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Fiscal Survey of the States

March 1989

By

Marcia A. Howard

National Governors' Association

National Association of State Budget Officers

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PREFACE

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

The field survey on which this report is based was conducted by the National Association of State Budget Officers in January, February, and March 1989. The surveys were completed by Governors' state budget officers in fifty states.

Fiscal 1988 data represent actual figures, fiscal 1989 data are estimates, and fiscal 1990 data are figures contained in Governors' budget proposals. In forty-six states, fiscal 1989 will close on June 30, 1989. New York's fiscal year will end March 31, 1989. Texas' fiscal year will end August 31, 1989, and Michigan and Alabama will close their fiscal years on September 30, 1989.

The Fiscal Survey of the States is a cooperative effort of the National Association of State Budget Officers and the National Governors' Association. Marcia Howard compiled data for the report and prepared the text. Laura Shaw compiled and produced the report and Gerald Miller provided technical support. Rae Young Bond of the National Governors' Association edited the report.

EXECUTIVE SUMMARY

Despite significant fiscal stress in a few states, 1989 is a year of stability in state finances. Much of the budget-cutting activity in 1989 and the proposed tax activity for 1990 is occurring in three northeastern states -- Connecticut, Massachusetts, and New York. While only eleven states and the District of Columbia report revenues below original estimates for 1989, six of them are located in New England and the Mideast. Most of the rest of the country enjoys revenue growth in excess of original estimates.

Ten states plus the District of Columbia have cut enacted budgets in 1989, while eighteen cut them in 1988 and twenty-four in 1987. Of roughly \$1.2 billion in cuts, more than 70 percent is accounted for in two states -- Massachusetts and New York.

On the tax side, thirty-two states plus the District of Columbia are considering tax changes. Most of these are minor. Again, the Northeast dominates proposed tax activity. Three states -- Connecticut, Massachusetts, and New York -- account for more than 34 percent of the \$5.1 billion in proposed tax increases.

The last *Fiscal Survey of the States* drew attention to a troubling pattern of declining ending balances in state budgets. This report has good news and bad news: 1988 balances are significantly higher than reported in October but the trend to "spend them down" continues.

States ended 1988 with total balances of roughly \$9.8 billion, an increase of \$2.4 billion over the figure reported in October 1988. Yet, states estimate that in both 1989 and 1990 expenditures will exceed revenues with an accompanying decline in reserves available for fiscal emergencies. While the healthy performance of the national economy continues to bode well for state fiscal conditions, the pattern of spending in excess of receipts places states at risk should an economic downturn occur.

Major findings of this survey include:

- State spending shows a one-year increase of 8.0 percent in 1989, after a 7.0 percent increase in 1988. For 1990, expenditures are slated to fall back into the range of the last few years and increase 6.4 percent.
- Revenues, which increased 5.7 percent from 1987 to 1988, are estimated to increase 6.5 percent in 1989 and 5.8 percent in 1990.
- Thirty-two states and the District of Columbia are facing proposed tax changes in 1990, with twenty-four net increases and nine net decreases proposed.
- There is continued interest in raising motor fuel and cigarette taxes, with eleven Governors proposing increases in the former and ten proposing increases in the latter.
- Twenty-eight states report that revenues for 1989 are higher than estimates used when the budget was adopted.
- Governors are recommending increases in local aid programs in twenty states. These proposals include greater local taxing authority, tax sharing, and increased aid for education.

I. State Expenditure Developments

Overview

Proposed 1990 budgets total more than \$271 billion, representing a 6.4 percent increase over 1989 expenditures. For 1989, expenditures are estimated to increase 8.0 percent. For some states, nursing home reform requirements of the Omnibus Budget Reconciliation Act of 1987 were not incorporated in original budgets and had to be added during the fiscal year. These requirements, which became effective January 1, 1989, explain part of the jump in expenditures in 1989. For 1988, real state spending increased 2.9 percent. For 1989 and 1990 it is estimated to increase 2.9 percent and 1.3 percent.

Table 1
STATE NOMINAL AND REAL ANNUAL BUDGET INCREASES, 1979-1990

<i>Fiscal Year</i>	<i>State General Fund</i>	
	<i>Nominal Increase</i>	<i>Real Increase</i>
1990	6.4% (est.)	1.3% (est.)
1989	8.0 (est.)	2.9 (est.)
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
1979-90 average	8.1%	1.7%

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

The most troubling development in state spending trends is an emerging pattern of expenditures that exceed current revenues. For 1989, state expenditures are estimated to exceed revenues by more than \$1.8 billion. At the same time, budget stabilization funds --- which are recorded as expenditures --- are slated to increase by \$762 million from 1988 to 1989. There is a \$1.1 billion gap between spending and current revenues.

The pattern continues in 1990. State spending is proposed to exceed revenues by \$3.3 billion. Less than half of this gap is accounted for by the \$1.3 billion in appropriations to budget stabilization funds. The result is that total balances available for fiscal emergencies decline from 4.2 percent in 1988 to 3.5 percent in 1989 and 3.0 percent in 1990.

While the total is below the 5.0 percent "standard" that some experts feel is appropriate for state year-end balances, it is consistent with balances over the last few years: in 1986 state balances represented 3.3 percent of expenditures and in 1987 they represented 3.1 percent.

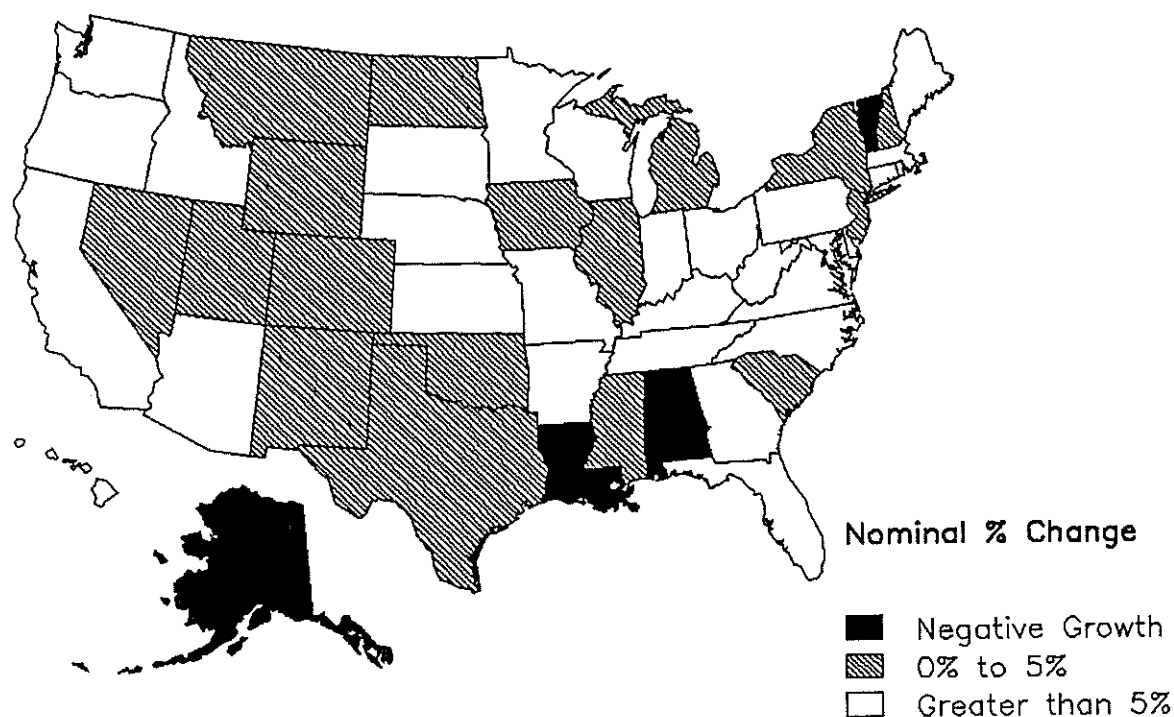
Within the states there is considerable variation in the rate of increase in state spending.

Table 2
ANNUAL STATE GENERAL FUND EXPENDITURE INCREASES

<i>Spending Growth (percentage)</i>	<i>Number of States</i>		
	<i>Fiscal 1988 (Estimated)</i>	<i>Fiscal 1989 (Estimated)</i>	<i>Fiscal 1990 (Proposed)</i>
Less than 0	6	1	4
0.0-4.9	10	15	14
5.0-9.9	23	13	22
Over 10	11	21	9
Average Growth Rate	7.0%	8.0%	6.4%

Only one state, Wyoming, estimates that expenditures in the current year will be less than those for 1988. A total of thirty-four states estimate that 1989 expenditures will exceed 1988 spending by at least 5 percent, with twenty-one states spending 10 percent or more than in 1988. Proposed spending for 1990 has thirty-one states increasing spending by more than 5 percent, with only nine spending 10 percent or more than in 1989. Further detail on state expenditures is contained in Appendix Tables A-1, A-2, A-3, and A-7.

Figure 1
NOMINAL EXPENDITURE GROWTH IN FISCAL 1990 STATE BUDGETS



Biennial Budgets

Budgeting for a biennium instead of a single year can introduce peculiarities in state spending data. Twenty-one states use biennial budgets. Of these, only Kentucky, Virginia, and Wyoming have biennia that end in 1988 and 1990. The other eighteen will end their biennia in 1989 and, as a result, may report unusually high expenditures in that year. A good example of this is Nevada, where 1989 expenditures are estimated to be almost 29 percent higher than in the previous year. This figure, however, includes capital expenditures of \$75.3 million that were made for the biennium but included in 1989 data.

Budget Management

In any given year a certain number of states will face the need to reduce expenditures or raise revenues in order to balance the enacted budget. This need arises because either revenues are lower or expenditures are higher than anticipated when the budget was adopted. Since forty-nine states are required by law to balance their budgets every year, immediate action is necessary. In the short term, it is less difficult to cut expenditures than to raise revenues, and the majority of budget-balancing measures are taken in this manner.

For the country as a whole, 1989 has been very good for state budgets. Whereas eighteen states had to address budget deficiencies in 1988, only ten states plus the District of Columbia have been required to do so this year. Yet, while 1988 cuts totaled \$903 million, 1989 cuts exceed \$1.1 billion. There are fewer states in difficult financial straits, but those in stress are much worse off than in previous years.

Table 3 highlights the extent to which 1989 fiscal stress is centered in the Northeast. Of the ten states on the list, half are in this region and their reductions represent more than 79 percent of the total amount cut. New York and Massachusetts alone represent \$815 million of the \$1.15 billion in budget cuts made this year. Massachusetts' cut represents 4.5 percent of its state budget and is the largest relative cut. New Jersey, with a 0.2 percent budget cut, required the smallest reduction of the states listed.

At the same time that these states were enacting budget cuts, many were also required to dip into their reserves. Connecticut ended 1988 with a deficit of \$116 million that was funded by its budget stabilization fund. New Jersey's ending balance will decline from \$774 million in 1988 to \$302 million in 1989. New Hampshire's total reserves will drop from \$40 million in 1988 to \$27 million in 1989.

Table 3
STATE BUDGET CUTS ADOPTED IN FISCAL 1989 AFTER THE APPROPRIATIONS
BILL HAD PASSED

<i>State</i>	<i>Amount (in mil.)</i>	<i>Cut as % of G.F. Expenditures</i>	<i>Action Taken By</i>	<i>Selective vs. Across the Board</i>	<i>Dates Enacted</i>	<i>Notes</i>
Arizona	\$15.1	0.5%	Legislature (Governor)	Selective	2/89 (Prop.)	Exempts K-12 education and community colleges
Connecticut	65.0	1.2	Governor	Selective	9/88	Includes only agency operating budgets.
D.C.	89.2	3.0	Mayor	Selective	2/89 (Prop.)	Exempts schools, courts, law school.
Hawaii	13.0	0.6	Governor	ATB	7/88	Exempts grants-in-aid to coun- ties, welfare payments, debt ser- vice, unemployment insurance, workers' comp.
Massachusetts	369.0	4.5	Governor	Selective	Various	Attrition and selective layoffs; management of agency deficiencies; further agency savings.
Missouri	50.0	3.0	Governor	ATB	7/88	Exempts aid to public schools, Medicaid, AFDC, certain men- tal health programs.
New Hampshire	6.0	1.0	Governor	Selective	1/89	Exempts direct care and human service programs.
New Jersey	30.0	0.2	Governor	Selective	12/88	Hiring freeze.
New York	446.8	1.6	Both	Selective	6/88 11/88	Exempts patient, inmate, and client care; revenue-raising ac- tivities; criminal justice ac- tivities; various others.
North Dakota	21.0	3.8	Governor	ATB	8/88	No exemptions.
West Virginia	50.0	3.4	Governor	ATB	1/89	Exempts debt service.

Other Expenditure Issues

States were asked to provide information about three specific expenditure items: Aid to Families with Dependent Children (AFDC), aid to local governments, and employee compensation increases.

Aid to Families with Dependent Children. In twenty states, Governors' 1990 budget proposals recommend cost-of-living increases for AFDC recipients. In 1989 twenty-six states approved such increases. Of these twenty-six, eighteen had been recommended in Governor's budget proposals. Thus, 1990 increases may be approved in additional states as well. Table 4 lists the states where increases are proposed. New York, at 7 percent, has the highest recommended increase.

Table 4
COST OF LIVING INCREASES FOR AID TO FAMILIES WITH
DEPENDENT CHILDREN--FISCAL 1990

<i>State</i>	<i>Proposed 1990</i>	<i>State</i>	<i>Proposed 1990</i>
Alabama	0.0%	Montana	N/A
Alaska	0.0	Nebraska	0.0%
Arizona	0.0	Nevada	*
Arkansas	0.0	New Hampshire	2.0
California	0.0	New Jersey	0.0
Colorado	2.0	New Mexico	0.0
Connecticut*	4.1	New York	7.0
Delaware	*	North Carolina	0.0
Florida	0.0	North Dakota	0.0
Georgia	*	Ohio	4.0
Hawaii	*	Oklahoma	0.0
Idaho	4.1*	Oregon	0.0
Illinois	0.0	Pennsylvania	5.0
Indiana	0.0	Rhode Island	5.0
Iowa	0.0	South Carolina	0.0
Kansas	2.0	South Dakota	0.0
Kentucky	5.0	Tennessee	6.1
Louisiana	0.0	Texas	0.0
Maine	0.0	Utah	3.0
Maryland	5.0	Vermont	3.0
Massachusetts	4.0	Virginia	0.0
Michigan	0.0	Washington	0.0
Minnesota	0.0	West Virginia	0.0
Mississippi	0.0	Wisconsin	0.0
Missouri	3.0*	Wyoming	0.0

NOTES:	Connecticut	Automatic cost of living adjustments tied to Consumer Price Index-Urban Wage Earners.
	Delaware	Increase ranges from 7% for families of one, to 7.3% for families of two, and 0% for families of three or more.
	Georgia	Proposed 10% increase in standard of need and 1% increase in payment.
	Hawaii	Depends on changes in federal poverty level.
	Idaho	Increase effective January 1990.
	Missouri	Increase effective January 1990.
	Nevada	For recipients who do not live in subsidized housing, 5.5%, and for recipients in subsidized housing, 1%.

Aid to Local Government: Twenty Governors have proposed increased aid to local government. This compares with fifteen states where aid proposals were adopted in 1989. Table 5 describes 1990 proposals that run the spectrum from property tax relief to taxing authority to assumption of local court costs.

Employee Compensation Increases: Appendix Table A-10 describes proposed employee compensation increases in 1990 budgets. At this time, thirty-two states propose across-the-board increases that average 3 to 5 percent. Merit and other increases are also listed in the table.

Table 5
NEW SPENDING OR TAX PROGRAMS TO AID LOCAL GOVERNMENT
FISCAL 1990

California	Fiscal 1990 will be the first full year for trial court funding with \$432.1 million proposed. \$205 million part-year funding was provided in 1989.
Hawaii	Eliminate the current grants-in-aid to counties program. Instead, transfer to the counties the taxing authority over liquor and tobacco.
Kansas	Five-year phase-out of county out-district tuition for community colleges; five-year phase-in of 40% state funding for community college operating budgets; revision of school finance.
Maine	Property tax relief of \$4 million.
Maryland	Targeted drug enforcement grants of \$2.5 million; increase special education funding by \$5.0 million; increase community college funding by \$10.0 million; aid for transportation of handicapped students of \$1.4 million; prekindergarten programs of \$3.4 million.
Massachusetts	Flexible, needs-based aid of \$120 million.
Minnesota	Phased takeover of local court system recommended to begin in fiscal 1991.
Nebraska	Increased aid in various state aid programs such as: special education, school lunch, homestead exemption, community colleges, mental health, library aid, and several others.
Nevada	Mining products tax to cities, counties. Counties participate in medically indigent program.
New Hampshire	Increase funding to regional planning commissions. Local demonstration grants for recycling programs.
New York	Authorize local governments to adopt a 0.4% real estate transfer tax.
North Dakota	Governor supports 57% of one-cent sales tax for distribution to political subdivisions. For fiscal 1990 this would amount to an increase of \$3.3 million over 1989.
Oregon	School district property tax relief of \$46 million and grants for children's programs of \$7 million.
Pennsylvania	A \$25 million transfer from the State Workmen's Insurance Fund to the Local Tax Reform Fund. This will make a total of \$165 million available for appropriation once the constitutional amendment for local tax reform is approved by the electorate.
Rhode Island	Increase state share of education financing from 48.5 percent to 51.4 percent at a cost of \$11.7 million.
South Dakota	Dedicating 56.25% of sales tax to K-12 education; local government two-year property tax freeze.
Utah	Reduce transfers out of transportation fund by \$5 million; local government will receive 25 percent of reduced transfers, or \$1.25 million. Complete \$3.0 million state takeover of district courts.
Virginia	Local option 1 percent income tax for transportation (subject to referendum). Increase state reimbursement for local health departments. Increase state reimbursement for hospitalization of indigent program.
Wisconsin	State assumption of district attorney compensation and court support costs. Propose Mutual Aid Program. Propose Clean Water Fund.
Wyoming	Revenues derived from the cigarette and malt beverage tax increases will flow to cities and counties based on population.

II. State Revenue Developments

Overview

There are two surprising developments relating to state revenues that emerge in this report. First, revenues for both 1988 and 1989 are higher than they were reported to be in the October 1988 *Fiscal Survey of the States*. Whereas that survey reported revenues of \$236.2 billion and \$249 billion for 1988 and 1989, this survey reports revenues of \$238 billion and \$253.4 billion for the same years.

Second, this survey marks a shift in state spending patterns. Instead of having revenues exceed expenditures, states report that expenditures will exceed revenues in 1989 and 1990. For 1989, states are estimated to spend \$255.3 billion against revenues of \$253.4 billion, and for 1990, expenditure estimates in proposed budgets total \$271.5 billion against revenues of \$268.2 billion.

The result of this development is that general fund ending balances will decline from \$6.8 billion in 1988 to \$5.3 billion in 1989 and \$3.1 billion in 1990. At the same time, however, budget stabilization fund balances are slated to increase, so that total balances decline less than general fund ending balances, dropping from \$9.8 billion in 1988 to \$9.0 billion in 1989 and \$8.1 billion in 1990.

Revenue growth for 1988 was higher than the 5.7 percent estimate in the last survey. Instead, 6.4 percent growth in 1988 will be followed by estimated growth of 6.5 percent in 1989 and 5.9 percent in 1990. States have expected for the last few years that the expansion in the national economy would slow and would result in slower revenue growth. This is reflected in 1990 growth estimates below current growth rates.

Revenue Collections for 1989

Evidence of this thinking is especially apparent in 1989, where states originally estimated revenue growth of 5.4 percent and have now increased that estimate to 6.5 percent. In part, the conservative original estimates were based on assumed effects of the drought that hit the Plains in the spring and summer of 1988. Five of the seven Plains states now report revenues higher than estimates contained in enacted 1989 budgets.

The positive effects of a strong national economy cannot be overstated. Thirty-eight states report that revenues in 1989 are at or ahead of estimates contained in enacted budgets. Yet, the continued belief that the national expansion will wind down leads states to rein in their 1990 revenue estimates to growth of 5.9 percent.

The Northeast is the one region of the country where 1989 revenues are not as high as was anticipated when the budget was adopted. In New York, for example, revenue growth for 1989 is only 4.6 percent ahead of 1988. For other states, the combination of slower growth and optimistic estimates have combined to make budgets very tight.

Appendix Table A-8 compares current state estimates of income and sales tax collections to those used when budgets were adopted. It also reports states' overall revenue performance as measured against original estimates. An alarming feature of the table is that, while in most states revenues exceed estimates, the total figures paint a different picture.

For personal income taxes, total state revenues were estimated at \$86.1 billion when 1989 budgets were adopted. Today they are estimated at \$85.9 billion. Current estimates are actually lower when totaled than they were at budget enactment. This is explained by a few states whose downward revisions outweigh the gains of all the other states. In New York, for example, the current estimate is \$1.4 billion lower than it was when the budget was adopted.

While current sales tax collections exceed early estimates, the gap is small. The current estimate of \$87 billion barely exceeds the original estimate of \$86.3 billion. Again, it is a case of a few big losers nearly equalling several small winners, with northeastern states reporting the largest downward revisions.

Fiscal 1990 Tax Changes

Thirty-two states and the District of Columbia will consider proposed tax changes for 1990, with twenty-four of those proposals resulting in net tax increases and nine resulting in net decreases. In all, a total of more than \$5 billion is proposed to be raised for 1990 (see Table 6). Arkansas, Louisiana, and Washington will each consider major tax reform proposals that would affect most tax sources.

A list of specific tax proposals and the estimated impact on 1990 budgets is included in Table 7 and in Appendix Table A-9. Over 58 percent of proposed tax increases is concentrated in four states: Connecticut, Georgia, Massachusetts, and Ohio.

Personal Income Tax

Nine states will consider personal income tax cuts and eight will consider increases, with a net result of more than \$1.5 billion in new revenue. Ohio faces a proposal that would raise income tax rates by 1 percent and dedicate \$757 million in new revenue to education reform. Washington, in a major tax reform proposal, will consider the introduction of an income tax at 3.9 percent that will raise \$441 million. Other states with significant increases are Connecticut (which taxes only capital gains, interest, and dividends) and Massachusetts, both of which are struggling with budget imbalances. Maryland has already enacted a tax cut.

Sales Tax

A total of almost \$1.4 billion is proposed to be raised through sales tax increases. The largest increases come from rate increases proposed in Georgia and North Carolina, and from base expansion in Connecticut and West Virginia. Major reductions are proposed in conjunction with increased personal income tax rates in Louisiana and Washington.

Business Tax

Louisiana is the only state where there is a proposed net reduction in business taxes. In ten states and the District of Columbia, increases that will raise a net total of \$362 million are proposed. The largest increases are proposed in Connecticut and West Virginia as part of those states' effort to regain fiscal stability, and in Ohio, where the Governor's education proposal would raise tax rates by 1 percent.

Table 6
SOURCES OF INCREASES IN STATE TAX COLLECTIONS, FISCAL 1964-1990

<i>Fiscal Year</i>	<i>Total Tax Revenue Collection (\$ in billions)</i>	<i>\$ Change in Total Tax Revenue (\$ in billions)</i>	<i>% Change in Tax Revenue¹</i>	<i>Net Change Resulting From Political Actions² (\$ in billions)</i>	<i>Change Resulting From Economic Factors³ (\$ in billions)</i>
1990	N/A	N/A	N/A	\$5.1(est)	N/A
1989	N/A	N/A	N/A	0.8	N/A
1988	\$262.0	\$15.4	6.2%	6.0	\$9.4
1987	246.6	18.5	8.1	0.6	17.9
1986	228.1	12.8	5.9	-1.1	13.9
1985	215.3	18.3	9.3	0.9	17.4
1984	197.0	25.6	14.9	10.1	15.5
1983	171.4	8.8	5.4	3.5	5.3
1982	162.7	12.9	8.6	3.8	9.1
1981	149.7	12.7	9.2	0.4	12.3
1980	137.1	12.1	9.8	-2.0	14.1
1979	125.0	11.7	10.3	-2.3	14.0
1978	113.3	12.2	12.0	0.5	11.7
1977	101.1	11.8	13.3	1.0	10.8
1976	89.3	9.1	11.4	1.0	8.1
1975	80.2	5.9	8.0	-0.4	6.3
1974	74.2	6.1	9.0	-0.5	6.6
1973	68.1	8.2	13.7	0.9	7.3
1972	59.9	8.3	16.2	5.0	3.3
1971	51.5	3.6	7.5	0.8	2.8
1970	48.0	6.0	14.4	4.0	2.0
1969	41.9	5.5	15.2	1.3	4.2
1968	36.4	4.5	14.1	2.5	2.0
1967	31.9	2.5	8.7	0.5	2.0
1966	29.4	3.3	12.5	0.5	2.0
1965	26.1	1.9	7.8	0.1	1.8
1964	24.2	2.1	9.6	1.0	1.1

NOTES: 1/ Increase in actual tax collections divided by previous year collections.
2/ Political action includes discretionary legislative actions such as adopting or repealing a tax, raising or lowering a tax rate, and changing the tax base. Does not include administrative tax adjustments or changes in tax collection procedures. Generally does include temporary taxes that were made permanent (e.g., if a state adopted a one-year temporary tax increase in 1982 and then extended it in 1983, and made it permanent in 1984, then the tax increase was counted for three years because it required legislative action to maintain a rate that was scheduled to decrease). If a tax change is phased in over several years, only the first year of the tax change is counted. Figures in this column represent legislative tax changes that resulted from actions passed in the prior legislative session (e.g. fiscal 1989 tax changes were passed in the 1988 session); therefore, these figures represent revenue projections presented to legislators when they passed the tax change.
3/ Economic growth (or decline) and inflation's effect on revenue growth.

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

Cigarette Taxes

In an unusual development, one state will actually consider a reduction in cigarette taxes. Hawaii faces a proposal to remove state taxes on both cigarettes and alcohol and turn that taxing authority over to local government. Aside from that, ten states have proposed tax increases that range from increases of 3.5 cents to 18 cents per pack, as well as base expansion to include smokeless tobacco products.

Motor Fuel Taxes

Eleven Governors have proposed increases in motor fuel taxes. Actually, Georgia started with a large gas tax increase proposed but the proposal was replaced by a sales tax increase. More than \$561 million is proposed to be raised from this tax source. There is some movement toward indexing this tax to reflect price changes, as is seen in Washington and Wisconsin.

Alcohol Taxes

Apart from Hawaii's proposed transfer of this tax source to counties, nine states will consider tax increases to raise a total of \$94.1 million.

Miscellaneous Taxes

Sixteen states have other tax proposals slated for this legislative session. These include four tax decreases and twelve increases. The taxes affected include insurance premium taxes to mining and severance taxes.

Table 7
SUMMARY OF FISCAL 1990 TAX PROPOSALS BY
TYPE OF TAX AND AMOUNT OF INCREASE OR DECREASE
(\$ in millions)

<i>State</i>	<i>Personal Income</i>	<i>Sales</i>	<i>Corporate Income</i>	<i>Cigarette/ Tobacco</i>	<i>Motor Fuels</i>	<i>Alcohol</i>	<i>Others</i>	<i>Total</i>
Alabama								0.0
Alaska		53.0			37.0		139.0	229.0
Arizona			10.0	30.0		10.0	205.0	255.0
Arkansas	-36.9	218.8	15.7	9.8		2.3	8.6	218.3
California								0.0
Colorado								0.0
Connecticut	214.0	404.0	70.0		48.7			736.7
Delaware	-16.6		1.0		8.0	2.6		-5.0
Florida								0
Georgia		687.0						687.0
Hawaii	-51.0			-21.0		-38.0		-110.0
Idaho	5.0		7.0					12.0
Illinois				180.0				180.0
Indiana								0.0
Iowa								0.0
Kansas	-78.9							-78.9
Kentucky								0.0
Louisiana	183.0	-192.0	-10.0	25.0	93.0	5.0	29.0	133.0
Maine								0.0
Maryland	-32.2							-32.2
Massachusetts	265.0	80.0		20.0	193.0	32.0		590.0
Michigan								0.0
Minnesota							40.0	40.0
Mississippi								0.0
Missouri				55.0				55.0
Montana								0.0
Nebraska	-23.5							-23.5
Nevada				38.1			59.3	97.4
New Hampshire								0.0
New Jersey	45.0						77.0	122.0
New Mexico								0.0
New York		72.0	52.0	108.0		45.0	142.0	419.0
North Carolina		306.0					-12.2	293.8
North Dakota	34.9	22.6			9.8		7.2	74.5
Ohio	757.0		78.0	90.1		31.0		956.1
Oklahoma								0.0
Oregon			40.5					40.5
Pennsylvania								0.0
Rhode Island		20.0	7.6		13.8	4.0	5.9	51.3
South Carolina								0.0
South Dakota								0.0
Tennessee		15.0			74.3		4.0	93.3
Texas								0.0
Utah							-19.0	-19.0
Vermont	-18.1							-18.1
Virginia	-100.0							-100.0
Washington	441.0	-422.0			75.0		-24.0	70.0
West Virginia		159.0	90.0		42.0		35.0	326.0
Wisconsin	-4.0	-3.0			3.9		-6.0	-9.1
Wyoming				2.0		0.2		2.2
Total	\$1,583.7	\$1,367.4	\$361.8	\$537.0	\$561.5	\$94.1	\$551.8	\$5,057.3
D.C.			21.2					21.2

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

Overview

This report has historically focused on general fund ending balances as the primary sign of a state's fiscal health. While it is true that these balances are important, they are only part of an increasingly larger picture. Beginning in the early 1980s, states began to rely more and more heavily on budget stabilization, or "rainy day" funds to hold unspent balances for use in fiscal crises. Thus, an accurate portrayal of state fiscal condition must focus on total funds available and include both general fund ending balances and budget stabilization fund balances. Detail on combined fund balances is contained in Appendix Table A-6.

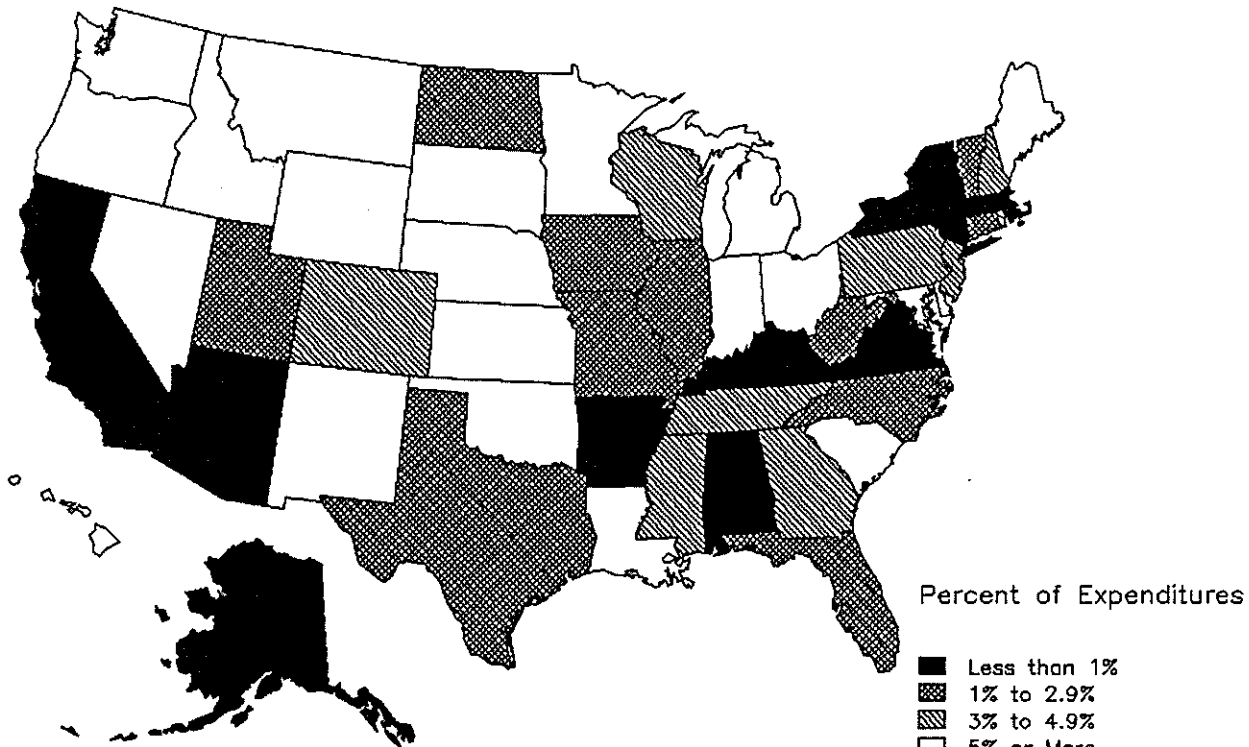
This survey has also recognized a standard balance that states should seek to achieve to insure fiscal stability. It has argued that a balance of 5 percent of expenditures is a "safe" balance that will allow states to meet unforeseen budget imbalances over the short term.

While states have met the 5 percent balance only twice in the 1980s, in 1988 they ended with total reserves of 4.2 percent of expenditures. Total balances are estimated to decline to 3.5 percent in 1989 and 3.0 percent in 1990. This represents considerable improvement in the estimates states made last fall and confirms the positive effect the national economy has had on state budgets. At that time, total balances were estimated at 3.2 percent for 1988 and 2.5 percent for 1989.

Table 8
Size of General Fund, Stabilization Fund, and Total Year-End Balances
1978 to 1990

Year	<i>Balances (\$ in billions)</i>			<i>As Percent of Expenditures</i>		
	<i>General Fund</i>	<i>Stabil. Fund</i>	<i>Total Balance</i>	<i>General Fund</i>	<i>Stabil. Fund</i>	<i>Total Balance</i>
1990	\$3.10 (est.)	\$5.0 (est.)	\$8.1	1.2%	1.8%	3.0%
1989	5.3 (est.)	3.6 (est.)	9.0	2.1	1.4	3.5
1988	6.8	2.9	9.8	2.9	1.2	4.2
1987	3.7	3.0	6.7	1.7	1.4	3.1
1986	5.4	1.8	7.2	2.6	0.9	3.5
1985	8.0	1.7	9.7	4.3	0.9	5.2
1984	5.6	0.8	6.4	3.3	0.5	3.8
1983	2.0	0.3	2.3	1.3	0.2	1.5
1982	4.5	0.0	4.5	2.9	---	2.9
1981	6.5	0.0	6.5	4.4	---	4.4
1980	11.8	0.0	11.8	9.0	---	9.0
1979	11.2	0.0	11.2	8.7	---	8.7
1978	8.9	0.0	8.9	8.6	---	8.6

Figure 2
TOTAL YEAR-END BALANCES AS A PERCENT OF EXPENDITURES
Fiscal 1989



The variation in state fiscal conditions can be seen by looking at the number of states within a given range of total balances. The following table illustrates the good fiscal condition of most states. The majority of states ended 1988 with total balances of over 5 percent. Thirteen had balances of over 10 percent. At the same time, however, five states had less than 1 percent held in year-end general fund balances and budget stabilization funds.

Table 9
TOTAL YEAR-END BALANCES AS A PERCENTAGE OF EXPENDITURES

	<i>Fiscal 1988 Actual (# of States)</i>	<i>Fiscal 1989 Estimated (# of States)</i>	<i>Fiscal 1990 Proposed (# of States)</i>
Less than 1.0%	5	9	8
1.0 - 2.9%	9	11	18
3.0 - 4.9%	7	9	9
5% or more	29	21	15
Average Percentage	4.2%	3.5%	3.0%

The next two fiscal years illustrate the diminishing total balances available to states. In 1989, almost half the states will still have more than 5 percent held in reserves, but by the end of 1990 fifteen will fall into this category. The largest growth occurs in the 1 percent to 5 percent range, where sixteen states are listed for 1988, twenty for 1989, and twenty-seven for 1990. Louisiana is the only state to end 1988 with a budget deficit and Alaska is the only state estimating that 1989 will end with a deficit.

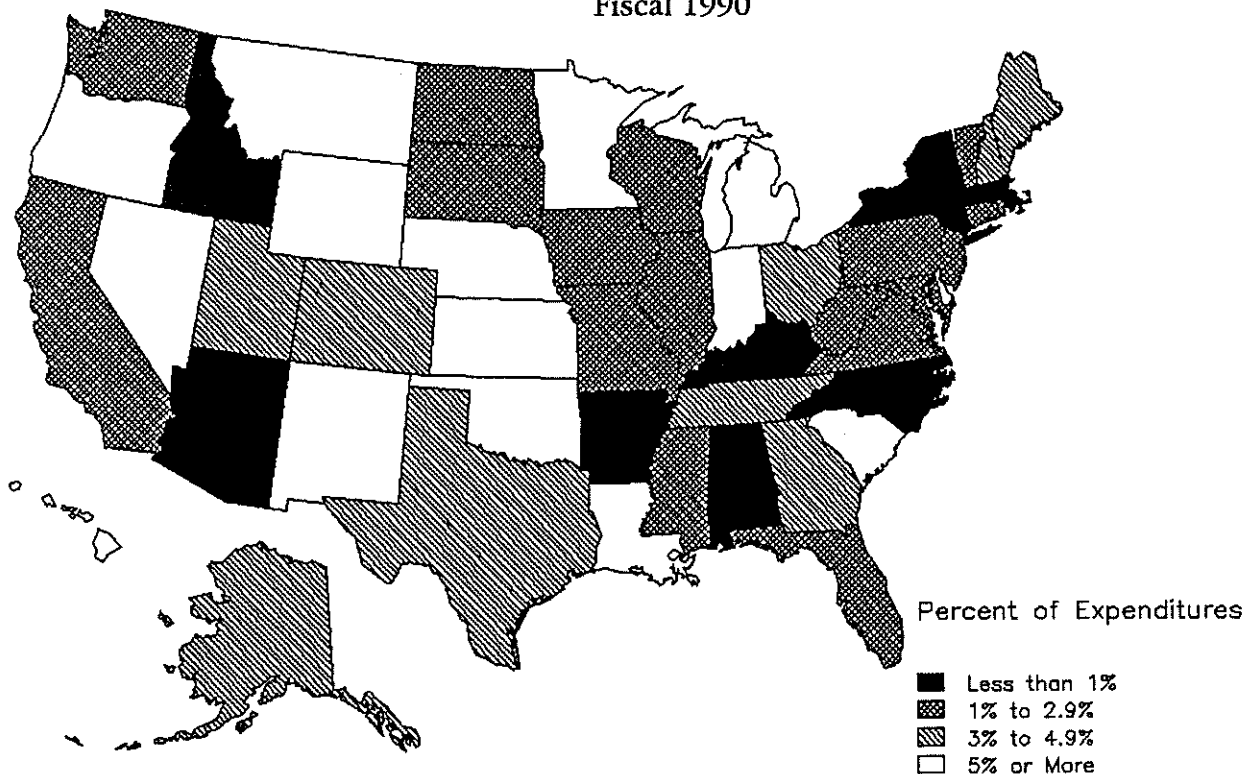
General Fund Ending Balances

General fund ending balances ended 1988 at \$6.8 billion and represented 2.9 percent of state expenditures. This level exceeds by \$2.1 billion the \$4.7 billion that was reported in the last survey. This difference is largely explained by nine states where 1988 balances increased significantly: Florida, Louisiana, Maine, Maryland, Minnesota, New Jersey, Texas, Virginia, and Washington.

For the states as a whole, general fund ending balances are declining. From the 1988 level of \$6.8 billion they will drop to \$5.3 billion in 1989 and \$3.1 billion in 1990. By 1990, they will represent just 1.4 percent of state general fund expenditures. More detail on general fund ending balances is contained in Appendix Table A-4.

Between 1988 and 1989, New Jersey's balance alone will drop by \$472 million. Other states with significant reduction in ending balances include Alaska, Minnesota, North Dakota, Rhode Island, and Utah.

Figure 3
TOTAL YEAR-END BALANCES AS A PERCENT OF EXPENDITURES
Fiscal 1990



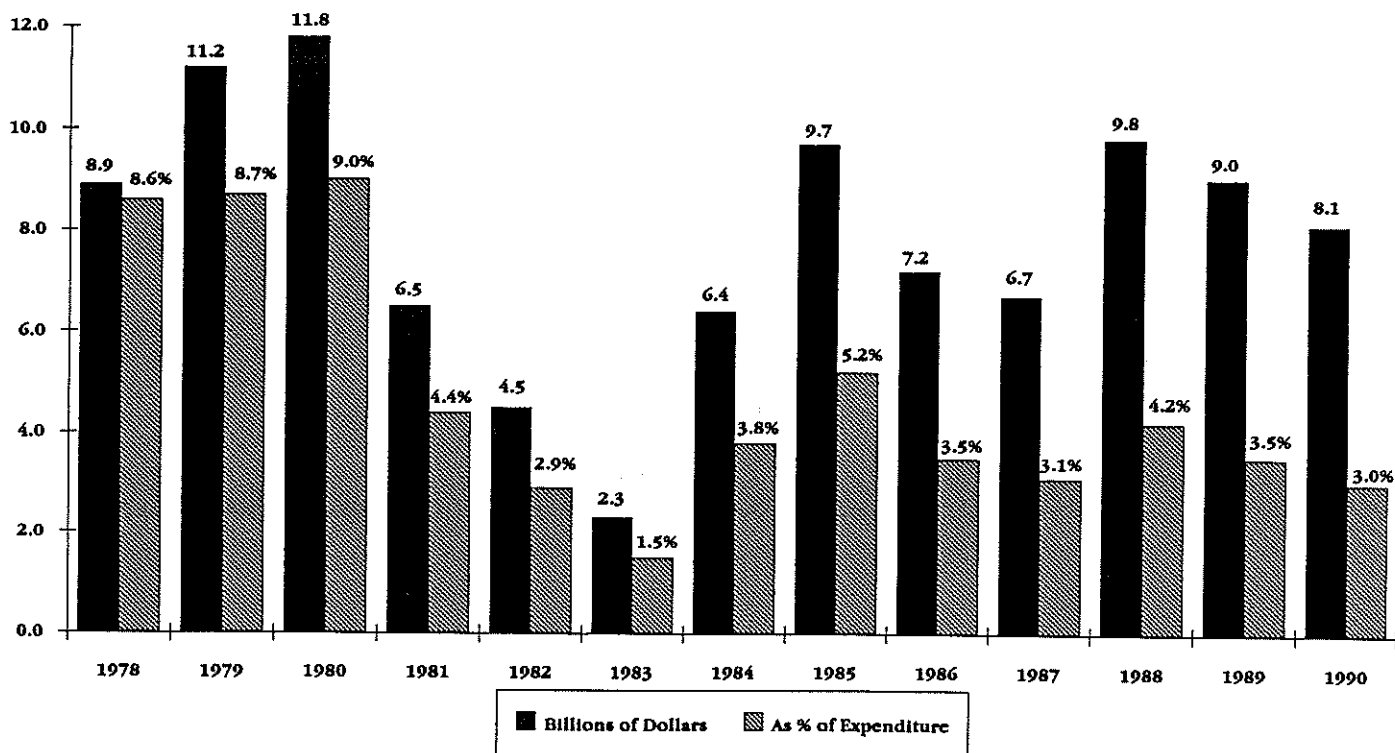
Budget Stabilization Funds

Twenty-nine states propose to end 1990 with balances held in budget stabilization funds. Some of the states that have encountered budget imbalances over the last few years have used these funds to meet budget needs. Massachusetts' balance declined from \$112 million in 1988 to zero in 1989. Connecticut met its 1988 deficit of \$116 million by reducing its stabilization fund balance.

At the same time, other states are continuing to increase their balances held in budget stabilization funds. California, which depleted most of its reserves to meet a revenue crunch in 1988, proposes to build its budget stabilization fund from \$4 million in 1988 to \$42 million in 1989 and \$1.1 billion in 1990. Minnesota will more than double its fund balance between 1988 and 1989 so that it jumps from 4.6 percent to 8.6 percent of total expenditures. Appendix Table A-5 lists state-by-state detail for budget stabilization funds.

There appears to be a changing relationship between ending balances and budget stabilization funds. In the past, states held most of their reserves in ending balances and less in budget stabilization funds. Results from this survey suggest that this is beginning to change. In each of the years surveyed, the amount held as ending balances declines and the balance in budget stabilization funds increases, so that by 1990 states propose to hold \$5.0 billion in budget stabilization funds and \$3.1 billion in general fund ending balances.

Figure 4
SIZE OF TOTAL YEAR-END BALANCES
Fiscal 1978 to 1990



Over the years surveyed, budget stabilization funds will increase from \$3.0 billion in 1988 to \$3.6 billion in 1989 and \$5.0 billion in 1990. Their proportion of expenditures will grow from 1.3 percent to 1.4 percent to 1.8 percent. While appropriating revenue for these funds can push expenditures higher than revenues, the size of budget stabilization fund increases does not equal the gap between expenditures and revenues in 1989 or 1990.

California and Texas represent most of the increase in budget stabilization fund balances from 1989 to 1990. In the absence of this \$1.3 billion increase, there would be a small net change in budget stabilization funds and states would be holding slightly more in these funds than in general fund ending balances. The same is true in 1989, when Texas and Minnesota represent \$572 million of the \$646 million increase over 1988.

IV. Regional Fiscal Outlook

Overview

1988 and 1989 have been good years for most states. Nothing affects state budgets more than the condition of the national economy. Many states believed that 1989 would bring slower economic growth and adopted budgets reflected this belief. However, the economy chugs along and most states continue to enjoy the prospect of revising revenue estimates up, instead of down. There are, of course, significant exceptions. There is also the prospect that the coming years will hold what 1989 has not: a slowdown in the national economy.

In spite of the overall health of state budgets, the trend toward spending more than is received places states at risk. If total reserves decline when the national economy is strong, what will happen when the national economy weakens?

Table 10
REGIONAL BUDGET AND ECONOMIC INDICATORS

	<i>Weighted Unemploy- ment Rate*</i>	<i>Weighted Annual % Change in Personal Income**</i>	<i>Annual % Change in Population***</i>	<i>Fiscal 1989 Total Balances as % of Expenditures</i>	<i>Fiscal 1990 Proposed General Fund Budget Growth (%)</i>	<i># of States in Region</i>
New England	2.5%	8.9%	1.0%	2.1%	8.9%	6
Mideast	4.1	7.9	0.7	2.6	5.1	5
Great Lakes	5.2	6.5	0.6	4.8	4.7	5
Plains	4.0	5.1	0.7	9.1	7.6	7
Southeast	6.2	8.2	1.5	2.8	6.7	12
Southwest	6.8	6.9	0.3	3.9	3.5	4
Rocky Mountain	5.1	6.1	-0.3	5.7	3.7	5
Far West	5.2	8.9	1.8	2.3	9.0	6
Average	4.9%	7.6%	1.0%	3.5%	6.4%	50

SOURCES: * U.S. Department of Labor, Bureau of Labor Statistics, January 1989.
 ** U.S. Department of Commerce, Bureau of Economic Analysis, January 1989.
 Third quarter 1987 to third quarter 1988.
 *** FFIS Issue Brief 88-19, New State Population Estimates.

The following sections describe regional economic and fiscal conditions.

New England. Although the bad news has largely focused on this region, it is unfair to conclude that the entire region is in fiscal difficulty. Maine and Vermont have recently enacted or proposed tax cuts and there is no evidence that the economic condition of the region is getting worse. Rather, New England has the lowest unemployment rate and is tied for the highest personal income growth rate in the country.

What does seem true is that the days of double-digit growth are over. In many of these states, revenue and expenditure growth has been near or in double digits. At least part of the fiscal woes of 1988 and 1989 can be attributed to the assumption that this growth level would continue. Instead, New England has joined the rest of the country with a more moderate growth rate. With unemployment at only 2.5 percent, it is difficult to imagine that significant job growth is possible.

In terms of state budgets, this slower rate of growth means that states will face pressure to contain expenditures. The recovery of the mid-1980s was accompanied by program expansion, the full effects of which are still being felt in some states. This is reflected in the extensive tax activity in this region. It is also reflected in the data in Table 10, which shows that although New England has the lowest relative balances in 1989, it also has the second highest expenditure growth rate for 1990.

Mideast. The Mideast has the third lowest unemployment rate in the country and the fourth highest personal income growth. It also contains some of the states that have encountered significant budget imbalances in the current fiscal year. This is reflected in its ending balances, which currently represent just 2.6 percent of expenditures. It does appear that these states have succeeded in limiting expenditure increases, with 1990 expenditures proposed to increase by only 5.1 percent. In 1989, proposed expenditures were slated to grow 7 percent.

Great Lakes. The Great Lakes region is showing remarkable improvement in its fiscal health. Its unemployment rate has come down 0.9 percent since the last survey, its personal income and population growth are up, its ending balances are just under 5 percent of expenditures, and expenditure growth for 1990 is proposed to increase 4.7 percent, comfortably below the national average of 6.4 percent. This region remains a picture of moderation, holding down the middle of almost every category reported.

Plains. Little has changed in the Plains states since the last survey, with one exception: ending balances have risen from 6.1 percent to 9.1 percent of expenditures. This is partly due to less severe drought effects than had been anticipated and is reflected in improved revenue growth in the region. Also, Kansas has been increasing its ending balances since federal tax reform, and is proposing to return revenues to taxpayers in 1990. There is the prospect of another drought in the summer of 1989 and this will probably result in moderate spending growth, which is proposed to increase 7.6 percent.

Southeast. This is the only region of the country where the unemployment rate is higher now than it was when the last survey was published. At the same time, however, growth in personal income has improved since October 1988. A significant development in the region is the early passage of tax proposals in West Virginia that will help to alleviate the fiscal problems that have plagued the state for some time. Tax reform proposals in Louisiana offer the same hope for that state.

Southwest. Because of Texas, the Southwest shows the biggest improvement since the October survey. The unemployment rate has declined by 0.7 percent, personal income growth has increased by 2.8 percent, and ending balances are 3.9 percent versus a negative 2.2 percent last year. With spending growth proposed to be just 3.5 percent, the region is growing its way back to fiscal stability. Significant problems in Arizona are being addressed through a major tax increase proposal.

Rocky Mountain. Aside from a loss in population, this region shows continued recovery from the early 1980s. Its personal income growth is the second lowest in the country, but ending balances of 5.7 percent of expenditures continue to provide a cushion against fiscal instability. Expenditure growth is low and the unemployment rate continues to drop, suggesting that the worst may have passed.

Far West. This is a region of enormous contrasts, with one large state (California) cautiously rebuilding its reserves and trying to contain expenditures and a small state (Hawaii) sitting on one of the largest reserves in the country and spending well above the national average. For the region as a whole, personal income growth is tied for the highest growth rate in the country, the unemployment rate has declined since the last survey, and population growth continues to set the pace for the nation. On the other hand, the Far West exhibits the same combination of factors as New England: relatively low balances combined with high proposed expenditures. At 9 percent proposed growth, expenditures have the capability of placing stress on some state budgets.

APPENDIX

Table A-1
FISCAL 1988 STATE GENERAL FUND
(\$ in millions)
Actual Figures

<i>State</i>	<i>Beginning Balance</i>	<i>Revenues</i>	<i>Resources</i>	<i>Expenditures</i>	<i>Ending Balance</i>	<i>Budget Stabilization Fund</i>
States with Annual Budgets						
Alabama	\$69	\$2,886	\$2,955	\$2,800	\$155	\$21
Alaska	14	2,466	2,480	2,256	224	
Arizona	56	2,563	2,619	2,613	6	
California	661	32,534	33,195	33,024	171	4
Colorado	45	2,198	2,243	2,143	100	
Connecticut	0	4,860	4,860	4,976	-116	320
Delaware	170	1,028	1,198	1,093	105	53
Georgia	164	5,944	6,108	5,959	149	177
Idaho	0	675	675	658	17	
Illinois	154	11,620	11,774	11,528	246	
Iowa	68	2,416	2,484	2,422	62	
Kansas	73	2,115	2,188	1,886	302	
Louisiana	-446	3,795	3,349	3,861	-512	
Maryland	208	5,093	5,301	4,892	409	65
Massachusetts	41	7,556	7,597	7,556	41	112
Michigan	11	6,691	6,702	6,684	18	381
Mississippi	116	1,626	1,742	1,653	89	20
Missouri	50	3,523	3,573	3,479	94	
New Jersey	722	10,362	11,084	10,310	774	246
New Mexico	0	1,584	1,584	1,584	0	155
New York	169	26,875	27,044	26,991	53	
Oklahoma	0	2,397	2,397	2,281	116	78
Pennsylvania	348	10,264	10,612	10,517	95	80
Rhode Island	106	1,265	1,370	1,256	115	28
South Carolina	14	2,928	2,942	2,814	128	86
South Dakota	36	397	433	392	41	
Tennessee	22	3,155	3,177	3,111	66	75
Utah	29	1,460	1,489	1,402	87	43
West Virginia	33	1,416	1,449	1,414	35	
States with Biennial Budgets						
Arkansas	\$0	\$1,546	\$1,546	\$1,546	\$0	
Florida	36	8,781	8,817	8,582	235	\$110
Hawaii	339	2088	2,427	1,957	470	
Indiana	101	3957	4,058	3,815	243	220
Kentucky	165	3,074	3,239	3,208	31	
Maine	60	1,335	1,395	1,254	141	25
Minnesota	477	5,870	6,347	5,762	585	265
Montana	11	400	410	371	39	
Nebraska	55	1,014	1,068	891	178	18
Nevada	27	625	652	586	65	40
New Hampshire	23	543	566	553	13	27
North Carolina	362	5,805	6,167	5,774	393	
North Dakota	19	536	555	506	49	
Ohio	226	10,024	10,250	9,953	297	284
Oregon	235	1,677	1,912	1,825	87	
Texas	-724	12,707	11,983	11,870	113	
Vermont	61	519	580	506	74	8
Virginia	248	5,120	5,368	5,099	269	
Washington	166	5,014	5,180	4,989	192	
Wisconsin	233	5,251	5,483	5,289	194	
Wyoming	46	377	423	351	72	55
Total	\$5,098	\$237,953	\$243,051	\$236,240	\$6,812	\$2,996
D.C.	-205	2,652	2,447	2,667	-219	

NOTES TO TABLE A-1

For all states, transfers into budget stabilization funds are counted as expenditures.

California	"Rainy Day" Fund balance includes the Reserve for Economic Uncertainties. Beginning balances include prior year's "Rainy Day" Fund balance.
Colorado	Required reserve is included with ending balance.
Delaware	"Rainy Day" or Reserve Fund balance is included in ensuing year's beginning balance.
D.C.	Other sources and uses and adjustments are applied to revenues and expenditures.
Florida	State has biennial budgets but appropriates annually.
Illinois	Expenditures include transfers.
Maryland	Expenditures equal appropriations plus requested deficiency appropriation minus reversions.
Massachusetts	Revenues include revenues and other financing sources. The ending balances are composed of undesignated funds.
Minnesota	Beginning balance includes budget stabilization fund.
Nevada	Expenditures include one-time expenditure of \$75.3 million for capital improvements.
New Jersey	Revenues include adjustments of \$335 million.
New Mexico	Total expenditures include fund transfers of \$1.1 million.
New York	General fund figures are reported on a cash basis. Ending balance is part of Tax Stabilization Reserve Fund (Rainy Day Fund).
Oregon	Biennial expenditures were split 49 percent to the first year of the biennium (1988, 1990) and 51 percent to the second year of the biennium (1989). Using fiscal year figures may present erroneous results.
Pennsylvania	In addition to its "Rainy Day" Fund Pennsylvania expects a balance of \$19 million in its Sunny Day Fund which is used for economic development.
Rhode Island	Resources include other financing sources.
Tennessee	Expenditures include fund transfers.
Texas	Beginning balances include budget stabilization funds.
Utah	At the end of fiscal 1988, \$77 million was allocated for an income tax refund equal to 12.5 percent of 1987 income tax liability. The actual refund cost was \$72 million.

Table A-2
FISCAL 1989 STATE GENERAL FUND
(\$ in millions)
Estimates

<i>State</i>	<i>Beginning Balance</i>	<i>Revenues</i>	<i>Resources</i>	<i>Expenditures</i>	<i>Ending Balance</i>	<i>Budget Stabilization Fund</i>
States with Annual Budgets						
Alabama	\$155	\$3,012	\$3,167	\$3,159	\$8	\$13
Alaska	224	1,935	2,159	2,311	-152	
Arizona	6	2,911	2,917	2,913	5	
California	175	36,002	36,177	35,965	212	42
Colorado	100	2,320	2,420	2,318	102	
Connecticut	0	5,590	5,590	5,589	0	130
Delaware	158	1,076	1,234	1,135	99	56
Georgia	149	6,345	6,494	6,403	91	190
Idaho	17	724	741	704	37	
Illinois	246	11,905	12,151	11,900	251	
Iowa	62	2,613	2,675	2,628	47	
Kansas	302	2,197	2,499	2,172	327	
Louisiana	-512	4,824	4,312	4,036	276	
Maryland	409	5,404	5,813	5,452	361	82
Massachusetts	41	8,170	8,211	8,210	1	
Michigan	18	6,817	6,835	6,816	20	417
Mississippi	89	1,788	1,876	1,815	61	20
Missouri	94	3,792	3,886	3,818	69	
New Jersey	774	11,080	11,854	11,552	302	246
New Mexico	0	1,642	1,642	1,642	0	171
New York	53	28,113	28,166	28,166	0	
Oklahoma	116	2,585	2,701	2,530	171	154
Pennsylvania	95	11,165	11,260	10,985	275	112
Rhode Island	115	1,333	1,448	1,416	31	37
South Carolina	128	3,103	3,231	3,155	76	81
South Dakota	41	408	449	417	32	3
Tennessee	66	3,439	3,505	3,483	22	100
Utah	15	1,484	1,499	1,499	0	43
West Virginia	35	1,473	1,508	1,475	33	
States with Biennial Budgets						
Arkansas	\$0	\$1,612	\$1,612	\$1,612	\$0	
Florida	235	9,359	9,594	9,512	82	\$140
Hawaii	470	2,288	2,758	2,275	483	
Indiana	243	4,198	4,441	4,233	208	255
Kentucky	31	3,299	3,330	3,310	20	2
Maine	141	1,377	1,518	1,418	100	25
Minnesota	850	5,857	6,707	6,427	280	550
Montana	39	379	418	386	32	
Nebraska	178	1,004	1,182	1,009	174	50
Nevada	65	692	758	750	7	40
New Hampshire	13	570	584	584	0	27
North Carolina	393	6,186	6,579	6,399	180	
North Dakota	49	487	536	520	15	
Ohio	297	10,596	10,893	10,709	184	348
Oregon	87	1,990	2,077	1,899	178	
Texas	113	12,821	12,934	12,934	0	287
Vermont	74	535	609	604	5	10
Virginia	269	5,512	5,781	5,781	0	
Washington	192	5,532	5,723	5,367	356	
Wisconsin	194	5,531	5,725	5,520	205	
Wyoming	72	341	413	339	74	9
Total	\$7,176	\$253,416	\$260,591	\$255,251	\$5,339	\$3,642
D.C.	-219	2,816	2,597	2,796	-199	

NOTES TO TABLE A-2

For all states, transfers into budget stabilization funds are counted as expenditures.

Alabama	Revenues include \$8.3 million from "Rainy Day" Fund.
California	"Rainy Day" Fund balance includes a \$39.3 million reserve for grades K-12 and the California Community Colleges and \$3.2 million for the Reserve for Economic Uncertainties. Beginning balances include prior year's "Rainy Day" Fund balance.
Colorado	Required reserve is included with ending balance.
Connecticut	Fiscal 1989 includes early tax increases that are recommended in the Governor's proposed budget for fiscal 1990.
D.C.	Estimate reflects the revision proposed by the mayor on February 8, 1989.
Delaware	"Rainy Day" or Reserve Fund balance is included in ensuing year's beginning balance.
Illinois	Expenditures include transfers.
Louisiana	Revenues include \$783 million of Recovery District Bond proceeds to be repaid over a ten-year period.
Maryland	Expenditures equal appropriations plus requested deficiency appropriations minus reversions.
Massachusetts	Revenues include revenues and other financing sources. The ending balances are composed of undesignated funds.
Minnesota	Beginning balance includes budget stabilization fund.
Nevada	Expenditures include \$75.3 million one-time expenditure for capital improvements.
New Jersey	Revenues include adjustments of \$156 million.
New Mexico	Total expenditures include fund transfers of \$13.3 million.
New York	General fund figures are reported on a cash basis. Ending balance is part of Tax Stabilization Reserve Fund (Rainy Day Fund). Figures for 1989 are those recommended in Executive Budget submitted January 17, 1989.
N. Carolina	Resources include \$25 million in legislative bonds.
Oregon	Biennial expenditures were split 49 percent to the first year of the biennium and 51 percent to the second year of the biennium. Using fiscal year figures may present erroneous results.
Pennsylvania	In addition to its "Rainy Day" Fund Pennsylvania expects a balance of \$18 million in its Sunny Day Fund which is used for economic development.
Rhode Island	Resources include other financing sources.
Tennessee	Expenditures include fund transfers.
Texas	Beginning balances include budget stabilization funds.
Utah	Of the beginning balance for 1989, \$72 million was refunded to taxpayers. Refund equaled 12.5 percent of income tax liabilities.

Table A-3
FISCAL 1990 STATE GENERAL FUND
(\$ in millions)
Recommended

<i>State</i>	<i>Beginning Balance</i>	<i>Revenues</i>	<i>Resources</i>	<i>Expenditures</i>	<i>Ending Balance</i>	<i>Budget Stabilization Fund</i>
States with Annual Budgets						
Alabama	\$8	\$3,112	\$3,120	\$3,120	\$0	\$21
Alaska	0	2,386	2,386	2,309	77	
Arizona	5	3,255	3,260	3,246	14	
California	254	38,877	39,131	39,110	21	1,100
Colorado	102	2,416	2,518	2,423	95	
Connecticut	0	6,315	6,315	6,315	0	131
Delaware	155	1,131	1,286	1,226	60	61
Georgia	91	7,407	7,498	7,498	0	222
Idaho	37	741	778	773	5	
Illinois	251	12,345	12,596	12,345	251	
Iowa	47	2,737	2,784	2,712	72	
Kansas	327	2,228	2,555	2,364	191	
Louisiana	276	3,963	4,239	3,957	282	
Maryland	361	5,741	6,102	6,073	29	99
Massachusetts	1	8,877	8,878	8,849	29	
Michigan	20	6,992	7,012	6,988	24	424
Mississippi	61	1,847	1,908	1,907	1	20
Missouri	69	4,051	4,120	4,060	60	
New Jersey	302	11,711	12,013	11,765	248	
New Mexico	0	1,690	1,690	1,690	0	209
New York	0	29,406	29,406	29,406	0	
Oklahoma	171	2,652	2,823	2,629	194	154
Pennsylvania	275	11,453	11,728	11,725	3	145
Rhode Island	31	1,472	1,503	1,502	1	40
South Carolina	76	3,283	3,359	3,278	81	88
South Dakota	32	416	448	445	3	3
Tennessee	22	3,664	3,686	3,685	1	125
Utah	0	1,519	1,519	1,500	19	43
West Virginia	33	1,783	1,816	1,781	35	
States with Biennial Budgets						
Arkansas	\$0	\$1,723	\$1,723	\$1,723	\$0	
Florida	82	10,039	10,121	10,121	0	\$150
Hawaii	483	2,310	2,793	2,618	175	
Indiana	208	4,456	4,664	4,483	181	286
Kentucky	20	3,479	3,499	3,483	16	2
Maine	100	1,495	1,595	1,548	47	25
Minnesota	830	6,364	7,194	7,086	108	550
Montana	32	419	451	404	47	
Nebraska	174	1,033	1,206	1,065	142	40
Nevada	7	760	767	757	10	40
New Hampshire	0	602	602	602	0	27
North Carolina	180	6,693	6,873	6,873	0	
North Dakota	16	546	562	546	16	
Ohio	184	11,387	11,571	11,409	162	374
Oregon	178	2,114	2,292	2,168	124	
Texas	287	12,875	13,162	13,162	0	487
Vermont	5	588	593	593	1	10
Virginia	0	6,079	6,079	6,074	5	78
Washington	356	5,720	6,076	5,971	105	
Wisconsin	205	5,727	5,932	5,812	120	
Wyoming	74	342	416	339	78	9
Total	\$6,429	\$268,219	\$274,647	\$271,517	\$3,130	\$4,963
D.C.	-199	2,977	2,778	2,967	-189	

NOTES TO TABLE A-3

For all states, transfers into budget stabilization funds are counted as expenditures.

California	"Rainy Day" Fund balance includes a \$230 million reserve for grades K-12 and the California Community Colleges and \$870 million for the Reserve for Economic Uncertainties. Beginning balances include prior year's "Rainy Day" Fund balance.
Colorado	Required reserve is included with ending balance.
Delaware	"Rainy Day" or Reserve Fund balance is included in ensuing year's beginning balance.
Florida	State has biennial budgets but appropriates annually.
Illinois	Expenditures include transfers.
Iowa	Ending balance does not reflect impact of current collective bargaining.
Louisiana	Revenues include tax reform as enacted, subject to public referendum.
Maryland	Expenditures equal appropriations minus reversions.
Massachusetts	Revenues include revenues and other financing sources. The ending balances are comprised of undesignated funds.
Minnesota	Beginning balance includes budget stabilization fund.
New Jersey	Revenues include adjustments of \$246 million.
New Mexico	Total expenditures include fund transfers of \$3.0 million.
New York	General fund figures are reported on a cash basis. Ending balance is part of Tax Stabilization Reserve Fund (Rainy Day Fund). Figures for 1989 are those recommended in Executive Budget submitted January 17, 1989. Total resources are net of \$246 million planned impoundment to repay deficit notes. Expenditures include \$80 million repayment to Infrastructure Trust Fund.
N. Carolina	Resources include \$73.0 million in legislative bonds.
Oregon	Biennial expenditures were split 49 percent to the first year of the biennium and 51 percent to the second year of the biennium. Using fiscal year figures may present erroneous results.
Pennsylvania	In addition to its "Rainy Day" Fund Pennsylvania expects a balance of \$51 million in its Sunny Day Fund which is used for economic development.
Rhode Island	Resources include other financing sources.
Texas	Beginning balances include budget stabilization funds.
Tennessee	Expenditures include fund transfers.
Utah	For 1990, \$19 million has been set aside for a potential tax decrease.

Table A-4
ENDING BALANCES AS A PERCENT OF
EXPENDITURES, 1988 TO 1990
(\$ in millions)

State	General Fund Ending Balances			As a Percent of Expenditures		
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1988	Fiscal 1989	Fiscal 1990
States with Annual Budgets						
Alabama	\$155	\$8	\$0	5.5%	0.3%	0.0%
Alaska	224	-152	77	9.9	-6.6	3.3
Arizona	6	5	14	0.2	0.2	0.4
California	171	212	21	0.5	0.6	0.1
Colorado	100	102	95	4.7	4.4	3.9
Connecticut	-116	0	0	-2.3	0.0	0.0
Delaware	105	99	60	9.6	8.7	4.9
Georgia	149	91	0	2.5	1.4	0.0
Idaho	17	37	5	2.6	5.3	0.6
Illinois	246	251	251	2.1	2.1	2.0
Iowa	62	47	72	2.6	1.8	2.7
Kansas	302	327	191	16.0	15.1	8.1
Louisiana	-512	276	282	-13.3	6.8	7.1
Maryland	409	361	29	8.4	6.6	0.5
Massachusetts	41	1	29	0.5	0.0	0.3
Michigan	18	20	24	0.3	0.3	0.3
Mississippi	89	61	1	5.4	3.4	0.0
Missouri	94	69	60	2.7	1.8	1.5
New Jersey	774	302	248	7.5	2.6	2.1
New Mexico	0	0	0	0.0	0.0	0.0
New York	53	0	0	0.2	0.0	0.0
Oklahoma	116	171	194	5.1	6.8	7.4
Pennsylvania	95	275	3	0.9	2.5	0.0
Rhode Island	115	31	1	9.1	2.2	0.1
South Carolina	128	76	81	4.5	2.4	2.5
South Dakota	41	32	3	10.5	7.7	0.7
Tennessee	66	22	1	2.1	0.6	0.0
Utah	87	0	19	6.2	0.0	1.3
West Virginia	35	33	35	2.5	2.2	2.0
States with Biennial Budgets						
Arkansas	\$0	\$0	\$0	0.0%	0.0%	0.0%
Florida	235	82	0	2.7	0.9	0.0
Hawaii	470	483	175	24.0	21.2	6.7
Indiana	243	208	181	6.4	4.9	4.0
Kentucky	31	20	16	1.0	0.6	0.5
Maine	141	100	47	11.2	7.1	3.0
Minnesota	585	280	108	10.2	4.4	1.5
Montana	39	32	47	10.6	8.3	11.6
Nebraska	178	174	142	19.9	17.2	13.3
Nevada	65	7	10	11.2	1.0	1.3
New Hampshire	13	0	0	2.4	0.0	0.0
North Carolina	393	180	0	6.8	2.8	0.0
North Dakota	49	15	16	9.7	2.9	2.9
Ohio	297	184	162	3.0	1.7	1.4
Oregon	87	178	124	4.8	9.4	5.7
Texas	113	0	0	1.0	0.0	0.0
Vermont	74	5	1	14.6	0.9	0.1
Virginia	269	0	5	5.3	0.0	0.1
Washington	192	356	105	3.8	6.6	1.8
Wisconsin	194	205	120	3.7	3.7	2.1
Wyoming	72	74	78	20.6	21.9	22.9
Total	\$6,812	\$5,339	\$3,130	2.9%	2.1%	1.2%
D.C.	-219	-199	-189	-8.2	-7.1	-6.4

TABLE A-5
STABILIZATION FUNDS AS A PERCENT OF
EXPENDITURES, 1988 TO 1990
(\$ in millions)

State	Stabilization Fund Balances			As a Percent of Expenditures		
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1988	Fiscal 1989	Fiscal 1990
States with Annual Budgets						
Alabama	\$21	\$13	\$21	0.8%	0.4%	0.7%
Alaska	0	0	0	0.0	0.0	0.0
Arizona	0	0	0	0.0	0.0	0.0
California	4	42	1,100	0.0	0.1	2.8
Colorado	0	0	0	0.0	0.0	0.0
Connecticut	320	130	131	6.4	2.3	2.1
Delaware	53	56	61	4.9	4.9	5.0
Georgia	177	190	222	3.0	3.0	3.0
Idaho	0	0	0	0.0	0.0	0.0
Illinois	0	0	0	0.0	0.0	0.0
Iowa	0	0	0	0.0	0.0	0.0
Kansas	0	0	0	0.0	0.0	0.0
Louisiana	0	0	0	0.0	0.0	0.0
Maryland	65	82	99	1.3	1.5	1.6
Massachusetts	112	0	0	1.5	0.0	0.0
Michigan	381	417	424	5.7	6.1	6.1
Mississippi	20	20	20	1.2	1.1	1.0
Missouri	0	0	0	0.0	0.0	0.0
New Jersey	246	246	0	2.4	2.1	0.0
New Mexico	155	171	209	9.8	10.4	12.4
New York	0	0	0	0.0	0.0	0.0
Oklahoma	78	154	154	3.4	6.1	5.9
Pennsylvania	80	112	145	0.8	1.0	1.2
Rhode Island	28	37	40	2.2	2.6	2.7
South Carolina	86	81	88	3.1	2.6	2.7
South Dakota	0	3	3	0.0	0.7	0.7
Tennessee	75	100	125	2.4	2.9	3.4
Utah	43	43	43	3.1	2.9	2.9
West Virginia	0	0	0	0.0	0.0	0.0
States with Biennial Budgets						
Arkansas	\$0	\$0	\$0	0.0%	0.0%	0.0%
Florida	110	140	150	1.3	1.5	1.5
Hawaii	0	0	0	0.0	0.0	0.0
Indiana	220	255	286	5.8	6.0	6.4
Kentucky	0	2	2	0.0	0.1	0.1
Maine	25	25	25	2.0	1.8	1.6
Minnesota	265	550	550	4.6	8.6	7.8
Montana	0	0	0	0.0	0.0	0.0
Nebraska	18	50	40	2.0	5.0	3.7
Nevada	40	40	40	6.8	5.3	5.3
New Hampshire	27	27	27	4.9	4.6	4.5
North Carolina	0	0	0	0.0	0.0	0.0
North Dakota	0	0	0	0.0	0.0	0.0
Ohio	284	348	374	2.9	3.2	3.3
Oregon	0	0	0	0.0	0.0	0.0
Texas	0	287	487	0.0	2.2	3.7
Vermont	8	10	10	1.6	1.7	1.7
Virginia	0	0	78	0.0	0.0	1.3
Washington	0	0	0	0.0	0.0	0.0
Wisconsin	0	0	0	0.0	0.0	0.0
Wyoming	55	9	9	15.8	2.7	2.7
	\$2,996	\$3,642	\$4,963	1.3%	1.4%	1.8%
	0	0	0	0.0	0.0	0.0

Table A-6
COMBINED ENDING BALANCES AND STABILIZATION FUNDS
AS A PERCENT OF EXPENDITURES, 1988 to 1990
(\$ in millions)

State	Total Balances			As a Percent of Expenditures		
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1988	Fiscal 1989	Fiscal 1990
States with Annual Budgets						
Alabama	\$176	\$21	\$21	6.3%	0.7%	0.7%
Alaska	224	-152	77	9.9	-6.6	3.3
Arizona	6	5	14	0.2	0.2	0.4
California	175	254	1,121	0.5	0.7	2.9
Colorado	100	102	95	4.7	4.4	3.9
Connecticut	204	130	131	4.1	2.3	2.1
Delaware	158	155	121	14.5	13.6	9.9
Georgia	326	281	222	5.5	4.4	3.0
Idaho	17	37	5	2.6	5.3	0.6
Illinois	246	251	251	2.1	2.1	2.0
Iowa	62	47	72	2.6	1.8	2.7
Kansas	302	327	191	16.0	15.1	8.1
Louisiana	-512	276	282	-13.3	6.8	7.1
Maryland	474	443	128	9.7	8.1	2.1
Massachusetts	153	1	29	2.0	0.0	0.3
Michigan	399	437	448	6.0	6.4	6.4
Mississippi	109	81	21	6.6	4.5	1.1
Missouri	94	69	60	2.7	1.8	1.5
New Jersey	1,020	548	248	9.9	4.7	2.1
New Mexico	156	171	210	9.8	10.4	12.4
New York	53	0	0	0.2	0.0	0.0
Oklahoma	194	325	348	8.5	12.8	13.2
Pennsylvania	175	387	148	1.7	3.5	1.3
Rhode Island	143	68	41	11.4	4.8	2.8
South Carolina	214	157	169	7.6	5.0	5.2
South Dakota	41	35	6	10.5	8.4	1.3
Tennessee	141	122	126	4.5	3.5	3.4
Utah	130	43	62	9.3	2.9	4.1
West Virginia	35	33	35	2.5	2.2	2.0
States with Biennial Budgets						
Arkansas	\$0	\$0	\$0	0.0%	0.0%	0.0%
Florida	345	222	150	4.0	2.3	1.5
Hawaii	470	483	175	24.0	21.2	6.7
Indiana	463	463	467	12.1	10.9	10.4
Kentucky	31	22	18	1.0	0.6	0.5
Maine	166	125	72	13.2	8.8	4.7
Minnesota	850	830	658	14.8	12.9	9.3
Montana	39	32	47	10.6	8.3	11.6
Nebraska	195	224	181	21.9	22.2	17.1
Nevada	105	47	50	18.0	6.3	6.6
New Hampshire	40	27	27	7.3	4.6	4.5
North Carolina	393	180	0	6.8	2.8	0.0
North Dakota	49	15	16	9.7	2.9	2.9
Ohio	581	532	536	5.8	5.0	4.7
Oregon	87	178	124	4.8	9.4	5.7
Texas	113	287	487	1.0	2.2	3.7
Vermont	82	16	11	16.2	2.6	1.8
Virginia	269	0	82	5.3	0.0	1.4
Washington	192	356	105	3.8	6.6	1.8
Wisconsin	194	205	120	3.7	3.7	2.1
Wyoming	128	84	87	36.3	24.7	25.6
Total	\$9,809	\$8,981	\$8,093	4.2%	3.5%	3.0%
D.C.	-219	-199	-189	-8.2	-7.1	-6.4

Table A-7

NOMINAL PERCENTAGE EXPENDITURE CHANGE

<i>State</i>	<i>Fiscal 1989</i>	<i>Fiscal 1990</i>
States With Annual Budgets		
Alabama	12.8%	-1.2%
Alaska	2.4	-0.1
Arizona	11.5	11.4
California	8.9	8.7
Colorado	8.2	4.5
Connecticut	12.3	13.0
Delaware	3.9	8.0
Georgia	7.5	17.1
Idaho	7.0	9.8
Illinois	3.2	3.7
Iowa	8.5	3.2
Kansas	15.2	8.8
Louisiana	4.5	-2.0
Maryland	11.4	11.4
Massachusetts	8.7	7.8
Michigan	2.0	2.5
Mississippi	9.8	5.0
Missouri	9.7	6.4
New Jersey	12.0	1.8
New Mexico	3.7	2.9
New York	4.4	4.4
Oklahoma	10.9	3.9
Pennsylvania	4.4	6.7
Rhode Island	12.8	6.0
South Carolina	12.1	3.9
South Dakota	6.4	6.7
Tennessee	12.0	5.8
Utah	6.9	0.1
West Virginia	4.3	20.8
States with Biennial Budgets		
Arkansas	4.3%	6.9%
Florida	10.8	6.4
Hawaii	16.2	15.1
Indiana	11.0	5.9
Kentucky	3.2	5.2
Maine	13.1	9.2
Minnesota	11.5	10.3
Montana	4.2	4.6
Nebraska	13.2	5.6
Nevada	27.9	0.9
New Hampshire	5.6	3.1
North Carolina	10.8	7.4
North Dakota	2.8	5.0
Ohio	7.6	6.5
Oregon	4.1	14.2
Texas	9.0	1.8
Vermont	19.3	-1.9
Virginia	13.4	5.1
Washington	7.6	11.3
Wisconsin	4.4	5.3
Wyoming	-3.5	0.0
Total	8.0%	6.4%
D.C.	4.9	6.1

Table A-8
FISCAL 1989 TAX COLLECTIONS COMPARED TO PROJECTIONS USED IN
FORMULATING BUDGET
(\$ in millions).

	Personal Income Tax		Sales Tax		Total Revenue Collection
State /Region	Original Estimate	Current Estimate	Original Estimate	Current Estimate	
New England					
Connecticut	\$410*	\$410	\$2,289	\$2,198	L
Maine	443	518	484	503	H
Massachusetts	4,472	4,300	2,302	2,185	L
New Hampshire	N/A	N/A	N/A	N/A	L
Rhode Island	427	423	412	405	H
Vermont	190	191	125	136	T
Midwest					
Delaware	\$465	\$465	N/A	N/A	H
D.C.	589	609	426	419	L
Maryland	2,520	2,620	1,501	1,517	H
New Jersey	2,910	2,840	3,320	3,240	L
New York	15,132	13,765	5,675	5,510	L
Pennsylvania	3,072	3,105	4,132	4,132	H
Great Lakes					
Illinois	\$3,524	\$3,543	\$3,605	\$3,666	H
Indiana	1,851	1,879	1,212	1,220	H
Michigan	3,223	3,289	2,600	2,600	H
Ohio	3,042	3,220	3,128	3,214	H
Wisconsin	2,483	2,447	1,790	1,850	H
Plains					
Iowa	\$1,262	\$1,293	\$677	\$703	H
Kansas	776	840	686	705	H
Minnesota	2,371	2,419	1,648	1,757	H
Missouri	1,717	1,818	1,179	1,181	T
Nebraska	430	430	400	412	H
North Dakota	90	90	266	238	L
South Dakota	N/A	N/A	207	218	H
Southeast					
Alabama	\$998	\$995	\$776	\$779	L
Arkansas	633	632	666	679	T
Florida	N/A	N/A	7,751	7,716	H
Georgia	2,650	2,628	1,924	2,015*	T
Kentucky	1,060	1,060	1,041	1,041	T
Louisiana	576	626	1,421	1,432	H
Mississippi	359	371	757	774	H
North Carolina	2,947	2,950	1,669	1,714	T
South Carolina	1,164	1,233	1,065	1,075	H
Tennessee	77	85	2,263	2,247	L
Virginia	2,953	3,043	1,298	1,271	H
West Virginia	440	440	350	381	L
Southwest					
Arizona	\$944	\$913	\$1,333	\$1,324	T
New Mexico	292	326	586	610	H
Oklahoma	839	908	760	773	T
Texas	N/A	N/A	6,700	6,900	H
Rocky Mountain					
Colorado	\$1,215	\$1,277	\$675	\$686	H
Idaho	296	305	265	285	H
Utah	582	581*	605	662	H
Wyoming	N/A	N/A	212	211	L
Far West					
California	\$14,615	\$14,715	\$12,571	\$12,520	T
Montana	---	---	N/A	N/A	--
Nevada	N/A	N/A	216	242	H
Oregon	1,574	1,594	N/A	N/A	T
Washington	N/A	N/A	2,401	2,656	H
Alaska	N/A	N/A	N/A	N/A	L
Hawaii	579	696	970	1,013	H

NOTES TO TABLE A-8

Connecticut taxes only capital gains, interest and dividends under personal income taxes.

Georgia sales tax collections reflect a tax increase during fiscal year 1989.

Utah income tax projections incorporate a \$72 million tax reduction.

- H** Revenues higher than estimates
- L** Revenues lower than estimates
- T** Revenues on target

Table A-9
PROPOSED 1990 TAX CHANGES BY TYPE OF TAX

<i>State</i>	<i>Tax Change Description</i>	<i>Eff. Date</i>	<i>Fiscal 1990 Revenue Change (\$ in millions)</i>
PERSONAL INCOME TAX			
Arkansas	7% flat rate on incomes above \$100,000.	1/89	\$7.6
	Various tax relief measures.	1/89	(44.5)
Connecticut	Repeal 60% long-term exclusion and include under Dividend and Interest Tax.	2/9/89	214.0
Delaware	Increase zero bracket and decrease top rate.	1/90	(16.6)
Hawaii	Base reduction	1/89	(51.0)
Idaho	Repeal 3% investment tax credit.	1/89	5.0
Kansas	Change in tax base.	1/89	(78.9)
Louisiana	Increase rates and change credits and deductions.	7/89	183.0
Maryland	Tax reduction	1/89	(32.2)
Massachusetts	Increase capital gains tax rate.	1/89	265.0
Nebraska	Base reduction.	1/89	(23.5)
New Jersey	Increased withholding rate. (One time increase.)	3/89	45.0
North Dakota	Revise tax structure.	1/89	34.9
Ohio	Increase rate by 1% (subject to voter approval).	1/89	757.0
South Carolina	Reduction in rates and base changes.	1/90	0.0
	Reduction in capital gains taxes.	1/90	0.0
Vermont	Tax cut.	1/89	(18.1)
Virginia	Sliding scale credit.	1/89	(100.1)
Washington	Introduce tax at 3.9%.	1/90	441.0
Wisconsin	Introduce new credits.	1/89	(4.0)
SALES TAX			
Alaska	Introduce 1% sales tax.	7/89	\$53.0
Arkansas	Change rate and introduce credits for low-income families.	7/89	203.0
	Sales tax on some services.	7/89	9.4
	Not extend 2% discount on additional 1% sales and use tax.	7/89	3.0
	Annual \$10,000 discount cap for 2% sales tax discount.	7/89	3.4
Connecticut	Include public utilities and additional services.	4/89	404.0
Georgia	One cent rate increase.	4/89	687.0
Louisiana	Reinstate some exemptions.	7/89	(192.0)
Massachusetts	Include purchases by utilities and tax interstate phone service.	3/89	80.0
New York	Add cable TV, participant sports; add mail order sales; other small changes.	6/89	72.0
North Carolina	Increase rate to 4%.	6/89	452.0
	Reduce rate on food and drugs to 1%.	7/89	(146.0)

Table A-9 (continued)
PROPOSED 1990 TAX CHANGES BY TYPE OF TAX

<i>State</i>	<i>Tax Change Description</i>	<i>Eff. Date</i>	<i>Fiscal 1990 Revenue Change (\$ in millions)</i>
North Dakota	Increase to 6%, add 1% to restaurant meals and lodging, reduce certain exemptions, and reduce rate on equipment to 4%.	7/89	\$22.6
Rhode Island	Add cigarettes to base.	passage	9.5
	Add admissions to base.	passage	3.0
	Add interstate calls to base.	4/89	7.5
Tennessee	Close loop hole on auto sales.	6/89	15.0
Washington	Reduce rate to 3.9%.	1/90	(422.0)
West Virginia	Eliminate exemptions for food and building materials purchased by contractors.	3/89	159.0
Wisconsin	Advertising supplements exemption.	10/89	(3.0)
<u>BUSINESS TAXES</u>			
Arizona	Eliminate certain exclusions and credits.	7/89	\$10.0
Arkansas	7% flat rate on income above \$50,000.	1/89	15.7
Connecticut	10% surcharge and \$250 minimum tax.	1/89	70.0
Delaware	Change allocation rules to apportionment.	1/90	1.0
D.C.	Tax on telecommunications companies.	1/89	21.2
Idaho	Repeal 3% investment tax credit.	1/89	7.0
Louisiana	Lower top rate and phase-in disallowance of federal income tax deductibility.	7/89	(10.0)
New York	Raise fee on S corporations; disallow loss carrybacks.	1/89	52.0
Ohio	Increase rate by 1% (subject to voter approval).	1/89	78.0
Oregon	Repeal 2% Kicker law.	passage	40.5
Rhode Island	Increase rate from 8% to 8.5%	7/89	4.1
	Allocation of income.	passage	3.5
West Virginia	Increase Business Franchise Tax rate from .55% to .75%.	3/89	30.0
	Expanded Business and Occupation Tax includes storage of natural gas and kilowatt hours produced by electric utilities.	3/89	60.0
<u>CIGARETTE TAXES</u>			
Arizona	Increase of 10 cents/pack.	7/89	\$30.0
Arkansas	Increase of 3.5 cents/pack.	7/89	9.8
Hawaii	Transfer to counties.	7/89	(21.0)
Illinois	Increase of 18 cents/pack.	7/89	180.0
Louisiana	Increase of 6 cents/pack.	7/89	25.0
Massachusetts	Increase of 4 cents/pack.	3/89	20.0
Missouri	Add other tobacco products to tax base.	7/89	55.0
Nevada	Increase of 15 cents/pack.	7/89	38.1
New York	Increase of 7 cents/pack.	6/89	95.0
	Tax other tobacco products.	7/89	13.0
Ohio	Increase of 10 cents/pack.	7/89	90.1
Wyoming	Increase rate.	7/89	2.0

Table A-9 (continued)
PROPOSED 1990 TAX CHANGES BY TYPE OF TAX

<i>State</i>	<i>Tax Change Description</i>	<i>Eff. Date</i>	<i>Fiscal 1990 Revenue Change (\$ in millions)</i>
<u>MOTOR FUEL TAXES</u>			
Alaska	Increase rate by 8 cents.	7/89	\$37.0
Connecticut	Accelerate 2 cent increase to 7/1/89 and add additional 1 cent.	7/89	48.7
Delaware	Increase of 2 cents/gallon.	10/89	8.0
Louisiana	Increase of 4 cents/gallon.	7/89	93.0
Massachusetts	Increase of 6 cents/gallon and Increase of 2 cents/gallon.	7/89 1/90	193.0
North Dakota	Increase of 3 cents/gallon.	7/89	9.8
Rhode Island	Increase of 3 cents/gallon.	7/89	13.8
Tennessee	Increase of 3 cents/gallon.	3/89	74.3
Washington	Increase of 3 cents/gallon and index to inflation as of 7/1/90.	7/89	75.0
West Virginia	Increase of 5 cents/gallon.	4/89	42.0
Wisconsin	Maintain index formula.	4/89	3.9
<u>ALCOHOLIC BEVERAGES</u>			
Arizona	Increase malt liquor tax.	7/89	\$10.0
Arkansas	Increase permit fee.	7/89	2.3
Delaware	Increase 100% per gallon for beer, wine, spirits.	1/90	2.6
Hawaii	Transfer to counties.	7/89	(38.0)
Louisiana	Double rate on wine.	7/89	5.0
Massachusetts	50% rate increase.	3/89	32.0
New York	Various rate increases.	6/89	45.0
Ohio	Equalization of rates.	7/89	31.0
Rhode Island	Rate schedule increases 50%.	7/89	4.0
Wyoming	Rate increase.	7/89	0.225
<u>MISCELLANEOUS TAXES</u>			
Alaska	Modify laws under economic limit factor.	1/89	\$139.0
Arizona	Initiate minimum school property tax.	7/89	125.0
	Increase state property tax.	7/89	58.0
	Increase mining tax.	7/89	22.0
Arkansas	Professional Occupation Fee.	7/89	4.7
	Severance Tax - tax new gas.	7/89	3.9
Louisiana	Increase motor vehicle license; index natural gas severance to prices; 1 mill statewide property tax.	7/89	29.0
Minnesota	Change tax basis for charitable gambling from 10% of net proceeds to 6% of gross proceeds.	7/89	40.0
Nevada	Insurance premium tax of 0.5%.	7/89	7.3
	Mining tax (subject to voter approval).	7/89	52.0

Table A-9 (continued)
PROPOSED 1990 TAX CHANGES BY TYPE OF TAX

<i>State</i>	<i>Tax Change Description</i>	<i>Eff. Date</i>	<i>Fiscal 1990 Revenue Change (\$ in millions)</i>
New Jersey	Change to quarterly payment dates for Insurance Premium Tax. (One time increase.)	1/89	\$77.0
New York	Impose real estate gains tax on million dollar residences; extend transfer tax.	4/89	142.0
North Carolina	Reinstate part of merchants' discount for sales taxes.	9/89	(12.2)
North Dakota	Increase insurance premium tax.	1/89	3.7
	Change in gaming tax base.	7/89	2.1
	Increase motor carrier fees.	7/89	1.4
Pennsylvania	The single excise tax on banks has been ruled unconstitutional and a replacement tax may be recommended.		
Rhode Island	Postpone rate reduction for public utilities gross earnings.	passage	4.3
	Rate change for pari-mutuel betting.	7/89	1.6
South Carolina	Elimination of auto insurance premium tax.	7/90	0.0
Tennessee	Close loop hole in franchise tax.	6/89	4.0
Utah	Specific tax for reduction has not been identified.	7/89	(19.0)
Washington	Increase exemptions from gross receipts tax.	1/90	(24.0)
Wisconsin	Telecommunications tax reduction.	1/90	(6.0)
West Virginia	Increase severance tax rate for "new" wells.	3/89	35.0

Table A-10
PROPOSED STATE EMPLOYMENT COMPENSATION CHANGES
FISCAL 1990

<i>State and Region</i>	<i>Across the Board</i>	<i>Merit</i>	<i>Other</i>	<i>Notes</i>
New England				
Connecticut	4.5%	—	2.6%	ATB represents 57% of classified employees who have collective bargaining agreements in place for 1988-89. Other increases are anniversary increases for good performance up to a maximum step.
Maine	—	2.0	—	Portion of workforce will receive increase of approximately 5%; Increase for FY90 currently in collective bargaining.
Massachusetts	—	—	—	Proposing no increases.
New Hampshire	*	—	—	Under Negotiation.
Rhode Island	4.0	—	—	Effective 11/1/89.
Vermont	5.5	—	—	Time in steps reduced in some pay grades.
Mideast				
Delaware	3.5%		2.2%	Employees whose salary is below midpoint of assigned paygrade will receive up to 3% of the midpoint on 1/1/90. Will affect about 70% of workforce.
D.C.	5.0	1.0	—	Merit is available to all as step or longevity increase. ATB increase is 3% on 10/1/89 and up to another 2% on 4/1/90 depending upon consumer price index.
Maryland	4.0	—	1.0	Other is executive pay plan and selected salary adjustments for various position classifications.
New Jersey	—	—	—	Contracts expire 6/30/89 and are under negotiation.
New York	5.0	1.0	1.0	Not all employees receive step increase.
Pennsylvania	5.0	—	0.625	Other is 1.25% longevity increase that takes effect 1/1/90.
Great Lakes				
Illinois	3.5%	4.0%	3.0%	Steps funded, AFSCME average step increase of 3.6%.
Indiana	*	—	—	\$54 million recommended to include health insurance increases.
Michigan	*	—	—	For 10 bargaining units and non-represented employees the increase is 3.5% to 4%.
Ohio	4.0	—	—	Employees not in the last step of pay range receive step increase of approximately 5%.
Wisconsin	—	—	—	Not yet determined.
Plains				
Iowa	3.5%	1.5%	—	
Kansas	4.0	—	1.8	Other is average skill level step movement.
Minnesota	*	—	—	5% total set aside. Negotiations will determine amounts for ATB and increased insurance costs.
Missouri	3.0	—	4.0	Other includes step increase for most classes. ATB includes 2% COLA (7/1/89) and 2% anniversary increase (1/1/90)

Table A-10 (continued)
PROPOSED STATE EMPLOYMENT COMPENSATION CHANGES
FISCAL 1990

<i>State and Region</i>	<i>Across the Board</i>	<i>Merit</i>	<i>Other</i>	<i>Notes</i>
Nebraska	4.0%	1.0%	1.5%	4% effective 7/1/89 and 1.5% on anniversary date if satisfactory performance or 2.5% if above satisfactory.
North Dakota	—	—	5.0	Employees below certain salary level would receive minimum 5% increase. Other increases based on merit.
South Dakota	3.0	1.0	1.0	2% absorbed by base budgets; 3% new money.
Southeast				
Alabama	—	5.0%	—	Available to employees who have merit step and who rate high enough on employee evaluation.
Arkansas	7.0	2.5	—	All employees should receive anniversary increase if merit evaluation is completed.
Florida	*	—	—	No ATB pay package proposed for FY 90. Law Enforcement, Correctional Officers, and Probation Officers are targeted for continuation of FY89 increase of 5-8% and health care workers targeted for average increase of 5%.
Georgia	2.5	4.2	—	Appx. 70% of employees in classified employment will qualify for merit; ATB portion has \$450 minimum.
Kentucky	5.0	—	—	
Louisiana	—	2.0	—	
Mississippi	—	—	—	No increases proposed for FY90.
North Carolina	4.0	2.0	—	Applies to employees subject to State Personnel Act; teachers, university, and community college faculty to receive 6% increase financed by sales tax increase.
South Carolina	2.0	2.0	—	ATB recommended effective 7/89; merit at half-year, making total payout 3%.
Tennessee	—	—	4.0	Salary plan has not been detailed.
Virginia	2.5	2.0	—	Merit % = 4.56 for 60% of employees.
West Virginia	5.0	—	—	Effective 1/1/90 and financed from government re-organization cost savings.
Southwest				
Arizona	1.0%	2.75%	0.25%	
New Mexico	3.5	—	—	
Oklahoma	2.5	0.5	—	Merit increase of 2.5% affects 20% of workforce.
Texas	*	—	—	Not available.
Rocky Mountain				
Colorado	5.0	1.5	—	Merit increase is 5% but net increase is 1.5% on average for classified only.
Idaho	—	5.0	—	College and university faculty receive additional 1% increase.
Utah	2.0	2.5	—	
Wyoming	5.2	—	—	Legislature has reduced to 3%.

Table A-10 (continued)
PROPOSED STATE EMPLOYMENT COMPENSATION CHANGES
FISCAL 1990

<i>State and Region</i>	<i>Across the Board</i>	<i>Merit</i>	<i>Other</i>	<i>Notes</i>
Far West				
California	4.0%	*	1.0%	Increases effective 1/1/90; 4% salary increase, 1% equity adjustment. Also, increased funding for health, dental and vision premiums. Merit adjustments absorbed by employing agency.
Nevada	5.0	2.5	—	Total will vary from 5-10% depending on merit increase.
Oregon	3.0	—	1.0	
Washington	3.0	—	—	Effective 1/1/90.
Alaska	—	*	*	Majority of workforce receives merit and longevity increases of approximately 3.75%.
Hawaii	—	—	—	Still being negotiated.