	978	1,228	H
Georgia	4,845	4,397	7,668	7,252	N/A	N/A	L
Kentucky	2,402	2,364	2,837	2,746	250	153	L
Louisiana	2,364	2,262	1,969	1,867	428	386	T
Mississippi	1,437	1,433	1,141	1,020	261	289	L
North Carolina	4,017	3,923	7,270	7,089	823	841	L
South Carolina	2,168	2,042	2,307	1,859	168	101	L
Tennessee	5,426	5,430	152	116	1,017	1,045	L
Virginia	2,373	2,336	7,480	6,776	362	343	T
West Virginia	907	895	1,089	1,056	75	86	L
SOUTHWEST							
Arizona	3,010	3,034	2,070	2,100	310	389	H
New Mexico	1,378	1,368	1,005	923	153	102	L
Oklahoma	1,543	1,404	2,491	2,110	170	104	L
Texas	15,520	14,233	N/A	N/A	N/A	N/A	H
ROCKY MOUNTAIN							
Colorado	2,044	1,840	4,008	3,123	192	225	L
Idaho	683	700	997	838	102	93	L
Montana	N/A	N/A	593	536	83	44	L
Utah	1,494	1,444	1,882	1,576	105	152	L
Wyoming	292	301	N/A	N/A	N/A	N/A	T
FAR WEST							
Alaska	N/A	N/A	N/A	N/A	240	210	L
California	22,958	22,330	37,626	32,442	7,327	6,700	L
Hawaii	1,755	1,784	1,199	1,038	71	8	H
Nevada	707	680	N/A	N/A	N/A	N/A	L
Oregon	N/A	N/A	5,025	4,022	450	225	L
Washington	5,994	5,944	N/A	N/A	N/A	N/A	T
Total	\$173,079	\$167,993	\$197,745	\$180,007	\$27,326	\$26,317	-

NOTES: N/A 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 2003 budget was adopted, and current estimates reflect preliminary actual tax collections.

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

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-9

Michigan	The original fiscal 2003 budget has been modified, is based on the May 2003 consensus estimates, and is net of all enacted tax changes. Tax estimates represent total tax collections. Sales tax collections are for the Michigan sales tax only and do not include collections from Michigan use tax. Michigan does not have a corporate income tax; estimates reflect Michigan's Single Business Tax. Fiscal 2003 revenues are coming in lower than the May 2003 consensus revenue estimates; final revenue figures will be released at the next regularly scheduled consensus revenue conference in January 2004.
Minnesota	Fiscal 2003 receipts higher than projected due to receipt of \$84 million in federal flexible assistance grants.
Texas	The original sales tax estimate of \$15,520 was reduced in January 2003 to \$14,541. Actual 2003 sales tax collections were lower than estimates, but total revenues were higher than estimates.

TABLE A-10

Fiscal 2003 Tax Collections Compared with Projections Used in Adopting Fiscal 2004 Budgets (Millions)**

Region and State	Sales Tax		Personal Income Tax		Corporate Income Tax	
	Fiscal 2003	Fiscal 2004	Fiscal 2003	Fiscal 2004	Fiscal 2003	Fiscal 2004
NEW ENGLAND						
Connecticut	\$3,039	\$3,092	\$4,267	\$4,476	\$ 510	\$ 608
Maine	858	899	1,072	1,133	91	95
Massachusetts	3,708	3,691	8,026	7,965	799	885
New Hampshire	N/A	N/A	N/A	N/A	235	247
Rhode Island	N/A	812	N/A	853	N/A	65
Vermont	219	228	411	426	35	28
MID-ATLANTIC						
Delaware	N/A	N/A	710	740	66	66
Maryland	2,697	2,827	4,704	5,003	288	330
New Jersey	5,945	6,165	6,800	7,130	2,573	2,186
New York*	6,328	7,285	21,006	21,410	1,407	1,450
Pennsylvania	7,520	N/A	7,106	N/A	1,397	N/A
GREAT LAKES						
Illinois	6,059	6,280	7,341	7,277	738	800
Indiana	4,172	4,883	3,644	3,839	729	559
Michigan*	6,417	6,653	5,815	5,772	1,843	1,905
Ohio	6,398	7,634	7,421	7,602	747	793
Wisconsin	3,738	3,910	5,052	5,410	527	540
PLAINS						
Iowa	1,450	1,450	2,418	2,515	237	247
Kansas	4,142	4,321	1,750	1,845	105	105
Minnesota	3,937	4,075	5,372	5,798	589	625
Missouri	1,738	1,762	3,597	3,599	163	96
Nebraska	1,029	1,307	1,130	1,142	111	120
North Dakota	391	383	199	213	47	46
South Dakota	476	492	N/A	N/A	N/A	N/A
SOUTHEAST						
Alabama	1,305	1,316	2,022	2,079	165	155
Arkansas	1,787	1,862	1,658	1,732	189	199
Florida	14,496	15,208	N/A	N/A	1,228	1,246
Georgia	4,397	4,767	7,252	7,854	N/A	N/A
Kentucky	2,364	2,473	2,746	2,983	153	274
Louisiana	2,262	2,082	1,867	2,188	386	373
Mississippi	1,433	1,523	1,020	1,032	289	305
North Carolina	3,923	4,057	7,089	7,427	841	712
South Carolina	2,042	2,170	1,859	1,965	101	107
Tennessee	5,430	5,610	116	121	1,045	1,069
Virginia	2,336	2,460	6,776	7,212	343	316
West Virginia*	895	937	1,056	1,091	86	168
SOUTHWEST						
Arizona	3,034	3,150	2,100	2,150	389	320
New Mexico	1,368	1,404	923	1,047	102	135
Oklahoma	1,404	1,440	2,110	2,286	104	111
Texas	14,233	14,736	N/A	N/A	N/A	N/A
ROCKY MOUNTAIN						
Colorado	1,840	1,928	3,123	3,510	225	172
Idaho	700	858	838	934	93	92
Montana	N/A	N/A	536	558	44	65
Utah	1,444	1,483	1,576	1,654	152	137
Wyoming	301	321	N/A	N/A	N/A	N/A
FAR WEST						
Alaska	N/A	N/A	N/A	N/A	210	250
California	22,330	23,518	32,442	33,596	6,700	7,035
Hawaii	1,784	1,831	1,038	1,153	8	19
Nevada	680	709	N/A	N/A	N/A	N/A
Oregon	N/A	N/A	4,022	4,508	225	255
Washington	5,944	6,188	N/A	N/A	N/A	N/A
Total***	\$160,473	\$170,177	\$172,901	\$181,226	\$24,921	\$25,310

NOTES: N/A indicates data are not available since, in most cases, these states do not have this type of tax.

*See Note to Table A-10.

**Unless otherwise noted, fiscal 2003 figures reflect preliminary actual tax collection estimates as shown in Table A-9, and fiscal 2004 figures reflect the estimates used in enacted budgets.

***Pennsylvania was not able to provide data for fiscal 2004 and has been excluded from the total for comparative purposes.

SOURCE: National Association of State Budget Officers.

NOTE TO TABLE A-10

Michigan	The fiscal 2004 Executive Budget has been modified, is based on the May 2003 consensus estimates, and is net of all enacted tax changes. Tax estimates represent total tax collections. Sales tax collections are for the Michigan sales tax only and do not include collections from Michigan use tax. Michigan does not have a corporate income tax; estimates are for Michigan's Single Business Tax. Fiscal 2004 revenues are on target with the May 2003 consensus revenue estimates; updated fiscal 2004 revenue figures will be released at the next regularly scheduled consensus revenue conference in January 2004.
New York	Reported Personal Income Tax collections include personal income tax receipts that flow through the revenue bond tax fund to the General Fund.
West Virginia	Beginning in fiscal 2004, corporate income tax collections figures reflect the corporate income tax and the business franchise tax combined.

TABLE A-11

Enacted Revenue Changes by Type of Revenue, Fiscal 2004

<i>State</i>	<i>Tax Change Description</i>	<i>Effective Date</i>	<i>Fiscal 2004 Revenue Changes (\$ in Millions)</i>
SALES TAXES			
Connecticut	Eliminates the hospital sales tax.	7/03	-115.7
	Reduces the clothing exemption to \$50.	7/03	33.6
	Reflects sales tax on health and athletic club services.	7/03	7.5
Idaho	Increases the sales tax from 5 percent to 6 percent for 26 months.	5/03	160
Illinois	Reflects closing of tax loopholes.	7/03	79
Kentucky	Subjects the furnishing of natural gas distribution services or natural gas transmission or transportation services to sales and use tax.	6/03	6
Michigan	Exempts property brought into the state from use tax.	1/04	-1.7
Minnesota	Reflects job opportunity tax free zones.	7/03	-1.4
Nebraska	Expands the tax base to additional services.	10/03	24.5
New Mexico	Reflects an enhanced revenue compliance program and miscellaneous tax cuts design to stimulate economic growth.	7/03	26.2
New York	Limits the sales tax exemption for clothing to two one-week exempt periods.	6/03	449.0
	Increases the sales tax rate.	6/03	451.0
	Reflects an increase boat registration fees.	9/03	1.3
	Includes the New York City cigarette excise tax in the state's sales tax base.	9/03	7.0
	Reflects changes related to license plate charges.	7/03	16.3
	Reflects an increase in certificate of vehicle sale fees.	7/03	9.0
	Reflects an increase in original motor vehicle title fees.	7/03	11.0
North Carolina	Reflects conformity with Streamlined Sales Tax provisions regarding soft drinks, prepared food, and modified software.	7/03	44.1
	Taxes soft drinks in vending machines at 50 percent of the general sales tax rate.	7/03	9.1
Ohio	Increases the sales tax from 5 percent to 6 percent from July 1, 2003 to June 30, 2005.	7/03	1160
	Extends the sales and use tax base to a wider group of services.	8/03	59.2
	Repeals existing exemptions from the sales tax of WATS/800 service, tangible personal property used in reclamation, and vehicles used in carpooling.	7/03	60.8
	Expands the exemptions for prescription drugs and medical equipment in accordance with the Streamlined Sales Tax definitions.	7/03	-7.2
	Temporarily increases the vendor discount from 0.75 percent to 0.9 percent.	7/03	-18.3
	Increases the threshold for required remittance of sales taxes by electronic funds transfer and accelerated remittance of sales tax.	7/03	-3.8
	Caps the sales tax on the fractional shares of aircraft and exempts the sales of parts and services used to maintain aircraft with fractional ownership.	7/03	-4.3
	The taxation of local telephone companies has been changed. Such companies no longer are subject to the public utility excise tax, but rather the corporation franchise tax and the municipal income tax. The telecommunication services that are provided are now taxable under the sales tax. This tax change will provide a net increase in fiscal 2004 revenue but will have an offsetting revenue reduction in fiscal 2005 with a \$114 million decrease in the public utilities tax.	7/03	62.7
Rhode Island	Reflects additional sales tax revenue generated by an increase in the cigarette tax.		1.1
South Dakota	Broadens the sales tax to include interstate telephone services.	3/03	2
	Imposes a 4 percent tax on telecommunications services gross receipts.	7/03	3.3
Utah	Eliminates the exemption on cable and satellite television service.	7/03	14
Vermont	Reflects a sales tax increase, with revenue to the General Fund in fiscal 2004 and to the Education fund in future years (offset by a reduction in the local property tax).	10/03	27.5

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2004

<i>State</i>	<i>Tax Change Description</i>	<i>Effective Date</i>	<i>Fiscal 2004 Revenue Changes (\$ in Millions)</i>
SALES TAXES (continued)			
Washington	Adopts definitions of sales price, food and medical devices reflecting streamlined sales tax. For taxation purposes, this means that bottled water, which will be classified as food, will no longer be subject to retail sales tax. Also, beverages with natural or artificial sweeteners and beverages containing less than 50 percent vegetable or fruit juice will be considered soft drinks and taxed. Eyeglass frames purchased with prescription lenses are currently taxed but will be exempt under the Streamlined Sales Tax Project's agreement's definition of prosthetic devices. Purchases of some orthotic items such as slings, as well as repair parts for orthotic devices, will no longer be taxed.	1/04 and 7/04	1.6
West Virginia	Reflects a three-day sales tax holiday and other changes.	7/03	-4.7
Total Revenue Changes—Sales Taxes			\$2,569.7
PERSONAL INCOME TAXES			
Arkansas	Reflects a temporary 3 percent surcharge on tax liabilities, other federal changes, and certain retirement provisions.	1/02	36.8
	Reflects federal changes regarding retirement provisions.	1/03	-3.0
	Reflects personal income tax technical corrections to comply with federal changes.	1/03	-1.1
	Reflecting federal changes, repeals the state income tax credit (working taxpayer credit).	1/03	18.6
Connecticut	Increases the income tax rate to 5 percent from 4.5 percent.	7/03	428.3
	Reduces the property tax credit to \$350 from \$500.	1/03	100.0
	Phases-out the remaining \$100 property tax credit.	7/03	12.0
Hawaii	Extends the energy credit until November 2008.	6/03	-4.0
Kentucky	Eliminates the deduction for taxes paid to foreign countries.	1/03	3.5
Michigan	Closes individual income tax loopholes.	10/03	16.2
	Reflects a previously enacted cut in rates from 4 percent to 3.9 percent.	1/04	115.2
Montana	Revises the endowed philanthropy credit.	7/03	1.4
New Mexico	Reflects a tax cut, which is off-set by an enhanced revenue collection program and a change in the definition of resident.	7/03	-0.2
New York	Increases limited liability company filing fees.	1/03	26.0
	Temporarily increases the personal income tax.	1/03	1,400.0
North Carolina	Reflects conformity with the federal definition of a child for the state child care credit.	7/03	16.8
	Restores the use tax line on individual income tax returns.	7/03	3.1
Oregon	Reflects surcharge/law changes.	1/03	299.0
West Virginia	Reflects federal changes.	1/03	-9
Wisconsin	Reflects Internal Revenue Code conformity.	1/03	1.8
Total Revenue Changes—Personal Income Taxes			\$2,461.4

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2004

<i>State</i>	<i>Tax Change Description</i>	<i>Effective Date</i>	<i>Fiscal 2004 Revenue Changes (\$ in Millions)</i>
CORPORATE INCOME TAXES			
Arkansas	Reflects a temporary 3 percent surcharge on tax liabilities.	1/03	3.2
Connecticut	Reflects a preference tax and interest addback.		40.0
	Imposes a 20 percent surcharge in income year 2003.		24.6
	Imposes a 25 percent surcharge in income year 2004.		50.0
Florida	Increases the credit for contributions to non-profit scholarship organizations.	7/03	-46.9
Illinois	Reflects closing tax loopholes.	7/03	53.0
Michigan	Closes single business tax loopholes.	10/03	2.0
Massachusetts	Reflects loophole closing.	3/03	174.0
New York	Increases insurance premiums.	1/03	174.6
	Reflects conformity to federal bonus depreciation.	6/03	58.0
Ohio	Changes the corporate franchise tax to include an increase in the minimum tax from \$50 to \$1000 for corporations with more than 300 employees or sales over \$5 million per year.	7/03	1.5
	Changes the corporate franchise tax to include the adoption of the Uniform Division of Income for Tax Purposes Act method of allocating and apportioning the income of multi-state corporations.	7/03	22.7
Oregon	Reflects a credit reduction and graduated tax.	1/03	69.0
Rhode Island	Increases the sales factor from one-third to 40 percent in the manufacturers' multistate apportionment formula.	1/04	-1.7
West Virginia	Reflects federal changes.	1/03	-23
Total Revenue Changes—Corporate Income Taxes			\$601.0

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2004

<i>State</i>	<i>Tax Change Description</i>	<i>Effective Date</i>	<i>Fiscal 2004 Revenue Changes (\$ in Millions)</i>
CIGARETTE AND TOBACCO TAXES			
Alaska	Reflects the tobacco tax stamp.	1/04	1.7
Arkansas	Increases the cigarette tax by 25 cents per pack and adds a 7 percent per pack excise tax.	6/03	54.8
Connecticut	Increases the tax per pack to \$1.51.	7/03	73.5
Delaware	Increases the tax from 24 cents to 55 cents per pack.	7/03	28.9
Georgia	Reflects an increase in the tobacco tax.	4/03	180
Idaho	Increases the cigarette tax from 27 cents to 57 per pack for 24 months.	7/03	26
Minnesota	Repeals the cigarette stamp/tobacco discount.	7/03	1.5
Montana	Increases the tax from 18 cents to 70 cents per pack.	5/03	28.7
Nevada	Increases the per pack tax by 45 cents.	7/03	63.3
New Jersey	Increases the tax per pack by 55 cents.	7/03	177
New Mexico	Increases the cigarette tax by 70 cents per pack.	7/03	30.6
North Carolina	Discontinues discounts to distributors and wholesalers.	7/03	1.7
Rhode Island	Increases the cigarette tax by 39 cents per pack and eliminates scheduled outyear increases.	7/03	14.4
South Dakota	Increases the cigarette tax from 33 cents to 53 cents per pack.	3/03	9
West Virginia	Increases the rate per pack from 17 cents to 55 cents.	5/03	60
Total Revenue Changes—Cigarette and Tobacco Taxes			\$751.1
ALCOHOLIC BEVERAGES			
Illinois	Reflects license fee and compliance reports.	7/03	24
Nebraska	Increases the rate for liquor, wine and beer.	7/03	4.9
Nevada	Increases alcoholic beverages taxes by 75 percent.	8/03	13.9
North Carolina	Discontinues discounts to distributors and wholesalers.	7/03	3.7
Total Revenue Changes—Alcoholic Beverages			\$46.5
MOTOR FUELS TAXES			
Illinois	Reduces the retailers' discount.	7/03	3
Ohio	The state motor fuel tax is increased by 2 cents per gallon from 22 cents on July 1, 2003, July 1, 2004, and July 1, 2005, contingent upon certain conditions related to Ohio's share of federal motor fuel excise tax revenues. These funds are deposited to a constitutionally earmarked fund.	7/03	129.9
Total Revenue Changes—Motor Fuel Taxes			\$132.9

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2004

<i>State</i>	<i>Tax Change Description</i>	<i>Effective Date</i>	<i>Fiscal 2004 Revenue Changes (\$ in Millions)</i>
OTHER TAXES			
Alaska	Reflects the passenger vehicle rental tax.	1/04	1.0
Connecticut	Imposes a 5 percent tax on satellite television providers subscriber services.		2.5
	Limits tax credits to no more than 70 percent of the Insurance Premiums Tax.		2.5
	Closes loopholes in the controlling interest tax.		5.0
	Reflects increases in corporate franchise taxes, limited partnerships, and limited liability corporation fees.	1/03	123.0
Florida	Allows a salary credit for service companies.	7/03	-3.1
Illinois	Reflects decoupling from the federal estate tax, natural gas taxation, and increasing the tax on riverboat gaming.	7/03	255.0
Kentucky	Reflects pari-mutuel excise tax credits for horse racing tracks	7/03	-1.5
Minnesota	Reflects a nursing home surcharge.	7/03	94.1
Montana	Increases the accommodations tax by 3 percent.		8.8
	Creates a new rental vehicle tax.		2.2
	Mitigates the effect of cyclical property reappraisal.		1.9
	Imposes a 0.7 percent tax on gross wages paid, which lowers to 0.65 percent on July 1, 2004, with a deduction for employers who offer health insurance.	10/03	
Nevada	Repeals and replaces the quarterly business tax of \$25/employee (\$100/year).	10/03	-60.9
	Imposes a 2 percent tax on gross wages paid by financial institutions, with a deduction for employers offering health insurance, plus a \$7,000 annual excise tax for each bank branch office in Nevada in excess of one.	10/03 & 11/03	16.8
	Increases the gross gaming revenue tax rate by 0.5 percent for non-restricted licenses	8/03	41.0
	Increases the fee for operation of slot machines in restricted locations by 33 percent.	7/03	2.3
	Imposes a 10 percent tax on admission charges If maximum seating is less than 7,500, and a 10 percent tax on food, refreshments and merchandise.	1/04	41.5
	Imposes a 5 percent on admission charges if maximum seating is 7,500 or more. Exemptions include non-gaming establishments with maximum seating less than 300; gaming establishments with maximum seating less than 300 and with fewer than 51 slot machines, six games, or any combination within those limits; non-profit organizations; boxing matches; private events; and accessory entertainment in venues such as trade shows or shopping malls.		
	Imposes a state tax of \$1.30 per \$500 of value on transfer of real property. In counties already with a real property transfer tax, the increase goes to the state, 10/03	51.4	
	Reduces collection discounts granted to retailers and wholesalers to offset the costs of collection of certain taxes and increases fees for certain tax permits.	7/03 & 8/03	14.8
	Creates a 7 percent hotel and motel occupancy tax.	8/03	111.0
	Reflects a 4.25 percent tax at casinos on complimentary hotel rooms, food, beverages, and entertainment; a \$1 increase in casino hotel parking fees; a \$3 per day fee on each hotel room occupied by a guest in a casino hotel; an 8 percent gross revenue tax on companies that administer and service multi-progressive slot machine systems; and a 7.5 percent tax on the adjusted net income of casino licensees.	7/03	90.0
New Jersey	Reflects a graduated supplemental fee on realty transfers.	7/03	55.0
	Imposes a 6 percent state fee on retail sellers of advertising space on outdoor advertising signs.	7/03	24.0
	Reflects miscellaneous other departmental fee changes.	7/03	24.0
	Reflects a Universal Service Fund rate increase in the societal benefit charge on utilities.	7/03	72.0

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2004

<i>State</i>	<i>Tax Change Description</i>	<i>Effective Date</i>	<i>Fiscal 2004 Revenue Changes (\$ in Millions)</i>
OTHER TAXES (continued)			
New Mexico	Reflects an increase in the insurance premium tax.	7/03	31.4
New York	Imposing interest assessments on employer unemployment insurance taxes.	4/03	22.0
North Carolina	Reflects the insurance tax rate on Article 65 corporations (Blue Cross).	7/03	18.6
Oklahoma	Reflects an increase in the car tag fee to support the Department of Public Safety.	9/03	5.5
Rhode Island	Expands the group home provider taxbase to include homes with three or more residents, and increases the nursing home tax to 6 percent from 3.75 percent.	5/03 & 10/03	11.3
Utah	Increases the hazardous waste and storage tax.	7/03	2.2
Vermont	Reflect a health care provider tax.	7/03	9.7
Washington	Reduces the business and occupation tax rate for manufacturers of commercial airplanes or commercial airplane components; provides for credits against the business and occupation tax for preproduction development expenditures and for investment related to computer software and hardware acquired between July 1, 1995, and July 2003, and used primarily for the digital design and development of commercial airplanes. Provides sales and use tax exemptions for computer-related purchases used primarily in the development, design, and engineering of commercial airplanes or commercial airplane components, for labor and services for installing these items, for the labor and services rendered in construction of new buildings by a manufacturer of super-efficient airplanes or by a port district for lease to a manufacturer of super-efficient airplanes, and for sales of tangible personal property that will be incorporated as an ingredient or component of the buildings during the course of the construction, and for labor and services rendered in respect to installing building fixtures during the course of construction. Allows credits by manufacturers of commercial airplanes or commercial airplane components against the business and occupation tax for property taxes paid on new buildings, on increases in assessed value due to expansion, and for machinery and equipment used in manufacturing commercial airplanes or components of such airplanes.	7/03	-12.9
West Virginia	Increases the medical malpractice premium tax credit.	1/02	-5.0
Total Revenue Changes—Other Taxes			\$1,196.8
FEES			
Alaska	Imposes a fee of 1 percent of the total contract on construction projects of \$25,000 or more.	7/03	2.5
	Increases the business license fee to \$100 per year (or \$50 per year if aged 65 or older).	7/03	4.2
	Increase most registration filing fees by \$10-\$15 and title and lien filing fees by \$5-\$10.	7/03	12.1
	Imposes a retail level fee of \$2.50 on each new studded tire sold for highway use, plus a \$5 studded tire fee.	7/03 & 7/04	2.3
California	Increases the Motor Vehicle Account, reflecting vehicle registration and driver's licenses fees.	1/04	152
Colorado	Reflects judicial fees.	7/03	2.1
Florida	Increases selected renewal fees for driver licenses and ID cards.	10/03	8.1
	Increases court fees.	7/03	2.8
	Extends the onsite sewage fee for one more year.	7/03	2.0
	Applies the 911 fee to wireless service.	7/03	10.0
Georgia	Reflects miscellaneous fees.		12.8
Illinois	Reflects commercial distribution fees and various non-consumer fees.	7/03	414.0
Indiana	Reflects miscellaneous Department of Health fees.	7/03	2.0

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2004

<i>State</i>	<i>Tax Change Description</i>	<i>Effective Date</i>	<i>Fiscal 2004 Revenue Changes (\$ in Millions)</i>
FEES (continued)			
Maine	Increases inland fish and wildlife fees.	1/04	2.5
	Reflects adjustments to judicial fine waivers.	7/03	4.4
	Reflects the criminal background check fee.	7/03	1.0
Maryland	Increases corporate filing fees and financial institution report fees from \$100 to \$300 annually, imposes the fee on Real Estate Investment Trusts, and increases other document fees.		59.4
Massachusetts	Reflects miscellaneous increases.		218.0
Michigan	Reflects licensure, application, and construction permit fees for health facilities (pending legislative action).		
	Reflects licensure, application, and registration fees for regulated occupations.	7/03	2.8
	Reflects registration and transfer fees for brokers, dealers, agents, and investment advisors.	8/03	4.4
	Reflects an annual report fee for domestic and foreign corporations registered in Michigan.	7/03	2.5
	Reflects an annual statement fee for resident agents and registered offices for domestic, foreign, and professional limited liability companies.	7/03	1.1
	Reflects a solid waste disposal fee.	10/03	2.6
	Reflects a groundwater permit fee (pending legislative action).		1.7
	Reflects the National Pollutant Discharge Elimination System Permit fee (pending legislative action).		3.0
	Reflects a stormwater discharge fee (pending legislative action).		1.2
	Reflects costs imposed on civil infractions and criminal offenses.	10/03	7.5
	Reflects civil filing and motion fees.	10/03	8.2
	Reflects state park annual and daily motor vehicle permit fees.	10/03	2.4
	Reflects Secretary of State records sales fees.	10/03	2.1
	Reflects driver license, title, registration, dealer and trailer registration fees.	8/03	178.7
	Reflects a driver responsibility fee.	8/03	65.0

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2004

<i>State</i>	<i>Tax Change Description</i>	<i>Effective Date</i>	<i>Fiscal 2004 Revenue Changes (\$ in Millions)</i>
FEES (continued)			
Minnesota	Reflects a cigarette fee on manufacturers not participating in the tobacco settlement	7/03	6.8
	Increases Human Services liscense fees.	7/03	1.2
	Reduces the Medical Assistance/General Assistance Medical Care hospital payment by 5 percent.	7/03	1.2
	Reflects refinancing of Group Residential Housing.	1/04	2.5
	Restructure parental fees.	7/03	2.1
	Increases water use fees.	7/03	1.3
	Increases motor vehicle title fees.	7/03	1.6
	Increases Supreme Court fees.	Various	39.4
	Reflects a paper filling fee on taxes.	7/03	1.2
	Reflects Personal Protection Act background checks.	7/03	1.1
Nevada	Creates \$100 annual license fee for businesses, replacing the one-time licensing fee of \$25.	7/03	22.1
	Increases or creates various fees payable to the Nevada Secretary of State by businesses and other persons.	11/03	18.9
New York	Increases vital records fees.		1.2
	Increases the industrial discharge fee.	4/03	1.0
	Increases the cap on cost recovery assessments.	4/03	15.0
	Increases fees for broker/dealer statements.	4/03	1.0
	Increases real estate fees.	4/03	2.0
	Increases property transfer fees.	4/03	9.6
	Increases criminal fines.	4/03	6.3
	Increases wagering fees.	4/03	10.6
	Increases required criminal background checks.	5/03	1.8
	Increases the fingerprinting fee.	5/03	8.7
	Raises vehicle insurance fees.	6/03	42.7
	Imposes a fee on Supreme/county courts.	6/03	6.8
	Increases the attorney registration fee.	7/03	2.8
	Increases the data search fee.	7/03	8.3
	Increases the emissions sticker fee.	7/03	12.0
	Reflects vital health programs.	7/03	20.0
	Imposes an appellate court fee.	7/03	1.0
	Increases civil courts fees.	7/03	16.5
	Imposes a stipulation of discontinuance fee.	7/03	8.6
	Imposes a surcharge on drivers license reinstatments.	9/03	9.7
	Imposes a fee on new tires sales.	10/03	13.3
	Imposes a crime victims assistance fee.	11/03	3.0
	Increases the surcharge on convictions.	11/03	11.4
	Increases parking surcharges.	11/03	12.2
	Provides needed funding to maintain vital health programs supported through the Health Care Reform Act (HCRA).	1/04	9.0
North Carolina	Increases court and business fees.	7/03	5.7
North Dakota	Reflects hunting and fishing licenses.	8/03	1.1

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2004

<i>State</i>	<i>Tax Change Description</i>	<i>Effective Date</i>	<i>Fiscal 2004 Revenue Changes (\$ in Millions)</i>
FEES (continued)			
Ohio	Increases fees for most drivers' license transactions by \$12; for most vehicle registration transactions by \$11; and for temporary tags \$5. These fees are deposited into a non-General Revenue Fund .	10/03	130.6
	Increases by 100 percent all current liquor permit fees of \$300 or less, and by 25 percent all such fees of more than \$300. The budget bill also changes the percentage distributions of revenue received from liquor permit fees to the Undivided Liquor Permit Fund, the General Revenue Fund, the Statewide Treatment and Prevention Fund, and to Local Taxing Districts.	7/03	9.1
	Increases all non-moving traffic violation court fees from \$11 per case to \$15 per case. The increased revenue will support appropriations for the Public Defender's Office to reimburse counties 33 percent of the costs of indigent defense.	7/03	8
	Beginning in fiscal 2004, creates a dedicated funding source for the Low and Moderate Income Housing Trust Fund through an increase in fees assessed by county recorders.	7/03	36.4
Oklahoma	Reflects an increase in various court filing fees.	7/03	10.0
Oregon	Reflects a corporate filing fee.	7/03	5.1
Rhode Island	Increases mutual fund filing fees.	7/03	3.4
South Dakota	Reflects miscellaneous Secretary of State fees.	7/03	0.7
Texas	Imposes a \$200 fee increase for landscape architects, interior designers, land surveyors, and property tax consultants, and increases fees for doctors and private security companies.	9/03	15.2
Utah	Increases approximately 150 miscellaneous fees.	7/03	2
Virginia	Reflects driving under the influence (DUI) and court fees.	7/03	14.3
Washington	Imposes a fee of \$6.50 per patient day on the operators of non-exempt nursing homes; patients whose care is reimbursed by Medicare are not subject to the fee. Nursing facility rates for Medicaid-paid beds (only) are adjusted for the costs of the fee. Also directs the Department of Social and Health Services (DSHS) to file a waiver request with the federal Centers for Medicare and Medicaid Services (CMS.) This request would seek exemption from the fee for state-operated facilities, public hospital districts, and facilities with no (or a disproportionately low number of) Medicaid residents (as determined by DSHS.) Includes language that the fee is terminated if determined by CMS to be disallowed under the federal Medicaid program.	7/03	37.4
Total Revenue Changes—Fees			\$1,809.5

NOTE: N/A indicates data are not available.**SOURCE:** National Association of State Budget Officers.

TABLE A-12

Enacted Revenue Measures, Fiscal 2004

<i>State</i>	<i>Description</i>	<i>Effective Date</i>	<i>Fiscal 2004 Enacted Changes (Millions)</i>
Alaska	Increases the amount of royalty taxes dedicated to the general fund by decreasing the percentage of them dedicated to the Permanent Fund from 50 percent to 25 percent.	8/03	\$54.3
California	Increases use tax collections.		\$8.2
	Increases corporate income tax collections from non-filers and participation in the Treasury Offset Program.		10.4
	Reduces cigarette tax evasion.		4.0
Colorado	Reflects a change in vendor fees for sales, use, and tobacco products tax collections from 3.333 percent to 2.333 percent of the amount remitted.	7/03	20.0
Connecticut	Defers the Succession Tax phase-down for two years.		11.0
	Requires state vendors to collect sales tax.		2.5
	Reflects additional sales tax due to the cigarette tax increase.		4.4
	Reflects additional tax due to an additional hour of alcohol sales.		1.2
	Reflects changes in definitions regarding the research and development tax credit for two years.	1/02	-12.5
	Reduces the Petroleum Tax transfer to the Special Transportation Fund.		10.5
	Reflects numerous transfers to the general fund, including federal assistance fund.		416.0
	Reflects various fee increases		13.7
	Reduces the unclaimed property dormancy period to three years.		21.3
Delaware	Reflects enhancements to the video lottery program.	7/03	15.9
Florida	Increases interest on late sales tax payments.	6/03	8.0
	Reflects a sales tax amnesty.	6/03	51.4
	Increases interest on late corporate income tax payments.	6/03	3.7
	Reflects a corporate income tax amnesty.	6/03	23.9
	Reduces the time frame for insurance company demutualization.	5/03	62.7
Georgia	Accelerates withholding.	7/03	132.0
	Reflects collection of motor vehicle fuel taxes at wholesale.	7/03	26.2
Indiana	Reflects sales tax on complimentary hotel rooms and the Streamlined Sales Tax.	7/03	-0.9
	Reflects miscellaneous gaming and wagering measures.	7/03	94.7
Kansas	Holds sales tax refunds until fiscal 2004 and reflects a sales tax amnesty.		9.0
	Holds personal income tax refunds until fiscal 2004 and reflects a personal income tax amnesty.		46.0
	Holds corporate income tax refunds until fiscal 2004 and reflects a corporate income tax amnesty.		10.0
	Holds other tax refunds until fiscal 2004 and reflects an amnesty.		1.0
Kentucky	Reflects allowances for the sale of nitrogen oxide.		21.0
	Reflects enhanced compliance of state tax collections.		7.8
	Changes the definition of unclaimed property to include unclaimed property due to the demutualization of an insurance company.		20.0
Maine	Delays the deduction for educational expenses.	1/03	4.1
	Adds annuity considerations for tax purposes.	1/03	11.4
	Delays conformity with federal estate tax changes.	1/03	15.6

TABLE A-12 (continued)

Enacted Revenue Measures, Fiscal 2004

<i>State</i>	<i>Description</i>	<i>Effective Date</i>	<i>Fiscal 2004 Enacted Changes (Millions)</i>
Michigan	Reflects personal property tax audits.	10/03	6.0
	Reflects hospital and nursing home assessments.	7/03	37.8
	Reflects pharmacy assessments (pending legislative action).		18.9
Minnesota	Reflects enhanced compliance of state tax collections.	7/03	20.0
	Redirect 2 cents per pack cigarette tax from the Minnesota Resources fund to the general fund.	7/03	6.9
	Dedicated 9 cents per pack to the University of Minnesota & Health Department.	7/03	31.2
	Accelerated June cigarette and alcohol tax collections.	7/03	17.1
	Delayed repeal of June sales tax acceleration.	7/03	175.3
	Accelerated June deed and mortgage tax collections.	7/03	14.7
	Statewide business levy adjustment.	7/03	5.4
	Expand non-tax collection power.	7/03	1.3
	Transfer from tobacco endowment funds to the general fund.	7/03	1029.0
	Transfer from other funds to the general fund.	7/03	73.1
Missouri	Reflects reduced spending on sales tax loopholes and tax collection efficiencies.	8/03	21.9
	Reflects reduced spending on personal income tax loopholes and tax collection efficiencies.	8/03	50.6
	Reflects reduced spending on corporate income tax loopholes and tax collection efficiencies.	8/03	13.6
	Reflects bond refinancing.	8/03	13.0
Montana	Deposits certain institutional receipts into the general fund in lieu of earmarked funds.	7/03	3.2
Nebraska	Eliminates the October 2003 sunset on the 0.5 percent prior year sales tax rate increase, and redirects the continued 0.5 percent higher rate on motor vehicles sales from highways to the general fund.	10/03	81.6
	Defers the employer child care program credit.	10/03	1.6
	Changes the corporate occupation tax from annual to biennial.	1/04	6.4
	Redirects the insurance premium tax to the general fund.	7/03	1.9
New Mexico	Deearmarks revenue previously allocated to the tobacco settlement fund and directs it to the general fund.	7/03	37.0

TABLE A-12 (continued)

Enacted Revenue Measures, Fiscal 2004

<i>State</i>	<i>Description</i>	<i>Effective Date</i>	<i>Fiscal 2004 Enacted Changes (Millions)</i>
New York	Institutes withholding for nonresident partnerships.	7/03	15.0
	Reduces the dormancy period of uncashed checks.	4/03	38.0
	Reduces the time period for collecting abandoned property from five years to two.		75.0
North Carolina	Delays a scheduled half-cent decrease in the sales tax rate.	7/03	
Ohio	Two changes were made to the tangible personal property tax. The first change accelerates the phase-out of the inventory component of the tangible personal property tax, lowering the assessment percentage by two percentage points per year rather than the previous one percent. The second change removes the requirement that small businesses with property with a taxable value of less than \$10,000 must file a property tax return.	7/03	9.7
Oklahoma	Reflects measures to increase sales tax compliance.	7/03	19.9
	Reflects measures to increase sales tax compliance.		
	Reflects measures to increase personal tax compliance.	7/03	13.2
	Reflects general fund bond refinancing.	7/03	29.0
	Reflects remittance charges for abandoned property.	7/03	2.2
Texas	Moves motor fuels tax collections to the terminal rack.	9/03	9.7
	Closes various loopholes.	9/03	15.0
	Extends the existing Telecommunications Infrastructure Fund assessment through 2004-05.	9/03	41.2
Washington	Requires taxpayers with total tax liability greater than \$4,800 in a calendar year to report and pay taxes by the 20th of the month rather than the 25th. Increases penalties for failure to pay excise taxes on time. Requires promoters of a special event such as an auto show, garden show, or flea market to verify that all vendors at the event are registered with the Department of Revenue. Shortens the holding period for abandoned property under the Uniform Unclaimed Property Act from five to three years for the following types of property: bank accounts; certain uncashed checks such as payroll and cashier's checks; gift certificates and credit memos; life insurance; intangible property held by a fiduciary; and stocks, bonds, and mutual funds.	7/03, 8/03 & 1/04	2.4
Wisconsin	Reflects enforcement of sales tax collection with vendors doing business with the state.	1/04	5.4
Total			\$2,998.8

SOURCE: National Association of State Budget Officers.

TABLE A-13

Total Balances and Balances as a Percentage of Expenditures, Fiscal 2002 to Fiscal 2004*

Region and State	Total Balances (Millions)**			Balances as a Percentage of Expenditures		
	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2002	Fiscal 2003	Fiscal 2004
NEW ENGLAND						
Connecticut***	\$ 0	\$ 0	\$ 0	0.0%	0.0%	0.0%
Maine	34	24	12	1.3	0.9	0.5
Massachusetts	1388	973	861	6.1	4.3	3.9
New Hampshire	-38	20	40	-3.2	1.5	3.1
Rhode Island	123	119	86	4.6	4.4	3.1
Vermont	13	24	41	1.5	2.7	4.6
MID-ATLANTIC						
Delaware	482	464	389	19.6	18.9	15.0
Maryland	857	613	945	7.8	5.7	9.0
New Jersey	292	250	249	1.3	1.1	1.1
New York	1032	815	730	2.5	2.1	1.8
Pennsylvania	143	279	N/A	0.7	1.3	N/A
GREAT LAKES						
Illinois	482	543	468	2.1	2.5	2.1
Indiana	269	415	273	2.8	4.0	2.4
Michigan	260	74	0	2.8	0.8	0.0
Ohio	536	233	318	2.5	1.0	1.3
Wisconsin	54	-282	146	0.5	-2.6	1.4
PLAINS						
Iowa	255	163	183	5.5	3.6	4.0
Kansas	12	123	25	0.3	3.0	0.6
Minnesota	1130	180	547	8.9	1.3	3.9
Missouri	400	352	130	5.2	4.7	1.6
Nebraska	166	62	157	6.4	2.4	5.9
North Dakota	20	21	28	2.3	2.5	3.2
South Dakota	116	106	106	13.6	12.0	11.7
SOUTHEAST						
Alabama	280	181	94	5.3	3.3	1.7
Arkansas	0	0	0	0.0	0.0	0.0
Florida	1925	1450	1399	10.0	7.0	6.6
Georgia	2554	1112	970	18.2	7.3	6.4
Kentucky	24	168	55	0.3	2.3	0.7
Louisiana	284	214	191	4.4	3.2	2.9
Mississippi	119	55	88	3.3	1.6	2.4
North Carolina	4	401	320	0.0	2.9	2.2
South Carolina	50	46	99	1.0	0.9	2.0
Tennessee	190	132	111	2.5	1.6	1.3
Virginia	611	343	146	5.1	2.8	1.2
West Virginia	254	254	69	9.0	8.7	2.1
SOUTHWEST						
Arizona	66	32	25	1.0	0.5	0.4
New Mexico	320	245	237	7.9	6.1	5.8
Oklahoma	147	31	252	2.9	0.7	5.4
Texas	3330	643	167	11.1	2.1	0.6
ROCKY MOUNTAIN						
Colorado	138	223	230	2.1	3.8	4.1
Idaho	54	16	20	2.7	0.8	1.0
Montana	81	42	49	6.0	3.3	3.8
Utah	21	50	33	0.6	1.4	0.9
Wyoming	75	39	39	10.4	5.6	5.0
FAR WEST						
Alaska	2114	2142	1858	88.4	86.7	80.9
California	-2133	1402	3618	-2.8	1.8	5.1
Hawaii	184	170	150	5.0	4.5	3.9
Nevada	227	102	135	12.0	5.0	5.8
Oregon	-1068	57	-405	-18.5	1.5	-7.3
Washington	553	356	117	4.9	3.1	1.0
Total***	\$18,285	\$15,194	\$15,799	3.7%	3.1%	3.2%

NOTES: N/A indicates data are not available.

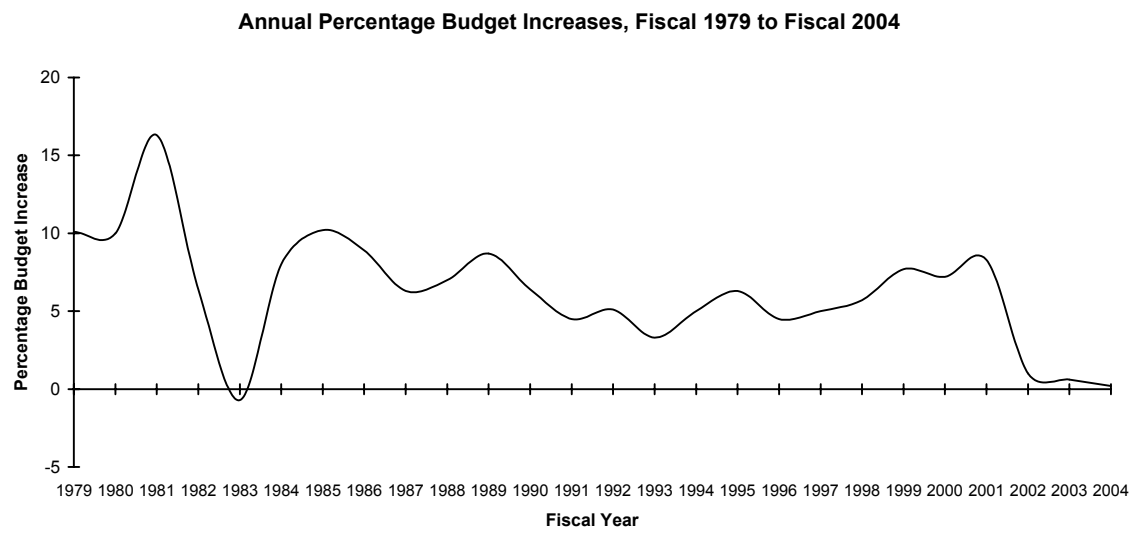
*Fiscal 2002 are actual figures, fiscal 2003 are preliminary actual figures, and fiscal 2004 are appropriated figures.

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

***Pennsylvania was not able to provide data for fiscal 2004 and has been excluded from the total for comparative purposes.

SOURCE: National Association of State Budget Officers.

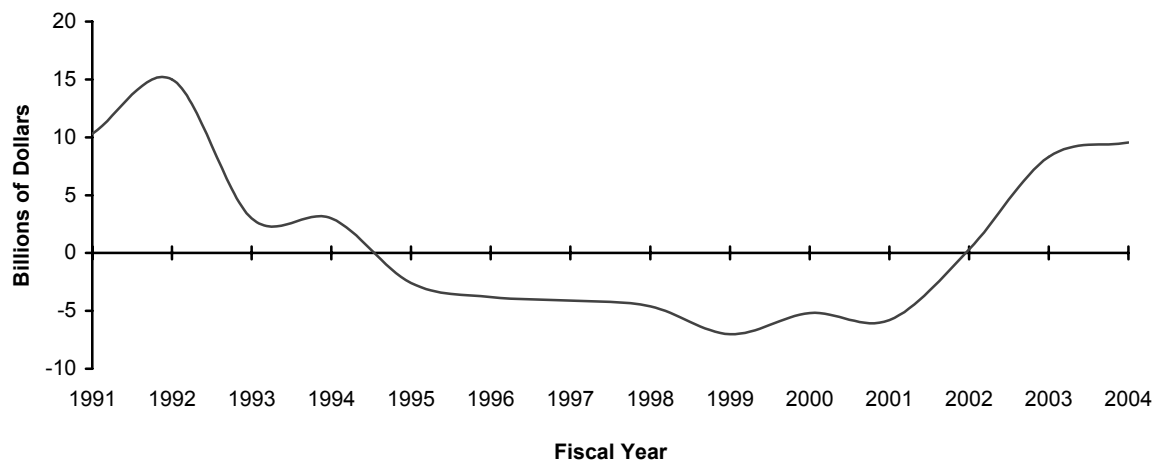
FIGURE 1



SOURCE: National Association of State Budget Officers.

Figure 2

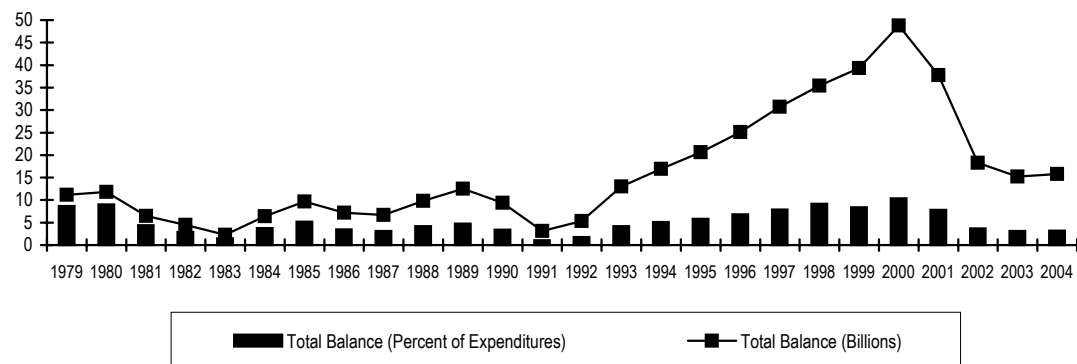
Enacted State Revenue Changes, Fiscal 1991 to Fiscal 2004



SOURCE: National Association of State Budget Officers.

FIGURE 3

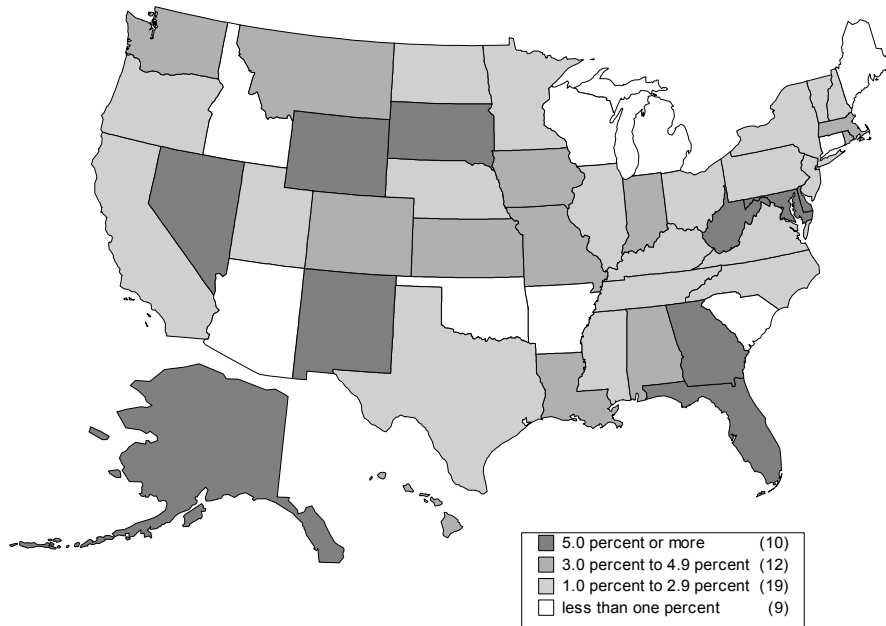
Total Year-End Balances and Total Year-End Balances as a Percentage of Expenditures, Fiscal 1979 to Fiscal 2004



SOURCE: National Association of State Budget Officers.

FIGURE 4

Total Year-End Balances as a Percentage of Expenditures, Fiscal 2003



SOURCE: National Association of State Budget Officers.

