The Fiscal Survey of States

April 1994

National Governors' Association
National Association of State Budget Officers

THE NATIONAL GOVERNORS' ASSOCIATION

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ISSN 0198-6562
ISBN 1-55877-184-0

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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 1977. The survey presents aggregate and individual data on the states' general fund receipts, expenditures, and balances. Although not the totality of state spending, these funds are used to finance most broad-based state services and are the most important elements in determining the fiscal health of the states. A separate survey that includes total state spending also is conducted annually.

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

Fiscal 1993 data represent actual figures, fiscal 1994 figures are estimated, and fiscal 1995 data are figures contained in Governors' proposed budgets.

In forty-six states, the fiscal year begins in July and ends in June. The exceptions are Alabama and Michigan, with an October to September fiscal year; New York, with an April to March fiscal year; and Texas, with a September to August fiscal year. In addition, twenty states are on a biennial budget cycle. For many of these states, the Governor's recommendations have been enacted for fiscal 1995.

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

Executive Summary

The outlook for state budgets for fiscal 1995 is the most favorable since the start of the national recession in 1990. With state revenues rebounding from recession levels, many Governors are proposing tax reductions for fiscal 1995, primarily by reducing personal income and sales taxes. Proposals for tax increases would primarily affect cigarette taxes.

With the economy in most parts of the nation showing improvement over the previous year, states are able to use increases from existing revenue sources to fund modest program increases. Many of the initiatives proposed by Governors focus on public safety issues, especially ways to curb violent juvenile crime, and on reform of state welfare and health care systems.

States are projecting budget stability, with midyear revenue and budget shortfalls no longer posing a problem for the majority of states. However, uncertainty about the outlook for national health care reform, welfare reform, and limits on federal expenditures cloud the fiscal picture. In addition, the continuation of corporate downsizing is producing an uneven impact on a number of regions and state economies.

Key findings of this survey include the following.

State Spending

States are limiting their general fund budget spending to 5.1 percent in fiscal 1994 and plan to limit budget growth to 3.1 percent for fiscal 1995. These increases are slightly above the rate of inflation over the two years.

- Only ten states have reduced or are planning to reduce their fiscal 1994 enacted budgets, by a total of less than $1 billion. This is a marked change from the number of states forced to reduce their fiscal 1993 and fiscal 1992 enacted budgets—twenty-two and thirty-five states, respectively.

- Initiatives in state budgets center around crime prevention, with a number of states targeting violent juvenile offenders.

- Restructuring welfare programs to emphasize work is the major change in the Aid to Families with Dependent Children (AFDC) program. Similar to the past two years, proposed AFDC benefit levels would remain at the same level as the previous year for virtually all states. Instead of making changes to benefit levels, states are experimenting with time-limited programs, greater incentives for work, and training and education as a means to provide assistance to those in need. In Governors' proposed budgets for fiscal 1995, only six states would change benefit levels, while forty-four states would maintain the same levels as are in effect in fiscal 1994. Of the six states proposing changes, only California would lower benefit payments.

- Medicaid spending is growing at a much slower rate than in previous years and is easing budgetary pressures. Nevertheless, at a projected growth rate of 8.2 percent for fiscal 1995, this growth still exceeds the rate of most states' revenue forecasts. The projected increase in Medicaid spending is 13.6 percent for fiscal 1994, after increases of 11.2 percent in fiscal 1993, 28 percent in fiscal 1992, and 31.7 percent in fiscal 1991. National health care reform could place additional burdens on state health care budgets depending upon the outcome of federal legislation later this year.

- Almost all proposed budgets for fiscal 1995 include pay raises for state employees, with the increase averaging 4.0 percent. In a number of states, this increase is the first in several years. Seventeen states instituted pay freezes in at least one year during the fiscal 1990 to fiscal 1994 period, while five of these states enacted pay freezes for more than one year during this same timeframe.

Tax Changes and Revenue Growth

- Excluding Michigan's change, net taxes and fees would decrease by $1.3 billion in Governors' proposed budgets. Michigan's change is an increase in state-levied taxes to offset the elimination of local property taxes used to finance schools. Several states are proposing reductions to their sales and personal income taxes. Proposed tax increases center around the cigarette tax and taxes on health care.

- States' general fund revenue growth is estimated at 2.4 percent in fiscal 1994 and is expected to be 4.2 percent in Governors' proposed budgets for fiscal 1995.

Year-End Balances

Year-end balances projected for fiscal 1994 and anticipated for fiscal 1995—at 2.6 percent and 2.4 percent, respectively—are slightly below fiscal 1993 levels.

Regional Impact

Although all regions are experiencing economic growth, the rate of economic growth differs nationwide. California, southern New England, and the Mid-Atlantic states are still lagging behind the nation in their rate of economic recovery, while states in the Plains, Rocky Mountain, and Southeast regions are experiencing more rapid economic growth.

Shifts in State Spending

Although states are now on a path of economic recovery, the slow revenue growth, coupled with the rapid growth of Medicaid, has resulted in significant shifts in state spending over the last few years. Medicaid's double-digit growth has subsided, but its share of state spending increased from 10 percent in fiscal 1987 to 18 percent in fiscal 1993. Medicaid surpassed higher education as the second largest component of state spending in fiscal 1990 and continues to grow at a rate above that for all other state programs. All major state functions but Medicaid and corrections declined as a percent of state budgets from fiscal 1987 to fiscal 1993.

State Restructuring

With the prospect of better growth, states continue to stabilize their budgets, restructure major services, and improve their operations through extensive reviews. Examples include the following.

- States are restructuring major state functions, including social services, corrections, and environmental programs, in order to improve the management and efficiency of state government. Other restructuring focuses on changes in service delivery, such as contracting with the private sector to provide government services.
- States are conducting statewide reviews of expenditures and revenues as part of an effort to maintain long-term balance in their budgets. Some of these efforts involve commissions to evaluate programs and delivery systems, while others focus on modifying the revenue structure used to finance state government.
- States are changing budget procedures to implement performance-based budgeting and integrate strategic planning in budget decisions. These changes involve developing systems to link budget decisions to specific goals and outcomes as a way of managing scarce resources.

After several years of cutbacks in state budgets, the outlook for fiscal 1995 is for continuation of the stability of fiscal 1994, with a minimum of new services and new taxes. The moderate level of economic growth places a great deal of pressure on states to deliver quality public services without any significant increase in public resources. As evidenced by the continuing restructuring and orientation toward statewide reviews and performance-based budgeting systems, states are using the return to better economic times as an opportunity to improve services and procedures, with the knowledge that resources are limited. The public's demand for quality services, delivered efficiently, continues, and public leaders are meeting this challenge.

Economic Background

CHAPTER ONE

After the recession of 1990–1991 and the national economy's subsequent sluggish growth, the economy is finally on a more sustainable growth path. During the last three months of 1993, the economy surged to record a 7.0 percent growth rate—the highest growth rate since the first quarter of 1984. This growth brought a 3.0 percent growth rate for 1993, the fastest rate since 1988. The rise in growth during the final three months of 1993 was driven primarily by growth in consumer durables, business investments, and exports. Interest-sensitive sectors, especially housing, added to the rapid growth. Although interest rates have risen over the past few months, the economy is still expected to experience moderate levels of growth in 1994.

This continued economic growth has resulted in unemployment rates that are lower than a year ago. The leading indicators, rising in December 1993 for the fifth consecutive month, also point to an upswing in the economy. Additional information collected by the Federal Reserve's *Current Economic Conditions* indicates that the national economy continues to expand. During January and February 1994, residential real estate grew rapidly, consumer spending was strong, and manufacturing was strengthened.

According to the fifty-one economists recently surveyed by the *Wall Street Journal*, economic growth, defined as an increase in the gross domestic product, is expected to increase by 3 percent. The strong sectors in the economy over the next year will continue to be business equipment, housing, autos, and consumer durables. The weak sectors will continue to be commercial real estate and exports, as well as defense. However, even the weakest sectors, such as commercial real estate, are showing a marked improvement over the last several years. According to the Federal Deposit Insurance Corporation's recent survey of banks, the condition of commercial real estate is the most positive since the survey's inception in April 1991.

Although the economic outlook is showing improvement since last year, there still are some trouble spots ahead. The ongoing restructuring and downsizing of large corporations is expected to create havoc in some job sectors. For example, major corporations announced 108,000 layoffs in January 1994, the highest monthly level in the last four years. Weak trading partners, especially Germany and Japan, also could affect the economic outlook. In addition, the prospect of health care reform is causing uncertainty and retrenchment in the health care sector. According to a Congressional Budget Office analysis, many employers, especially in smaller firms, may be hesitant to hire new workers given the uncertainties surrounding national health care reform.

The prospect of stronger economic growth is a positive sign for state budgets. Yet the rate of growth still falls short of the demand for some state services. Moreover, though economic growth is rising, the ability of state tax systems to respond to that growth is lagging. For example, the sales tax is widely viewed as unresponsive to economic growth because of the shift from the consumption of goods, which are taxed, to the consumption of services, which generally are not taxed. The change from a manufacturing-based economy to a service-based economy, the growth of global industries, and changes in technology have made state tax systems less responsive to overall economic growth.

After several years of cutbacks in state budgets, the outlook for fiscal 1995 is for continuation of the stability of fiscal 1994, with a minimum of new services and new taxes. As indicated in Lehman Brothers' analysis of state and local finances, the fact that significant improvements in budgets are occurring in the third year of the national economic recovery points to a problem that is more structural than cyclical in state and local budgets.

State Expenditure Developments

CHAPTER TWO

Budget Management in Fiscal 1994

Unlike in previous years, few states were forced to make major reductions in their enacted budgets. Only ten states have reduced or are planning to reduce their fiscal 1994 enacted budgets, by a total of about $0.7 billion (see Table 1). This compares with twenty-two states in fiscal 1993 and thirty-five states in fiscal 1992, which represented the peak in midyear budget adjustments. Since fiscal 1989, when eight states reduced their enacted budgets, the number of states with midyear budgets reductions has been twenty or more.

Many of the states that were forced to make midyear adjustments exempted certain programs from the budget cuts, including education, Aid to Families with Dependent Children (AFDC), Medicaid, local aid programs, public safety, constitutional mandates, and debt service. The exempted programs typically were entitlements, such as AFDC and Medicaid, or those set by predetermined formulas, such as school aid.

The strategies used by some states to balance their fiscal 1994 budgets included eliminating programs and restructuring government functions (see Appendix Table A-5). Relative to the previous year, fewer states eliminated or restructured programs to address midyear budget shortfalls. Instead, states incorporated changes in fiscal 1994 budgets to achieve longer term solutions to the imbalance between revenues and expenditures.

General Fund Spending in Recent Years

General fund budgets for fiscal 1995 are 3.1 percent above the previous fiscal year, based on Governors' proposed budgets (see Table 2). This spending increase is well below the average of 8 percent during the 1980s (see Figure 1). More than one-third of the states reported expenditure growth below 5 percent in fiscal 1994 (see Table 3 and Appendix Table A-4). Fiscal 1995 budgets range from negative growth to 5 percent growth in about half the states.

Shifts in Total State Spending

The modest growth in overall general fund budgets masks many shifts occurring in total state spending from all funds. For example, Medicaid continues to absorb a larger share of state spending each year, increasing from 10 percent to 18 percent of total state spending from fiscal 1987 to fiscal 1993. In contrast, the share of total state spending for elementary and

TABLE 1

Budget Cuts Made After the Fiscal 1994 Budget Passed

State	*Size of Cut (Millions)*	*Programs or Expenditures Exempted from Cuts*
Alaska	NA	Legislation is pending to make cuts.
Hawaii	$ 18.5	Lower and secondary education, welfare payments, debt service, workers' compensation, unemployment insurance.
Indiana	78.3	Economic development and education.
Kentucky	264.0	Local school districts, local prosecutors, public advocates.
Montana	48.0	No exemptions.
New Jersey	135.0	No exemptions.
Oregon	140.0	Cuts are from administration only.
Rhode Island	15.6	No exemptions.
Vermont	18.8	State aid to education and special education.
Virginia	6.0	Exempts programs that would be severely disrupted by the 1 percent reduction in general fund spending.
Total	$724.2	-----

NOTE: NA indicates data are not available.

SOURCE: National Association of State Budget Officers.

secondary education decreased from 23 percent in fiscal 1987 to 21 percent in fiscal 1993.

Higher education also has been affected by the shifts in state spending, dropping from the second largest function in state spending in fiscal 1987 to the third largest in fiscal 1990. Expenditures for higher education have declined from 12.3 percent of state spending in fiscal 1987 to 10.6 percent in fiscal 1993, even with the tuition increases that are included in state spending figures in thirty-six states. In fact, higher education expenditures increased 3.3 percent in fiscal 1993, about half of the 6.5 percent rate of growth for total state spending from all sources. Once again, this illustrates the impact on total state expenditures from both limited revenue growth and the high growth rates experienced in the Medicaid program.

Tuition and fees for undergraduate residents of public four-year colleges and universities increased 7.6 percent in the 1993-94 school year, according to an annual survey conducted by the American Association of State Colleges and Universities. This level of tuition increase is substantially below the increases of 10.4 percent and 13.6 percent in the previous two years, respectively. Although the 7.6 percent increase is significantly below the 1991 and 1992 increases, it still is about double the rate of inflation.

TABLE 2

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

	State General Fund	
Fiscal Year	*Nominal Increase*	*Real Increase*
1995	3.1%*	-0.4%*
1994	5.1*	1.6*
1993	3.3	-0.2
1992	5.1	1.5
1991	4.5	-0.1
1990	6.4	1.7
1989	8.7	3.5
1988	7.0	2.9
1987	6.3	2.6
1986	8.9	3.7
1985	10.2	4.6
1984	8.0	3.3
1983	-0.7	-6.3
1982	6.4	-1.1
1981	16.3	6.1
1980	10.0	-0.6
1979	10.1	1.5
1979-1995 average	**7.0%**	**1.4%**
1980-1990 average	**8.0%**	**1.9%**

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

SOURCE: National Association of State Budget Officers.

TABLE 3

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

	Number of States	
Spending Growth	*Fiscal 1994 (Estimated)*	*Fiscal 1995 (Recommended)*
Negative growth	10	8
0.0% to 4.9%	10	19
5.0% to 9.9%	21	20
10% or more	9	3

NOTE: Average spending growth for fiscal 1994 (estimated) is 5.1 percent; average spending growth for fiscal 1995 (recommended) is 3.1 percent.

SOURCE: National Association of State Budget Officers.

Tuition increases are subsiding relative to previous years. Nineteen states are including tuition hikes in their proposed fiscal 1995 budgets, while thirty-two states included tuition hikes in their fiscal 1994 budgets. Other states indicate that tuition may increase, but that this decision is under the purview of each board of trustees. For those states proposing to raise tuition, the across-the-board increase averages 6.9 percent.

State Spending for Fiscal 1995

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

Aid to Families with Dependent Children. Similar to the past three fiscal years, the majority of states are not proposing any annual adjustments to AFDC benefit levels. Instead, the emphasis is on restructuring the program to provide greater incentives for recipients to work and obtain education and training. Although the National Association of State Budget Officers continues to collect information on benefit level changes, the focus of state activity is on more fundamental changes.

FIGURE 1

Annual Budget Increases, Fiscal 1979 to Fiscal 1995

SOURCE: National Association of State Budget Officers.

In Governors' proposed fiscal 1995 budgets, forty-four states would maintain the same AFDC benefit levels that were in effect in fiscal 1994 (see Table 4). Since fiscal 1992, the majority of states have not changed AFDC benefit levels. In contrast, about one-half of the states granted cost-of-living increases during the 1989 to 1991 period. In fact, by fiscal 1993, several states reduced benefit levels from the prior year. For fiscal 1995, California proposes to decrease benefits by 10 percent for six months, beginning January 1, 1995. After that time, families with an able-bodied adult would receive a grant 15 percent below this transitional level. These changes are part of California's ongoing effort to restructure its welfare program.

According to a recent survey conducted by the National Governors' Association, virtually all states are proposing and/or implementing changes to their welfare programs. The focus in more than twenty states is on encouraging and rewarding work by reducing penalties for earnings and savings; enforcing the responsibility of both parents to support their children; improving access to child care and health care for families leaving welfare for work; creating jobs for welfare beneficiaries; eliminating rules that discourage two-parent families; and streamlining benefits.

A few states continue to pursue controversial welfare reform initiatives such as setting time limits on the receipt of benefits and capping benefits based on family size. California's proposal includes a two-year limit on the time able-bodied adults could receive welfare. Colorado would remove welfare recipients from the rolls after two years if they refuse to take a job or attend training. Massachusetts would impose a two-year limit on welfare benefits on a statewide basis. Support programs such as child care, job training, and medical benefits would continue for recipients. Wisconsin received a federal waiver to begin a pilot program to place a two-year limit on welfare benefits; Vermont received a federal waiver for a thirty-month time limit. The issue of availability of jobs at the end of the time limit is still an uncertain element in many of these reform initiatives. Some states are allowing more flexibility relative to what happens when recipients are unable to locate a job after the time limit expires.

Another controversial change some states are undertaking is to restrict additional benefits for mothers who give birth to children while receiving welfare benefits. Georgia and New Jersey have received federal waivers to begin capping benefits, and Maryland's Governor has proposed capping benefits based on family size in the fiscal 1995 budget. Arkansas, California, and Wisconsin are seeking federal approval to begin experimenting with family caps.

Other changes states are making to encourage work include allowing recipients to retain more of their income without losing welfare benefits. Currently, AFDC

TABLE 4

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

State	Proposed Percent Change
California	-10.0*
Kentucky	5.0
Montana	3.2*
New Hampshire	5.0
North Dakota	2.0
South Dakota	3.0

NOTES: California's proposed change would decrease benefits by 10 percent for six months, beginning January 1, 1995. After that time, families with an able-bodied adult would receive a grant 15 percent below this transitional level.

Montana's increase was enacted in its fiscal 1994-95 biennial budget.

recipients have an "income disregard" of $30 per month for the first year and one-third of the remaining earnings for four months. By removing the time limit on the income disregard, AFDC recipients would see their incomes rise. Other states are increasing the level of assets recipients may have to qualify for AFDC benefits. Through these changes, states are trying to encourage work and make welfare a transitional phase for families in difficulty rather than a long-term condition.

Medicaid. Although the rate of increase in Medicaid costs is still exceeding the inflation rate, increases have declined from the 1990 to 1992 period. Health care programs, both publicly and privately financed, have dramatically leveled off price increases over the past year. With national health care reform on the horizon, the Medicaid program will continue to be affected by changes in the health care delivery system. Depending upon the final outcome, a separate Medicaid program may not exist after the reforms are implemented, though subsidies to low-income people would continue.

Eight states included Medicaid reductions in their proposed fiscal 1995 budgets in the continuing quest to control escalating program costs. Although the rate of growth has slowed, Medicaid continues to absorb a larger share of state spending each year, increasing from 10 percent to 18 percent of total state spending from fiscal 1987 to fiscal 1993. In fiscal 1994, forty-seven states reported using some type of cost containment measure to curb Medicaid costs. Strategies included using managed care or health maintenance organizations (HMOs), modifying provider payments, and eliminating or limiting services.

State Employment. The number of full-time equivalent positions supported by states' general funds is projected to decrease by about 0.8 percent from fiscal 1994 to fiscal 1995 (see Appendix Table A-8). Thirteen states are reporting that positions will decline between fiscal 1994 and fiscal 1995. Rhode Island, Massachusetts, and Maine will register the most significant declines of approximately 7.5 percent, 6.5 percent, and 4.9 percent, respectively, from fiscal 1994 to fiscal 1995. This leveling off of state employment continues a trend that began in 1991. Although the number of full-time equivalent positions supported from all state funds grew by about 2.8 percent annually from 1987 to 1990, total state employment declined in 1991 and 1992 as reported by the U.S. Bureau of the Census.

Employee Compensation. Almost all states are proposing pay raises in their fiscal 1995 budgets. Among the states calling for pay raises, the increase averages 4.0 percent (see Appendix Table A-7). Several states are moving toward a pay-for-performance system. California's proposal would link increases in pay for managers to their performance, while Virginia's proposal would award performance bonuses for eligible employees. Oklahoma's proposal would continue to reward groups using quality management techniques to achieve savings in agency budgets.

Employee Benefits. Employees of fifteen states will assume additional burdens for health and/or pension benefits (see Appendix Table A-6). Cost shifting is the most common strategy for holding down employer health benefit costs. Based on the most recent survey of state employee benefit plans by the Segal Company, the average cost of a basic indemnity plan increased by about 10 percent in 1993, after an increase of 9.5 percent in 1992. These rates of increase are more than double the inflation rate, but they are still well below the rates of increase experienced since 1989. Although the rate of growth in the cost of employee benefits has slowed from previous years, the increase is still about double states' annual revenue growth.

The easing of medical inflation and the movement toward managed care systems have helped mitigate the rise in employers' health costs. States also have made significant changes to their workers' compensation plans, including efforts to reduce fraud and institute managed care, according to the U.S. Department of Labor. These changes are an attempt to control the rate of growth in employee benefit costs, which have been rising more rapidly than wages over the past several years.

Aid to Local Governments. Nineteen states and Puerto Rico are proposing changes in aid to local governments for fiscal 1995 (see Table 5). The majority of the proposals would result in additional aid for localities, often by increasing school aid. Proposed changes include Arizona's expansion of a tax relief program for counties with high property taxes. California's major restructuring would change programmatic and financial responsibilities between the state and its counties, but would be fiscally neutral. Maryland's proposal would link increased revenues from a proposed tobacco tax increase to additional local aid dollars. Wisconsin's proposed change would increase local aid, primarily for schools.

A significant trend occurring in state and local fiscal relations is the shift occurring in school finance. Michigan voters approved a change in funding for public schools that increases the sales tax from 4 percent to 6 percent and increases the tax on cigarettes by fifty cents per pack. In turn, local property taxes to finance schools were substantially reduced. Accompanying this change is a required minimum level of revenue per pupil for each school district.

Crime. Although budgets are constrained in states, there are a few areas that are targeted for initiatives. The public's outcry against the rising crime rate and the lack of safety in schools and in daily life has led a number of Governors to propose actions and programs to address the issue of crime. In some states, the focus is on increasing safety in schools, while in others the emphasis is on stiffer sentences, especially for repeat offenders.

Governors' proposals on juvenile crime and violence focus on building separate facilities for juvenile offenders, changing laws in order to prosecute and sentence juveniles as adults for violent crimes, and expanding the use of bootcamps. With well-publicized crimes across the nation, violent juvenile offenders are the target of many state reforms. Many states are attempting to curb violence through tighter rules on gun ownership and use. Connecticut's proposal would increase criminal penalties for illegal gun ownership and use and crack down on juvenile gun possession. States such as Colorado, Delaware, Kentucky, Missouri, and Nebraska are building new juvenile facilities. Other initiatives include bootcamps in Arizona, Iowa, and West Virginia; improved information on gang activities in Arizona; and expanding treatment of substance abuse in New York. In Nebraska, the Governor recommends expanding treatment and constructing a secure juvenile facility.

To house new prisoners, states have been investing funds to build more prisons. New construction dollars proposed in Governors' fiscal 1995 budgets total $1.5 billion. Often the funds come from issuing bonds that are paid over time rather than from current-year revenues. Another trend in states is to fund all levels of the court system, from the court of first resort of the state to the supreme court. Traditionally, local governments funded only the lower courts and budget cuts created a bottleneck in the corrections system, resulting in slow response time in courts.

TABLE 5

Proposed Changes in Aid to Local Governments, Fiscal 1995

Alaska	A 50 percent reduction in funding will be passed through to local governments.
Arizona	The Governor is recommending a tax relief program for counties with high property taxes. This program is currently in place, but the Governor wants to double the impact to $20 million.
California	The budget proposes a major restructuring, using existing revenues, of the programmatic and fiscal relationship between the state and its counties. From the starting point of both the state and its counties, the proposal is fiscally neutral.
Kansas	Prior to fiscal 1995, two transfers from the general fund to cities and counties were based on growth in sales and use tax receipts. The Governor proposes a flat 3 percent increase above fiscal 1994 for these transfers.
Kentucky	An increase is proposed in the percentage of severance taxes returned to localities from the current level of 18 percent to a new level of 21 percent.
Maryland	The Governor has proposed several programs contingent upon the enactment of the tobacco tax increase. Twenty-five million dollars will be provided to local governments for "mandate relief." This is being distributed to the counties on the basis of population and can be used at the county's discretion to offset any costs associated with mandated state legislation. An additional $24.4 million will be given to local education agencies in categorical areas, such as prekindergarten education, limited-English proficiency, and poverty grants based on the number of children eligible for the federal reduced-price lunch program.
Massachusetts	The Governor recommends a $184.4 million increase to fund an education reform initiative, a $50 million increase in lottery local aid, and a $7.7 million increase in the school-building assistance program.
Michigan	Section 30 of Article IX of the Michigan constitution, enacted in 1978, requires that a minimum percentage of the total state spending from state resources must go to local units of government. This requirement has been in effect since fiscal year 1979.
Minnesota	The Governor is recommending a $6.2 million increase in targeted property tax relief. Under current law, aid to local governments and nonschool property tax aids are funded through the dedicated local government trust fund. Any forecasted deficit for the fund is automatically prorated to reduce local government aid and homestead agricultural credit aid payments. Under the current forecast, a $29.5 million deficit is expected for fiscal 1995. Under the Governor's budget, the deficit would be $35.7 million.
Nebraska	The Governor proposes to change the income eligibility for the homestead exemption program to match the minimum federal income filing level. State aid to schools will increase by $17.0 million over the fiscal 1994 level.
New Jersey	State aid payments will be reduced or offset by savings accruing from pension changes and benefit rebates, respectively. One program will be reduced from $33 million to $25 million; the other will be level-funded. Fiscal 1995 anticipates the first phase of state assumption of county court personnel and expenses (the net cost is an estimated $30 million).
New Mexico	Chapter III, Laws of 1994, allows local governments to rebate local revenues to low-income property owners.
New York	The fiscal 1995 proposed budget includes the recently enacted Community Mental Health Reinvestment Program. This program formalized the state's long-time practice of reducing the number of patients in state psychiatric centers, closing unneeded state centers, and expanding community-based mental health services. It is anticipated that $210 million will be available for new and expanded mental health services during the next five years. The reinvestment program fundamentally alters the local mental health planning process. Although the office of mental health retains ultimate approval authority, reinvestment funding decisions will be driven largely by the localities.
Pennsylvania	The budget proposes to transfer responsibility for the administration of the state department of education portion of the early intervention program to the local school districts. The commonwealth would still provide funding, while school districts would execute the contracts for purchase of services. Also, the budget proposes to increase the school district share for the cost of specific education services to children in approved private schools from 40 percent to 60 percent.
Puerto Rico	Approximately $100 million in debt is being audited and will be paid in a lump sum. The fund used to repay the debt will be, in turn, repaid $16 million from extending the electronic lottery.
Rhode Island	The fiscal 1995 recommended budget includes a $9.3 million increase for the payment-in-lieu of tax-exempt property program. This brings the program to full funding; previously it was funded at 25 percent. The current formula for the distribution of state education aid was recently declared unconstitutional. Therefore, the Governor is working toward a new distribution formula that includes both financial and education performance reform.
South Dakota	There will be an increase of $16.3 million for state aid to education.
Virginia	The proposed budget includes a $605.3 million increase in aid to localities, most of which is for elementary and secondary education. Other increases include the recordation tax, jail staffing, health funding, and regional jail construction.
West Virginia	Legislation to give local governments authority to create tax increment financing districts is recommended.
Wisconsin	The increase in local aid includes $275 million for school aids.

State Revenue Developments

CHAPTER THREE

Overview

Excluding Michigan's change, net taxes and fees would decrease by $1.3 billion in Governors' proposed budgets (see Table 6). Michigan's change is an increase in state-levied taxes to offset the elimination of local property taxes used to finance schools. Several states are proposing reductions to their sales and personal income taxes. Proposed increases center around the cigarette tax and taxes on health care.

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

TABLE 6

Enacted State Revenue Increases, Fiscal 1979 to Fiscal 1994, and Proposed State Revenue Increases, Fiscal 1995

Fiscal Year	*Revenue Increase (Billions)*
1995	$ 1.8*
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

NOTE: State revenue increases for fiscal 1995 are proposed. In Michigan revenue increases are accompanied by a decrease in local property taxes for elementary and secondary education. The net result is a $660 million decrease in combined state and local taxes in fiscal 1995.

SOURCES: Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism*, 1985-86 edition, page 77, based on data from the Tax Foundation and the National Conference of State Legislatures. Fiscal 1988, 1989, 1990, 1991, 1992, 1993, 1994, and 1995 data provided by the National Association of State Budget Officers.

Revenue Collections in Fiscal 1994

Unlike in previous years, revenue collections matched or even exceeded projections in almost all states in fiscal 1994 (see Appendix Table A-9). There is virtually no difference between the original and the most recent revenue estimates for fiscal 1994. After the disappointing level of economic recovery in the past several years, states continue to use relatively conservative revenue projections.

Revenue Collections for Fiscal 1995

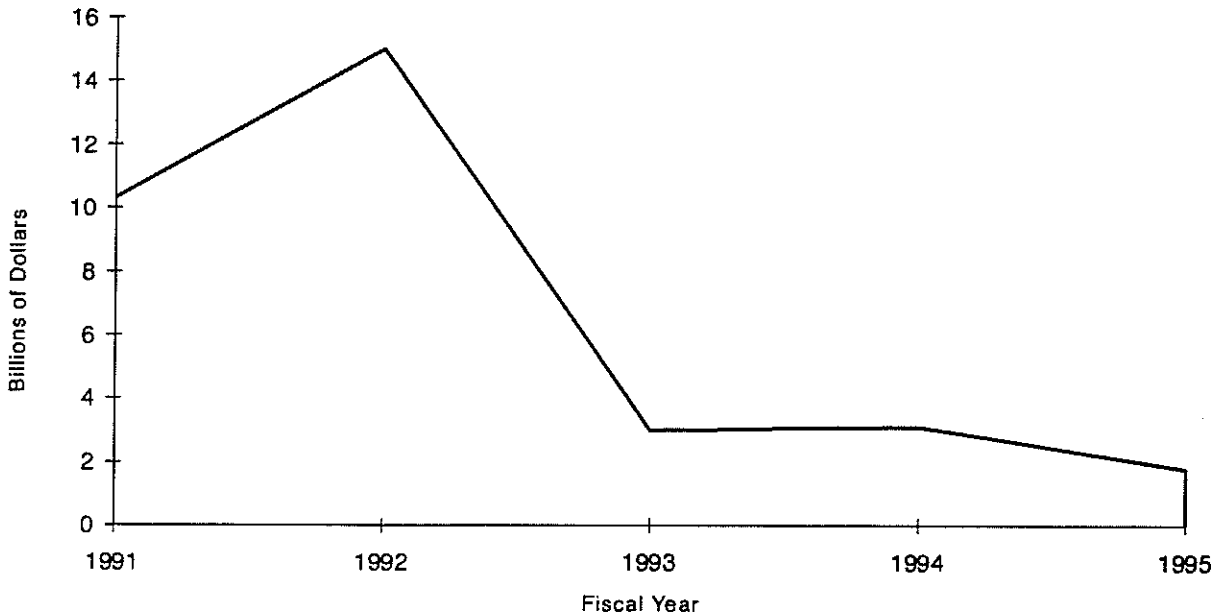
Governors' proposed budgets for fiscal 1995 assume an increase of 5.0 percent over fiscal 1994 estimated tax collections. Projected fiscal 1995 tax collections assume about a 4.2 percent increase for the sales tax, a 5.4 percent increase for the personal income tax, and a 6.9 percent increase for the corporate income tax (see Appendix Table A-10). The underlying growth in the sales tax for all states is understated because of the inclusion of California's shift of one-half cent in sales tax revenues to counties. Excluding California from the total would result in an increase of 5.2 percent in sales tax revenues from fiscal 1994 to fiscal 1995.

The revenue growth from the sales tax, personal income tax, and corporate tax are the most important components of states' general funds. Other reports, such as the government finance series published by the U.S. Bureau of the Census, collect information on total state revenues from all sources, including earnings on pension funds and collections for tuition and fees for universities. Based on the most recent compilation by the Census Bureau, though overall state revenues from all sources increased 12.2 percent in fiscal 1992, the proportion from state taxes increased 5.6 percent, or less than half of the overall growth rate.

Although the economy is rebounding, state tax systems often fail to respond to this growth. For instance, the change from a manufacturing-based economy to a service-based economy, the growth of global industries, and changes in technology have made state tax systems less responsive to overall economic growth. States are

FIGURE 2

Enacted State Revenue Increases, Fiscal 1991 to Fiscal 1994, Recommended Fiscal 1995



SOURCE: National Association of State Budget Officers.

examining their tax structures to look at responsiveness and equity issues from the perspective of all taxpayers. Some of the issues states are examining include the types of services covered by the sales tax, interstate competition, and application of the corporate tax to multistate corporations.

Revenue Changes for Fiscal 1995

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

Sales Taxes. Seven states are proposing sales tax changes for fiscal 1995. Examples include Georgia's repeal of the sales tax on private vehicle sales, New York's proposal for a vendor allowance, Virginia's proposal to exempt nonprescription drugs from sales taxes, and Washington's proposal to have tax deferrals for distressed counties and to offer incentives for high-technology companies.

The shift in economic activity from goods to services has led many states to gradually broaden their sales tax bases to include additional services. However, rather than expand the sales tax base, most of the proposed changes for fiscal 1995 would increase exemptions for necessary purchases, such as food, offer incentives to businesses, or provide fiscal relief.

Personal Income Taxes. Sixteen states are proposing changes in personal income taxes; of these, fifteen are proposing tax reductions. Changes in the personal income tax center around increasing exemptions and deductions, especially for low- and middle-income families. Examples include Arizona's proposed decrease in all tax rates, California's tax credit for low- and middle-income families, and Georgia's food tax credit and increase in the dependent exemption. Massachusetts would lower the income tax rate and increase exemptions, Mississippi would raise the personal exemption and provide a capital gains exemption, and New Jersey would reduce the personal income tax by 5 percent and eliminate all personal income taxes on those earning less than $7,500. Pennsylvania would double the exemption for children in low-income working families. Nine states currently do not have broad-based personal income taxes (Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming).

TABLE 7

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

State	Sales	Personal Income	Corporate Income	Cigarettes/ Tobacco	Motor Fuels	Alcohol	Other Taxes	Fees	Total
Alabama									$ 0.0
Alaska				$ 9.0	$82.2	$ 6.0	$ 21.9	$ 1.0	120.1
Arizona		$ -100.0							-100.0
Arkansas									0.0
California		-95.0							-95.0
Colorado									0.0
Connecticut		-10.0						12.0	2.0
Delaware									0.0
Florida								33.7	33.7
Georgia	$ -40.0	-140.0							-180.0
Hawaii							2.0	4.3	6.3
Idaho									0.0
Illinois									0.0
Indiana									0.0
Iowa									0.0
Kansas									0.0
Kentucky									0.0
Louisiana									0.0
Maine									0.0
Maryland				70.0				8.6	78.6
Massachusetts		-105.0							-105.0
Michigan*	1,883.0	-255.0		343.0			1,173.5		3,144.5
Minnesota		-11.3						-5.4	-16.7
Mississippi		-71.5							-71.5
Missouri							20.0	5.0	25.0
Montana					40.0		27.7	2.4	70.1
Nebraska							-3.8		-3.8
Nevada									0.0
New Hampshire			$ -14.0						-14.0
New Jersey		-549.0	-40.0					64.0	-525.0
New Mexico		-18.0			-40.2				-58.2
New York	-12.0	-65.0	-78.0				-38.0	10.8	-182.2
North Carolina									0.0
North Dakota									0.0
Ohio								5.0	5.0
Oklahoma								12.4	12.4
Oregon		3.7	-2.6	29.3		4.2	6.1		40.7
Pennsylvania		-52.0	-72.7				-2.0		-126.7
Puerto Rico				7.0					7.0
Rhode Island				5.5			-1.7	71.4	75.2
South Carolina		-9.0							-9.0
South Dakota									0.0
Tennessee									0.0
Texas	-191.0								-191.0
Utah	4.1								4.1
Vermont		-45.1					-8.8		-53.9
Virginia	-11.4	-32.4	-15.9						-59.7
Washington	-12.6		-9.3					2.4	-19.5
West Virginia									0.0
Wisconsin			4.8						4.8
Wyoming									0.0
Total	**$1,620.1**	**$-1,554.6**	**$-227.7**	**$463.8**	**$82.0**	**$10.2**	**$1,196.9**	**$227.6**	**$1,818.3**

NOTES: See Appendix Table A-11 for details on specific revenue changes. In Michigan tax increases are accompanied by a decrease in local property taxes for elementary and secondary education. The net result is a $660 million decrease in combined state and local taxes in fiscal 1995.

SOURCE: National Association of State Budget Officers.

Corporate Income Taxes. Eight states are proposing changes in corporate income taxes. New Jersey would reduce the corporate business tax and Pennsylvania would reduce the rate from 12.25 percent to 9.99 percent over three years. Other changes include New York's proposal to reduce the business tax surcharge.

Cigarette and Tobacco Taxes. Six states are proposing increases to tobacco taxes. Michigan's increase would raise the rate from twenty-five cents to seventy-five cents per pack. Maryland's proposal would increase the rate to sixty-one cents per pack—an increase of twenty-five cents per pack—while Rhode Island's increase of seven cents per pack would increase the rate to fifty-one cents per pack. Once again, the reluctance to raise taxes is less apt to affect proposed increases in cigarettes. States are justifying the increases as a means to generate additional funds for popular programs.

Although the outcome of national health care reform is still uncertain, the cigarette tax plays a role in the Clinton administration's plan. Under this plan, the federal cigarette tax would increase by seventy-five cents per pack. According to the Federation of Tax Administrators, this proposed increase would cost the states $878 million, or 14 percent, in lost state tax collections caused by a decrease in cigarette sales.

Motor Fuels Taxes. Two states are proposing to increase gasoline taxes, while one state would decrease its rate.

Alcohol Taxes. Two states are proposing changes in taxes on alcoholic beverages.

Other Taxes and Fees. This category includes fees and taxes that states use to charge those using state services in order to help balance their budget. The largest change occurs in Michigan with a new property tax replacing local property tax revenues. Proposed reductions include Nebraska's repeal of the tax on fertilizer and New York's reduction in the hotel tax from 5 percent to 2.5 percent. Rhode Island's proposal is to reduce the gross earnings tax for the sale and consumption of electricity and natural gas for manufacturing.

Revenues generated from these taxes and fees tend to be dedicated to environmental or health care efforts. Other fee increases include those for drivers' licenses, tags, and titles, occupational licenses, and charges for services, pollution penalties, and court fees.

Year-End Balances

CHAPTER FOUR

Year-end balances refer to the funds states have in reserve that are available for unforeseen circumstances. Fiscal 1994 and fiscal 1995 balances are 2.6 percent and 2.4 percent of expenditures each year, respectively, a slight decrease from the 3.3 percent balance in fiscal 1993 (see Figure 3). Appendix Tables A-1 through A-3 display the beginning and ending balances for states in fiscal 1993 through fiscal 1995. As shown in these tables, total balances appear in the ending balance column as well as in the budget stabilization or reserve fund column. In fifteen states, balances are expected to improve over the fiscal 1993 to fiscal 1995 period (see Appendix Table A-12).

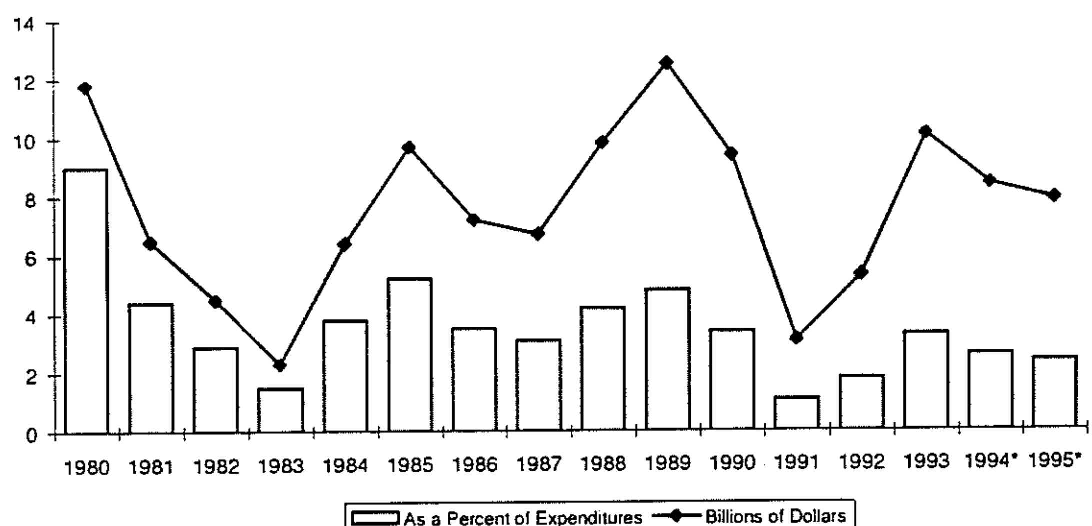
Balances for fiscal 1995 are estimated at $8.1 billion, or 2.4 percent of expenditures (see Table 8). Nine states in fiscal 1994 and twelve states in fiscal 1995 project balances at less than 1 percent of expenditures (see Table 9 and Figure 4). More than half of the states estimate balances as a percent of expenditures to be 2.9 percent or less in fiscal 1995.

According to an analysis by Moody's Investors Service, significant factors to consider when assessing balances include the track record of budget projections and the volatility of revenue sources, as well as the degree of expenditure flexibility to meet unforeseen needs.

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

FIGURE 3

Total Year-End Balances, Fiscal 1980 to Fiscal 1995



NOTE: Data for these years are estimated.

SOURCE: National Association of State Budget Officers.

Regional Fiscal Outlook

CHAPTER FIVE

Overview

The improvement in the national economy is translating into stronger economic growth for most regions (see Table 10). The Conference Board, in its latest report, *Regional Economies and Markets, Fourth Quarter 1993*, found that state economies in the Mid-Atlantic, New England, and Far West regions are expanding more slowly than other parts of the nation, whereas the economies of states in the Rocky Mountain and Plains regions are growing at a steady pace. The board's analysis relied on examining employment statistics, help-wanted advertising, housing permits, and retail sales information, as well as consumer confidence indicators. Since 1985, there has been a weakening in the influence of national economic policies; instead, regional patterns are determining national performance.

Population trends differ significantly across regions. States in the New England region experienced the most sluggish population growth at 0.3 percent between 1992 and 1993, followed by the Mid-Atlantic states at 0.6 percent. The Rocky Mountain region experienced the greatest influx of people, with an annual growth rate of 2.7 percent. The Great Lakes and Plains regions were below the national average, while the Southeast, Southwest, and Far West regions exceeded the national average. Unlike in previous years, California's population growth was below the national average.

The trends in state employment growth also differ across regions. The states that experienced a decline in state employment between December 1992 and December 1993 were California, Connecticut, Hawaii, Maryland, New Jersey, and Rhode Island—states located in the New England, Mid-Atlantic, or the Far West regions.

New England

According to the Federal Reserve Bank's survey, manufacturing continues to expand gradually in New England. There is an increase in demand for items such as construction materials, furniture, and biotechnology instruments, but the defense and pharmaceutical markets are weak. The region's December 1993 unemployment rate of 6.4 percent dropped from the previous year and is at the national average. New England's unemployment rates are no longer among the highest, signifying greater stability than in the previous several years.

Although residential real estate, manufacturing, and the retail industries are showing growth, insurance

TABLE 10

Regional Budget and Economic Indicators

Region	*Weighted Unemployment Rate**	*Average Annual Percentage Change in Personal Income***	*Annual Percentage Change in Population****	*Fiscal 1994 Total Balances as a Percent of Expenditures*	*Recommended 1995 General Fund Budget Growth (Percent)*	*Number of States in Region*
New England	6.4%	4.3%	0.3%	2.0%	4.5%	6
Mid-Atlantic	6.9	4.6	0.6	2.7	2.8	5
Great Lakes	5.9	5.0	0.7	3.2	5.3	5
Plains	4.5	2.7	0.7	6.8	5.3	7
Southeast	6.1	7.7	1.4	2.6	4.9	12
Southwest	6.2	6.5	2.0	0.6	1.9	4
Rocky Mountain	4.4	7.2	2.7	6.6	8.0	5
Far West	8.0	4.2	1.3	1.2	-1.7	6
Average	**6.4%**	**5.4%**	**1.1%**	**2.4%**	**3.1%**	

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

companies report a downward trend in employment, according to the Federal Reserve Bank. In addition, the weakening Canadian dollar has decreased the number of Canadian shoppers in Maine and Vermont and has led to a decrease in sales tax revenues. Personal income growth for this region from the third quarter of 1992 to the third quarter of 1993 averaged 4.3 percent annually, well below the national average of 5.4 percent. All states in the region had personal income growth below the national average, ranging from 3.4 percent in Connecticut to 5.1 percent in New Hampshire.

Mid-Atlantic

Employment in New York and northeastern New Jersey has finally stabilized after four years of decline, according to the regional commissioner for the U.S. Bureau of Labor Statistics. There are still negative trends with regard to large companies, such as recent announcements of layoffs from Xerox and Bristol-Myers. Even with these large layoffs from major corporations, New York and New Jersey still reported an increase in employment over the previous year. Residential construction is improving, even though commercial construction is still declining. Delaware, with employment growth near the national average, is performing better than the other states in this region. New Jersey's economy improved in the final quarter of 1993, after it had declined for the past three years. Although manufacturers in the region are more optimistic about the future than in the previous year, the pace of employment growth is expected to be modest.

The region's unemployment rate of 6.9 percent in December 1993 is above the December national average of 6.4 percent. New York and New Jersey led the region in unemployment rates at 7.6 percent and 7.1 percent, respectively, in December 1993. Personal income growth from the third quarter of 1992 through the third quarter of 1993 averaged 4.6 percent, with all states in the region except Delaware below the national average of 5.4 percent.

Great Lakes

The strength of the auto industry as well as increased exports in machinery should continue to benefit states in this region. Wisconsin projects strong job gains in the retail, construction, and service sectors. The region's unemployment rate of 5.9 percent in December 1993 is below the December national average of 6.4 percent. Michigan had the highest unemployment rate at 7.5 percent, while Wisconsin's and Indiana's rates were the lowest at 4.6 percent. Annual personal income growth from the third quarter of 1992 through the third quarter of 1993 was 5.0 percent, with all states except for Indiana and Michigan in the region showing growth below the national average of 5.4 percent. The impact of the floods affected personal income in this region during the summer months of 1993.

Plains

This region continues to outperform the national economy. In December 1993, the average unemployment rate was 4.5 percent. All states in this region had unemployment rates well below the national average of 6.4 percent, ranging from a low of 2.3 percent in Nebraska to a high of 6.0 percent in Missouri. At 2.7 percent, annual personal income growth from the third quarter of 1992 through the third quarter of 1993 was below the national average of 5.4 percent due to the impact of the floods.

Strong gains in services, finance, and insurance and real estate account for improved employment in Minnesota. South Dakota has been experiencing over 3 percent growth in employment, attributable to growth in manufacturing, services, construction, and trade. Despite the havoc caused on homeowners, farmers, and businesses, the recent flooding is not causing any long-range damage to economic growth in this region.

Southeast

With twelve states, the Southeast is the largest region. Growth in most of the Southeast is projected to be above the national average, primarily because of comparative advantages in the household textiles, furniture, and lumber industries and the resurgence of housing construction. Many of the states in this region are experiencing surges in home-building, including Florida, Georgia, and Tennessee. Florida's growth will be tempered by the continuing impact from low earnings on interest income for its retiree population. Louisiana will benefit from casino gambling, and the job losses in the energy sector are expected to subside. However, it will be adversely affected by low oil prices and weak demand for chemicals. Business services in Georgia and Tennessee will continue to expand.

Annual personal income growth from the third quarter of 1992 through the third quarter of 1993 was 7.7 percent, well above the national average of 5.4 percent, with Florida's 12.6 percent partly attributable to the growth after Hurricane Andrew. West Virginia, at 5.1 percent, was slightly below the national average, while all other states in the region exceeded the national average. Regional unemployment rates in December 1993 were below the nation at 6.1 percent, though they ranged from a high of 10.3 percent in West Virginia to a low of 4.1 percent in North Carolina.

Southwest

The Southwest region should continue to experience economic growth above the national average because of strong growth in construction and exports, according to an analysis by the Federal Reserve Bank of Dallas. Texas experienced growth in construction and exports to Mexico. New Mexico's growth in housing and business relocation and expansion, especially in high-technology industries, will help its overall growth rate.

The major factors contributing to growth are the increase in construction and growth in exports to Mexico. Unemployment rates of 6.2 percent in December 1993 were close to the national jobless rate of 6.4 percent, ranging from a high of 7.0 percent in New Mexico to a low of 5.0 percent in Oklahoma. Personal income grew 6.5 percent annually from the third quarter of 1992 to the third quarter of 1993, above the national average of 5.4 percent. Increases ranged from 5.0 percent in Oklahoma to 7.9 percent in New Mexico.

Rocky Mountain

This region is among the strongest economically, with per capita personal income growth above the national average and unemployment rates below the national average. The region's December 1993 unemployment rate of 4.4 percent was well below the national average of 6.4 percent, with the region's jobless rates ranging from a low of 3.7 percent in Utah to a high of 5.9 percent in Idaho—all rates below the national average. Personal income grew 7.2 percent annually from the third quarter of 1992 to the third quarter of 1993, well above the national average of 5.4 percent, making this the strongest region, along with the Southeast, during this period. All states had personal income growth rates above the national average. Regional strengths include residential construction, high-technology manufacturing, in-migration from California, and health care.

Far West

California dominates the Far West, accounting for more than two-thirds of this region's population. California's 8.7 percent unemployment rate in December 1993 was among the highest in the nation. Alaska, at 7.4 percent, Nevada, at 6.7 percent, and Oregon, at 6.6 percent, also had unemployment rates above the national average.

Personal income growth from the third quarter of 1992 to the third quarter of 1993 was 4.2 percent annually, about three-quarters of the 5.4 percent national average. All the states in this region except for California had personal income growth exceeding the national average during this period. Hawaii's growth of 13.4 percent is partly attributable to the impact of Hurricane Iniki.

The weak economic conditions in California are mostly centered around Los Angeles, with the other parts of the state showing modest improvement. Oregon's economy is strong, with residential construction above last year's levels. Washington has a mixed outlook, with weak conditions in the aerospace industry offset by strong conditions in other sectors.

Strategic Directions of States

CHAPTER SIX

Although state budgets have stabilized, both the lack of robust growth in state revenues and voters' concern with the quality of government services are creating incentives to bring new approaches to managing state government. Unlike the private sector, which can shed unprofitable lines of business, most state government services are a fixed commodity. For example, elementary and secondary education, health services, corrections, and higher education account for the majority of state spending and cannot be abolished. Instead, states are seeking new approaches to managing and delivering these services. Examples of these new approaches include the growth in contracts for outside companies to operate public schools and the major restructuring occurring in welfare programs.

In the survey, states were asked whether a "strategic direction" had been agreed upon for the next three years and beyond with respect to government operations. A majority of states reported having established a new strategy to carry them through the next several years.

The new directions states are taking involve restructuring major activities to improve operations, reviewing all state programs and procedures through statewide commissions, and developing and implementing performance-based budgeting systems.

The restructuring of government functions may include consolidating programs, merging functions, and changing service delivery, such as through privatization. Those states that are pursuing privatization are using the effort to identify better ways to provide services and programs, rather than as a means to transfer programs and operations to the private sector. Examples of restructuring and privatization include:

- restructuring the departments of social services, institutions, and health in Colorado;
- creating an office of health care access to implement universal health care and creating a department of health to integrate public health, substance abuse, and mental health services in Connecticut;
- restructuring various services based on recommendations by the Government Reorganization and Effectiveness Commission in Delaware;
- privatizing computer services, printing, motor vehicles, and home mental health services in Georgia;
- restructuring welfare programs in Massachusetts;
- restructuring AFDC, Medicaid, and juvenile corrections in Nebraska;
- restructuring general public assistance and the intermediate punishment program, and providing a local option to assume responsibility for the school lunch program in Rhode Island; and
- privatizing or closing eight health care institutions, privatizing park functions and wholesale liquor distributions, and restructuring the environmental protection agency in West Virginia.

States are reviewing their workforce policies related to management levels, civil service rules, and performance-based pay. In addition, states are embarking on total quality management efforts to improve the quality and efficiency of government services. Several states have had positive results from their initiatives. They recognize that across-the-board budget cuts, though necessary to maintain balanced budgets, are not a long-term solution for managing public resources. Examples of recent state changes in workforce policies include:

- proposing a five-year plan to increase salaries to the market average in Idaho;
- implementing an organizational change project and total quality management in Iowa;
- initiating an innovative approach to workforce development in Kentucky;
- reviewing the civil service system in Louisiana;
- requiring that most new temporary positions be approved by the state budget division in New Mexico;
- reducing full-time equivalent positions and using inmate labor for janitorial services in state buildings in Rhode Island;
- instituting a quality management initiative in South Dakota; and
- offering a retirement incentive in Texas.

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

- developing recommendations on the state's revenue structure in Georgia;
- initiating legislative performance audits in Idaho;
- conducting a comprehensive review of state government operations in Kentucky;
- reviewing expenditures and revenues in Louisiana;
- initiating a detailed review of base budgets and establishing a Commission on Management and Productivity in Missouri;
- developing agency strategic budget plans in Nebraska;
- creating a commission to study the economy and tax structure in Ohio;
- reviewing all restricted fee accounts in Rhode Island;
- reviewing operations through the Texas Performance Review, consolidating funds, and abolishing dedicated revenues in Texas;
- conducting an ongoing review of expenditures and revenues in Vermont;
- evaluating the effectiveness of all state programs and operations through the Governor's Commission on Governmental Reform in Virginia; and
- limiting expenditures, beginning in fiscal 1996, based on growth in population and income as per Initiative 601, approved by voters in November 1993 in Washington.

States are implementing changes to their budget practices in order to achieve greater stability and improve decisionmaking processes. The changes center around improving revenue and expenditure forecasting methods; refining measures such as performance-based budgeting and program budgeting to orient decisionmakers to an outcome-based analysis of state budgets; and integrating strategic planning in budget decisions. Examples include:

- adopting budget reform legislation that includes program budget review and strategic planning by program in Arizona;
- instituting a strategic planning process in Idaho;
- reviewing the budget process in Iowa;
- implementing a budget reform act in Georgia;
- instituting consensus revenue forecasting in Kentucky;
- establishing performance reporting, placing spending caps on outyear spending, instituting full-time equivalent reporting for personnel, and adopting truth in bargaining to ensure full public hearings on state and local wage settlements in Minnesota;
- increasing emphasis on performance budgeting and long-range strategic planning in Nebraska;
- developing a performance-based program budget process, on a pilot basis, in North Dakota;
- establishing a process to move toward identifying agency goals, missions, and programs in Oklahoma;
- providing early policy guidelines and targets to agencies for development of the 1995-97 biennial budget in Oregon;
- including data for quasi-public agencies and authorities in budget documents in Rhode Island;
- implementing a performance-based budget, beginning in fiscal 1996, in South Dakota; and
- implementing strategic planning and budgeting in Texas.

As economic growth rebounds, states continue to review and modify their operations. With the return to stable budgets and economic growth, many states are using the additional revenues from improved economic growth to reduce state taxes, increase local aid, and/or ease pressures in the states with local property taxes. As evidenced by the continuing restructuring and orientation toward statewide reviews and performance-based budgeting systems, states are using the return to better economic times as an opportunity to improve services and procedures, with the knowledge that resources are limited.

Appendix

TABLE A-1

Fiscal 1993 State General Fund, Actual (Millions)

Region/State	Beginning Balance	Revenues	Resources	Expenditures	Ending Balance	Budget Stabilization Fund
NEW ENGLAND						
Connecticut*	$ 0	$ 7,569	$ 7,569	$ 7,456	$ 114	$ 0
Maine	41	1,565	1,607	1,604	3	12
Massachusetts*	267	11,581	11,848	11,577	133	310
New Hampshire	19	799	818	786	32	20
Rhode Island	0	1,640	1,640	1,631	9	15
Vermont	-65	662	597	643	-46	0
MID-ATLANTIC						
Delaware*	153	1,317	1,470	1,260	210	*
Maryland	-56	6,449	6,393	6,382	11	51
New Jersey*	761	14,652	15,413	14,301	1,112	*
New York*	0	31,427	30,896	30,896	0	67
Pennsylvania*	9	14,169	14,178	13,960	218	5
GREAT LAKES						
Illinois*	131	12,104	12,235	12,063	172	0
Indiana*	139	6,180	6,319	6,309	10	301
Michigan	0	7,779	7,779	7,753	26	307
Ohio	340	10,388	10,728	10,617	111	0
Wisconsin	88	7,108	7,196	6,940	168	0
PLAINS						
Iowa*	0	3,483	3,483	3,431	52	*
Kansas	143	2,932	3,075	2,690	385	75
Minnesota*	449	7,753	8,202	7,326	876	*
Missouri	60	4,465	4,525	4,299	226	25
Nebraska	201	1,536	1,737	1,658	79	17
North Dakota*	85	588	673	653	20	0
South Dakota*	6	579	585	585	0	21
SOUTHEAST						
Alabama	26	3,660	3,685	3,555	130	0
Arkansas	0	2,077	2,077	2,077	0	0
Florida	123	12,248	12,371	11,990	381	162
Georgia	61	8,250	8,311	8,089	99	123
Kentucky	49	4,511	4,560	4,521	39	29
Louisiana	-83	4,384	4,301	4,200	101	0
Mississippi	13	2,147	2,160	1,985	175	160
North Carolina*	165	8,452	8,619	8,038	579	176
South Carolina*	8	3,673	3,680	3,521	159	*
Tennessee*	159	4,711	4,870	4,604	266	*
Virginia*	68	6,537	6,605	6,436	169	*
West Virginia	57	2,043	2,100	2,029	71	0
SOUTHWEST						
Arizona	5	3,788	3,793	3,707	86	0
New Mexico*	116	2,271	2,386	2,172	215	*
Oklahoma	167	3,256	3,423	3,318	105	91
Texas*	379	19,352	19,731	18,401	1,330	52
ROCKY MOUNTAIN						
Colorado*	133	3,644	3,777	3,450	327	*
Idaho	0	1,043	1,043	1,032	11	30
Montana	24	540	564	523	41	NA
Utah	29	1,958	1,986	1,975	11	33
Wyoming	53	363	416	421	-5	25
FAR WEST						
Alaska	0	2,772	2,772	2,772	0	1,654
California*	-2,287	40,946	38,659	40,948	-2,289	*
Hawaii	374	2,952	3,326	3,063	263	0
Nevada	34	1,103	1,137	1,078	59	0
Oregon	311	2,871	3,182	2,820	362	0
Washington*	220	7,832	8,052	7,818	234	100
TERRITORIES						
Puerto Rico	31	4,156	4,187	4,187	0	28
Total	**$2,975**	**$314,109**	**$316,552**	**$309,363**	**$6,840**	**$3,861**

NOTE: NA indicates data are not available.

*See Notes to Table A-1.

NOTES TO TABLE A-1

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

California	Beginning balance includes an off-budget eighteen-month payoff of prior year deficits. Ending balance includes a budget stabilization fund of $-2,289 million and a $393 million reserve for liquidation.
Colorado	Ending balance includes a budget stabilization fund of $223.2 million.
Connecticut	Figures include federal reimbursements, such as Medicaid.
Delaware	Ending balance includes a budget stabilization fund of $68.1 million. Figures include federal reimbursement for Medicaid.
Illinois	Excludes $300 million in short-term borrowing.
Indiana	Figures include property tax replacement fund, but do not include balance of the general fund tuition reserve, which was $180 million in fiscal 1993.
Iowa	The ending balance, by law, is transferred to the cash reserve fund and, to the extent the balance in the cash reserve exceeds the required amount, the excess is transferred to the Generally Accepted Accounting Principles (GAAP) deficit retirement account. The budget stabilization fund includes balances in cash reserve and economic emergency at the end of the year and is currently $1.9 million.
Massachusetts	Expenditures reflect $69.2 million in interfund transfers.
Minnesota	Ending balance includes a budget stabilization fund of $360 million.
New Jersey	Reflects both the general fund and the Property Tax Relief Fund. Ending balance includes a budget stabilization fund of $65.3 million.
New Mexico	Ending balance includes a budget stabilization fund of $215 million.
New York	The state ended fiscal 1993 with a general fund surplus of $671 million and is estimated to end fiscal 1994 with a $299 million surplus. Because any general fund surplus is automatically deposited to the state's Tax Stabilization Reserve Fund (which can be used only in the case of a deficit), the state chose instead to deposit the excess monies into the personal income tax refund reserve account. As a result, tax revenues in fiscal 1993 were reduced by $671 million; projected tax revenues in fiscal 1994 were artificially inflated by $671 million as well as reduced by $299 million; and projected tax revenues in fiscal 1995 were artificially inflated by $299 million. Additionally, the estimated fiscal 1994 disbursements include $314 million to be transferred from the general fund to the contingency reserve fund. These monies are projected to be disbursed from the contingency reserve fund in fiscal 1995 for litigation expenses. Resources equal revenues after repayment of $531 million in fiscal 1992 deficit notes.
North Carolina	Ending balance includes a budget stabilization fund of $175.9 million, and $57 million as a reserve for repair and renovations. The general assembly authorized $121 million from the budget stabilization fund for support of 1994 expenditures and also authorized the expenditure of $57 million for repair and renovation of state property.
North Dakota	The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.
Pennsylvania	Expenditures include a transfer to the rainy day fund, which will occur in the subsequent year.
South Carolina	Ending balance includes a budget stabilization fund of $66.8 million.
South Dakota	The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.
Tennessee	Ending balance includes a budget stabilization fund of $150.0 million.
Texas	Expenditures include a transfer of $31 million to the rainy day fund. (Texas is on a biennial budget. The general fund closes with a positive balance in odd-numbered years.)
Virginia	Ending balance includes a budget stabilization fund of $79.9 million.
Washington	Revenues include $126 million in net accruals and include transfers to and from the state budget stabilization account.

TABLE A-2

Fiscal 1994 State General Fund, Estimated (Millions)

Region/State	Beginning Balance	Revenues	Resources	Expenditures	Ending Balance	Budget Stabilization Fund
NEW ENGLAND						
Connecticut*	$ 0	$ 7,788	$ 7,788	$ 7,727	$ 61	$ 0
Maine	3	1,584	1,587	1,584	3	0
Massachusetts	133	12,128	12,262	12,247	14	316
New Hampshire	32	876	908	878	29	20
Rhode Island	9	1,551	1,560	1,560	0	43
Vermont	-46	699	653	653	0	3
MID-ATLANTIC						
Delaware*	210	1,439	1,649	1,364	285	*
Maryland	11	6,582	6,593	6,574	19	161
New Jersey*	1,112	15,039	16,151	15,138	1,013	*
New York*	0	32,563	32,563	32,563	0	134
Pennsylvania*	218	15,016	15,234	14,967	267	30
GREAT LAKES						
Illinois*	172	12,810	12,982	12,782	200	0
Indiana*	10	6,653	6,663	6,663	0	290
Michigan*	26	7,974	8,000	7,899	101	307
Ohio*	111	11,323	11,434	11,119	315	21
Wisconsin*	168	7,448	7,616	7,380	235	*
PLAINS						
Iowa*	0	3,498	3,498	3,496	2	*
Kansas*	387	3,086	3,473	3,145	329	75
Minnesota*	876	8,128	9,004	8,227	777	*
Missouri	226	4,708	4,934	4,777	157	22
Nebraska	79	1,658	1,737	1,626	110	25
North Dakota*	20	617	637	616	21	0
South Dakota*	0	621	621	621	0	22
SOUTHEAST						
Alabama	130	3,834	3,964	3,845	119	0
Arkansas	0	2,245	2,245	2,245	0	0
Florida	381	12,896	13,277	13,277	0	278
Georgia*	99	8,713	8,811	8,811	0	123
Kentucky	39	4,714	4,753	4,753	0	100
Louisiana	101	4,357	4,458	4,458	0	0
Mississippi*	88	2,278	2,366	2,129	237	160
North Carolina*	579	9,151	9,730	9,134	596	141
South Carolina*	159	3,795	3,954	3,795	159	*
Tennessee*	266	4,813	5,079	4,914	164	*
Virginia*	169	6,856	7,025	6,832	193	*
West Virginia	71	2,091	2,162	2,121	41	0
SOUTHWEST						
Arizona	86	3,924	4,010	3,818	192	0
New Mexico*	215	2,465	2,678	2,526	154	*
Oklahoma	105	3,325	3,430	3,302	128	46
Texas*	1,330	18,250	19,580	19,919	-339	6
ROCKY MOUNTAIN						
Colorado*	327	3,575	3,901	3,581	320	*
Idaho	11	1,155	1,166	1,138	28	36
Montana	41	482	510	496	27	NA
Utah*	11	2,111	2,123	2,110	13	47
Wyoming	-5	437	432	410	22	16
FAR WEST						
Alaska	0	3,206	3,206	3,206	0	595
California*	511	38,143	38,654	39,347	-693	*
Hawaii	263	3,134	3,397	3,072	325	0
Nevada	59	1,030	1,089	1,023	66	0
Oregon	362	3,034	3,396	3,081	315	0
Washington*	234	7,832	8,066	8,098	-32	125
TERRITORIES						
Puerto Rico*	0	4,648	4,648	4,575	75	60
Total	**$9,389**	**$321,635**	**$331,009**	**$325,047**	**$5,973**	**$3,142**

NOTE: NA indicates data are not available.

*See Notes to Table A-2.

NOTES TO TABLE A-2

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

California	Beginning balance and revenues include an off-budget eighteen-month payoff of prior-year deficits. Ending balance includes a budget stabilization fund of $-1,086 million and a $393 million reserve for liquidation.
Colorado	Ending balance includes a budget stabilization fund of $284.6 million.
Connecticut	Figures include federal reimbursements, such as Medicaid.
Delaware	Ending balance includes a budget stabilization fund of $71.7 million. Figures include federal reimbursements for Medicaid.
Georgia	The Governor has intentionally lowered his revenue estimate to produce a surplus at the end of fiscal 1994. The current estimate is that the ending balance in fiscal 1994 will be about $150 million. Part of this amount will be used for an education midyear adjustment and the remainder will be added to the rainy day fund.
Illinois	Excludes $600 million in short-term borrowing.
Indiana	Figures include property tax replacement fund but do not include balance of the general fund tuition reserve, which is $180 million in fiscal 1994. The impact of the Governor's deficit reduction plan and Medicaid reforms reduced projected fiscal 1994 expenditures by $123.3 million.
Iowa	The ending balance, by law, is transferred to the cash reserve fund and, to the extent the balance in the cash reserve exceeds the required amount, the excess is transferred to the Generally Accepted Accounting Principles (GAAP) deficit retirement account. The budget stabilization fund includes balances in cash reserve and economic emergency at the end of the year and is currently $38.4 million.
Kansas	The beginning balance is adjusted for released encumbrances from prior years.
Michigan	The ending fiscal 1994 balance will be transferred to the rainy day fund under current legislation.
Minnesota	Ending balance includes a budget stabilization fund of $500 million.
Mississippi	Fifty percent of the unencumbered ending balance, not to exceed 7.5 percent of current year appropriations, is transferred to a budget stabilization fund.
New Jersey	Reflects both the general fund and the Property Tax Relief Fund. Ending balance includes a budget stabilization fund of $147.8 million.
New Mexico	Revenues are adjusted for a one-time $42 million in executive-recommended personal income tax rebates. Ending balance includes a budget stabilization fund of $154 million.
New York	The state ended fiscal 1993 with a general fund surplus of $671 million and is estimated to end fiscal 1994 with a $299 million surplus. Because any general fund surplus is automatically deposited to the state's Tax Stabilization Reserve Fund (which can be used only in the case of a deficit), the state chose instead to deposit the excess monies into the personal income tax refund reserve account. As a result, tax revenues in fiscal 1993 were reduced by $671 million; projected tax revenues in fiscal 1994 were artificially inflated by $671 million as well as reduced by $299 million; and projected tax revenues in fiscal 1995 were artificially inflated by $299 million. Additionally, the estimated fiscal 1994 disbursements include $314 million to be transferred from the general fund to the contingency reserve fund. These monies are projected to be disbursed from the contingency reserve fund in fiscal 1995 for litigation expenses.
North Carolina	Ending balance includes a budget stabilization fund estimate of $140.5 million, an estimated reserve for repairs and renovations of $60 million, and $199.2 million of reserved nontax revenues from Medicaid disproportionate share receipts. The ending balance reflects authorized expenditures by the general assembly for 1994, including funds from budget stabilization funds and repairs and renovations reserves. The expenditures have been increased to include $26.9 million authorized by the Special Session on Crime for 1994.
North Dakota	The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.
Ohio	Fiscal 1994 expenditures include a transfer of $21 million made to the rainy day fund in July 1993.
Pennsylvania	Expenditures include a transfer to the rainy day fund, which will occur in the subsequent year.
Puerto Rico	Expenditures include a $12 million transfer to the natural disaster emergency fund.
South Carolina	Ending balance includes a budget stabilization fund of $100.2 million.
South Dakota	The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.
Tennessee	Ending balance includes a budget stabilization fund of $125.0 million.
Texas	Expenditures include a transfer of $13 million to the rainy day fund. In fiscal 1994, $78.8 million is appropriated from the rainy day fund. (Texas is on a biennial budget. The general fund closes with a positive balance in odd-numbered years.)
Utah	Figures include the Governor's recommendation for additional expenditures of $31.5 million and a $14.2 million transfer to the rainy day fund.
Virginia	Ending balance includes a budget stabilization fund of $79.9 million.
Washington	Revenues include transfers to and from the state budget stabilization account.
Wisconsin	Ending balance includes a budget stabilization fund of $73.6 million.

TABLE A-3

Fiscal 1995 State General Fund, Recommended (Millions)

Region/State	Beginning Balance	Revenues	Resources	Expenditures	Ending Balance	Budget Stabilization Fund
NEW ENGLAND						
Connecticut*	$ 0	$ 8,248	$ 8,248	$ 8,246	$ 2	$ 0
Maine	3	1,627	1,630	1,627	3	0
Massachusetts	14	12,734	12,748	12,700	48	325
New Hampshire	29	892	921	919	2	20
Rhode Island	0	1,577	1,577	1,576	2	44
Vermont	0	684	684	683	0	8
MID-ATLANTIC						
Delaware*	285	1,444	1,729	1,493	236	*
Maryland	19	6,948	6,968	6,967	1	220
New Jersey*	1,013	14,448	15,461	15,010	451	*
New York*	0	33,422	33,422	33,422	0	157
Pennsylvania*	267	15,400	15,667	15,665	2	160
GREAT LAKES						
Illinois	200	13,489	13,689	13,489	200	0
Indiana*	0	6,705	6,705	6,595	110	297
Michigan	0	8,096	8,096	8,096	0	408
Ohio*	315	11,917	12,232	12,122	110	36
Wisconsin*	235	7,822	8,058	7,956	102	*
PLAINS						
Iowa*	0	3,696	3,696	3,665	30	*
Kansas*	329	3,221	3,549	3,297	253	25
Minnesota*	777	8,435	9,212	8,532	680	*
Missouri	157	5,138	5,295	5,245	50	23
Nebraska	110	1,725	1,835	1,721	114	32
North Dakota*	21	626	657	641	16	0
South Dakota*	0	605	605	605	0	22
SOUTHEAST						
Alabama	119	3,908	4,027	4,026	1	0
Arkansas	0	2,363	2,363	2,363	0	0
Florida	0	14,007	14,007	14,007	0	315
Georgia	0	9,396	9,396	9,396	0	123
Kentucky	0	5,001	5,001	4,995	6	130
Louisiana	0	4,740	4,740	4,740	0	0
Mississippi*	119	2,346	2,464	2,302	162	160
North Carolina*	596	9,530	10,126	9,246	880	141
South Carolina*	159	3,965	4,124	3,900	224	*
Tennessee*	164	4,928	5,092	4,967	125	*
Virginia*	193	7,179	7,372	7,371	1	*
West Virginia	41	2,217	2,257	2,247	11	0
SOUTHWEST						
Arizona	192	4,073	4,265	4,235	30	0
New Mexico*	154	2,609	2,763	2,609	154	*
Oklahoma	128	3,472	3,600	3,377	223	46
Texas*	-339	20,302	19,964	19,918	46	20
ROCKY MOUNTAIN						
Colorado*	320	3,661	3,981	3,737	244	*
Idaho	28	1,258	1,286	1,286	0	36
Montana*	27	619	642	622	24	NA
Utah	13	2,254	2,267	2,267	0	62
Wyoming	22	427	449	438	11	0
FAR WEST						
Alaska	0	2,515	2,515	2,515	0	205
California*	-693	39,929	39,236	38,788	488	*
Hawaii	325	3,064	3,389	3,212	177	0
Nevada	66	1,098	1,164	1,104	61	0
Oregon	315	3,211	3,526	3,271	255	0
Washington*	-32	8,269	8,238	7,946	291	125
TERRITORIES						
Puerto Rico	75	4,770	4,845	4,845	0	71
Total	$5,691	$335,240	$340,938	$335,157	$5,826	$3,140

NOTE: NA indicates data are not available.

*See Notes to Table A-3.

NOTES TO TABLE A-3

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

California	Beginning balance and revenues include an off-budget eighteen-month payoff of prior year deficit. Ending balance includes a budget stabilization fund of $55 million and a $393 million reserve for liquidation.
Colorado	Ending balance includes a budget stabilization fund of $170.7 million.
Connecticut	Figures include federal reimbursements, such as Medicaid.
Delaware	Ending balance includes a budget stabilization fund of $78.3 million. Figures include federal reimbursement for Medicaid.
Indiana	Figures include property tax replacement fund, but do not include balance of the general fund tuition reserve, which will be $180 million in fiscal 1995. The impact of the Governor's deficit reduction plan and Medicaid reforms will reduce projected fiscal 1995 expenditures by $254.5 million.
Iowa	The ending balance, by law, is transferred to the cash reserve fund and, to the extent the balance in the cash reserve exceeds the required amount, the excess is transferred to the Generally Accepted Accounting Principles (GAAP) deficit retirement account. The budget stabilization fund includes balances in cash reserve and economic emergency at the end of the year and is currently $78.8 million.
Kansas	The budget stabilization fund includes $50 million that is recommended to be transferred to social services to offset reductions in disproportionate share funds.
Minnesota	Ending balance includes a budget stabilization fund of $500 million. The recommendation also includes creating a $180 million school aid reserve account dedicated to future funding for elementary and secondary education. Any future forecast improvement would be added to this account, up to a total of $300 million.
Mississippi	Fifty percent of the unencumbered ending balance, not to exceed 7.5 percent of current year appropriations, is transferred to a budget stabilization fund.
Montana	Figures include changes in earmarking of taxes for a school equalization increase of $125 million in expenditures and $134 million in revenues. These amounts had not been recorded in the general fund in previous years.
New Jersey	Reflects both the general fund and the Property Tax Relief Fund. Ending balance includes a budget stabilization fund of $147.8 million.
New Mexico	Revenues are adjusted for $58.2 million in executive-proposed recurring tax cuts. Ending balance includes a budget stabilization fund of $154 million.
New York	The state ended fiscal 1993 with a general fund surplus of $671 million and is estimated to end fiscal 1994 with a $299 million surplus. Because any general fund surplus is automatically deposited to the state's Tax Stabilization Reserve Fund (which can be used only in the case of a deficit), the state chose instead to deposit the excess monies into the personal income tax refund reserve account. As a result, tax revenues in fiscal 1993 were reduced by $671 million; projected tax revenues in fiscal 1994 were artificially inflated by $671 million as well as reduced by $299 million; and projected tax revenues in fiscal 1995 were artificially inflated by $299 million. Additionally, the estimated fiscal 1994 disbursements include $314 million to be transferred from the general fund to the contingency reserve fund. These monies are projected to be disbursed from the contingency reserve fund in fiscal 1995 for litigation expenses.
North Carolina	Ending balance includes a budget stabilization fund of $140.5 million and a reserve for repairs and renovations of $60 million. Neither the budget stabilization fund nor the reserve for repairs and renovations has been adjusted to include any increases from the ending balance as of June 30, 1994. The fiscal 1995 expenditures reflect budget adjustments for the 1994 Special Session on Crime.
North Dakota	The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.
Ohio	Fiscal 1995 figures are per the state's enacted biennial budget and not recommended figures. Fiscal 1995 expenditures include a planned transfer of $15 million to the rainy day fund. State law requires any amount in excess of $70 million at the end of fiscal 1995 to be transferred into the rainy day fund at the beginning of fiscal 1996.
Pennsylvania	Expenditures include a transfer to the rainy day fund, which will occur in the subsequent year.
South Carolina	Ending balance includes a budget stabilization fund of $110.1 million.
South Dakota	The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.
Tennessee	Ending balance includes a budget stabilization fund of $125.0 million.
Texas	Expenditures include a transfer of $31 million to the rainy day fund. (Texas is on a biennial budget. The general fund closes with a positive balance in odd-numbered years.)
Virginia	Ending balance includes a budget stabilization fund of $79.9 million and is appropriated in fiscal 1995.
Washington	Revenues include transfers to and from the state budget stabilization account.
Wisconsin	Ending balance includes a budget stabilization fund of $78.8 million.

TABLE A-4

Nominal Percentage Expenditure Change, Fiscal 1994 and Fiscal 1995

Region/State	*Fiscal 1994*	*Fiscal 1995*
NEW ENGLAND		
Connecticut	3.6%	6.7%
Maine	-1.2	2.7
Massachusetts	5.8	3.7
New Hampshire*	11.7	4.7
Rhode Island	-4.4	1.0
Vermont	1.6	4.6
MID-ATLANTIC		
Delaware	8.3	9.5
Maryland	3.0	6.0
New Jersey	5.9	-0.8
New York	5.4	2.6
Pennsylvania	7.2	4.7
GREAT LAKES		
Illinois	6.0	5.5
Indiana	5.6	-1.0
Michigan	1.9	2.5
Ohio	4.7	9.0
Wisconsin	6.3	7.8
PLAINS		
Iowa	1.9	4.8
Kansas*	16.9	4.8
Minnesota	12.3	3.7
Missouri	11.1	9.8
Nebraska	-1.9	5.8
North Dakota	-5.7	4.1
South Dakota*	6.2	-2.6
SOUTHEAST		
Alabama	8.2	4.7
Arkansas	8.1	5.3
Florida	10.7	5.5
Georgia	8.9	6.6
Kentucky	5.1	5.1
Louisiana	6.1	6.3
Mississippi	7.3	8.1
North Carolina	13.6	1.2
South Carolina	7.8	2.8
Tennessee	6.7	1.1
Virginia	6.2	7.9
West Virginia	4.5	5.9
SOUTHWEST		
Arizona	3.0	10.9
New Mexico	16.3	3.3
Oklahoma	-0.5	2.3
Texas	8.2	0.0
ROCKY MOUNTAIN		
Colorado	3.8	4.4
Idaho	10.3	13.0
Montana*	-5.2	25.4
Utah	6.8	7.4
Wyoming	-2.6	6.8
FAR WEST		
Alaska	15.7	-21.6
California	-3.9	-1.4
Hawaii	0.3	4.6
Nevada	-5.1	7.9
Oregon	9.3	6.2
Washington	3.6	-1.9
TERRITORIES		
Puerto Rico	9.3	5.9
Average	**5.1%**	**3.1%**

*See Notes to Table A-4.

NOTES TO TABLE A-4

Kansas	Expenditures for fiscal 1994 reflect a state assumption of $325.9 million of local school spending as a result of school finance reform. Excluding school finance reform, which shifted significant responsibility for school spending from localities to the state, the growth for fiscal 1994 is estimated to be 3.4 percent.
Montana	Figures include changes in earmarking of taxes for school equalization increase of $125 million in expenditures and $134 million in revenues. These amounts had not been recorded in the general fund in previous years.
New Hampshire	Medicaid enhancement fund was not previously budgeted as general funds.
South Dakota	Fiscal 1995 expenditures reflect the fact that $29.5 million in higher education tuition and fees are no longer deposited in the general fund.

TABLE A-5

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 1994

Region/State	*Fees*	*Taxes*	*Eliminate Programs*	*Layoffs*	*Furloughs*	*Early Retirement*	*Reduce Local Aid*	*Reorganize Programs*	*Privatization*
NEW ENGLAND									
Connecticut									
Maine									
Massachusetts									
New Hampshire									
Rhode Island									
Vermont								X	
MID-ATLANTIC									
Delaware									
Maryland									
New Jersey									
New York									
Pennsylvania									
GREAT LAKES									
Illinois									
Indiana			X					X	
Michigan									
Ohio									
Wisconsin									
PLAINS									
Iowa									
Kansas									
Minnesota									
Missouri									
Nebraska									
North Dakota									
South Dakota									
SOUTHEAST									
Alabama									
Arkansas									
Florida									
Georgia									
Kentucky									
Louisiana									
Mississippi									
North Carolina									
South Carolina									
Tennessee									
Virginia									
West Virginia									
SOUTHWEST									
Arizona									
New Mexico									
Oklahoma									
Texas									
ROCKY MOUNTAIN									
Colorado									
Idaho									
Montana	X			X		X	X	X	
Utah									
Wyoming									
FAR WEST									
Alaska									
California									
Hawaii									
Nevada									
Oregon									
Washington									
TERRITORIES									
Puerto Rico									
Total	1	0	1	1	0	1	1	3	0

TABLE A-6

Changes Contained in Proposed Fiscal 1995 Budgets

State	*Increased Higher Education Tuition*	*Medicaid Reductions*	*Increased Employee Share: Health*	*Increased Employee Share: Pension*	*New Corrections Construction*	*Juvenile Corrections Initiatives*	*State-Funded Unified Court System***
NEW ENGLAND							
Connecticut*							X
Maine							X
Massachusetts			X			X	X
New Hampshire							X
Rhode Island*	X						X
Vermont			X	X			X
MID-ATLANTIC							
Delaware					X	X	X
Maryland	X		X		X	X	X
New Jersey	X			X	X		X
New York		X			X	X	X
Pennsylvania*	X	X			X	X	X
GREAT LAKES							
Illinois*		X	X		X		X
Indiana*		X			X	X	
Michigan						X	
Ohio*					X	X	
Wisconsin					X	X	
PLAINS							
Iowa	X		X	X		X	X
Kansas	X		X				X
Minnesota					X	X	
Missouri			X		X	X	X
Nebraska					X	X	X
North Dakota	X						X
South Dakota	X					X	X
SOUTHEAST							
Alabama			X				X
Arkansas					X	X	X
Florida					X	X	X
Georgia						X	X
Kentucky	X		X	X	X	X	X
Louisiana							X
Mississippi					X		
North Carolina*					X	X	X
South Carolina							X
Tennessee					X		X
Virginia							X
West Virginia					X	X	X
SOUTHWEST							
Arizona				X	X	X	X
New Mexico			X		X	X	X
Oklahoma	X				X	X	X
Texas	X				X	X	X
ROCKY MOUNTAIN							
Colorado	X		X		X	X	X
Idaho					X	X	X
Montana	X	X			X		X
Utah	X				X	X	X
Wyoming		X			X		X
FAR WEST							
Alaska	X		X				X
California*	X	X				X	
Hawaii	X	X					X
Nevada	X		X				
Oregon*	X					X	X
Washington						X	
TERRITORIES							
Puerto Rico					X	X	X
Total	**19**	**8**	**13**	**5**	**29**	**31**	**42**

*See Notes to Table A-6.

**This change reflects current practice and is not necessarily a change in fiscal 1995 budgets.

NOTES TO TABLE A-6

California	Tuition at California's community colleges is recommended to increase 53.8 percent. There are no recommended tuition increases for the California State University and University of California systems.
Connecticut	The board of trustees for each individual school sets the tuition, which for the fall of 1994, will increase as follows: University of Connecticut, 10 percent; Connecticut State University, 5 percent; and Community Technical Colleges, 10 percent.
Illinois	Medicaid reduction reflects a freeze on reimbursement rates.
Indiana	The tuition for state universities is established by the board of trustees for each university. However, the state support to universities was predicated on a 1.5 percent fee increase for fiscal 1994; most universities have actually increased tuition by 6 percent to 8 percent since the budget was passed. The proposed budget was based on administrative actions to reduce projected Medicaid growth by $490 million over the 1994-95 biennium.
North Carolina	The Governor called an emergency session of the general assembly in February 1994 to address crime. The Governor's proposed changes for crime are included in the 1994 budget. Additional recommendations by the Governor for the changes to the 1994-95 budget will be developed after March 15, 1994, and submitted in May 1994 to the general assembly.
Ohio	Fiscal 1995 information reflects the enacted biennial budget and not the Governor's proposals. College and university tuition levels are set by each entity's board of trustees. The current biennial budget, however, imposes a 5 percent tuition increase cap. Actual tuition increases have varied by institution. The "Reclaim Ohio" program creates financial incentives for juvenile courts to develop and use community corrections alternatives in lieu of committing offenders to state juvenile facilities.
Oregon	These changes have been legislatively adopted.
Pennsylvania	The Governor and, therefore the budget, does not establish tuition. This is done by the State System of Higher Education (SSHE). However, the budget does include $31.7 million in Tuition Challenge grant funds to encourage SSHE and state-related universities to keep tuition increases at 4.5 percent or less. The proposed fiscal 1995 budget includes the elimination of dental and medical supplies for all nonfederally eligible clients. It also proposes restriction of pharmaceutical benefits to only chronically needy general assistance clients. The Governor's proposed fiscal 1995 budget includes $3.4 million to provide a 100-bed facility in central Pennsylvania that would house the most violent juvenile offenders.
Rhode Island	No reductions in eligibility for Medicaid. Expansion of coverage to "RIteTrack" population approved through a federal waiver on November 1, 1993, for women and children up to 250 percent of the federal poverty level. Reductions in the optional services of optometry and podiatry. Expansions in the optional service of organ transplants (reduced in 1994, restored in 1995).

TABLE A-7

Proposed State Employment Compensation Changes, Fiscal 1995

Region/State	*Across-the-Board*	*Merit*	*Other*	*Notes*
NEW ENGLAND				
Connecticut	---	---	---	Only one bargaining unit has a settled contract for fiscal 1995. The administration has proposed no across-the-board or anniversary increases for fiscal 1995 for collective bargaining units.
Maine	---	2.0%	---	Merit increases reflect the weighted average increase. Employees who have reached the top step in their range do not receive a merit increase.
Massachusetts	---	---	---	Managers will receive a 5 percent increase and a 2 percent performance bonus. There will be step increases of 5.2 percent. Police officers will receive a 1.9 percent increase and corrections officers will receive 1.2 percent.
New Hampshire	4.75%	---	---	
Rhode Island	---	---	---	The 5.0 percent increase, effective January 1, 1995, represents the cost-of-living adjustment contained in most negotiated contracts. Employees may also receive step increases and longevity increases.
Vermont	---	---	---	Compensation package is currently being negotiated with the employee union.
MID-ATLANTIC				
Delaware	2.0%	---	---	State police will receive a 3.5 percent increase.
Maryland	3.0%	1.25%	---	The merit increase is a composite average, ranging from 0 percent to 6 percent, depending on the step. It is estimated that 54 percent of the classified workforce is at the top step and will receive no merit increment.
New Jersey	6.0%	4.0%	---	The merit raises are based upon employee title and step within the compensation plan (ranging from 3 percent to 5 percent). The State Police Benevolent Association will receive 6.5 percent.
New York	5.25%	0.9%	---	A 4 percent general salary increase is payable in April 1994 and an additional 1.25 percent in October 1994. Total cash impact in fiscal 1995 is 4.625 percent. Merit increase reflects cost of increases (performance advances) as a percentage of total payroll. Only certain eligible employees receive annual performance advances.
Pennsylvania	3.5%*	---	2.2%	Effective July 1, 1994, employees will receive an additional forty-five cents per hour or 3.5 percent, whichever is greater. Effective January 1, 1995, those not at their maximum will receive a 2.2 percent longevity increase.
GREAT LAKES				
Illinois	3.0%	---	---	Includes a 3 percent cost-of-living adjustment for union and merit employees. About 50 percent of bargaining unit employees will receive an average 3.6 percent increase on their anniversaries.
Indiana	4.0%	---	---	
Michigan	---	---	2.0%	Increases result from redirecting savings from health care benefits collectively bargained to be returned to employees.
Ohio	3.0%	---	2.0%	"Other" is the average "step" increase for state employees. Steps are usually 4 percent, but only 50 percent of the state workforce is usually eligible for a step increase.
Wisconsin	2.5%	0.5%	---	An across-the-board 2.5 percent increase is effective at the beginning of the 1994 fiscal year and the 0.5 percent merit increase is effective January 8, 1995. Several represented employee groups will receive a "pay grid" increase beginning in fiscal 1995.

TABLE A-7 (continued)

Proposed State Employment Compensation Changes, Fiscal 1995

Region/State	*Across-the-Board*	*Merit*	*Other*	*Notes*
PLAINS				
Iowa	4.0%	0.5%	---	The 2 percent across-the-board increase is effective July 1, 1994, and an additional 2 percent increase takes effect January 1, 1995.
Kansas	---	---	2.5%	The 2.5 percent increase is for step movement on the pay matrix.
Minnesota	3.25%	---	0.34%	"Other" includes progression increases provided under union contracts. These are awarded based on length of service.
Missouri	4.0%	---	---	Three percent plus $200.
Nebraska	---	---	*	All classified employees earning less than $45,000 will receive an increase of $500 on July 1, 1994. In addition, employees with ten years of service will receive an increase of $100 on their service anniversary date. There are no percentage or inflation adjustments and no step increases.
North Dakota	---	---	*	Up to a 3 percent across-the-board salary increase is encouraged. This increase was not funded directly by appropriations. The salary increases are to be paid by savings in other areas of an agency's budget.
South Dakota	3.0%	---	2.5%	The "other" of 2.5 percent is for employees who are at the midpoint of their job class.
SOUTHEAST				
Alabama	*	5.0%*	*	There is a 5 percent to 8 percent cost-of-living adjustment proposed for state employees. Merit raises are based on employee performance and may range from 0 percent to 5 percent based on actual evaluation. Longevity pay ranges from $300 to $600 are based on years of state service.
Arkansas	1.0%	2.5%	---	Employees are eligible for a 2.5 percent merit increase on their anniversary date.
Florida	4.0%	---	---	An across-the-board increase is to be distributed in accordance with negotiated collective bargaining agreements.
Georgia	---	4.0%	---	A merit increase on the employee's anniversary date is based on a satisfactory evaluation.
Kentucky	5.0%	---	---	
Louisiana	5.0%	4.0%	---	All classified state employees are eligible to receive an annual merit increase of 4 percent if such merit increases are warranted. Approximately 24 percent of state employees are at the top end of the pay scale and will not qualify for further merit increases. The Governor has included a 5 percent across-the-board pay raise in fiscal 1995 to be paid from casino gaming revenues should they materialize.
Mississippi	---	---	---	
North Carolina	---	---	---	The Governor's recommendations will be developed later in the year.
South Carolina	2.66%	---	---	Increase is 3 percent on the first $15,000 in salary plus an additional 0.5 percent to 1.5 percent of salary based on employee's length of service in his or her current position.
Tennessee	4.0%	---	1.25%	An across-the-board contingency salary increase plan of up to 4 percent will be effective July 1, 1994, or at such date as revenues will support a raise. The "other" raise is available for state employees for classification-compensation adjustments.
Virginia	---	2.25%	1.72%	A performance bonus of 1 percent, 2 percent, or 4 percent will be awarded in fiscal 1995. The cost is 1.72 percent of payroll. If an employee receives less than a satisfactory performance rating, that employee will receive no pay increase at all.
West Virginia	---	---	---	A $1,000 across-the-board increase for state employees and public education. Higher education is recommended for the second year of a three-year salary increase. Average increase of $1,500 for faculty and $750 for nonfaculty.

TABLE A-7 (continued)

Proposed State Employment Compensation Changes, Fiscal 1995

Region/State	*Across-the-Board*	*Merit*	*Other*	*Notes*
SOUTHWEST				
Arizona	5.0%	---	---	Special pay packages for faculty, correctional service officers, and teachers in juvenile corrections system.
New Mexico	3.0%	3.0%	---	For executive agency employees, an average 4.5 percent increase comprised of 3 percent on July 1, 1994, and 3 percent of salary range midpoint on anniversary date of employment or promotion. State police received funding for implementation of new salary package. Public school teachers received a 6 percent average increase.
Oklahoma	---	---	*	The Governor's proposal is a continuation of the "Oklahoma Carrot" program. This program provides 1 percent funding by the legislature to be matched by agency personnel savings. Agencies can go to 4 percent maximum if they can find another 2 percent savings. Plan includes a component to reward work groups using total quality management techniques to achieve savings.
Texas	---	---	---	
ROCKY MOUNTAIN				
Colorado	2.45%	5.0%	---	Only about one-third of classified employees are eligible for merit raises.
Idaho	2.8%	2.2%	0.75%	The Governor is reestablishing the "Hay System" methodology and beginning to move salaries to the job market average. The 0.75 percent "other" increase is to fund the state's share of the third year of a four-year enhancement in retirement benefits.
Montana	0.75%	---	0.74%	The pay increase is 1.5 percent for the last six months of fiscal 1995 (0.75 percent on an annual basis). State contribution to health insurance is increased $240 per full-time employee.
Utah	---	4.0%	---	The Governor also recommends funding for a 3 percent increase in health insurance.
Wyoming	---	---	*	The Governor recommended $18 million to address problems of salary compression and to address market forces that make recruiting qualified personnel for certain positions difficult.
FAR WEST				
Alaska	---	3.5%	---	Monetary terms for contracts are pending approval. Health benefit costs for certain bargaining units have increased.
California	3.0%	---	---	With the exception of managers, state employees will receive a 3.0 percent salary increase effective January 1, 1995 (half-year). However, additional funding will be provided only to those departments/employees providing direct safety, revenue producing, and twenty-four-hour care services to the public. All other departments will be required to fund the increase with existing resources. Managers will not receive automatic salary increases and, instead, will receive increases based on their performance.
Hawaii	2%	---	---	Increase applies to ratified collective bargaining contracts (blue-collar supervisors, nurses, and firefighters). Others are still being negotiated.
Nevada	---	1.5%	*	Estimated increase.
Oregon	---	2.0%	0.3%	In general, there are no inflation increases for employees during the period from 1993 to 1995. Approximately one-half of all employees will receive a 5 percent merit increase in salary (shown as a percentage of salary benefits). The 3 percent "other" increase is the average expected increase in insurance premium contribution of 4.5 percent (shown as salary and benefits).
Washington	---	---	---	Classified employees do receive 5 percent increases in each of the first five years in a job class. Allowable longevity increases are capped for employees earning $48,000 per year or more.
TERRITORIES				
Puerto Rico	2.0%	---	---	A 2 percent minimum increase by defined unit based on teamwork productivity is a new program to be implemented. Excludes teacher law increase of $1,500 per year, a 12.5 percent increase, and police law increase of $1,200 per year, a 12.9 percent increase.

TABLE A-8

Number of Authorized Full-Time Equivalent Positions in the General Fund, Fiscal 1993 to Fiscal 1995**

State	Fiscal 1993	Fiscal 1994	Fiscal 1995	Percent Change, 1993-1995	Percent Change, 1994-1995	Includes Higher Education Faculty	State-Administered Welfare System
NEW ENGLAND							
Connecticut	36,835	39,185	40,363	9.58%	3.01%	X	X
Maine	6,892	6,475	6,161	-10.61	-4.85		X
Massachusetts	65,258	64,793	60,562	-7.2	-6.53	X	X
New Hampshire*	10,473	10,654	10,660	1.79	0.06		X
Rhode Island	17,555	17,201	15,908	-9.38	-7.52	X	X
Vermont*	7,244	7,244	7,268	0.33	0.33		X
MID-ATLANTIC							
Delaware*	19,544	19,637	20,006	2.36	1.88	X	X
Maryland*	72,534	71,209	72,588	0.07	1.94	X	X
New Jersey	65,472	65,393	64,349	-1.72	-1.6		
New York*	191,800	194,100	192,900	0.57	-0.62	X	
Pennsylvania	83,390	85,960	86,713	3.98	0.88		X
GREAT LAKES							
Illinois*	44,722	47,400	48,160	7.69	1.6		X
Indiana	22,213	21,957	21,707	-2.28	-1.14		X
Michigan	64,541	65,893	66,429	2.93	0.81		X
Ohio*	61,228	61,300	61,800	0.93	0.82		
Wisconsin	31,547	32,059	32,287	2.35	0.71	X	
PLAINS							
Iowa	32,808	33,253	33,130	0.98	-0.37	X	X
Kansas*	42,993	42,958	43,604	1.42	1.5	X	X
Minnesota	16,241	16,366	16,366	0.77	0.0		
Missouri	28,603	28,513	28,912	1.08	1.4		X
Nebraska	NA	NA	NA	NA	NA	NA	NA
North Dakota*	12,141	12,164	12,164	0.19	0.0	X	
South Dakota*	13,349	13,950	13,982	4.74	0.23	X	X
SOUTHEAST							
Alabama	34,087	34,117	34,200	0.33	0.24		X
Arkansas	17,070	17,668	17,668	3.5	0.0		X
Florida*	137,657	141,371	120,696	-12.32	-14.62	X	X
Georgia*	52,258	53,574	54,469	4.23	1.67		X
Kentucky*	35,500	34,800	35,500	0.0	2.01		X
Louisiana	46,966	47,435	46,347	-1.32	-2.29		X
Mississippi	46,477	46,877	NA	NA	NA	X	X
North Carolina*	201,438	202,575	204,425	1.48	0.91	X	X
South Carolina	41,368	42,415	42,908	3.72	1.16	X	X
Tennessee	37,200	38,100	38,400	3.23	0.79		X
Virginia*	50,930	51,180	48,853	-4.08	-4.55	X	
West Virginia	16,183	16,109	15,543	-3.95	-3.51	X	X
SOUTHWEST							
Arizona*	31,672	31,935	33,054	4.36	3.5	X	X
New Mexico*	20,356	21,775	22,467	10.37	3.18		X
Oklahoma*	40,300	39,306	39,043	-3.12	-0.67		X
Texas*	204,792	209,008	NA	NA	NA		X
ROCKY MOUNTAIN							
Colorado*	42,492	44,131	44,330	4.33	0.45		
Idaho	8,295	8,593	8,720	5.12	1.48	X	X
Montana	15,131	15,066	14,673	-3.03	-2.61	X	X
Utah	NA	NA	NA	NA	NA		
Wyoming*	12,800	12,800	12,611	-1.48	-1.48	X	X
FAR WEST							
Alaska	18,257	18,557	18,978	3.95	2.27	X	X
California*	126,827	129,031	131,721	3.86	2.08		X
Hawaii	32,371	33,164	33,297	2.86	0.4	X	X
Nevada*	12,389	12,887	13,064	5.45	1.37		X
Oregon*	47,073	46,039	46,039	-2.2	0.0	X	X
Washington	40,303	38,526	38,526	-4.41	0.0	X	X
TERRITORIES							
Puerto Rico	217,000	217,000	217,000	0.0	0.0		X
Total	**2,317,575**	**2,344,703**	**2,071,551**	**0.3%**	**-0.8%**	**25**	**41**

NOTES: NA indicates data are not available.

*See Notes to Table A-8.

**The figures on total percent change exclude states without comparable estimates for all three fiscal years.

NOTES TO TABLE A-8

Arizona	Figures published in the October 1993 edition of *The Fiscal Survey of States* reflected a change in methodology. These figures reflect the former methodology and are not directly comparable with the data from October 1993.
California	Totals exclude legislative members and staff and those employees of the State Compensation Insurance Fund. Changes to previously reported 1993-94 full-time equivalents are because of significant increases in safety employees (correctional officers and youth authority employees).
Colorado	Reflects all budgetary funds.
Delaware	Includes public school employees.
Florida	Figures represent the total number of positions for general funds, state trust funds, and federal funds. Fiscal 1995 figures exclude 22,958 in higher education positions that are no longer included in the total for full-time equivalent positions.
Georgia	Excludes state-funded county positions.
Illinois	Figures are adjusted from earlier surveys to reflect only full-time equivalent positions.
Kansas	Reflects all budgetary funds. Fiscal 1995 figures include a number of state workers not previously counted as full-time equivalents.
Kentucky	Reflects all budgetary funds.
Maryland	Reflects all budgetary funds.
Nevada	Reflects all budgetary funds.
New Hampshire	Reflects all budgetary funds. Figures do not include positions in the courts or the legislature.
New Mexico	Reflects all budgetary funds.
New York	Figures reflect end-of-year counts for annual and nonannual salaried full-time equivalent employees in the executive, legislative, and judicial branches. Welfare system is state-supervised and locally administered.
North Carolina	The number of positions includes higher education, public schools, community colleges, and transportation.
North Dakota	Reflects all budgetary funds.
Ohio	Ohio does not track full-time equivalent positions by funding source. Numbers shown are for all state funds. Fiscal 1995 figures are estimates based on the enacted biennial budget, not recommended levels.
Oklahoma	Reflects all budgetary funds.
Oregon	The figures represent a biennial count of all full-time equivalent positions, regardless of fund type.
South Dakota	Reflects all budgetary funds.
Texas	Reflects all budgetary funds.
Vermont	Reflects all budgetary funds.
Virginia	Welfare system is state-supervised and locally administered.
Wyoming	Reflects all budgetary funds.

TABLE A-9

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

	Sales Tax		Personal Income Tax		Corporate Income Tax		Total Revenue Collection**
Region/State	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Original Estimate	Current Estimate	
NEW ENGLAND							
Connecticut	$ 2,132	$ 2,144	$ 2,494	$ 2,579	$ 607	$ 645	T
Maine	638	582	584	582	53	63	T
Massachusetts	2,260	2,333	5,755	5,747	690	875	H
New Hampshire	NA	NA	NA	NA	144	144	T
Rhode Island	431	422	529	525	58	61	L
Vermont	166	166	295	292	32	33	T
MID-ATLANTIC							
Delaware*	NA	NA	524	543	49	52	H
Maryland*	1,790	1,806	3,168	3,246	147	142	T
New Jersey	3,920	3,780	4,748	4,670	1,180	1,065	L
New York	6,135	6,120	16,854	17,002	1,745	1,830	H
Pennsylvania	5,043	5,117	4,947	4,927	1,613	1,538	T
GREAT LAKES							
Illinois	4,323	4,323	4,960	4,960	731	731	T
Indiana	2,502	2,518	2,536	2,511	769	773	H
Michigan	3,040	3,055	3,819	4,002	1,898	1,915	H
Ohio	4,065	4,175	4,622	4,622	875	845	H
Wisconsin	2,410	2,440	3,640	3,690	515	525	H
PLAINS							
Iowa	1,062	1,094	1,785	1,761	234	229	H
Kansas	1,196	1,215	1,158	1,185	195	195	T
Minnesota	2,572	2,543	3,452	3,562	556	552	H
Missouri	1,380	1,411	2,516	2,516	298	275	T
Nebraska	667	660	743	750	108	108	T
North Dakota	249	249	125	125	46	46	T
South Dakota	303	307	NA	NA	NA	NA	H
SOUTHEAST							
Alabama	952	1,047	1,304	1,354	161	167	H
Arkansas	1,156	1,181	1,109	1,121	166	176	H
Florida	10,457	10,183	NA	NA	884	926	L
Georgia*	3,139	3,139	3,619	3,619	466	466	H
Kentucky	1,486	1,540	1,916	1,722	316	261	L
Louisiana	1,660	1,660	960	960	273	273	T
Mississippi	913	960	569	602	187	225	H
North Carolina	2,456	2,537	4,124	4,212	512	490	H
South Carolina	1,250	1,250	1,547	1,547	139	139	T
Tennessee	2,968	3,118	100	100	392	442	H
Virginia	1,518	1,547	3,799	3,819	307	313	H
West Virginia	670	670	660	660	120	120	T
SOUTHWEST							
Arizona	1,700	1,733	1,400	1,410	205	260	H
New Mexico	853	888	511	565	83	100	H
Oklahoma	1,013	1,017	1,370	1,351	147	146	T
Texas*	9,356	9,356	NA	NA	925	925	T
ROCKY MOUNTAIN							
Colorado	960	1,016	1,887	1,918	131	140	H
Idaho	420	444	532	569	58	76	H
Montana	NA	NA	328	328	69	69	H
Utah	910	952	905	915	88	100	H
Wyoming	130	183	NA	NA	NA	NA	H
FAR WEST							
Alaska	NA	NA	NA	NA	168	225	L
California	15,844	16,059	17,688	17,537	4,807	4,800	L
Hawaii	1,375	1,336	892	950	42	28	H
Nevada	329	329	NA	NA	NA	NA	T
Oregon	NA	NA	2,514	2,531	198	224	T
Washington*	3,833	3,786	NA	NA	1,506	1,499	L
TERRITORIES							
Puerto Rico	1,066	1,099	1,366	1,387	1,066	1,033	H
Total	**$111,632**	**$112,391**	**$116,988**	**$117,587**	**$24,892**	**$25,232**	.

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

NOTES TO TABLE A-9

Delaware	Figures represent collections net of refunds.
Georgia	Fiscal 1994 estimates have not been changed since the original estimates used for budget adoption. Any surplus funds will be added to the rainy day fund at the end of the fiscal year.
Maryland	Corporate income tax collections represent the general fund portion.
Texas	Corporate income tax collections are for the franchise tax.
Washington	Corporate income tax figures are for the corporate business and occupations tax.

TABLE A-10

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

	Sales Tax		*Personal Income Tax*		*Corporate Income Tax*	
Region/State	*Fiscal 1994*	*Fiscal 1995*	*Fiscal 1994*	*Fiscal 1995*	*Fiscal 1994*	*Fiscal 1995*
NEW ENGLAND						
Connecticut	$ 2,144	$ 2,249	$ 2,579	$ 2,798	$ 645	$ 656
Maine	582	608	582	606	63	52
Massachusetts	2,333	2,459	5,747	6,114	875	933
New Hampshire	NA	NA	NA	NA	144	145
Rhode Island	422	439	525	560	61	66
Vermont	166	176	292	291	33	34
MID-ATLANTIC						
Delaware*	NA	NA	543	575	52	52
Maryland*	1,806	1,914	3,246	3,414	142	159
New Jersey	3,780	3,950	4,670	4,675	1,065	1,000
New York	6,120	6,295	17,002	17,228	1,830	1,910
Pennsylvania	5,117	5,365	4,927	5,130	1,538	1,696
GREAT LAKES						
Illinois	4,323	4,565	4,960	5,281	731	790
Indiana*	2,518	2,635	2,511	2,636	773	805
Michigan	3,055	3,193	4,002	4,286	1,915	2,070
Ohio*	4,175	4,362	4,622	4,920	845	895
Wisconsin	2,440	2,595	3,690	3,920	525	535
PLAINS						
Iowa	1,094	1,137	1,761	1,842	229	229
Kansas	1,215	1,260	1,185	1,270	195	195
Minnesota	2,543	2,669	3,562	3,684	552	616
Missouri	1,411	1,468	2,516	2,833	275	348
Nebraska	660	678	750	793	108	108
North Dakota	249	272	125	131	46	45
South Dakota	307	320	NA	NA	NA	NA
SOUTHEAST						
Alabama	1,047	1,070	1,354	1,393	167	172
Arkansas	1,181	1,245	1,121	1,191	176	178
Florida	10,183	10,886	NA	NA	926	1,012
Georgia	3,139	3,463	3,619	3,904	466	494
Kentucky	1,540	1,643	1,722	1,930	261	250
Louisiana	1,660	1,674	960	1,041	273	247
Mississippi	960	990	602	622	225	230
North Carolina	2,537	2,710	4,212	4,505	490	526
South Carolina	1,250	1,373	1,547	1,610	139	166
Tennessee	3,118	3,289	100	104	442	478
Virginia	1,547	1,652	3,819	4,091	313	311
West Virginia*	670	726	660	707	120	127
SOUTHWEST						
Arizona	1,733	1,841	1,410	1,548	260	261
New Mexico	888	950	565	633	100	110
Oklahoma	1,017	1,067	1,351	1,422	146	149
Texas*	9,356	9,697	NA	NA	925	1,360
ROCKY MOUNTAIN						
Colorado	1,016	1,070	1,918	2,031	140	148
Idaho	444	482	569	626	76	81
Montana	NA	NA	328	345	69	71
Utah	952	1,020	915	992	100	100
Wyoming	183	196	NA	NA	NA	NA
FAR WEST						
Alaska	NA	NA	NA	NA	225	174
California*	16,059	15,830	17,537	18,587	4,800	5,120
Hawaii	1,336	1,387	950	986	28	29
Nevada	329	340	NA	NA	NA	NA
Oregon	NA	NA	2,531	2,699	224	214
Washington*	3,786	3,953	NA	NA	1,499	1,615
TERRITORIES						
Puerto Rico	1,099	1,131	1,387	1,485	1,083	1,119
Total	**$112,391**	**$117,163**	**$117,587**	**$123,954**	**$25,232**	**$26,962**

NOTES: NA indicates data are not available.
*See Notes to Table A-10. The fiscal 1994 figures reflect the latest tax collection estimates as shown in Table A-9.
The total percentage change from fiscal 1994 to fiscal 1995 (proposed) for all sources is 5.0 percent.

NOTES TO TABLE A-10

Delaware	Figures represent collections net of refunds.
California	Corporate income tax figures include $600 million expected from a court case on California's unitary method of taxation.
Indiana	The corporate estimate for fiscal 1994 does not include the impact of shifting the July 1994 payment into June. This will result in an estimated additional $120 million in fiscal year corporate collections.
Maryland	Corporate income tax collections represent the general fund portion.
Ohio	Fiscal 1995 figures reflect the provisions of the biennial budget bill and not projections of the tax structure in place during fiscal 1994.
Texas	Corporate income tax collections are for the franchise tax.
Washington	Corporate income tax figures are for the corporate business and occupations tax.
West Virginia	Sales tax figures include $16 million in revenue dedicated to the School Building Authority in fiscal 1994. This will revert to general revenue in fiscal 1995.

TABLE A-11

Recommended Revenue Changes by Type of Revenue, Fiscal 1995

State	*Tax Change Description*	*Effective Date*	*Fiscal 1995 Revenue Change (Millions)*
	SALES TAX		
Georgia	Repeal sales tax on private vehicle sales and refund all prior collections.	8/93	$ -40.0
Michigan*	Increase from 4 percent to 6 percent.	5/94	1,883.0
New York	Allow a sales tax vendor allowance.	9/94	-12.0
Texas	Phase-out of tax on manufacturing equipment.	10/93	-191.0
Utah	Eliminate certain exemptions.	7/94	4.1
Virginia	Nonprescription drug exemption.	7/94	-11.4
Washington	High-technology incentives.	7/94	-10.3
	Tax deferral for distressed counties.	7/94	-2.3
	PERSONAL INCOME TAX		
Arizona	Decrease in all tax rates, primarily concentrated in the lower (below $50,000, married family) income levels.	1/94	-100.0
California	Tax credit for certain low- and middle-income taxpayers.	1/94	-95.0
Connecticut	Technical revision to smooth out tax cliffs.	1/95	-10.0
Georgia	Increase dependent exemption by $1,000 and elderly income exclusion by $2,000.	7/94	-100.0
	Food tax credit.	1/92	-40.0
Massachusetts	Lowering of income tax rate, increase in exemption, and no-tax status.	1/95	-105.0
Michigan	Lower from 4.6 percent to 4.4 percent.	5/94	-255.0
Minnesota	Permanent indexing of elderly/disabled subtraction.	1/94	-3.0
	Conform to federal tax law changes.	1/94	-8.3
Mississippi	Raise personal exemption and capital gains exemption.	1/94	-71.5
Montana	Excludes revenue from income tax revision that was enacted but suspended and deferred to November 1994 vote by citizen petition drive. Tax would have added $72.5 million in 1995 biennium. Adjustments to budget made in December 1993 special session.	---	---
New Jersey	This reflects a 5 percent reduction on January 1, 1994, and up to an additional 10 percent reduction on January 1, 1995.	1/94	-549.0
New Mexico	One-time rebate of 1993 taxes plus earned income tax credit (9 percent of federal earned income tax credit).	2/94	-18.0
New York	Conform to federal estimated tax rules.	1/94	-65.0
Oregon	Improved enforcement.	1/94	3.7
Pennsylvania	Increase dependent exemption to $3.000 for tax forgiveness.	1/94	-52.0
South Carolina	Double tax exemption for children below six years of age (first step of four-year phase-in).	1/95	-9.0
Vermont	Sunset of 28 percent + tier to flat 25 percent of federal liability.	1/94	-45.1
Virginia	Self-employment tax exemption.	7/94	-31.4
	Low-income housing credit.	7/94	-1.0
Wisconsin	Updates to match federal internal revenue code.	1/94	0.0

TABLE A-11 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 1995

State	Tax Change Description	Effective Date	Fiscal 1995 Revenue Change (Millions)
	CORPORATE TAXES		
California	Tax credit for certain start-up companies.	10/94	---
Montana	Excludes revenue from income tax revision that was enacted but suspended and deferred to November 1994 vote by citizen petition drive. Tax would have added $72.5 million in 1995 biennium. Adjustments to budget made in December 1993 special session.	---	---
New Hampshire	Reduce corporate income tax from 7.5 percent to 7.0 percent.	7/94	-14.0
New Jersey	Reduced the tax from 9.375 percent to 9.0 percent.	7/94	-40.0
New York	Conform to federal estimated tax rules.	1/94	12.0
	Reduce business tax surcharge.		
	Eliminate the lubricant tax.		
	Conform to federal modified cost recovery system.	Various	-90.0
Oregon	Tax credit income apportionment/low-income housing.	1/94	-2.6
Pennsylvania	Reduce tax rate to 11.99 percent for 1994, 10.99 percent for 1995, and 9.99 percent for 1996.	1/94	-72.7
Virginia	Accelerated cost recovery system subtraction.	7/94	-14.9
	Low-income housing credit.	7/94	-1.0
Washington	High-technology incentives.	7/94	-9.3
Wisconsin	Updates to match federal internal revenue code.	1/94	4.8 (net)
	CIGARETTE AND TOBACCO TAXES		
Alaska	50 percent increase in tax per pack. 100 percent increase in tax on other tobacco products.	7/94	9.0
Maryland	Increase tax by twenty-five cents per pack.	7/94	70.0
Michigan*	Increase tax from twenty-five cents to seventy-five cents per pack.	5/94	343.0
Oregon	Five-cent increase in November 1993 and January 1994, sunsets July 1995.	1/94	29.3
Puerto Rico	New tax lowers consumption initially, then it increases.	NA	7.0
Rhode Island	Increase excise tax by seven cents per pack.	NA	5.5
	MOTOR FUEL TAXES		
Alaska	Increase tax from eight cents to twenty-five cents per gallon on highway fuel.	7/94	82.2
Montana	Four-cent increase in motor fuel taxes for fiscal 1994 and another three cents in fiscal 1995.	7/93	40.0
New Mexico	Five cents per gallon gas tax reduction.	7/94	-40.2
	ALCOHOLIC BEVERAGES		
Alaska	50 percent increase in tax on liquor, wine, and beer.	7/94	6.0
Oregon	5 percent price increase.	8/93	4.2

TABLE A-11 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 1995

State	Tax Change Description	Effective Date	Fiscal 1995 Revenue Change (Millions)
	OTHER TAXES		
Alaska	$100 per person employment tax. 10 percent of first $1,000 of compensated earnings.	1/95	21.9
Hawaii	Expansion of use tax to goods imported by leasing companies.	7/94	2.0
Michigan*	New property tax.	7/94	1,062.0
	New tax of 2 percent on real estate.	1/95	111.5
Missouri	Create a nursing home Medicaid reimbursement allowance or provider tax.	10/94	20.0
Montana	Payroll tax for workers' compensation unfunded liability.	7/93	27.7
Nebraska	Repeal fertilizer tax.	7/94	-3.8
New York	Reduction in real property gains tax.	4/94	-28.0
	Cut hotel tax 5 percent to 2.5 percent.	12/94	-8.0
	Estate tax credit.	4/94	-2.0
Oregon	State court fines.	1/94	6.1
Pennsylvania	Increase the credit for neighborhood assistance projects.	7/94	-2.0
Rhode Island	Phase-out of energy tax on manufacturers.	NA	-1.7
Vermont	Sunset of meals and rooms tax from 7 percent to 6 percent.	7/94	-8.8
	FEES		
Alaska	Permit applications, environmental conservation review and analyses fees, etc.	Varies	1.0
Connecticut	Escheat the unclaimed bottle deposit money.	4/94	12.0
Florida	Increase dissolution of marriage fees by $18.	7/94	1.3
	Increase fees for inspection of swimming pools.	7/94	1.6
	Increase replacement fee for motor vehicle tags; increase fee for temporary motor vehicle tags.	7/94	7.0
	Direct payment for banking services, frees balances for additional interest earnings.	7/94	2.2
	Increase annual registration fees for motor vehicles and boats.	6/94	12.9
	Increase penalties for overweight trucks.	7/94	8.7
Hawaii	Increase ambulance service fees.	4/94	3.8
	Licensing fees for pesticide users.	7/94	0.5
Maryland	Various fees.	7/94	8.6
Minnesota	MinnesotaCare health care premium.	7/94	-7.6
	Real estate and insurance biennial license renewal.	Various	2.2
Missouri	Air emission fees on vehicles as mandated by the federal Clean Air Act Amendments of 1990.	1/96	5.0
Montana	Various fee and permit increases.	Varies	2.4
New Jersey	Motor vehicle fees.	7/94	64.0
New York	Corporate filing fee reduction and repeal of environmental conservation uniform procedure fees; various fee and permit changes.	4/94	-4.0
	Increase professional licensing fees.	4/94	10.0
	Pistol permit fee.	4/94	4.8
Ohio	Variety of environmental protection agency regulatory board license and franchise fees.	7/93	5.0
Oklahoma	Increase vehicle registration fee.	NA	5.6
	Increase vehicle inspection fee.	NA	5.0
	Increase fee for tag registration for boats and trailers.	NA	1.8
Rhode Island	Hospital licensing fee of 4.56 percent of gross receipts.	NA	71.4
Washington	Water rights fees.	7/94	2.4

NOTES: NA indicates data are not available. Michigan's state tax increases are accompanied by a decrease in local property taxes for elementary and secondary education. The net result is a $660 million decrease in combined state and local taxes in fiscal 1995.

TABLE A-12

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

Region/State	Total Balances (Millions)**			Balances as a Percent of Expenditures		
	Fiscal 1993	Fiscal 1994	Fiscal 1995	Fiscal 1993	Fiscal 1994	Fiscal 1995
NEW ENGLAND						
Connecticut	$ 114	$ 61	$ 2	1.5%	0.8%	0.0%
Maine	15	3	3	0.9	0.2	0.2
Massachusetts	443	330	373	3.8	2.7	2.9
New Hampshire	52	49	22	6.6	5.6	2.4
Rhode Island	24	43	46	1.5	2.8	2.9
Vermont	-46	3	8	-7.2	0.5	1.2
MID-ATLANTIC						
Delaware	210	285	236	16.7	20.9	15.8
Maryland	62	180	221	1.0	2.7	3.2
New Jersey	1,112	1,013	451	7.8	6.7	3.0
New York	67	134	157	0.2	0.4	0.5
Pennsylvania	223	297	162	1.6	2.0	1.0
GREAT LAKES						
Illinois	172	200	200	1.4	1.6	1.5
Indiana*	311	290	407	4.9	4.4	6.2
Michigan*	333	408	408	4.3	5.2	5.0
Ohio	111	336	146	1.0	3.0	1.2
Wisconsin	168	235	102	2.4	3.2	1.3
PLAINS						
Iowa	52	2	30	1.5	0.1	0.8
Kansas	460	404	278	17.1	12.8	8.4
Minnesota	876	777	680	12.0	9.4	8.0
Missouri	251	179	73	5.8	3.7	1.4
Nebraska	96	135	146	5.8	8.3	8.5
North Dakota	20	21	16	3.1	3.4	2.5
South Dakota	21	22	22	3.6	3.5	3.6
SOUTHEAST						
Alabama	130	119	1	3.7	3.1	0.0
Arkansas	0	0	0	0.0	0.0	0.0
Florida	543	278	315	4.5	2.1	2.2
Georgia	222	123	123	2.7	1.4	1.3
Kentucky	68	100	136	1.5	2.1	2.7
Louisiana	101	0	0	2.4	0.0	0.0
Mississippi	335	397	322	16.9	18.6	14.0
North Carolina	176	141	141	2.2	1.5	1.5
South Carolina	159	159	224	4.5	4.2	5.7
Tennessee	266	164	125	5.8	3.3	2.5
Virginia	169	193	1	2.6	2.8	0.0
West Virginia	71	41	11	3.5	1.9	0.5
SOUTHWEST						
Arizona	86	192	30	2.3	5.0	0.7
New Mexico	215	154	154	9.9	6.1	5.9
Oklahoma	196	174	269	5.9	5.3	8.0
Texas	1,382	-333	66	7.5	-1.7	0.3
ROCKY MOUNTAIN						
Colorado	327	320	244	9.5	8.9	6.5
Idaho	41	64	36	4.0	5.6	2.8
Montana	41	27	24	7.8	5.4	3.9
Utah	44	60	62	2.2	2.8	2.7
Wyoming	20	38	11	4.8	9.3	2.5
FAR WEST						
Alaska	1,654	595	205	59.7	18.6	8.2
California	-2,289	-693	488	-5.6	-1.8	1.3
Hawaii	263	325	177	8.6	10.6	5.5
Nevada	59	66	61	5.5	6.5	5.5
Oregon	362	315	255	12.8	10.2	7.8
Washington	334	93	416	4.3	1.1	5.2
TERRITORIES						
Puerto Rico	28	60	71	0.7	1.3	1.5
Total	**$10,122**	**$8,519**	**$8,086**	**3.3%**	**2.6%**	**2.4%**

*See Notes to Table A-12.

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

NOTES TO TABLE A-12

Indiana	Balances shown do not include $180 million each year in general fund tuition reserve.
Michigan	Under proposed legislation, the ending fiscal 1994 fund balance will be transferred to the rainy day fund.