

**April 1995** 

National Governors' Association National Association of State Budget Officers

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Founded in 1908, NGA is the instrument through which the nation's Governors collectively influence the development and implementation of national policy and apply creative leadership to state issues. The association's members are the Governors of the fifty states, the commonwealths of the Northern Mariana Islands and Puerto Rico, and the territories of American Samoa, Guam, and the Virgin Islands. NGA has three standing committees on major issues—Economic Development and Commerce, Human Resources, and Natural Resources. The association serves as a vehicle for sharing knowledge of innovative programs among the states and provides technical assistance and consultant services to Governors on a wide range of management and policy issues.

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

The field survey on which this report is based was conducted by the National Association of State Budget Officers in January through April 1995. The surveys were completed by Governors' state budget officers in the fifty states and the commonwealth of Puerto Rico.

Fiscal 1994 data represent actual figures, fiscal 1995 figures are estimated, and fiscal 1996 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.

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

## **Executive Summary**

Most states completed fiscal 1994 on a positive note. The performance of the national economy in 1994 was the strongest it has been in the past ten years. This translated into moderate to strong revenue growth and enabled states to restore balance to their budgets in both fiscal 1994 and fiscal 1995.

Many Governors are proposing tax cuts in their fiscal 1996 budgets. In several cases, states are recommending multiyear plans to reduce taxes. These proposed tax reductions reflect more stability in the economy and a policy goal to reduce the size of state government.

Although 1994 was a strong year economically, the forecast for 1995 and 1996 is for a slower rate of economic growth. The threat of a recession in 1995 and 1996 is still minor, yet most forecasters are projecting a slowdown from the 1994 growth rate.

Along with slower economic growth in 1995 and 1996, there is a great deal of uncertainty regarding the level of federal aid to states. The impact of reducing the federal deficit with a goal of balancing the federal budget by 2002 is unclear. The likelihood of both a reduction in federal aid and a slowdown in the national economy over the next several years leaves states in an uncertain fiscal environment.

Key findings of this survey include the following.

#### **State Spending**

States estimate an increase in general fund spending of 6.6 percent in fiscal 1995 and plan to limit budget growth to 2.5 percent for fiscal 1996. Several states, including New Hampshire and New York, are proposing general fund spending below the current-year level.

- Budgets have stabilized since the early 1990s. Only eleven states have reduced or are planning to reduce their fiscal 1995 enacted budgets—by a total of less than \$1.0 billion—continuing the trend from fiscal 1994 in which ten states reduced their enacted budgets. This is a marked improvement from the number of states forced to reduce their fiscal 1993 and fiscal 1992 enacted budgets—twenty-two and thirty-five states, respectively.
- Welfare reform continues to be in the forefront in state policy and budget discussions. State reforms

range from providing additional work incentives to recipients to limiting the time that they may receive benefits. Similar to the past two years, proposed Aid to Families with Dependent Children (AFDC) benefits would remain at the same level as in the previous year in nearly all states. In Governors' proposed budgets for fiscal 1996, only eight states are recommending changes to benefit levels, while forty-two states would maintain the same levels as are in effect in fiscal 1995.

- Medicaid spending has slowed from previous years. Yet its projected growth rate of approximately 10 percent in fiscal 1995 and fiscal 1996 exceeds the majority of states' revenue projections. Accounting for close to one fifth of all state spending, Medicaid expenditures have increased at the expense of investments in elementary and secondary education. Medicaid's previous double-digit growth increased its share of total state spending from 10 percent in fiscal 1987 to 19 percent in fiscal 1994. All major state functions except Medicaid and corrections declined as a percentage of state budgets from fiscal 1987 to fiscal 1994.
- Several states are proposing increases in aid to local governments. A number of states are proposing to reduce mandates on local governments, decrease the amount of local property taxes used to fund public schools, and absorb the costs of funding local court systems.
- The majority of proposed budgets for fiscal 1996 include pay raises for state employees, with the increase averaging 3.6 percent. Several states are instituting pay-for-performance systems rather than granting automatic pay increases.

#### **State Revenue Actions**

Proposed changes in taxes and fees would decrease fiscal 1996 revenues by \$3.4 billion. Twenty-eight states are proposing to reduce taxes, usually personal income taxes and corporate income taxes. This is attributable both to the improved fiscal conditions of states and the trend toward reducing the size of government. In six states and the commonwealth of Puerto Rico, the proposed reductions are 3 percent or more of the recommended general fund revenues for fiscal 1996.

#### Year-End Balances

■ Year-end balances for fiscal 1994 through fiscal 1996 range from 4.3 percent to 5.2 percent and are well above the 1.1 percent year-end balance that occurred in fiscal 1991 at the height of the national recession. These balances help states to ease transitions during economic downturns.

#### Regional Impacts

All regions have been boosted by the steady performance of the national economy. Most regions are expected to enjoy continued growth through 1995, though at a slower rate than during 1994. The likely slowdown of the economy over the next two years, however, may affect some regions more than others. According to analyses by some regional economists, states with a greater dependence on manufacturing may be more greatly affected by an economic slowdown.

States in the Plains, Rocky Mountain, Southeast, and Southwest regions continue to experience the most rapid economic growth. California, New England, and the Mid-Atlantic states are also experiencing economic growth, though at a slower rate than other parts of the nation.

#### State Restructuring

The continuation of stable budgets enables states to seek greater efficiencies and effectiveness in their op-

erations. The policy goal of reducing the size of government is leading several states to propose the elimination of some government functions. Other directions states are taking include merging functions, privatizing certain services, and strengthening budget analysis processes. Examples include the following.

- States are eliminating departments, commissions, and boards in order to limit the size of state government and achieve greater efficiencies.
- States are restructuring and merging major state functions, such as education, economic development, and family and children services, in order to improve management and avoid duplication of services.
- States are privatizing state government operations, including mental health services, custodial services, motor vehicle agencies, and state liquor stores.
- States are continuing to review statewide operations and implement streamlining recommendations, often through gubernatorially appointed task forces.
- States are strengthening their budget processes through an emphasis on performance outcomes, productivity incentives, and strategic planning.

The advent of a more favorable fiscal outlook for states, along with state policy decisions to downsize state government, has prompted continuing innovation in managing state government. The prevalence of statewide reviews, performance-based budgeting initiatives, major restructuring and consolidations, and changes in welfare program incentives indicate that states are seizing the opportunity of an improved economy to improve management and restore long-term balance to their budgets.

# **Economic Background**

CHAPTER ONE

With inflation-adjusted economic growth at 4.1 percent, economic growth in 1994 exceeded most forecasts. Economically, 1994 was also the strongest year since 1984. Although the economy in 1995 continues to exhibit strength, most forecasters estimate that economic growth will be at about 2.5 percent in 1995, a significant decline from the actual 1994 level. Growth is expected to slow in 1995, but most forecasters do not anticipate a recession until at least 1996. Even then, only nine of the twenty-two economists surveyed by the Bureau of National Affairs in December 1994 expect a recession to occur in 1996. The January 1995 Blue Chip Economic Forecast, for example, projects economic growth at 2.5 percent during 1995 and 2.2 percent during 1996.

The March 1995 survey of Current Economic Conditions from the Federal Reserve districts provides evidence that economic growth is slackening from the previous year. The slowdown in retail sales and residential construction reflects the moderation in economic growth. Manufacturing activity, however, continues to be strong. The strength in the economy continues to be reflected in business investment and consumer spending. Consumer spending on durable goods, which has been strong over the past three years, should remain

strong through 1995. Business investment, which includes spending on equipment and technology, is also expected to remain strong through 1995.

The Federal Reserve raised interest rates several times in fiscal 1994, but economic growth was not easily dampened. Adjustable rate mortgages, which have much lower starting levels than conventional mortgages, helped mitigate the impact of increased interest rates on the housing sector. By the final quarter of 1994, the effects of the rise in interest rates became more pronounced. Moreover, as the number of people holding adjustable rate mortgages increases, the impact of further interest rate hikes will most likely reduce consumer spending.

Although the economy has produced strong job growth, layoffs continue. These job losses are due to mergers and acquisitions within industries as well as companies' reluctance to increase prices because of global competition. Defense industries have been especially affected because of reductions in government contracts. Also affected are the utility and banking sectors, which are experiencing greater competition and consolidations.

# **State Expenditure Developments**

CHAPTER TWO

#### **Budget Management in Fiscal 1995**

Following the trend in fiscal 1994, few states are being forced to reduce their budgets midyear. Only eleven states have reduced or are planning to reduce their fiscal 1995 enacted budgets, resulting in a total reduction of less than \$1.0 billion or less than 1 percent of state general fund budgets (see Table 1). This is in contrast to the number of states forced to reduce their enacted budgets in the past three fiscal years—ten states in fiscal 1994; twenty-two states in fiscal 1993; and thirty-five states in fiscal 1992, which represented the peak in midyear budget adjustments. The number of states with midyear budget reductions had not been less than twenty since fiscal 1989, when twelve states reduced their enacted budgets.

The strategies most commonly employed by states making midyear adjustments include raising miscella-

neous fees, laying off workers, reorganizing programs, enacting across-the-board spending reductions, and promoting privatization (see Appendix Table A-5).

#### General Fund Spending in Recent Years

General fund budgets for fiscal 1996 are estimated to be 2.5 percent above the previous fiscal year (see Table 2). This spending increase is below the average of 8 percent during the 1980s (see Figure 1). About one third of the states reported expenditure growth below 5 percent in fiscal 1995 (see Table 3 and Appendix Table A-4). In Governors' proposed budgets for fiscal 1996, more than two-thirds of the states estimate expenditure growth to be below 5 percent.

TABLE 1

#### Budget Cuts Made After the Fiscal 1995 Budget Passed

State	Size of Cut (Millions)	Programs or Expenditures Exempted from Cuts
Alabama	\$ 22.0	Debt service and retirement.
Alaska	•	
Hawaii	57.5	Elementary and secondary education, instructional programs, debt service, public welfare payments, unemployment insurance, workers' compensation retirement system.
Indiana*	219.1	Local school funding and economic development programs.
Montana	39.0	No exemptions.
New Hampshire	15.0	Local aid.
New Jersey	135.0	No exemptions.
Rhode Island	11.3	No exemptions.
South Dakota	28.1	In June 1994, the state supreme court found video lottery unconstitutional and issued a writ prohibiting its use on August 12, 1994. To offset the loss in revenue, the legislature reduced appropriations during a special session in September 1994.
Tennessee	25.0	Elementary and secondary education, corrections, mental health and mental retardation, children's services.
Virginia	140.5	The Governor proposed amendments to the 1994-96 biennial budget that would reduce general fund appropriations by a net of \$140.5 million. The reductions were selected: to provide funding for a tax cut for individuals and small businesses; to accommodate new spending for parole abolition and sentencing reform; to fund a pension tax settlement with federal retirees and to end the taxation of social security benefits; to maintain the Governor's commitment to education; and to prioritize activities that further economic development and job creation and citizen empowerment.
Wisconsin	18.9	All aid to individuals and local assistance exempt. Applied only to state operations.
Total	\$711.4	••••

NOTES: Alaska's new administration is still reviewing strategies.

Indiana also anticipates a \$500 million biennial reduction in projected Medicaid expenses through program and reimbursement reform.

SOURCE: National Association of State Budget Officers.

# State Nominal and Real Annual Budget Increases, Fiscal 1979 to Fiscal 1996

State General Fund

Fiscal Year	Nominal Increase	Real Increase		
1996	2.5%*	-0.7%*		
1995	6.6*	3.4*		
1994	5	2.3		
1993	3.3	0.6		
1992	5.1	1.9		
1991	4.5	0.7		
1990	6.4	2.1		
1989	8.7	4.3		
1988	7.0	2.9		
1987	6.3	2.6		
1986	8.9	3.7		
1985	10.2	4.6		
1984	8.0	3.3		
1983	-0.7	-6.3		
1982	6.4	-1.1		
1981	16.3	6.1		
1980	10.0	-0.6		
1979	10.1	1.5		
1979-1996 average	6.7%	1.7%		
1980-1990 average	8.0%	2.0%		

NOTE: The state and local government implicit price deflator was used for state expenditures in determining real changes. Figures for fiscal 1995 and fiscal 1996 are estimates.

SOURCE: National Association of State Budget Officers.

### Shifts in Total State Spending

Medicaid spending has slowed, though its rate of growth still exceeds state revenue growth. This results in Medicaid spending absorbing a greater share of total state spending each year. By fiscal 1994, Medicaid accounted for more than 19 percent of total state spending, almost doubling since fiscal 1987. This increased share for Medicaid comes at the expense of spending for other services such as elementary and secondary education. From 1987 to 1994, the relative share of elementary and secondary education spending decreased by about 11 percent; in 1994 it accounted for only 20 percent of total state spending.

The fiscal 1994 rate of growth in state spending for corrections, at 13.4 percent, well exceeds the 7.8 percent average growth in total state spending in fiscal 1994. Decisions about reducing parole and extending prisoner sentences will affect state spending on corrections over the next decade. Rising prison populations

#### TABLE 3

# Annual State General Fund Expenditure Increases, Fiscal 1995 and Fiscal 1996

Number of States

Spending Growth	Fiscal 1995 (Estimated)	Fiscal 1996 (Recommended)
Negative growth	3	4
0.0% to 4.9%	12	33
5.0% to 9.9%	25	12
10% or more	10	0

NOTE: Average spending growth for fiscal 1995 (estimated) is 6.6 percent; average spending growth for fiscal 1996 (recommended) is 2.5 percent.

SOURCE: National Association of State Budget Officers.

are exerting pressure on state budgets; mandatory sentencing and new restrictions on parole will cause state spending in corrections to accelerate over time. Although its share is relatively small at about 3 percent of state budgets, corrections spending is a volatile part of state budgets because of the frequency of changes in criminal justice policies.

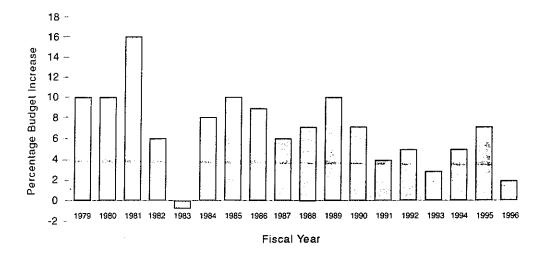
## State Spending for Fiscal 1996

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

Aid to Families with Dependent Children. In Governors' proposed fiscal 1996 budgets, forty-two states would maintain the same AFDC benefit levels that are in effect in fiscal 1995 (see Table 4). Similar to the past four 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 working and obtaining employment. In some states, grant amounts would change as part of this restructuring. California, for example, is proposing to reduce AFDC grants by 7.7 percent effective July 1, 1995, with an additional 15 percent grant reduction after a recipient receives aid for six months. In addition, there would be a two-year time limit on aid to able-bodied adults.

This legislative session, welfare reform will be in the forefront both in Congress and in state legislatures. The idea that a family should be able to stay on welfare for a long period is losing support nationwide, and it is

### Annual Budget Increases, Fiscal 1979 to Fiscal 1996



SOURCE: National Association of State Budget Officers.

likely that this perspective will be reflected in the many proposals to reform welfare.

States have taken the lead in experimenting with welfare changes in the quest to improve recipients' self-sufficiency. State plans to overhaul their welfare systems require federal waivers; currently, twenty-four states have received such waivers.

Major state reforms include imposing work requirements for able-bodied adults, proposing assistance with child care and health care coverage to encourage work, allowing recipients to retain more assets and income before benefits are reduced, and requiring contracts or agreements between recipients and the state to delineate responsibilities and expectations.

Some of the more sweeping changes in state welfare programs include limiting the time recipients have to receive benefits and capping benefits for AFDC recipients who have additional children while receiving welfare. Several states, including Colorado, Florida, Iowa, Michigan, South Dakota, and Vermont, are implementing time-limited benefits. In Arkansas, Georgia, Indiana, New Jersey, and Wisconsin, welfare benefits do not increase if a family has additional children while receiving welfare.

Massachusetts recently enacted an overhaul of its welfare system that would reduce benefits, limit payments to two years, and require many recipients to work or perform community service. Indiana's welfare reform program recently received federal waivers to limit

assistance to two years for certain AFDC families, cap increases in cash benefits for families who have additional children while receiving welfare, and penalize parents who fail to send their children to school.

One example is Nebraska's welfare reform package. Recipients will be required to sign a self-sufficiency contract; after two years of assistance, all able-bodied adults will be required to work and AFDC cash payments will end. In addition, recipients who have a child ten months after beginning the program will not automatically receive increased benefits. To increase incentives for recipients to find work, assistance such as child care subsidies and health care coverage will be extended from one to two years and financial assistance will no longer be counted as income.

Ohio also recently received waivers to begin three welfare reform pilot projects. These projects include permitting the cashout of AFDC and food stamp benefits for use as wage supplements, allowing welfare recipients to retain more of their earnings as they make the transition from welfare to work, and creating a financial incentive to ensure that welfare recipients' children regularly attend school.

State changes such as these reflect the burgeoning interest in welfare reform over the past several years. It is still too early to assess the percentage of recipients who will succeed in making the transition from welfare to economic independence.

# Proposed Cost-of-Living Changes for Aid to Families with Dependent Children, Fiscal 1996

State	Proposed Percent Change
California	-10.0*
Connecticut	•
Hawaii	11.8
Kentucky	•
Montana	3.0
New York	-6.6
Oklahoma	*
Washington	2.9

NOTES: California's proposed reduction is a continuation of the 2.3 percent reduction effective March 1, 1995, and an additional reduction of 7.7 percent effective July 1, 1995. There would be an additional 15 percent reduction after six months for families with an able-bodied adult.

Connecticut's Governor proposes two benefit levels: one for employable families and another for unemployable families. Unemployable families would experience a \$67 reduction (-11.5 percent), while employable families would experience a reduction of up to \$221 (-38 percent).

Kentucky's Governor proposed a 5 percent increase for fiscal 1996, but it was not enacted.

Oklahoma's proposed cost-of-living change for Aid to Families with Dependent Children is less than 1 percent.

Medicaid. The relative slowdown in the rate of increase in Medicaid costs has helped ease pressures on state budgets. Although the rate of growth has slowed, the projected growth rate of approximately 10 percent in fiscal 1995 and 1996 still exceeds most other expenditures in state government as well as state revenue growth. The shifts in relative share—increasing from 10 percent to 19 percent of total state spending from fiscal 1987 to fiscal 1994—have been dramatic during the period of escalating growth in state Medicaid programs.

Moderation of Medicaid costs, as compared with previous years, has helped the state budget situation. In the majority of states, Medicaid costs are increasing at or below the budgeted levels. After requiring supplemental appropriations in recent years, states have estimated Medicaid growth at or above the actual rate of spending during fiscal 1995. This growth, however, has limited states' ability to invest in other public programs such as elementary and secondary education.

Sixteen states included Medicaid reductions in their Governors' proposed budgets for fiscal 1996 (see Appendix Table A-6). 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, modify-

ing provider payments, and eliminating or limiting services.

Aid to Local Governments. About one fifth of the states are proposing increases in aid to local governments for fiscal 1996 (see Table 5). After seeking relief from burdensome federal mandates, some states are eliminating or funding mandates that they impose on local governments. Increased state aid to local governments includes funds for property tax relief, local schools, economic development, and infrastructure projects. Several states are either proposing or implementing plans to take over the funding of local court systems.

California is proposing to shift a major portion of trial court funding from counties to the state. In exchange, counties, which directly administer welfare programs, would be responsible for funding 50 percent of the nonfederal costs for AFDC. Local officials would be afforded more flexibility, including mandate relief and relief from state maintenance-of-effort requirements. Ohio's proposal includes state funding of previously unfunded mandates on counties.

Idaho is proposing a permanent reduction in the school district property tax levy from 0.4 percent to 0.3 percent of assessed valuation. The loss in revenue would be replaced with state sales tax revenues.

Other states, such as Connecticut, Minnesota, and New Jersey, are proposing to consolidate some local aid programs in order to increase efficiency. In Connecticut, for example, state funding would be provided through an antipoverty block grant with no state requirements for cash assistance or a particular array of services.

State Employment. The number of filled full-time equivalent positions supported by all state funds is projected to decrease by slightly less than 1 percent from fiscal 1995 to fiscal 1996 (see Appendix Table A-8). The number of state employees reflects those positions supported by all state, federal, and trust funds, not just state general funds. Twenty states are reporting that positions will decline between fiscal 1995 and fiscal 1996. Connecticut, New York, New Jersey, Maine, and Virginia will register the most significant declines of approximately 11.0 percent, 4.7 percent, 4.6 percent, 2.2 percent, and 1.7 percent, respectively, from fiscal 1995 to fiscal 1996.

Employee Compensation. The majority of states include pay increases in their Governors' proposed budgets for fiscal 1996. Among the states proposing pay raises, the increase averages 3.6 percent (see Appendix

#### Proposed Changes in Aid to Local Governments, Fiscal 1996

Arkansas

A recommendation to assume state financial responsibility for the county court system is being considered by the general assembly

California

The Governor's budget includes a proposal "State and Local Government—A Partnership for Results" that includes a shift of a major portion of responsibility for trial court funding from the counties to the state to achieve a more uniform statewide court system. The increased cost to the state would be \$916 million. In exchange, counties, which directly administer welfare programs (including education and training) will be responsible for funding 50 percent of the nonfederal share of costs for the Aid to Families with Dependent Children program. County costs would increase by \$1,157 million.

The net cost increase to counties of \$241 million would be offset by enactment of structural changes that would give local officials flexibility to make funding decisions based on local needs and priorities. These structural changes would include greater flexibility in how counties operate general assistance programs, relief from specific maintenance-of-effort requirements in health and mental health programs, and relief from unfunded state mandates.

Connecticut

State aid to local governments would be reduced by \$16 million for fiscal 1996. The primary cause is the restructuring of general assistance. State funding would be provided through an antipoverty block grant that will be fashioned by towns with no state requirements for cash assistance or a particular array of services.

Recommended changes would enable towns to make existing dollars go further by revising the collective bargaining system for municipalities, changing the provisions on the prevailing wage law for Connecticut labor markets, and repealing automatic presumption of workload-related conditions for heart disease and hypertension.

Florida

The fiscal 1996 budget proposes an increase in the county share of the cost of forest fire control, a total of \$1.3 million starting in 1995-96; and an increase in county funding of urban and county foresters, a total of \$2.1 million starting in 1995-96.

Hawaii

The fiscal 1996 budget proposes a 5 percent reduction in funding to counties for the Career Criminal Prosecuting and Victim Witness Program for fiscal 1996 and fiscal 1997.

Idaho

The Governor is proposing a permanent reduction in the school district property tax levy from 0.4 percent to 0.3 percent of assessed valuation. It would be replaced with state sales tax revenue. The Governor also has recommended that the state provide \$7.5 million in state funds to pick up the catastrophic health care costs from the counties.

Illinois

Current statute provides for an increased share of income tax revenues to be channeled to local governments, in fiscal 1994, the share was one twelfth; in fiscal 1995, one eleventh, and in fiscal 1996, one tenth. Property tax caps for nonhome rule units of government within Cook County (excluding the city of Chicago) were passed by the general assembly and signed by the Governor.

Indiana

The fiscal 1996 budget proposes the use of gaming revenue to provide \$20 million in local school technology grants and \$40 million in local infrastructure grants over the biennium.

lowa

The Governor recommends that highway patrol funding be moved from the road use tax fund to the general fund, which would enable \$38.5 million to be used for additional road construction projects at the state and local levels.

Kansas

The fiscal 1996 budget proposes to limit general aid to cities and counties to a 3.7 percent increase in fiscal 1996; terminate aid for reappraisal of real property (total increase of \$300,000 or 0.3 percent); replace \$52.1 million over three years in local school revenue to deliver motor vehicle property tax relief; eliminate the current property tax lids for cities and counties; and reduce the assessment rate on motor vehicles to eliminate growth in this tax source while reducing the tax by half over ten years.

Kentucky

The commonwealth amended a state program that provides funds to assist local governments in economic development activities to require that 5 percent of the funding be provided to the Wood Products Development Fund. This will focus funding on an underdeveloped industry. This amounts to an approximate annual allocation of \$900,000.

Maine

The fiscal 1996 budget proposes increasing general purpose aid to local schools by 2 percent in fiscal 1996, a total of \$10.5 million; and limiting the growth of state contributions to teacher retirement funds to 3 percent per year.

Maryland

The fiscal 1996 budget proposes to reduce the state's share of pupil transportation by \$10 million per year for the next five years, beginning with fiscal 1996. The state's share would be reduced by 50 percent by the end of the fifth year.

The recommended budget also proposes to increase the local share of the cost paid by a county for placing children with disabilities in out-of-state nonpublic education programs over a three-year period. The first year the local share would increase from 20 percent to 30 percent, the second year from 30 percent to 40 percent, and the following year from 40 percent to 50 percent. It is estimated that each year's increase would add an additional \$2 million per year to local costs.

Massachusetts

The Governor's budget proposes increases of more than \$280 million in local aid, including \$239 million in additional education aid and \$51 million from the distribution of lottery profits.

Minnesota

The Governor proposes reductions to the growth of two general local government aid programs for fiscal 1996. These include a \$29 million reduction in Homestead Agriculture Credit Aid (HACA), an 8 percent reduction of a HACA base of \$450 million; and a \$27.3 million reduction in Local Government Aid (LGA), a 7 percent reduction of an LGA base of \$339 million. These reductions represent less than 1 percent of total local operating revenues. If enacted by the Minnesota legislature, the reductions will force spending cuts by recipient local governments because local property taxes have already been certified.

The Governor will be proposing legislation that will increase state agencies' authority to grant waivers of procedural rules and regulations. Currently, approval for waivers must pass through a joint legislative/executive board, which may be abolished. Authority to grant requests for waiver of substantive rules and regulations may be granted to an existing legislative board.

### Proposed Changes in Aid to Local Governments, Fiscal 1996

The Governor proposes to combine several nonschool aid programs—City/Township Local Government Aid, Homestead Agricultural Credit Aid, Disparity Reduction Aid, and Attached Machinery Aid—into one County Homestead Block Grant program. Although the County Homestead Block Grants would initially consolidate the existing levels of funding for governments within a county, new distribution formulas will be developed that will better target aid on the basis of need and capacity. The block grants would be distributed to local governments throughout the county by an Aid Distribution Council composed of an equal number of representatives from the governing bodies of county government, cities, and school taxing districts within the county.

Missouri

The fiscal 1996 budget proposes an increase in state payments to local governments for per diem increase for holding state prisoners of \$2.6 million (13.9 percent).

Nebraska

The Governor proposes to eliminate separate state funding for the education costs of state wards over several years. Fiscal 1996 impact is \$-1.2 million. The Governor proposes to reduce the allowable growth rate for local budgets from 5 percent to 4 percent. This would be a permanent reduction.

New Jersey

Municipal aid programs would be consolidated from eighteen major programs to four providing more flexibility. Funding is held at the fiscal 1995 level. School aid is increased \$328 million, an increase of 7.4 percent. Other changes include restructuring arbitration for police and fire; proposed state mandate/state pay amendment to the state constitution; and county court takeover by the state (fiscal 1995). County court takeover saves counties \$110 million in fiscal 1996. The takeover will be complete in fiscal 1999, saving counties \$342 million per year.

New York

State aid has been preserved at existing levels in certain key programs, and even increased, where affordable. These actions, coupled with program changes that generate significant local savings, result in a net positive impact of more than \$1 billion statewide. The state is proposing to provide \$120 million in credits for local pension bills, freeing up budgeted resources for other pressing needs. Unrestricted aid to local governments, known as "revenue sharing," is protected at 1994-95 levels. The Governor proposed to stop new unfunded state mandates and is committed to providing local governments with the flexibility they need to manage themselves.

North Carolina

There are two items in the Governor's proposed tax relief package that affect local governments: elimination of the tax on intangible property (the majority would go to local government) and an increase in homestead exemptions. The first would be reimbursed by the state general fund, the second would not. The impact on local government would be \$15 million.

Ohio

Fiscal 1996 recommendations include state funding for previously unfunded mandates on counties for advertising statewide ballot issues, for testing for suspected cases of tuberculosis, and for prosecuting homicides committed at state penitentiaries.

Oklahoma

Proposed changes in aid to local governments include tax relief for retirees, \$11 million; an investment tax credit for software systems integration, \$12 million; the elimination of the franchise tax; gross product tax relief for marginal wells, \$11 million; corporate tax relief for new corporations, \$2.6 million; and other miscellaneous tax relief, \$2.6 million. The proposed total increase in aid to local governments would be about \$39 million.

Oregon

The responsibility for parole, probation, and technical violation sentences of twelve months or less would be fully transferred to counties; general fund support would increase to \$97.6 million for 1995-97. Lottery support for county fairs would be eliminated (\$2.5 million). Criminal prosecution witness fees for counties would be eliminated.

Pennsylvania

The 1995-96 budget recommends an initiative for the improvement of juvenile probation services, which would save \$1.5 million in state funds and secure \$50 million in federal funds to offset existing county probation costs.

The budget proposes the elimination of the sewerage treatment plant operations grant program, which means local sewer authorities, municipalities, school districts, and counties would have to pay for \$36.5 million of the operation costs previously borne by the state.

The budget also proposes elimination of \$200,000 for the regional councils program, which funded intergovernmental cooperation at the local level.

Rhode Island

In fiscal 1996, the Governor proposes to eliminate general revenue sharing (\$13.6 million) and payment-inlieu-of-tax programs (\$12.2 million). These reductions would be offset by increases in education aid to local governments (\$20 million) and grants for technology and books (\$1 million).

South Dakota

The Governor proposed and the legislature passed a property tax reduction plan to reduce property taxes on agricultural property and owner-occupied single dwellings by 20 percent. A total of \$40 million was appropriated to pay for half of the 1996 calendar year cost of this program.

Vermont

The Governor is proposing a state aid initiative to provide property tax relief and reform the school finance system. Elements of the Governor's proposal include dedicating a percent of the sales and use tax to generate new funds for general aid to education, establishing a minimum state property tax to be used to fund general aid to education, creating a state payment in lieu of (municipal) taxes for state-owned buildings and land, and shifting the current use program from a state-financed program to a local-use value system for enrolled properties.

Virginia

In total, general fund support for aid to localities is proposed to decrease by \$7.1 million in fiscal 1996 when the Governor's proposed budget is compared with the current appropriation act. However, technical changes in revenue sharing and aid to public education enrollment projections account for a net reduction of \$20.2 million in fiscal 1996. When these are removed from the adjustments, aid to localities funding would increase by approximately \$13.1 million in fiscal 1996.

On a year-by-year basis, general fund support for aid to localities would increase by \$139.3 million in fiscal 1996 over the amounts proposed in fiscal 1995 under the Governor's proposed budget. Total support to aid to localities would exceed \$5.4 billion in fiscal 1996. Of this total, \$3.6 billion is proposed to come from the general fund

Wisconsin

The fiscal 1996 budget proposes an increase in aid to schools of \$252 million (10.2 percent), and an increase in shared revenue programs (shared revenue account, county mandate relief, expenditure restraint, and small municipality share revenue) of \$40 million (4.1 percent). It also proposes the removal of the state mandate that counties provide general relief and fund 90 percent of the property tax-funded portion of circuit court operations.

Table A-7). Several states are moving toward a pay-forperformance system or are exploring other alternatives to automatic cost-of-living adjustments. For example, California is proposing a compensation system that is driven by performance rather than across-the-board automatic adjustments.

Connecticut is proposing to remove health and pension benefits, work schedules, and contracting out from the realm of collective bargaining. Michigan plans to return a portion of health insurance savings to employees to encourage them to reduce their health care expenditures.

The growth rate for wages in state government has been moderate, according to the Bureau of Labor Statistics. Total compensation for all civilian workers increased by 3.0 percent for 1994, the lowest increase

since the beginning of the Bureau of Labor Statistics data series in 1981. The moderating increase in employee health care costs has helped maintain benefit cost increases commensurate with wages, resulting in a moderate increase in overall compensation.

Employee Benefits. The easing of medical inflation and the movement toward managed care systems have helped mitigate the rise in employers' health benefit costs. As a means to moderate personnel costs, several states are shifting additional costs to employees for health and pension benefits (see Appendix Table A-6). States continue to provide additional flexibility for employees in their benefit programs. Twenty-five states provide portability of pension benefits between state agencies and other public retirement systems, such as local government and university systems, according to NASBO's recent publication Workforce Policies.

#### Overview

Revenue actions proposed for fiscal 1996 would decrease revenues by \$3.4 billion (see Table 6). Fiscal 1995 and fiscal 1996 would be the first years since fiscal 1986 that state actions would result in a decrease in new revenues. The plans to reduce taxes focus mostly on reducing personal income taxes by increasing personal exemptions, deductions, and marginal rates. The targets for tax relief are often working families. Some states are proposing to reduce taxes on businesses, usually to improve the state's competitive edge in attracting businesses. In six states and Puerto Rico, Governors' proposals to reduce taxes are 3 percent or more of the recommended general fund revenue amount for fiscal 1996.

#### TABLE 6

# Enacted State Revenue Changes, Fiscal 1979 to Fiscal 1995, and Proposed State Revenue Change, Fiscal 1996

Fiscal Year	Revenue Change (Billions)
1996	\$-3.4*
1995	-2.6
1994	3.0
1993	3.0
1992	15.0
1991	. 10.3
1990	4.9
1989	0.8
1988	6.0
1987	0.6
1986	-1.1
1985	0.9
1984	10.1
1983	3.5
1982	3,8
1981	0.4
1980	-2.0
1979	-2.3

NOTE: State revenue increases for fiscal 1996 are proposed.

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, 1995, and 1996 data provided by the National Association of State Budget Officers.

Several states are in the midst of multiyear plans to reduce taxes. New Jersey, for example, is recommending the final installment of a tax cut that would reduce personal income taxes by 30 percent over three years. New York is proposing its final phase of a tax cut started in 1987 as well as additional personal income tax relief for low-income populations.

In many states, the strong economy has yielded additional revenues that are available for tax reduction. In other states, the economy has improved but it is not booming. The Governors of California, Connecticut, New Jersey, and New York, for example, have proposed tax cuts, yet their states' economies are performing below the national average. Connecticut's proposed tax cut was modified because of the lack of growth in that state's economy. In those cases, significant program reductions and restructuring need to accompany the tax cuts in order to maintain a balanced budget.

The types of proposed tax cuts fall into several categories. Personal income tax reductions lead the list, followed by reductions in corporate taxes and reductions in sales taxes. Many states have used the opportunity of improved economic performance to propose tax reductions, especially for lower income families. For example, California's proposal is to reduce tax rates across the board; tax rates for both individuals and businesses would decrease by 5 percent each year in fiscal 1996 through fiscal 1998. After net increases in new taxes and fees in fiscal 1991 through fiscal 1994, both fiscal 1995 and the proposed amount for fiscal 1996 reduce overall taxes and fees (see Figure 2).

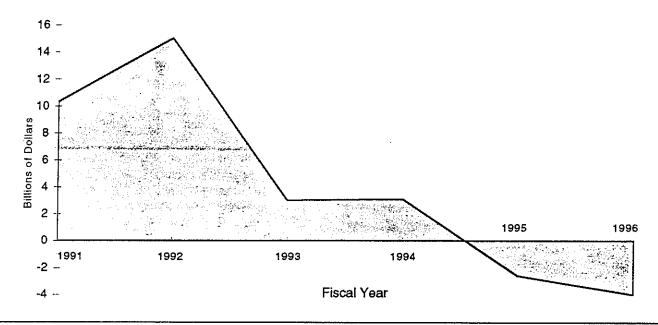
In addition to proposing reduced taxes, several Governors are backing proposals to require either a supermajority vote in the legislature for, or voter approval of, tax increases. In Georgia the Governor is calling for a constitutional amendment that will require a referendum on any proposed state tax increase. In Arkansas the Governor is proposing that approval of any new taxes be contingent upon voter approval. These approaches represent ways to limit future tax increases and ensure accountability.

#### Revenue Collections in Fiscal 1995

Revenue collections for the sales tax, the personal income tax, and the corporate income tax in fiscal 1995 match or exceed projections in almost all states (see

FIGURE 2

# Enacted State Revenue Changes, Fiscal 1991 to Fiscal 1995, and Proposed State Revenue Change, Fiscal 1996



SOURCE: National Association of State Budget Officers.

Appendix Table A-9). In total, revenue collections are about 2 percent higher than the estimates states used in adopting fiscal 1995 budgets. Economic growth in fiscal 1994 turned out to be much stronger than most forecasters had projected. States, after resorting to midyear budget adjustments over the 1990-93 period, used relatively conservative revenue projections to develop their budgets.

#### Revenue Collections for Fiscal 1996

Governors' recommended fiscal 1996 budgets include an increase of 4.0 percent over fiscal 1995 estimated tax collections. Projected fiscal 1996 tax collections represent collections for the sales tax, the personal income tax, and the corporate income tax (see Appendix Table A-10). California's proposal to realign state and county responsibilities includes a shift of one-half cent of sales tax revenue.

State tax systems often fail to respond to the growth in the national economy. For example, the change from a manufacturing-based economy to a service-based economy, the growth of global industries, and changes in technology have made state tax systems less responsive to overall economic growth. States are examining

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

#### Revenue Changes for Fiscal 1996

Thirty-three states and Puerto Rico are proposing net revenue changes for fiscal 1996, 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 and a modest decrease of \$2.6 billion in fiscal 1995. Fiscal 1996 proposals are highlighted below and are described in Appendix Table A-11.

The Fiscal Survey of States differentiates between tax and fee increases and decreases (see Table 7 and Appendix Table A-11) and revenue measures, such as tax deferrals and extensions (see Appendix Table A-12). Examples of revenue measures include deferrals of tax increases or decreases that do not affect taxpayer liability. Other examples include the extension of a tax credit that occurs each year.

# Recommended 1996 Revenue Actions by Type of Revenue and Net Increase or Decrease\* (Millions)

		0	Caracata	Ciaorottoo/	Motor		Other		•
01-1-	Colos	Personal Income	Corporate Income	Cigarettes/ Tobacco	Fuels	Alcohol	Taxes	Fees	Total
State	Sales	income	mcome	TODACCO	, ueis	Alconor	14762		Total
Alabama									\$ 0.0
Alaska									0.0
Arizona		\$-200.0							-200.0
Arkansas									0.0
California		-105.0	\$-125.0						-230.0
Colorado	±							<b>*</b> 00.0	0.0
Connecticut		-222.7						\$26.0	-196.7
Delaware		-28.0						40.0	-28.0
Florida		····						13.0	13.0
Georgia									0.0
Hawaii	\$ 3.0	23.6						1.5	28.1
Idaho	-40.0								-40.0
Illinois							<u> </u>		0.0
Indiana							\$-50.1		-50.1
owa									0.0
Kansas	-30.1		······································				-43.6		-73.7
Kentucky							-34.0		-34.0
Louisiana							-		0.0
Maine									0.0
Maryland									0.0
Massachusetts	-7.0	-20.0	-7.4				-0.2		-34.6
Michigan		-96.8	-105.0				-45.0	12.2	-234.6
Minnesota	-1.6	-3.2	-80.0					-1.8	-86.6
Mississippi		-11.3							-11.3
Missouri		-10.0	-1-						-10.0
Montana		-25.0							-25.0
Nebraska		-40.0							-40.0
Nevada					••			<u> </u>	0.0
New Hampshire						<b>A</b> 22.2	400.0	47.7	0.0
New Jersey	-20.0	-247.0	-47.0			\$30.0	100.0	17.7	-166.3
New Mexico	-2.1	-46.5		<u></u>	\$-36.5				-85.1
New York		-720.0	-5.0					1.5	-723.5
North Carolina		-233.1					-110.0		-343.1
North Dakota								40.4	0.0
Ohio								12.4	12.4
Oklahoma		-11.1	-14.6	<b>6</b> 50 0			-11.2	3.7	-33.2
Oregon			-146.2	\$-50.0					-196.2
Pennsylvania		404.0	-185.9			010	-28.9	<del></del>	-214.8
Puerto Rico		-101.0	-91.0	5.0		31.0	4.5	04.0	-156.0
Rhode Island		***		4.9			-1.8	-31.8	-28.7
South Carolina		-10.0					0.5	00.0	-10.0
South Dakota				6.2			2.5	23,0	31.7
Tennessee									0.0
Texas					····		-		0.0
Utah	-6.2	-30.0							-36.2
Vermont		425 4		····				1.0	1.0
Virginia	20.0	-145.1	22.2					28.3	<u>-116.8</u>
Washington	-66.0		-33.0						-99.0
West Virginia		**************************************					4.0		0.0
Wisconsin	9.5						-1.2		8.3
Wyoming	A 400 -	* 0 000 0	A D 4 A 4	* * * *	A 00 -	664.5	£ 000 F	C10C 7	0.0
Total	\$-160.5	\$-2,282.2	\$-840.1	\$-33.9	\$-36.5	\$61.0	\$-223.5	\$1U6./	\$-3,409.0

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

SOURCE: National Association of State Budget Officers.

Sales Taxes. Ten states are proposing sales tax changes for fiscal 1996. Rather than expand the sales tax base, most of the changes proposed for fiscal 1996 would increase exemptions for certain activities in order to offer incentives to businesses or provide fiscal relief. Examples include Washington's proposal to exempt manufacturers' new and replacement machinery and equipment from sales taxes. Kansas proposes to repeal its taxes on original construction and on utilities consumed in production.

Personal Income Taxes. Twenty states and Puerto Rico are proposing changes to personal income taxes; of these, nineteen states and Puerto Rico are proposing tax reductions, as a result of both the strengthened economy and policy goals to reduce taxes. The changes to personal income taxes center around increasing exemptions and deductions, especially for low- and middle-income families.

Significant proposed reductions include those in New Jersey, where the state is in the third year of a 30 percent reduction in tax rates. Other significant reductions include Arizona's proposed decrease in all tax rates, primarily concentrated in the lower income levels; and Connecticut's proposed institution of a new 3 percent rate, which would be applied to certain levels of taxable income. New York is proposing the first phase of a four-year, one-third reduction in the personal income tax, which will ultimately reduce the top rate by 25 percent. Nine states currently do not have broadbased personal income taxes (Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming).

Corporate Income Taxes. Ten states and Puerto Rico are proposing reductions in corporate income taxes. Proposals include California's reduction in corporate taxes and Michigan's change to the tax base. Pennsylvania is proposing to reduce its rate, increase the net operating loss deduction, and double-weight the sales factor.

Cigarette and Tobacco Taxes. Three states and Puerto Rico are proposing changes to tobacco taxes. In the past two years, seventeen states and Puerto Rico have increased these taxes, in some cases to generate additional funds for health care reform initiatives.

Motor Fuels Taxes. New Mexico is proposing that the six cents per gallon tax on gasoline be eliminated.

Alcohol Taxes. New Jersey and Puerto Rico are proposing changes to alcohol taxes.

Other Taxes and Fees. Revenues generated from these taxes and fees usually cover the costs for licensing and regulation, promote environmental conservation, and generate revenues for health care. Significant proposed tax reductions for fiscal 1996 include a 20 percent decrease in unemployment insurance taxes in Kansas and the phasing in of an exemption on private pension income and conformity to federal inheritance taxes in Kentucky. Other examples include increasing exemptions and reducing the rate for intangibles in Michigan, eliminating the tax on intangible personal property in North Carolina, and reducing the hospital licensing fee in Rhode Island. Fee increases include those for drivers' licenses and occupational licenses, as well as court fees and air emission fees.

#### CHAPTER FOUR

Year-end balances refer to the funds states have in reserve that are available for unforeseen circumstances. Fiscal 1995 and fiscal 1996 balances are 5.2 percent and 4.3 percent of expenditures each year, respectively, a marked improvement from the 1.1 percent balance in fiscal 1991, at the height of the national recession (see Figure 3). Appendix Tables A-1 through A-3 display the beginning and ending balances for states in fiscal 1994 through fiscal 1996. As shown in these tables, total balances appear in the ending balance column as well as in the budget stabilization or reserve fund column (see Appendix Table A-13).

Balances for fiscal 1996 are estimated at \$15.4 billion, or 4.3 percent of expenditures (see Table 8). Eight states in fiscal 1995 and in fiscal 1996 project balances at less than 1 percent of expenditures (see Table 9 and Figure 4). More than half of the states estimate balances as a percent of expenditures to be 3 percent or more in fiscal 1995.

In addition to formal reserves, such as rainy day funds, informal reserves play an important role in maintaining a stable budget. Informal reserves may include increasing the portion of "pay-as-you-go" capital, issuing debt for shorter periods, and shortening the span of time allowed for bill payments.

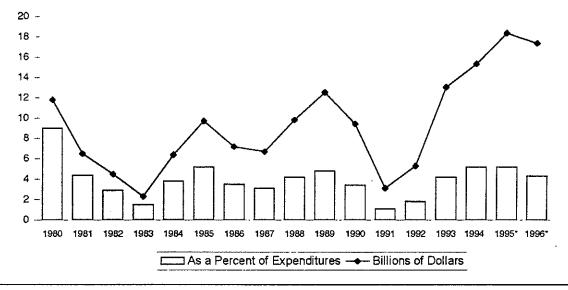
Budget stabilization mechanisms often ease the impact of unforeseen events rather than insulate a state from taking action during economic downturns. The rating agencies, for example, look at long-term balances, recognizing that significant economic downturns often require budget reductions and tax increases to achieve a balanced budget.

Several states have instituted expenditure control procedures to avoid budget imbalances. These mechanisms often rely upon appropriating only a certain portion of available revenues or automatically reserving a portion of surplus funds for maintenance. For example, Oklahoma's constitution stipulates that only 95 percent of estimated revenues can be used for appropriations.

Other states, such as Rhode Island, limit expenditures to 98 percent of revenues, with the other 2 percent dedicated to a budget stabilization fund. These approaches are examples of state practices that are used to safeguard against unforeseen circumstances and/or downturns in the economy.

#### FIGURE 3

#### Total Year-End Balances, Fiscal 1980 to Fiscal 1996



NOTE: Data for these years are estimated.

SOURCE: National Association of State Budget Officers.

# Total Year-End Balances, Fiscal 1979 to Fiscal 1996

Fiscal Year	Total Balance (Billions)	Total Balance (Percent of Expenditures)
1996	\$15.4*	4.3%*
1995	18.3*	5.2°
1994	17.3	5.2
1993	13.0	4.2
1992	5.3	1,8
1991	3.1	1.1
1990	9.4	3.4
1989	12.5	4.8
1988	9.8	4.2
1987	6.7	3.1
1986	7.2	3.5
1985	9.7	5.2
1984	6.4	3.8
1983	2.3	1.5
1982	4.5	2.9
1981	6.5	4.4
1980	11.8	9.0
1979	11.2	8.7

NOTE: Figures for fiscal 1995 and fiscal 1996 are estimates.

SOURCE: National Association of State Budget Officers.

TABLE 9

# Total Year-End Balances as a Percent of Expenditures, Fiscal 1994 to Fiscal 1996

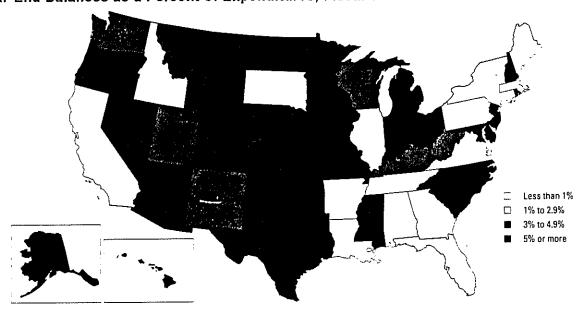
Number of States Fiscal 1994 Fiscal 1995 Fiscal 1996 (Estimated) (Recommended) (Actual) Percentage 8 8 Less than 1.0% 9 1.0% to 2.9% 4 15 7 7 3.0% to 4.9% 14 5% or more 28 26 19

NOTE: The average for fiscal 1994 (actual) was 5.2 percent; the average for fiscal 1995 (estimated) is 5.2 percent; and the average for fiscal 1996 (recommended) is 4.3 percent.

SOURCE: National Association of State Budget Officers.

#### FIGURE 4

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



SOURCE: National Association of State Budget Officers.

## Regional Fiscal Outlook

CHAPTER FIVE

#### Overview

All regions have been boosted by the steady performance of the national economy. Most regions are expected to enjoy continued growth through 1995, though at a slower rate than during 1994. The likely slackening of the economy over the next two years, however, may affect some regions more than others. According to analyses by some regional economists, states with a greater dependence on manufacturing may be more greatly affected by an economic slowdown.

Although patterns of recovery in personal income differed greatly across the nation, the continuation of more stable economic growth nationwide is closing the gap. Personal income increased nationwide by 6.3 percent from the third quarter of 1993 to the third quarter of 1994. Once again, states in the Plains and Rocky Mountain regions experienced the most rapid growth, 8.7 percent and 8.3 percent, respectively. The regions that experienced the slowest growth in personal income were the New England and the Mid-Atlantic regions, with increases of 5.1 percent and 5.2 percent, respectively (see Table 10).

Population trends also differ significantly across regions. States in the New England and Mid-Atlantic

regions experienced the slowest population growth at 0.3 percent between July 1993 and July 1994. The Rocky Mountain region experienced the greatest influx of people, with an annual growth rate of 2.5 percent, followed by the states in the Southwest region at 2.0 percent annual growth. Population projections by the U.S. Census Bureau indicate that the fastest-growing states will continue to be in the Rocky Mountain, Far West, and Southeast regions. These states also have a growing working-age population, which benefits state finances.

The growth in employment, though positive for all regions, varied considerably. From January 1994 to January 1995, the states with the most rapid growth in employment were Nevada, Utah, Arizona, Idaho, New Mexico, and Louisiana, while the states with the slowest growth in employment were Hawaii, New York, Rhode Island, California, Maine, and Connecticut. States with the fastest growth in employment generally were located in the Southwest and Rocky Mountain regions, while states with the slowest growth in employment during the same timeframe tended to be located in the New England and Far West regions.

TABLE 10

## Regional Budget and Economic Indicators

Region	Weighted Unemployment Rate*	Average Annual Percentage Change in Personal Income''	Annual Percentage Change in Population***	Fiscal 1995 Total Balances as a Percent of Expenditures	Recommended 1996 General Fund Budget Growth (Percent)	Number of States in Region
New England	5.6%	5.1%	0.3%	2.2%	0,4%	6
Mid-Atlantic	5.7	5.2	0.3	2.9	0.3	5
Great Lakes	4.6	6.9	0.5	5.6	4.1	5
Plains	4.0	8.7	0.7	8.0	3,9	7
Southeast	5.4	6.8	1.4	4.1	3.6	12
Southwest	6.0	6.6	2.0	11.6	4.5	4
Rocky Mountain	4.2	8.3	2.5	7.0	4.5	5
Far West	7.2	5.6	1.0	5.7	1.5	6
Average	5.4%	6.3%	1.0%	5.2%	2.5%	

SOURCES: \*

- U.S. Department of Labor, Bureau of Labor Statistics, December 1994.
- U.S. Department of Commerce, Bureau of Economic Analysis, December 1994.
- U.S. Department of Commerce, Bureau of the Census, December 1994.

The regional information presented below is based primarily on reports from the Federal Reserve banks and the survey on housing conditions conducted by the U.S. Department of Housing and Urban Development. Additional information comes from state government forecasts, regional forecasts, and the U.S. Department of Commerce and the Bureau of Labor Statistics.

#### New England

The economy in New England continues to expand, but it has slowed from last year. Manufacturing growth continues to be strong, with many firms planning to raise capital spending in 1995 above 1994 levels. Most of the employment growth in the region has been in service jobs, especially business and education services. Massachusetts has been helped by the strong growth in Boston's high-technology, medical, and financial sectors. Similar to other regions, retail sales are slowing from last year's levels. This region is disproportionately affected by defense downsizing.

Personal income growth for this region from the third quarter of 1993 through the third quarter of 1994 averaged 5.1 percent annually, below the national average of 6.3 percent. Only New Hampshire, at a rate of 6.5 percent, had personal income growth above the national average. December 1994 unemployment rates ranged from 4.1 percent in New Hampshire to 6.9 percent in Maine.

#### Mid-Atlantic

Manufacturing activity in the Mid-Atlantic region has weakened recently, according to a March 1995 survey by the Federal Reserve Bank of Philadelphia. The impact of higher interest rates could affect consumer spending because of the high proportion of homeowners with adjustable rate mortgages; the New York City area has also been hard hit by the rise in interest rates, which has dampened profits on Wall Street. Recent announcements of corporate layoffs and military base closings point to some future weaknesses in labor markets in parts of this region.

Unemployment rates in December 1994 ranged from a high of 6.2 percent in New Jersey to a low of 4.5 percent in Delaware. Personal income growth from the third quarter of 1993 through the third quarter of 1994 averaged 5.2 percent, with all states in the region below the national average of 6.3 percent.

#### **Great Lakes**

Increased demand for automobiles and capital equipment and expanding exports have boosted the economy in the Great Lakes region. The economy in this region may slow as manufacturers rebuild inventories. Wisconsin remains strong in job gains and personal income, though employment in both durable and nondurable manufacturing is expected to slow because of the slackening of the national economy. December 1994 unemployment rates for states in this region were between 4.5 percent and 4.7 percent—all below the national average of 5.4 percent. Annual personal income growth from the third quarter of 1993 through the third quarter of 1994 was 6.9 percent; all states in the region, except for Illinois, showed growth at or above the national average of 6.3 percent.

#### **Plains**

Missouri's economy should continue to expand in 1995, with services and trade expected to be the fastest-growing sectors. Unemployment rates for states in the Plains region are among the lowest in the nation, with Nebraska and South Dakota at 3.0 percent and 3.1 percent, respectively; the highest unemployment rate in the region is Kansas at 5.2 percent, below the December 1994 national average of 5.4 percent. At 8.7 percent, annual personal income growth for this region from the third quarter of 1993 through the third quarter of 1994 was well above the national average of 6.3 percent. All states in the region experienced growth above the national average.

#### Southeast

The economies of states in the Southeast region continue to expand, but at a slower rate than in the past several months. This region has experienced rapid job growth over the past three years and has benefited from in-migration. Residential construction is expected to continue at a brisk pace because of this influx of jobseekers. Mississippi's economy has expanded because of the impact of gambling. The increase in interest rates has helped Florida, with its high proportion of residents relying on interest income. Georgia's job growth is expected to remain strong through 1995. Tennessee is experiencing growth in its auto production industry.

December 1994 unemployment rates ranged from a low of 3.4 percent in North Carolina to a high of 8.3 percent in West Virginia. Annual personal income growth from the third quarter of 1993 through the third quarter of 1994 was 6.8 percent, above the national

average of 6.3 percent, ranging from 7.9 percent in Arkansas to 5.4 percent in South Carolina.

#### Southwest

New Mexico's economy has expanded because of strong growth in the manufacturing, construction, and service industries, such as business, health, and financial services. Oklahoma's construction employment rate surged to 13.4 percent in the first three quarters of 1994. Arizona continues to have strong employment growth, especially in services, trade, construction, high-technology manufacturing, and state and local governments. Parts of the Southwest region, especially southern Texas, have started to feel the impact from the devaluation of Mexico's currency.

Unemployment rates for states in the Southwest region in December 1994 ranged from a high of 6.2 percent in Arizona to a low of 5.6 percent in Oklahoma. Personal income grew 6.6 percent annually from the third quarter of 1993 through the third quarter of 1994, slightly above the national average of 6.3 percent. Increases ranged from 5.1 percent in Oklahoma to 8.5 percent in Arizona.

#### Rocky Mountain

Even with the increased mortgage interest rates, the influx of population in the Rocky Mountain region kept home-building strong. The continued population inflow in Colorado has belped boost the trade and service sectors. Business and information services continue to be strong sources of job growth. December 1994 unemployment rates in the region ranged from 6.2 percent in Idaho to 3.7 percent in Utah. Personal income grew 8.3 percent annually from the third quarter of 1993 to the third quarter of 1994, well above the national average of 6.3 percent, with rates for individual states ranging from 7.2 percent in Wyoming to 9.5 percent in Idaho. All states in the region had personal income growth rates above the national average.

#### Far West

The outlook for the Far West region has improved in the past several months, especially in California. Unemployment in California, for example, decreased from 10.1 percent in January 1994 to 7.7 percent in December 1994. Strong exports in this state have helped the economy, along with surges in the housing and manufacturing sectors. Defense downsizing and consolidation in banking and utilities, however, are negative factors in the California economy, as is the loss of employment because of defense cutbacks. This loss of defense-related jobs accounted for about three quarters of all of the employment loss in the state. Hawaii should benefit from the improved economies in California and Japan. The growth in high-technology industries, construction, banking, insurance, and utilities has more than offset losses in the aerospace industries in this region.

December 1994 unemployment rates for the Far West region ranged from a high of 8.0 percent in Alaska to a low of 4.9 percent in Oregon. Personal income growth from the third quarter of 1993 through the third quarter of 1994 was 5.6 percent annually, below the 6.3 percent national average, and ranged from 11.8 percent in Nevada to 3.9 percent in Hawaii.

# Strategic Directions of States

CHAPTER SIX

Budget stability enables states to continue to explore ways to make their operations more efficient. The policy goal of reducing the size of government is leading some states to propose the elimination of some government functions. Other directions states are taking include merging functions and strengthening budget analysis processes.

Other innovations are also occurring: states are changing service delivery through privatization, instituting performance-based pay systems, and reviewing state operations through Governors' commissions. The majority of states are making progress with a shift toward more programmatic- or performance-based budgeting. The approaches vary from implementing pilot projects to using strategic planning with specific outcomes. The advent of more performance-based budgeting also has meant updating budgeting and financial systems to link program information and costs to specific policy outcomes.

Several states are proposing eliminations of separate departments and government functions. In most cases, this is a means to downsize state government rather than a reaction to severe economic distress.

Examples of state streamlining initiatives to improve operations include:

- eliminating the department of public works, repealing the department of higher education, and closing the department of administrative services' warehouse in Connecticut:
- eliminating several small programs, such as fertilizer testing, and the departments of higher education and public advocate in New Jersey;
- abolishing the state energy office, the local alcoholic beverage control boards, and the Law Revision Commission in New York:
- recommending the elimination of a portion of seven programs in North Carolina;
- eliminating general assistance in Ohio;
- eliminating sewerage treatment plant operation grants and several minor boards and commissions in Pennsylvania;
- eliminating duplicate programs, such as printing and fleet maintenance, in Puerto Rico; and

 eliminating the state-operated school lunch program in Rhode Island.

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

- restructuring family and children services and trial court funding in California;
- merging various departments, including economic development, housing, and parts of the department of agriculture, into the department of business and community development's Connecticut Capital Corporation and merging other functions, including mental health and public health services, in Connecticut;
- establishing a separate department of juvenile justice and transferring child support enforcement responsibilities to the department of revenue in Florida:
- consolidating two state departments, two councils, and a state department division into a new department of natural resources in Illinois:
- consolidating all children and family programs into a single department of children and education services and merging state universities, community colleges, and technical colleges into a single system in Minnesota;
- privatizing some mental health services in Missouri;
- restructuring higher education, human services, and natural resources in Montana;
- privatizing motor vehicle agencies and food service institutions in New Jersey;
- privatizing functions, such as the state's laundries and custodial and cleaning services, as well as consolidating health and education finance and construction authority in New York;
- recommending the abolishment of one cabinet office and restructuring and downsizing the central administration of public education in North Carolina;

- restructuring the bureau of workers' compensation, consolidating public safety functions, privatizing state-owned liquor stores, restructuring the department of administrative services, implementing OhioCare, and significantly reforming the Aid to Families with Dependent Children program in Ohio;
- restructuring economic development and environmental resources in Pennsylvania; and
- restructuring economic development functions and consolidating substance abuse programs and library services in Rhode Island.

Changes in workforce policies include a focus on quality management efforts to improve the quality and efficiency of government services. To reduce personnel costs, many states have reduced the number of positions or have offered early retirement incentives. States are also instituting pay-for-performance systems as a means to reward performance. According to NASBO's publication Workforce Policies, ten states have instituted statewide pay-for-performance systems in the past three years, while thirty-nine states have initiated total quality management programs. Thirty-one states have established a statewide commission or process to review productivity or quality issues. Examples of recent changes to state workforce policies include:

- substituting a pay-for-performance system rather than an automatic across-the-board pay increase system in California;
- removing health and pension benefits, work schedules, and contracting out from the realm of collective bargaining effective upon expiration of current agreements in Connecticut;
- freezing vacant positions, offering early retirement, and considering layoffs in Hawaii;
- limiting or halting the growth in the total number of positions in Idaho;
- providing a more accurate count of the state workforce in Kansas;
- using a single line in the budget for permanent career employees to provide department flexibility in determining staffing requirements for different programs and recommending a shift from a defined benefit to a defined contribution retirement system in Michigan;
- capping the number of state employees for the next four years in New Mexico;

- reducing positions because of consolidations, mergers, abolishments, and contracting out in New York;
- recommending the reduction of more than 20 percent of middle-management positions in North Carolina;
- basing salary increases on productivity in Puerto Rico; and
- conducting a study of the state personnel system in Rhode Island.

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

- implementing a "dynamic" revenue model in California;
- reviewing special and revolving monies to identify excess funds to transfer to the general fund in Hawaii;
- instituting a zero-based approach for budgeting for fiscal 1997 in Idaho;
- reviewing all aspects of state government through the project Secure Louisiana's Future in Louisiana;
- implementing the "Price of Government" legislation, which requires the Governor and the legislature to adopt targets for all state and local revenue as a percent of state personal income in Minnesota;
- implementing recommendations from the Commission on Management and Productivity and using a detailed review of base budgets in Missouri;
- reviewing department spending through the "Government That Works" task force in New Jersey;
- recommending changes in the Executive Budget Act and presenting performance and program budget concepts in North Carolina;
- reviewing program performance through the Governor's appointed commission in Oklahoma; and
- increasing monitoring and outcomes analysis in Puerto Rico.

To effectively manage state government, many states are changing their financial systems to integrate budget, accounting, and other functions. Moreover, with the emphasis on performance-based budgeting systems, the requirements to link budget and cost data with

performance data mean an even greater demand for up-to-date financial systems. Examples include:

- implementing the Arizona Budget Reform Act of 1993, which requires strategic plans and performance measures for each program that emphasize productivity and results, and adding program evaluations as part of the annual budget process in fiscal 1996 in Arizona;
- reviewing state funding of federal mandates in Colorado;
- reevaluating asset management strategies for sale or lease of state property in Connecticut;
- upgrading and integrating financial management systems in Delaware;
- emphasizing a stronger management, performance, and planning orientation in agency budgeting as a result of enacting performance budgeting in Florida;
- converting from annual to biennial budgeting for twenty licensing agencies in Kansas;

- implementing selective performance reviews for programs in Ohio;
- converting to program budgeting in Oklahoma;
- m requiring agencies to submit requests for zerogrowth budgets in Texas; and
- allowing state agencies to have limited nonlapsing authority to carry forward funds into the next fiscal year to spend on approved one-time costs up to a set amount in Utah.

States continue to review their operations, consolidate services, seek new approaches to deliver services, and strengthen their budget review processes. The more stable budget situation provides states with an opportunity to improve management and restore long-term balance to their budgets. In some states, a policy goal to limit the size of state government is also the impetus for proposed mergers, consolidations, and elimination of public functions and programs.

# Appendix

## Fiscal 1994 State General Fund, Actual (Millions)

De mie w (Otente	Beginning	_			Ending	Budget
Region/State	Balance	Revenues	Resources	Expenditures	Balance	Stabilization Fund
NEW ENGLAND		<u> </u>				<del></del>
Connecticut*	\$ 0	\$ 7.914	\$ 7,914	\$ 7,895	\$ 20	\$ 0
Maine*	4	1,646	1,650	1,646	4	17
Massachusetts*	133	15.033	15,166	15,042	124	383
New Hampshire*	31	897	928	817	12	119
Rhode Island* Vermont	9	1,530	1,538	1,531	7	43
MID-ATLANTIC	-46	703	657	656	0	1
Delaware*	240	4.440				
Maryland	210 11	1,449	1.659	1,345	313	*
New Jersey*	1,112	6,652	6,663	6,603	60	162
New York*	67	14,745 32,229	15,857	14,617	1,240	T
Pennsylvania*	218		32,296	31,897	399	•
GREAT LAKES	210	15,052	15,270	14,968	302	30
Illinois*	172	15,587	15.750	45.500		
Indiana*	10	6,847	15,759 6.857	15,529	230	0
Michigan*	26	8.291	8.317	6,589	268	370
Ohio*	90	14,929	15,019	7,853	0	779
Wisconsin*	154	7,435	7,588	14,719	300	281
PLAINS	107	7,400	1,566	7,353	235	1
lowa"	0	3,563	3.563	3,472	0.4	±=
Kansas	390	3,363	3,566	3,472	91	35
Minnesota*	876	8,164	9,040	8,136	455	75
Missouri	226	4,709	4.935	4,660	904	
Nebraska*	123	1,641	1,764	1,674	275 90	37
North Dakota*	20	619	639	611	28 .	28
South Dakota*	0	626	626	626	0	0
SOUTHEAST						22
Alabama	130	3,857	3,987	3,860	128	^
Arkansas	0	2,270	2,270	2,270	0	0 0
Florida	381	13,161	13,542	13,344	198	296
Georgia	99	8.906	9,005	8,741	120	267
Kentucky	39	4,704	4,743	4.645	98	90
Louisiana	101	4,339	4,440	4,227	213	0
Mississippi	88	2,393	2,481	2,149	332	195
North Carolina*	579	9,312	9,891	8,576	1,315	*
South Carolina*	159	4.025	4,184	3,776	407	
Tennessee*	266	4,732	4,998	4,825	173	*
Virginia*	169	6,907	7,076	6,742	334	•
West Virginia*	71	2,118	2,189	2,100	69	21
SOUTHWEST						——————————————————————————————————————
Arizona	86	4,078	4,164	3,935	229	42
New Mexico*	215	2,556	2,771	2,622	148	0
Oklahoma Texas*	105	3,315	3,420	3,302	118	46
	1,330	20,443	21,774	19,845	1,929	29
ROCKY MOUNTAIN Colorado*	007					
Idaho	327	3,725	4,052	3.647	405	•
Montana*		1,174	1,185	1,147	38	33
Utah*	41	490	531	498	33	NA
Wyoming	11	2,172	2,183	2,119	64	43
FAR WEST	43	489	532	500	32	18
Alaska	•	0.404				
California*	0 544	3,181	3,181	3,181	0	614
Hawaii	264	38,495 3,086	39,039	38,958	81	
Nevada	<u>264</u> 78		3,350	3,059	291	0
Oregon	363	1,077	1,155	1,007	129	18
Washington*	234	3,151 8,160	3,514	3,079	435	25
TERRITORIES	<u> </u>	8,169	8,404	8,014	390	125
Puerto Rico*	0	4.863	4.000	,	_	
Total	\$9,569	\$335,761	4,863	4,609	253	42
iviai	20.504	5335 / 61	\$345,329	\$331,516	\$13,066	\$4,244

NOTE: NA indicates data are not available.

<sup>\*</sup>See Notes to Table A-1.

Ohio

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

California Revenues include a loan repayment of \$1,600 million. Ending balance includes a budget stabilization fund of \$-281

million.

Colorado Ending balance includes a constitutional emergency reserve fund of \$39.1 million and a budget stabilization fund of

\$366 million, which includes a statutory 4 percent reserve of \$135 million.

Connecticut All figures include federal reimbursements, such as Medicaid,

Delaware Ending balance includes a budget stabilization fund of \$71.7 million.

Figures exclude \$600 million in short-term borrowing. Illinois

Figures include property tax replacement fund but do not include balance of general fund tuition reserve, which was \$190 million at the end of 1994 and \$190 million (estimated) at the end of fiscal 1995. Indiana

Ending balance includes \$31.2 million to be deposited in the cash reserve fund and \$59.7 million to bring certain state expenditures into compliance with generally accepted accounting principles. lowa

Maine Beginning balance includes adjustments to prior year's transaction of \$21.7 million.

Massachusetts Expenditures include \$65.4 million transferred to stabilization fund.

Michigan \$463.9 million of fiscal 1994 general fund revenues was transferred to the rainy day fund per Public Act 290 of 1994.

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

Montana Changes in revenue earmarking of taxes for school equalization increase revenues and expenditures after fiscal 1994.

Figures include \$62.2 million that was encumbered but not expended. Nebraska New Hampshire Ending balance includes a health care transition fund of \$99 million.

Ending balance includes a budget stabilization fund of \$158.9 million. Figures include a property tax relief fund. **New Jersey** 

Total expenditures for fiscal 1994 include \$37.4 million of expenditures from reserves. New Mexico

**New York** Revenues include \$671 million received in fiscal 1993, but credited to fiscal 1994 through deposit into the Personal Income Tax Reserve Account. Revenues are reduced by \$1,140 million received in fiscal 1994, but credited to fiscal 1995 through deposit into the Personal Income Tax Refund Reserve Account.

The ending balance includes the following deposits to "rainy day" funds: to the Contingency Reserve Fund, \$265 million (for expenses associated with court actions involving the state); and to the Tax Stabilization Reserve Fund, \$134 million (for use only as a funding source to cover any general fund deficit that develops on a cash basis; it must

be repaid within six years if used).

North Carolina Ending balance includes a budget stabilization fund of \$210.6 million. Ending balance includes funds budgeted for capital, local government, savings reserve, and other reserves.

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.

The state of Ohio includes federal reimbursements for Medicaid, ADC, and several other human services programs in its general fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balance would be higher by the amount reserved for encumbrances and transfers to the rainy day fund in each year. Expenditures have described to the control of the contro do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on cash disbursements from the general fund. Fiscal 1994 expenditures reflect fiscal 1994 disbursements (\$14,433.2 million) plus a reservation for transfer to the rainy day fund of \$260.3 million plus an adjustment for other transfers out and

the net change in encumbrances over the year of \$25.3 million.

Revenues include other receipts. Total expenditures include a transfer to the rainy day fund that actually occurs in Pennsylvania

the subsequent fiscal year.

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

Rhode Island Total resources are net of transfers to the budget reserve fund.

South Carolina Ending balance includes a budget stabilization fund of \$100.2 million.

South Dakota The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried

forward from the prior year. Expenditures include obligations, cash, and transfers out of the general fund.

Tennessee Ending balance includes a budget stabilization fund of \$101 million.

Actual revenues for fiscal 1994 include a transfer of \$58 million from the rainy day fund. Texas

Utah Fiscal 1994 includes a \$24.9 million transfer to the rainy day fund.

Virginia Ending balance includes a budget stabilization fund of \$79.9 million.

Washington Revenues for fiscal 1994 include net accruals of \$156.1 million.

Beginning balance includes thirty-one-day expenditures of \$29.7 million, reappropriations of \$20.7 million, surplus appropriations of \$10.0 million, and an appropriated surplus of \$10.6 million. Total expenditures exclude a transfer to West Virginia

the revenue shortfall reserve fund of \$20.6 million.

Wisconsin Ending balance includes a budget stabilization fund of \$73.5 million.

TABLE A-2

## Fiscal 1995 State General Fund, Estimated (Millions)

	Beginning				Ending	Budget
Region/State	Balance	Revenues	Resources	Expenditures	Balance	Stabilization Fund
NEW ENGLAND		· · · · · · · · · · · · · · · · · · ·				
Connecticut*	\$ 0	\$ 8,375	\$ 8,375	\$ 8,377	\$-3	\$ 0
Maine	4	1,657	1,661	1,660	1	NA
Massachusetts	124	15.8 <b>1</b> 9	15,943	15,888	55	398
New Hampshire*	12	808	820	820	0	123
Rhode Island*	7	1,623	1,631	1,628	2	46
Vermont	0	689	689	689	0	1
MID-ATLANTIC						
Delaware*	313	1,517	1,831	1,574	257	•
Maryland	60	7,024	7,084	7,007	77	286
New Jersey*	1,240	14,774	16,014	15,116	898	•
New York*	399	33,263	33,662	33,505	157	•
Pennsylvania*	302	15,772	16,074	15,738	336	66
GREAT LAKES			-			
	230	16,832	17,062	16,862	200	0
Indiana*	90	6,958	7,048	6,867	182	388
Michigan*	0	8,178	8,178	8,177	2	1,069
Ohio*	300	15,627	15,927	15,857	70	893
Wisconsin*	235	7,907	8,142	7,831	311	*
PLAINS				***************************************		
lowa*	0	3,811	3,811	3,632	178	76
Kansas	455	3,247	3,702	3,343	359	8
Minnesota*	904	8,580	9,484	8,719	765	*
Missouri	275	5,289	5,564	5,271	· 293	21
Nebraska	90	1,735	1,824	1,710	115	33
North Dakota*	28	661	689	626	63	0
South Dakota*	0	622	622	622	0	11
SOUTHEAST						
Alabama	128	3,995	4,123	4,123	0	0
Arkansas	0	2,374	2,374	2,374	0	0
_ Florida	198	14,119	14.317	14,317	0	327
Georgia*	120	9,492	9,612	9,612	0	267
Kentucky	98	5,106	5,204	5,081	124	100
Louisiana*	213	4,627	4,627	4,625	2	0
Mississippi	166	2,560	2,725	2,591	134	195
North Carolina*	888	9,785	10,672	9,554	1,119	•
South Carolina*	407	4,075	4,483	4,064	418	•
Tennessee*	173	5,114	5,287	5,154	133	•
Virginia*	334	7,103	7,436	7,425	11	•
West Virginia*	69	2,285	2,354	2,284	35	56
SOUTHWEST			•			
Arizona	· 229	4,337	4,566	4.345	221	111
New Mexico*	148	2,705	2,853	2,752	101	0
Oklahoma	118	3,498	3,616	3,436	180	41
Texas*	1,929	22,078	24,007	21,024	2,983	9
ROCKY MOUNTAIN					· · · · · · · · · · · · · · · · · · ·	
Colorado*	405	3,901	4.306	3,907	399	*
Idaho	38	1,293	1,331	1,329	2	. 33
Montana*	33	653	686	630	56	NA
Utah*	64	2,307	2,371	2,343	28	60
Wyoming	32	479	511	484	27	0
FAR WEST						
Alaska	0	2,591	2,591	2.591	0	1,584
_ California*	81	42,178	42,259	41,693	566	•
<u>Hawaii</u>	291	3,082	3,373	3,208	165	0
Nevada*	129	1,230	1,359	1,114	90	100
Oregon*	435	3,329	3,764	3,269	495	0
Washington*	390	8,312	8,702	8,425	277	125
TERRITORIES						
Puerto Rico*	253	5,067	5,320	5,225	95	71
Total	\$12,184	\$353,375	\$365,346	\$353,273	\$11,884	\$6,426

NOTE: NA indicates data are not available.

<sup>\*</sup>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 Revenues include loan repayment of \$-1,200 million and deficit elimination plan of \$1,025 million. Ending balance

includes a budget stabilization fund of \$285 million.

Ending balance includes a constitutional emergency reserve of \$73 million and a budget stabilization fund of \$472 Colorado

million, which includes a statutory 4 percent reserve of \$145 million.

All figures include federal reimbursements, such as Medicaid. Connecticut

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

Georgia

The Governor has intentionally kept revenue estimates conservative. It is expected that the ending balance in fiscal 1995 will be approximately \$120 million, \$100 million to be used for midyear adjustments for enrollment growth in elementary and secondary education and \$20 million to fill the rainy day fund to its statutory limit of 3 percent of the

previous year's revenue.

Illinois Figures exclude \$300 million in short-term borrowing.

Figures include property tax replacement fund but do not include balance of general fund tuition reserve, which was \$190 million at the end of 1994 and \$190 million (estimated) at the end of fiscal 1995. Indiana

Ending balance includes \$119.1 million to be deposited in the cash reserve fund and \$59.1 million to be set aside in lowa

a special fund to allow for future income tax reductions.

Louisiana

Beginning with fiscal 1994-95, appropriation of the general fund balance "shall be made only for the purpose of retiring or for the defeasance of bonds in advance and in addition to the existing amortization requirements of the state." [Louisiana Constitution, Article VII, Section 10(D)(2).]

Michigan All fiscal 1994 year-end balances will be deposited to the rainy day fund; the transfer is currently estimated at \$348,4

million.

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

Montana Changes in revenue earmarking of taxes for school equalization increase revenues and expenditures after fiscal 1994.

Expenditures include Governor's recommended supplemental appropriations (\$53 million). Expenditures do not include restoration of fund balances (\$12 million), one-time appropriations (\$109 million), and general-funded capital improvement projects (\$39 million), which will be spent in fiscal 1996-97 but are reflected in fiscal 1995 end fund Nevada

Ohio

New Hampshire Balance includes a health care transition fund of \$99 million.

**New Jersey** Ending balance includes a budget stabilization fund of \$288.6 million. Figures include a property tax relief fund.

**New Mexico** Revenues for fiscal 1995 include \$1.5 million in nonrecurring revenues.

New York Revenues include \$1,140 million received in fiscal 1994, but credited to fiscal 1995 through deposit into the Personal

Income Tax Refund Reserve Account.

The ending balance includes a deposit of \$157 million to the Tax Stabilization Reserve Fund (for use only as a funding

source to cover any general fund deficit that develops on a cash basis; it must be repaid within six years if used).

North Carolina Ending balance includes a budget stabilization fund of \$359.2 million. Ending balance includes funds budgeted for

capital, local government, savings reserve, and other reserves.

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. North Dakota

The state of Ohio includes federal reimbursements for Medicaid, ADC, and several other human services programs in its general fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balance would be higher by the amount reserved for encumbrances and transfers to the rainy day fund in each year. Expenditures

do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on cash disbursements from the general fund. Fiscal 1995 expenditures reflect fiscal 1995 estimated disbursements (\$15,296.2 million) plus a reservation for transfer to the rainy day fund of \$611.5 million minus an adjustment for other transfers out and the net change in encumbrances over the year of \$50.7 million.

Oregon Emergency fund or rainy day fund balances revert to the general fund when the legislature convenes in January of

odd-numbéred years.

Pennsylvania Revenues include other receipts. Total expenditures include a transfer to the rainy day fund that actually occurs in subsequent fiscal year. The fiscal 1996 budget proposes that the transfer to the tax stabilization reserve fund (commonly called the "rainy day" fund) be increased from 10 percent to 15 percent of the general fund closing balance

effective with the transfer based on the June 30, 1995, closing balance.

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

Rhode Island Total resources are net of transfers to the budget reserve fund.

South Carolina Fiscal 1995 ending balance includes revenue set-aside of \$54.6 million to be expended in fiscal 1996 and a budget

stabilization fund of \$110.2 million.

#### NOTES TO TABLE A-2 (continued)

The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried South Dakota

forward from the prior year. Expenditures include obligations, cash, and transfers out of the general fund.

Ending balance includes a budget stabilization fund of \$101 million. Tennessee

Texas Revenues include transfer of \$21 million from the rainy day fund.

Utah Fiscal 1995 includes a \$15 million transfer to the rainy day fund. Fiscal 1995 also includes a recommended transfer

of \$24.3 million to a new transportation infrastructure account.

Ending balance includes a budget stabilization fund of \$79.9 million and is appropriated in fiscal 1995. Virginia

Revenues for fiscal 1995 include net accruals of \$-181.5 million. Washington

West Virginia

Beginning balance includes thirty-one-day expenditures of \$21.2 million, reappropriations of \$26.7 million, surplus appropriations of \$6.0 million, appropriated surplus of \$7.9 million, and an unappropriated surplus of \$7.0 million. The revenue estimate includes the official revenue estimate of \$2,215.1 million and the estimated collections over the official estimate of \$70.0 million. Total expenditures exclude a transfer to the revenue shortfall reserve fund of \$35.0 million, and include regular appropriations of \$2,223.0 million, reappropriations of \$26.7 million, surplus appropriations of \$6.0 million, thirty-one-day expenditures of \$21.2 million, and recommended surplus appropriations

of \$7.0 million.

Wisconsin Ending balance includes a budget stabilization fund of \$78.8 million.

TABLE A-3

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

Region/State	Beginning Balance	Revenues	Resources	Expenditures	Ending Balance	Budget Stabilization Fund
NEW ENGLAND		. ,				<del></del>
Connecticut*	\$-3_	\$ 8,495	\$ 8,493	\$ 8,490	\$ 3	\$ 3
Maine	1	1,713	1.714	1,713	1	NA
Massachusetts	55	16,204	16,259	15,810	90	419
New Hampshire*	0	806	806	818	-12	123
Rhode Island*	2	1,643	1,645	1,645	0	47
Vermont	00	725	725	724	0	2
MID-ATLANTIC						
Delaware*	257	1,572	1,829	1,649	181	
Maryland	77	7,374	7,451	7,451	0	512
New Jersey*	898	15,249	16,147	15,651	496	*
New York*	157	32,497	32,654	32,342	312	400
Pennsylvania*	336	15,763	16,099	16,096	3	129
GREAT LAKES	000	47 577	47 777	17 577	000	•
Illinois	200	17,577	17,777	17,577	200	0
Indiana* Michigan*	182 2	7,180 8,535	7,362 8,536	7,114 8,536	248	406 1,133
Ohio*	70	16,480	16,550	16,386	164	1,133
Wisconsin*	311	8,335	8,646	8,245	400	693
PLAINS	311	0,335	0,040	0,240	400	
lowa*	0	3,906	3,906	3,797	108	195
Kansas	359	3,397	3,756	3,468	288	0 .
Minnesota*	765	8,654	9,419	8,766	653	<u> </u>
Missouri	293	5,473	5,766	5,700	45	25
Nebraska	115	1,792	1,907	1,795	112	33
North Dakota*	63	627	690	672	18	0
South Dakota"	0	635	635	635	0	17
SOUTHEAST						
Alabama*	NA	NA	NA	NA	NA	NA
Arkansas	0	2,482	2,482	2,482	0	0
Florida	<u>ŏ</u>	14,993	14,993	14,993	ő	334
Georgia*	0	10,134	10,134	10,134	Ö	267
Kentucky	124	5.215	5,339	5,318	21	100
Louisiana*	2	4,758	4,758	4,758	0	0
Mississippi	67	2,612	2,679	2,612	67	195
North Carolina*	633	9,849	10,482	9,783	699	*
South Carolina*	418	4,121	4,540	4,233	307	*
Tennessee*	133	5,318	5,451	5,350	101	•
Virginia*	11	7,528	7,540	7,529	10	•
West Virginia*	35	2,279	2,314	2,283	16	71
SOUTHWEST						
Arizona	221	4,306	4.527	4,517	10	111
New Mexico	101	2,793	2,894	2,768	127	0
Oklahoma	180	3,602	3,782	3,529	253	41
Texas	2,983	21,366	24,349	22,164	2,185	9
ROCKY MOUNTAIN			- 1711			
Colorado*	399	4.044	4,443	4,047	396	•
Idaho*	2	1,351	1,353	1,349	4	33
Montana*	56	646	702	680	22	NA
Utah	28	2,466	2.494	2.494	0	62
Wyoming	27	495	522	517	5	0
AR WEST						
Alaska	0	2.583	2,583	2,583	0	1,477
California*	566	41.513	42,079	41,726	353	*
Hawaii	165	3,225	3,390	3,322	68	0
Nevada	90	1,217	1,307	1,167	140	100
Oregon*	495	3,322	3,818	3,513	305	38
Washington*	277	8,723	8,999	8,782	217	25
TERRITORIES						
Puerto Rico*	95	4,882	4,977	4,977	0	83
l Total	\$11,153	\$355,572	\$366,722	\$357,732	\$8,615	\$6,799

NOTE: NA indicates data are not available.

<sup>\*</sup>See 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.

Fiscal 1996 budget recommendations have not been determined. The 1995 regular legislative session does not Alabama

convene until April 18, 1995.

Revenues include a loan repayment of \$-1,025 million. Ending balance includes a budget stabilization fund of \$92 California

million.

Ending balance includes a constitutional emergency reserve fund of \$115 million and a budget stabilization fund of Colorado

\$396 million, which includes a statutory 4 percent reserve of \$154 million.

Connecticut All figures include federal reimbursements, such as Medicaid.

Delaware Ending balance includes a budget stabilization fund of \$84.6 million.

The Governor has intentionally kept revenue estimates conservative. It is expected that the ending balance in fiscal Georgia

1995 will be approximately \$120 million, \$100 million to be used for midyear adjustments for enrollment growth in elementary and secondary education and \$20 million to fill the rainy day fund to its statutory limit of 3 percent of the

previous year's revenue.

Idaho The revenue number reflects the Governor's proposal to permanently reduce local property taxes by \$40 million and

to replace that revenue with state sales taxes.

Figures include property tax replacement fund but do not include balance of general fund tuition reserve, which was Indiana

\$190 million at the end of 1994 and \$190 million (estimated) at the end of fiscal 1995.

Ending balance includes \$6.7 million to be deposited in the cash reserve fund and \$101.5 million to be set aside in a lowa

special fund to allow for future income tax reductions.

Beginning with fiscal 1994-95, appropriation of the general fund balance "shall be made only for the purpose of retiring Louisiana

or for the defeasance of bonds in advance and in addition to the existing amortization requirements of the state.

[Louisiana Constitution, Article VII, Section 10(D)(2).]

Michigan Ending balance excludes a budget stabilization fund of \$288.6 million.

Minnesota Ending balance includes a budget stabilization fund of \$350 million.

Fiscal 1996 revenues and expenditures are increased by changes in earmarking of taxes for school equalization. Montana

Figures reflect reductions of \$25 million for a one-time personal income tax rebate based on fiscal 1995 surplus.

Balance includes a health care transition fund of \$99 million. New Hampshire

Ending balance includes a budget stabilization fund of \$288.6 million. Figures include a property tax relief fund. New Jersey

The ending balance includes the following deposits to "rainy day" funds: to the Contingency Reserve Fund, \$140 million (for expenses associated with court actions involving the state); and to the Tax Stabilization Reserve Fund, New York

\$172 million (for use only as a funding source to cover any general fund deficit that develops on a cash basis; it must

be repaid within six years if used).

North Carolina Ending balance includes a budget stabilization fund of \$359.2 million. Ending balance includes funds budgeted for

capital, local government, savings reserve, and other reserves.

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 The state of Ohio includes federal reimbursements for Medicaid, ADC, and several other human services programs

in its general fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balance would be higher by the amount reserved for encumbrances and transfers to the rainy day fund in each year. Expenditures do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on cash disbursements from the general fund. Fiscal 1996 recommended expenditures reflect proposed fiscal 1996

appropriations.

Revenues and total expenditures represent a prorata (.485) share of the 1995-97 Governor's budget as recommended Oregon

to the legislature.

Pennsylvania Revenues include other receipts. Total expenditures include a transfer to the rainy day fund that actually occurs in

subsequent fiscal year. The fiscal 1996 budget proposes that the transfer to the tax stabilization reserve fund (commonly called the "rainy day" fund) be increased from 10 percent to 15 percent of the general fund closing balance

effective with the transfer based on the June 30, 1995, closing balance.

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

Rhode Island Total resources are net of transfers to the budget reserve fund.

Ending balance includes a budget stabilization fund of \$120,7 million and revenue set-aside of \$51.7 million for use South Carolina

at the end of the fiscal year.

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, cash, and transfers out of the general fund.

Tennessee Ending balance includes a budget stabilization fund of \$101 million.

Virginia Ending balance includes a budget stabilization fund of \$79.9 million.

#### NOTES TO TABLE A-3 (continued)

Washington The \$25 million balance remaining after fiscal 1996 will no longer be in the budget stabilization account, but will be transferred to a new account that is reserved for pension funding.

West Virginia Total expenditures include a regular recommendation of \$2,279.3 million and a surplus recommendation of \$3.5 million, and exclude a transfer of \$15.8 million into the revenue shortfall reserve fund.

Wisconsin Ending balance includes a budget stabilization fund of \$82.5 million.

# Nominal Percentage Expenditure Change, Fiscal 1995 and Fiscal 1996

	Fiscal	Fiscal
Region/State	1995	1996
NEW ENGLAND	· · · · · · · · · · · · · · · · · · ·	
Connecticut	6.1%	1.3%
Maine	0.9	3.2
Massachusetts	5,6	-0.5
New Hampshire	0.4	-0.2
Rhode Island	6.4	1.0
Vermont	5.0	5.1
MID-ATLANTIC		
Delaware	17.0	4.8
Maryland	6.1	6.3
New Jersey	3.4	3.5
New York	5.0	-3.5
Pennsylvania	5,1	2.3
GREAT LAKES		
Illinois	8.6	4.2
Indiana	4.2	3.6
Michigan	4.1	4.4
Ohio*	7.7	3.3
Wisconsin PLAINS	6.5	5,3
	4.6	4.5
lowa Kansas*	4.6 7.5	<u>4.5</u> 3.7
Minnesota	7.5	
Missouri	13,1	0,5 8,5
Nebraska	2.1	5.0
North Dakota	2.5	7.3
South Dakota	-0.6	2.1
SOUTHEAST	<u> </u>	
Alabama	6.8	NA
Arkansas	4.6	4.5
Florida	7.3	4.7
Georgia	10.0	5.4
Kentucky	9.4	4.7
Louisiana	9.4	2.9
Mississippi	20.6	0.8
North Carolina	11.4	2.4
South Carolina	7.6	4.2
Tennessee	6.8	3.8
Virginia	10.1	1.4
West Virginia	8.8	0.0
SOUTHWEST		
Arizona New Mexico	10.4	4.0
Oklahoma	4.9 4.1	0.6
Texas	5.9	2.7
ROCKY MOUNTAIN	5.5	5.4
Colorado	7.1	3.6
Idaho	15.9	1.5
Montana*	26.5	7.9
Utah	10.6	6.4
Wyoming	-3.1	6.7
FAR WEST		
Alaska	-18.5	-0.3
California	7.0	0.1
Hawaii	4.8	3.6
Nevada	10.6	4.8
Oregon	6.2	7.5
Washington	5.1	4.2
TERRITORIES		
Puerto Rico	13.4	-4.7
Average	6.6%	2.5%

NOTE: NA indicates data are not available.

<sup>\*</sup>See Notes to Table A-4.

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 from local school spending to state spending, the growth for fiscal 1994 was 4.1 percent. Kansas

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

Fiscal 1995 expenditure information for Ohio used in these calculations includes a large anticipated transfer into the state's rainy day fund. Ohio

### Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 1995

NEW ENGLAND Connecticut* Maine Massachusetts New Hampshire* X Rhode Island Vermont MID-ATLANTIC Delaware Maryland New Jersey X X New York* X X Pennsylvania GREAT LAKES Illinois Indiana* Michigan Ohio Wisconsin* X PLAINS Iowa Kansas Minnesota	x X	X X	Privatization  X X
Connecticut*  Maine  Massachusetts  New Hampshire* X  Rhode Island  Vermont  MID-ATLANTIC  Delaware  Maryland  New Jersey X X  New York* X X  Pennsylvania  GREAT LAKES  Illinois  Indiana*  Michigan  Ohio  Wisconsin* X  PLAINS  Iowa  Kansas  Minnesota	X		
Maine Massachusetts New Hampshire* X Rhode Island Vermont MID-ATLANTIC Delaware Maryland New Jersey X X New York* X X Pennsylvania GREAT LAKES Illinois Indiana* Michigan Ohio Wisconsin* X PLAINS Iowa Kansas Minnesota	X		
Massachusetts New Hampshire* X Rhode Island Vermont  MID-ATLANTIC Delaware Maryland New Jersey X X New York* X X Pennsylvania  GREAT LAKES Illinois Indiana* Michigan Ohio Wisconsin* X PLAINS Iowa Kansas Minnesota	X		
New Hampshire* X Rhode Island Vermont  MID-ATLANTIC Delaware Maryland New Jersey X X New York* X X Pennsylvania  GREAT LAKES Illinois Indiana* Michigan Ohio Wisconsin* X PLAINS Iowa Kansas Minnesota	X		
Rhode Island Vermont  MID-ATLANTIC Delaware Maryland New Jersey X X New York* X X Pennsylvania  GREAT LAKES Illinois Indiana* Michigan Ohio Wisconsin* X  PLAINS Iowa Kansas Minnesota	X		
Vermont MID-ATLANTIC Delaware Maryland New Jersey X X New York X X Pennsylvania GREAT LAKES Illinois Indiana* Michigan Ohio Wisconsin* X PLAINS Iowa Kansas Minnesota	X		
MID-ATLANTIC Delaware Maryland New Jersey X X New York* X X Pennsylvania GREAT LAKES Illinois Indiana* Michigan Ohio Wisconsin* X PLAINS Iowa Kansas Minnesota	X		
Delaware  Maryland  New Jersey X X  New York* X X  Pennsylvania  GREAT LAKES Illinois Indiana* Michigan Ohio Wisconsin* X  PLAINS Iowa Kansas Minnesota	X		
Maryland New Jersey X X New York* X X Pennsylvania  GREAT LAKES Illinois Indiana* Michigan Ohio Wisconsin* X PLAINS Iowa Kansas Minnesota	X		
New Jersey X X New York* X X Pennsylvania  GREAT LAKES Illinois Indiana* Michigan Ohio Wisconsin* X PLAINS Iowa Kansas Minnesota	X		
New York* X X Pennsylvania  GREAT LAKES Illinois Indiana* Michigan Ohio Wisconsin* X PLAINS Iowa Kansas Minnesota	X		
Pennsylvania  GREAT LAKES  Illinois  Indiana*  Michigan  Ohio  Wisconsin*  X  PLAINS  Iowa  Kansas  Minnesota			
GREAT LAKES Illinois Indiana* Michigan Ohio Wisconsin* X PLAINS Iowa Kansas Minnesota			
Indiana* Michigan Ohio Wisconsin* X PLAINS Iowa Kansas Minnesota			
Michigan Ohio Wisconsin* X PLAINS Iowa Kansas Minnesota			
Ohio Wisconsin* X  PLAINS lowa Kansas Minnesota			
Wisconsin* X PLAINS lowa Kansas Minnesota			
PLAINS lowa Kansas Minnesota			
lowa Kansas Minnesota			
Kansas Minnesota			
Minnesota			
Missouri Nebraska*			
North Dakota	· ·		
South Dakota			
SOUTHEAST			
Alabama X			
Arkansas			
Florida X			x
Georgia			
Kentucky			
Louisiana			
Mississippi		********	
North Carolina			
South Carolina			
Tennessee X			
Virginia* X X X	X	Х	X
West Virginia ·			
SOUTHWEST			
Arizona			
New Mexico			
Oklahoma Texas X			
Texas X ROCKY MOUNTAIN			
_ Colorado			•
Idaho			
Montana* X X	X		<del></del>
Utah		•	
Wyoming			
FAR WEST			
Alaska			
California			<del></del>
Hawaii X X X X X X	,	X	Х
Nevada			
Oregon	,		
Washington			
TERRITORIES			•
Puerto Rico	•		
Total 5 3 5 1 5 2	3	4	5

<sup>\*</sup>See Notes to Table A-5.

Connecticut Other strategies used by Connecticut include the continuation of state taxes on hospital patient services.

Indiana Governor's deficit reduction program includes hiring caps and targeted reversions.

Montana Other strategies used by Montana include funding switches, fund balance transfers, and targeted reductions.

Nebraska Another strategy used by Nebraska is a hiring freeze.

New Hampshire Another strategy used by New Hampshire is a hiring freeze.

Other strategies used by New York include freezes on hiring and nonessential capital spending. **New York** 

Other strategies used by Virginia include the sale of state-owned assets in the Virginia Education Loan Authority, estimated at \$59 million in fiscal 1996. Virginia

There is no budget gap in fiscal 1995, but cuts were implemented in anticipation of the fiscal 1996-97 budget development in order to increase the ending balance. Wisconsin

TABLE A-6

# Changes Contained in Proposed Fiscal 1996 Budgets

Region/State	Medicaid Reductions	Increased Employee Share: Health	Increased Employee Share: Pension
NEW ENGLAND			
Connecticut*		X	
Maine*	**************************************	X	
Massachusetts*		X	
New Hampshire	X	TO THE TOTAL OF TH	
Rhode Island			7777
Vermont	X		111111111111111111111111111111111111111
MID-ATLANTIC			
Delaware			
Maryland			
New Jersey		X	X
New York	X		
Pennsylvania*	X		
GREAT LAKES			
		X	
Indiana*			***************************************
Michigan*			
Ohio			
Wisconsin	X	, , , , , , , , , , , , , , , , , , ,	
PLAINS			
lowa			
Kansas		X	
Minnesota			
Missouri			
Nebraska			
North Dakota			
South Dakota			
SOUTHEAST			
Alabama*	X		
Arkansas	***	X	
Florida			
Georgia	***************************************		
Kentucky		X	X
Louisiana			
Mississippi			, , , , , , , , , , , , , , , , , , , ,
North Carolina*	X		
South Carolina			
<u>Tennessee</u>			TANADA I
Virginia*	XX		
West Virginia			
SOUTHWEST			
Arizona*			x
New Mexico*			X
Oklahoma	X	X	×
Texas	X		
ROCKY MOUNTAIN			
Colorado			
Idaho			
Montana	X		
Utah*	X		
Wyoming			
FAR WEST			
Alaska			
California*	X	X	X
Hawaii	X		
Nevada			
Oregon*	X		X
Washington*	X	X	
TERRITORIES			
Puerto Rico			
Total	16	11	7
See Notes to Table A-6			-

<sup>\*</sup>See Notes to Table A-6.

The fiscal 1996 budget proposes an increase in the health insurance costs for dependent coverage of 15.24 percent. Alabama

The fiscal 1996 budget proposes an increase in the retirement pretax contribution, from 3.75 percent to 3.95 percent Arizona

of gross wages.

Employee health and retirement rate increases are being negotiated and calculated by the California Public California

Employees Retirement System.

Connecticut The fiscal 1996 budget proposes an increase in health insurance costs, effective fiscal 1997.

The recommended budget assumes a \$10 monthly increase in employee contributions for health insurance. Illinois

The budget proposes no changes to eligibility or services available through Medicaid. The only impacts reflected are Indiana

changes that are usually reductions in payments to providers or changes in the scope and duration of services available.

The fiscal 1996 budget proposes an increase in health insurance costs, including copayments and payroll deductions Maine

The Governor's fiscal 1996 budget recommendations include a proposal to increase the state employee's share of health insurance premium contributions from 15 percent to 25 percent. Massachusetts

Michigan A portion of savings in health care costs would be returned to employees as incentive payments.

The proposed fiscal 1996 budget does not include any reductions to Medicaid, but it does propose to fund the first full year of coverage for individuals up to age eighteen living in families with incomes up to 185 percent of poverty. This was first enacted in the second half of fiscal 1995. An enhanced retirement package would increase from 20 percent to 24 percent of an employee's salary. The state contribution would increase from 13.83 percent to 16.59 New Mexico

percent. The employee contribution would increase from 6.18 percent to 7.42 percent.

North Carolina The fiscal 1996 budget proposes a reduction in rate methodology for intermediate care for the mentally retarded.

Medicaid changes would reduce coverage on a prioritized list of treatment services and delay full mental health coverage. A ballot measure approved by the voters in November 1994 shifted the employee's share of retirement from state-paid pickup (as an earlier bargained benefit) to employee-paid pickup, causing a 6 percent decrease to actual Oregon

employee pretax earnings.

Pennsylvania The Governor's 1995-96 budget proposes the elimination of two optional services: nonemergency use of emergency

rooms and inpatient detoxification when not medically necessary.

The Governor recommends the elimination of adult dental and hearing services. The Governor also recommends Utah expanding coverage to 4,000 aged and disabled Utah residents with incomes below 100 percent of the federal poverty

Virginia The state pays the employee portion of the pension contribution. Medicaid reductions are for eliminating Medicaid

coverage of optional podiatry services for adults and reducing optional coverage for teenagers.

Washington The fiscal 1996 budget proposes reductions of payments for the medically indigent, a savings of \$224 million, and

proposes to restrict payments to hospital care.

TABLE A-7

### Proposed State Employment Compensation Changes, Fiscal 1996

Region/State	Across- the-Board	Merit	Other	Notes
NEW ENGLAND				
Connecticut				No funding has been included in the 1995-97 Governor's recommended budget for compensation increases, with the exception of two health care 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	2.5%			This reflects contracts signed with unions representing approximately 19,000 state employees. Negotiations are currently taking place on contracts covering approximately 15,000 state employees.
New Hampshire				Under negotiation.
Rhode Island		***	-*-	A 5 percent cost-of-living adjustment was contained in most negotiated contracts in January 1, 1995. Employees may also receive step increases and longevity increases.
Vermont	3.0%			An across-the-board increase of 3 percent is effective January 1996. Also includes step increase per contract.
MID-ATLANTIC				
Delaware	2.0%	***		
Maryland	2.0%	1.25%		The merit increase is a composite average. The range is from 0 percent to 6 percent, depending on step. It is estimated that 54 percent of the classified workforce is at the top step and will receive no merit increment.
New Jersey		***		With the exception of state police, all employee contracts expire June 30, 1995. Negotiations with labor unions are ongoing.
New York		***		The state is currently in negotiations with unions representing state employees for successor collective bargaining agreements. Although some agreements have been reached, others are still in progress. Accordingly, no overall information can be provided at this time.
Pennsylvania	3.5%	1	2.2%	Effective July 1, 1995, employees will receive an increase of 3.5 percent or forty-five cents per hour, whichever is greater. Effective January 1, 1996, those employees not at the maximum will receive a 2.2 percent longevity increase.
GREAT LAKES				
Illinois			***	This includes a 3 percent cost-of-living adjustment for union and merit compensation employees. About 50 percent of bargaining unit employees will receive an average 3.6 percent step increase on their anniversaries.
Indiana	3.0%			There has been no increase in the employee share of health insurance contributions since July 1990.
Michigan	•4•		3.0%	Other increases, averaging 3 percent, occur because management and the state employee unions are working together to reduce health care costs. A portion of these savings are returned to employees as incentive payments.
Ohio	4.0%		2.0%	The "other" represents the average step increase for state employees. Steps are usually 4 percent, but only 50 percent of the state's workforce is usually eligible for step increases.
Wisconsin				Information is not available at this time.

# Proposed State Employment Compensation Changes, Fiscal 1996

Region/State	Across- the-Board	Merit	Other	Notes
PLAINS				
lowa	3.0%	0.9%		
Kansas	1.0%		2.5%	The 2.5 percent increase is for step movement on the pay matrix.
Minnesota			***	All labor contracts are currently in negotiation. Settlements would normally occur in the July 1995-November 1995 period for fiscal 1996 and fiscal 1997, or after the budget is enacted. The current proposed budget provides for no separate funding for the cost of potential labor contract settlements.
Missouri	2.0%		1.8%	The "other" is a within-grade salary increase given to successful employees who have been with state government at least eighteen months and who are not at the top of their pay grid.
Nebraska	4.0%			The state has settled with the primary employee group on an increase of 4 percent for fiscal 1996 and 3.5 percent for fiscal 1997. The Governor's budget proposal requires agencies to fund amounts above 3 percent from savings and efficiencies. No step increases are included.
North Dakota	2.0%			
South Dakota	3.0%	***	2.5%	The "other" 2.5 percent is for employees who are below the midpoint of their job class.
SOUTHEAST				
Alabama		5%		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 per employee per year are based on number of years of state service.
Arkansas	2.5%			The legislature is currently in session. This is the state employee compensation package recommended by the Governor and currently being considered by the general assembly.
Florida	3.0%	***		Salary increases would be distributed as negotiated with union representatives.
Georgia		5.0%		A merit increase on the employee's anniversary date is based on a satisfactory evaluation.
Kentucky	5.0%			
Louisiana		4.0%		All classified state employees are eligible to receive an annual merit increase of 4 percent if such a merit increase is warranted. Approximately 24 percent of state employees are at the maximum salary of the pay scale and will not qualify for further merit increases. The Civil Service Commission has approved and sent to the Governor a proposal increasing entry-level salaries by 4 percent and increasing the maximum pay level of each classification by 10 percent. The Governor has taken no action on the plan at this time.
Mississippi	~~*			Information is not available at this time.
North Carolina	***		****	Within the 2 percent, teachers will move up one step on the salary schedule.
South Carolina	2.5%		1.0%	The "other" is a base-pay increase based on length of service in current position, ranging from 0.5 percent to 1.5 percent for an overall average of 1.0 percent.
Tennessee				
Virginia	2.25%			An across-the-board increase is authorized effective December 1, 1995. The increase is to be funded from agency budgets.
West Virginia				Higher education is recommended for the third year of a three-year salary increase. The average increase is \$2,000 for faculty and \$1,500 for nonfaculty.

### TABLE A-7 (continued)

### Proposed State Employment Compensation Changes, Fiscal 1996

Region/State	Across- the-Board	Merit	Other	Notes
SOUTHWEST				
Arizona	<u></u>	4.0%	0.5%	This includes special pay packages for correctional service officers, youth corrections officers, and state police sergeants and teachers at the state schools for the deaf and the blind. The merit pay increase is funded January 1, 1996, for all employees, even those in the special packages. The "other" is for review of employment classifications that are not being compensated at market rates (funded January 1, 1996).
New Mexico		1.5%	W = W	A proposed increase of 3 percent of salary range midpoint on the employee's anniversary date (when annualized) is equivalent to this 1.5 percent increase.
Oklahoma				
Texas		***		
ROCKY MOUNTAIN				
Colorado	1.81%	5.0%		Only about one third of classified employees are eligible for merit raises.
Idaho		5.0%		• • • • • • • • • • • • • • • • • • • •
Montana			2.5%	The fiscal 1996 proposal is targeted to "below-market" pay grades, plus an increase in the longevity. Market adjustments based on target market ratios for years of service are subject to a 5 percent cap; generally, raises will be provided to technical and management positions.
Utah		2.93%	1.07%	"Total" represents statewide funding of compensation package. "Merit" represents employees with satisfactory or better performance receiving a 2.75 percent increase. Employees with outstanding performance receive an additional increase in the form of a bonus or ongoing increase. The "other" is a health insurance increase.
Wyoming	<b></b>			Any pay increases will result from the recommendations of a state employee compensation commission that is working to bring the compensation plan to 90 percent of market.
FAR WEST				
Alaska		3.5%		Most state employees are eligible for merit increases. Union agreements were reached to provide the following in fiscal 1996: a 6.67 percent salary increase to reflect an increase in the work week from 37.5 hours to 40 hours for supervisory and labor trades and craft employees; and a 3.5 percent increase for members of the Inland Boatman's Union. Cost of all agreements is \$12.8 million.
California	 -			In recognition of the state of California's fiscal constraints, the proposed 1995-96 State Civil Service Employee Compensation Program does not include funding for additional employee salary or benefit program premium increases. The administration believes that management and labor can develop a compensation program that is driven by performance and not by across-the-board compensation adjustments, irrespective of contributions made by employees.
Hawaii				Compensation changes are still being negotiated.
Nevada				,
Oregon			-+-	No across-the-board inflation increases were included. A salary package was proposed for classifications that are paid below market (which has yet to be determined). Approximately 17.8 percent of employees receive merit increases of an estimated 4.75 percent per step (shown as a percent of salary and benefits).
Washington	2.9%			<u> </u>
TERRITORIES				
Puerto Rico				Information is not available at this time.

# Number of Filled Full-Time Equivalent Positions at the End of Fiscal 1994 to Fiscal 1996, in All Funds\*\*

	Fiscal	Fiscal	Fiscal	Percent Change,	Percent Change.	Includes Higher	State-Administered
Region/State	1994	1995	1996	1994-1996	1995-1996	Education Faculty	Welfare System
NEW ENGLAND							
Connecticut	41,175	42,217	37,591	-8.70%	-10.96%		X
Maine	15,664	15,527	15,189	-3.03	-2.17		X
Massachusetts*	65,260	65,233	64,958	-0.46	-0.42	X	X
New Hampshire	NA_	NA NA	NA	NA	NA NA	X	X
Rhode Island*	17,215	16.691	16,537	-3.94	-0.92	X	X
Vermont*	7,271	7,400	7,400	1.77	0.0		
MID-ATLANTIC	00.540	04 500	04.605	4 97	0.70	v	v
Delaware*	23,549	24,500 72,477	24,695 72,304	4.87 1.49	0.79 -0.24	X X	X
Maryland*	71,241 64,471	71,700	68,400	6.09	-4.60		
New Jersey* New York*	244,300	242,800	231,400	-5.28	-4.70	X	
Pennsylvania*	86,031	86,855	86,698	0.78	-0.18		X
GREAT LAKES	80,031	80,833	06,060	0.70	-0.10		
Illinois	66,702	NA	NA	NA	NA		X
Indiana	38,587	40,904	40,904	6.0	0.0		X
Michigan	59,781	59,875	63,427	6.10	5.93		X
Ohio	61,896	63,600	64,750	4.61	1.81		
Wisconsin	63,127	59,104	59,953	-5.03	1,44	X	
PLAINS	,:-:						
lowa	22,094	23,147	23,542	6.55	1.71		X
Kansas	44,322	44,739	44,587	0.60	-0.34	X	X
Minnesota	31,639	32,851	33,152	4.78	0.92		
Missouri*	53,587	55,569	55,247	3.10	-0.58		X
Nebraska*	16,320	16,320	16,320	0.0	0.0		X
North Dakota*	12,164	12,164	12,041	-1.01	-1.01	X	
South Dakota*	13,950	13,990	13,919	-0.22	-0.51	X	X
SOUTHEAST							
Alabama*	39,083	40,000	NA NA	NA	NA		X
Arkansas*	17,668	17,668	19,017	7.64	7.64		<u> </u>
Florida*	141,371	121,793	124,368	-12.03	2.11		X
Georgia	54,596	54,746	55,212	1.13	0.85		X
Kentucky	34,668	34,168	33,668	-2.88	-1.46		X
<u>Louisiana</u>	45,366	45,883	45,391	0.06	-1.07		
Mississippi	27,461	28,442	NA NA	NA NA	NA NA		X
North Carolina	225,897	227,741	230,744	2.15	1.32	X	<del></del>
South Carolina	67,175	67,653	67,653	0.71	0.0	X	<u> </u>
Tennessee	40,626	41,279	41,162	1.32	-0.28		X
Virginia*	98,640	98,700	97,000	-1.66	-1.72	X	
West Virginia SOUTHWEST	30,536	30,981	31,376	2.75	1.27	X	X
Arizona	38,047	39,666	40,567	6.62	2.27	X	V
New Mexico*	21,774	22,832	22,839	4.89	0.03		X X
Oklahoma	39,376	39,300	39,000	-0.95	-0.76		<del>^</del>
Texas	NA	39,300 NA	NA	-0.95 NA	-0.76 NA		
ROCKY MOUNTAIN	NA.	IAV	IAW	IVM	IVA		
Colorado*	43,882	45,046	45,100	2.78	0.12		
Idaho	16.248	16,455	16,468	1.35	0.08	X	X
Montana	10.441	10,768	10,747	2.93	-0.20		- x
Utah*	16.655	27,902	28,472	70.95	2.05	X	×
Wyoming	12,800	12,532	12,532	-2.09	0,0	x	x
FAR WEST		·-····	,-				
Alaska	18,554	18,717	19,061	2.73	1.84	X	X
California*	259.886	264.058	267,383	2.88	1.26	X	X
Hawaii	41,954	42,426	41,891	-0.15	-1.26	X	X
Nevada	NA	NA	NA	NA	NA		
Oregon*	46,707	46,215	46,734	0,06	1.12	X	X
Washington	89,603	90,653	90,090	0.54	-0.62	Χ	X
TERRITORIES	·	·					
Puerto Rico	213,847	217,422	217,422	1.67	0.0		<b>X</b>
	2,599,360	2,553,287	2,479,490	0.5%	-0.2%	23	

NOTES: NA indicates data are not available.

<sup>\*</sup>See Notes to Table A-8.

<sup>\*\*</sup>Fiscal 1995 and fiscal 1996 figures are estimates.

Prior numbers of full-time equivalent positions did not include the legislative and judicial branches of government. Fiscal 1996 budget recommendations have not been determined. The 1995 regular legislative session does not Alabama

convene until April 18, 1995.

Arkansas The fiscal 1996 recommended estimate is being considered by the general assembly.

All personnel year numbers exclude legislators, legislative staff, and state compensation insurance fund employees. California

Colorado Figures reflect all appropriated funds. Figures reflect authorized positions. Delaware

Florida Higher education positions are no longer noted in full-time equivalent position count.

Figures reflect filled positions in those agencies that have an appropriated table of organization. Louisiana

Maryland Figures reflect appropriated positions. Massachusetts Figures reflect all appropriated funds.

Missouri Figures reflect authorized full-time equivalent positions by appropriation.

Nebraska Figures reflect estimates.

Fiscal 1995 estimates include 7,500 positions from county court assimilation. Fiscal 1996 recommended estimates include the following reductions: 800 for layoffs, 2,200 for privatization, and 300 for attrition. New Jersey

**New Mexico** Fiscal 1994 positions do not include public school positions (29,271) or higher education positions (20,445). Fiscal 1995 positions do not include public schools positions (30,712) or higher education positions (21,757).

New York Figures reflect end of-year counts for annual and nonannual salaried full-time equivalent positions in the executive. legislative, and judicial branches, regardless of funding source.

New York's welfare system is state supervised but locally administered.

North Dakota Filled full-time equivalent count not available. Figures reflect legislatively authorized positions.

Fiscal 1995 estimated count is a biennial count of total estimated full-time equivalent positions for 1993-95. Fiscal 1996 recommended count is a biennial count of total Governor's recommended full-time equivalent positions for Oregon

1995-97.

Pennsylvania Figures reflect authorized, not filled, full-time equivalent positions.

Rhode Island Fiscal 1994 reflects authorized, not actual, full-time equivalent positions.

South Dakota Figures reflect appropriated positions.

Utah Data show funded positions; filled data are not available. Fiscal 1994 figure does not include higher education.

Vermont Includes 300 established legislative and judicial permanent employees. Virginia Virginia's welfare system is state supervised but locally administered.

TABLE A-9

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

	Sale	es Tax	Tax Personal		Corporate	Corporate Income Tax	
Region/State	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Total Revenue Collection**
NEW ENGLAND		,					·····
Connecticut	\$2,374	\$2,359	\$2,677	\$2.627	\$669	\$682	L
Maine	608	610	615	603	54	66	Ť
Massachusetts	2,450	2,454	6,222	6,028	855	851	L
New Hampshire	NA NA	NA	NA	NA	130	130	Н
Rhode Island	439	455	565	568	70	67	Н
Vermont	176	176	291	275	34	38	T <sub>.</sub>
MID-ATLANTIC							
Delaware"	NA	NA	578	577	56	68	H
Maryland*	1,914	1,941	3,414	3,401	159	195	T
New Jersey*	3,894	4.016	4,582	4,630	1.042	1,153	
New York	6,390	6,482	18,556	17,605	1.875	1,945	<u> </u>
Pennsylvania	5,398	5,594	5,078	5,022	1,529	1,682	H
GREAT LAKES							
Illinois	4,565	4,640	5,261	5,306	796	835	Н
Indiana	2,484	2,749	2,519	2,654	761	869	H
Michigan*	4,960	4,935	3,308	4,022	1,981	2,190	<u>T</u>
Ohio	4,323	4,482	4,920	4,846	931	982	T
Wisconsin	2,594	2,595	3,919	3,903	541	615	H
PLAINS							
_lowa	1,153	1,153	1.844	1.844	225	238	Н
Kansas	1,275	1,303	1,285	1,280	198	210	L
Minnesota	2,652	2,667	3,701	3,724	628	663	<u>H</u>
Missouri	1,505	1,519	2,795	2,825	348	390	H
Nebraska	675	688	783	775	118	123	<u>T</u>
North Dakota	272	287	131	147	45	38	<u>Н</u> Т
South Dakota	319	322	NA_	NA NA	NA NA	NA NA	<u>I</u>
SOUTHEAST	1,070	1,095	1,409	1,431	157	159	Н
Alabama	1,245	1,267	1,409	1,431	178	194	
Arkansas Florida	10,760	10,778	1,191 NA	NA	1,081	1,109	Ť
Georgia	3,463	3,552	3,904	3,804	494	576	<del>'</del>
Kentucky	1,611	1.659	1,928	1,928	262	314	H
Louisiana	1,742	1,770	1,060	1,040	220	218	H
Mississippi	1,002	1,059	638	690	251	231	<del>H</del>
North Carolina	2,761	2,793	4,592	4,602	511	541	H
South Carolina	1,385	1,423	1,620	1,595	177	203	H
Tennessee*	3,298	3,461	104	106	478	485	H
Virginia*	1,664	1,662	4.093	4,042	314	315	T
West Virginia	726	745	707	707	127	135	Н
SOUTHWEST							
Arizona	1,845	1,945	1,468	1,498	265	300	H
New Mexico	1.194	1,229	602	606	110	155	H
Oklahoma	1,073	1,090	1,440	1,393	150	168	L
Texas	9,697	10,289	NA	NA	1,360	1.252	Н
ROCKY MOUNTAIN							
Colorado	1,070	1,141	2,031	2,077	148	174	H
ldaho	483	487	627	617	79	113	H
Montana	NA_	NA NA	345	372	71	71	H
Utah	1.026	1,050	996	1,000	103	127	<u> </u>
Wyoming	196	197	NA NA	NA	NA	NA	T
FAR WEST	51.8	<b>A</b> 1.4	£1.4	A14	400	450	1.5
Alaska	NA 14 SSS	NA 14 884	NA 10 050	NA NA	128	156	<u>H</u>
California	14,608	14,804	18,356	18,485	4,858	5,525	<u>_</u>
Hawaii*	1,388	1,387	986	974	29	39	T
Nevada	NA NA	NA NA	NA O COR	NA NA	NA NA	NA 000	NA
Oregon Washington*	NA 2.057	NA 4 000	2,688	2,782	211	299	H
TERRITORIES	3,957	4.092	NA NA	NA NA	1,580	1,591	Н
Puerto Rico	1,196	1.308	1,410	1,610	1,110	1,103	т
Total	\$117,684	\$120,401	\$123,827	\$123,587	\$26,386	\$28,479	! 
	W117,004	4120,401	ψ123,UZ1	Ø120,001	₩£0,300	920,413	<del>-</del>

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.

Delaware Personal income tax collections are net of refunds.

Estimates used when budget was adopted are from the March 1994 Council on Revenues; current estimates are from Hawaii

the December 1994 Council on Revenues.

Corporate income tax collections reflect general fund portion only. Maryland

The fiscal 1995 recommended budget included \$2.1 billion in personal income tax collections earmarked to the school Michigan

aid fund. The current estimates for fiscal 1995 include \$873.5 million in personal income taxes earmarked to the school

aid fund.

Original estimates used for fiscal 1995 for sales and corporate tax collections have been increased by \$24 million and **New Jersey** \$6 million, respectively, to include revenues anticipated as a result of the enhanced tax compliance effort. In addition, sales tax collections have been reduced by \$110 million for alcoholic beverage wholesale sales to be comparable with

current estimates for fiscal 1995 and fiscal 1996.

Tennessee Sales tax collections and personal income tax collections are shared with local governments.

Personal income tax collections for fiscal 1995 include an age deduction. Virginia

Washington Corporate income tax figures are for the corporate business and occupation (gross receipts) tax.

### Fiscal 1995 Tax Collections Compared With Projections Used in Proposed Fiscal 1996 Budgets (Millions)

	Sale	s Tax	Personal I	ncome Tax	Corporate i	Income Tax
Region/State	Fiscal 1995	Fiscal 1996	Fiscal 1995	Fiscal 1996	Fiscal 1995	Fiscal 1996
NEW ENGLAND						
Connecticut	\$2,359	\$2,493	\$2,627	\$2,781	\$682	\$664
Maine	610	633	603	638	66	65
Massachusetts	2,454	2,588	6,028	6,421	851	859
New Hampshire	NA	NA	NA	NA	130	139
Rhode Island	455	472	568	597	67	65
Vermont	176	189	275	292	38	39
MID-ATLANTIC						
Delaware*	NA	NA	577	614	68	72
Marvland*	1.941	2,043	3,401	3,593	195	230
New Jersey*	4,016	4,274	4,630	4,670	1,153	1,207
New York	6,482	6,633	17,605	17,115	1,945	1,730
Pennsylvania	5,594	5,816	5,022	5,168	1,682	1,607
GREAT LAKES			-,	-,	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
Illinois	4,640	4,900	5,306	5.576	835	890
Indiana	2,749	2.875	2,654	2,807	869	910
Michigan*	4,935	5,210	4.022	4,197	2,190	2,309
Ohio	4,482	4,715	4.846	5,168	982	1.026
Wisconsin	2,595	2.725	3,903	4,156	615	610
PLAINS	2,000	-, : EV	0,200	7,100	010	0.0
lowa	1,153	1,194	1,844	1,926	238	239
Kansas	1,303	1,329	1,280	1,370	210	210
Minnesota	2,667	2,714	3,724	3,865	663	639
Missouri	1,519	1,588	2,825	2,970	390	
		739				420
Nebraska Nesth Dekate	688 287		775	824	123	121
North Dakota		281	147	150	38	43
South Dakota*	322	361	NA	NA	NA NA	NA NA
SOUTHEAST	4.005	A ( A	4 4 8 4			
_ Alabama*	1,095	NA NA	1,431	NA NA	159	NA_
Arkansas	1,267	1,301	1,178	1,259	194	186
Florida	10,778	11,437	NA NA	NA NA	1,109	1,164
Georgia	3,552	3,830	3,804	4,087	576	616
Kentucky	1,659	1,737	1,928	2,028	314	276
Louisiana	1,770	1,823	1,040	1,100	218	217
Mississippi	1,059	1,075	690	741	231	235
North Carolina	2,793	2,946	4,602	4,954	541	549
South Carolina	1,423	1,504	1,595	1,671	203	207
Tennessee*	3,461	3,679	106	111	485	509
Virginia	1,662	1.754	4,042	4.134	315	317
West Virginia	745	761	707	739	135	125
SOUTHWEST						
Arizona	1,945	2,049	1,498	1,630	300	275
New Mexico	1,229	1,316	606	653	155	170
Oklahoma	1,090	1,139	1,393	1,454	168	173
Texas	10,289	10,695	NA	NA	1,252	1,386
ROCKY MOUNTAIN						
Colorado	1,141	1,207	2,077	2,182	174	178
Idaho	487	519	617	668	113	123
Montana*	NA	NA	372	394	71	76
Utah	1,050	1,121	1,000	1,080	127	120
Wyoming	197	204	NA NA	NA NA	NA	NA NA
AR WEST	1 4 1		1973	117		IVA
Alaska	NA	NA	NA	NA	156	150
California*	14,804	15,657	18,485	19,595	156	152
Hawaii*	1,387	1,456	974		5,525	4,925
Nevada	1,367 NA	NA	9/4 NA	1,031	39	42
Oregon	NA NA	NA NA		NA O 057	NA 200	NA 101
Washington*			2,782	2,857 NA	299	191
	4 000			NI A	1 401	1,667
	4,092	4,268	NA NA	11/4	1.591	1,007
TERRITORIES						
	1,308 \$120,385	1,421 \$125,236	1,610 \$123,600	1,509 \$127,248	1,103 \$28,482	1,012 \$27,972

NOTES: NA indicates data are not available.

<sup>\*</sup>See Notes to Table A-10. The fiscal 1995 figures reflect the latest tax collection estimates as shown in Table A-9.

The total percentage change from fiscal 1995 to fiscal 1996 (proposed) for all sources is 4 percent.

Alabama Fiscal 1996 budget recommendations have not been determined. The 1995 regular legislative session does not

convene until April 18, 1995.

California Estimates for fiscal 1996 exclude the impact of policy initiatives proposed in the Governor's budget.

Delaware Personal income tax collections are net of refunds.

Hawaii Estimates are from the December 1994 Council on Revenues.

Maryland Corporate income tax collections reflect general fund portion only.

Michigan Fiscal 1996 amount of personal income tax collections earmarked to the school aid fund is \$917.2 million.

Montana Personal income tax collections are prior to the tax rebate of \$25 million.

New Jersey Personal income tax collections for fiscal 1996 reflect a \$247 million reduction because of a tax cut.

South Dakota The Governor recommended and the legislature adopted several sales tax exemptions, which are estimated to

generate \$22.6 million in revenues.

Tennessee Sales tax collections and personal income tax collections are shared with local governments.

Washington Corporate income tax figures are for the corporate business and occupation (gross receipts) tax.

TABLE A-11

State	Tax Change Description	Effective Date	Fiscal 1996 Revenue Change (Millions)
	SALES TAX		
Hawaii	Repeal cruise line exemption.	7/95	\$ 3.0
Idaho	Replace cut in school district property tax levy.	7/95	-40.0
Kansas	Repeal tax on original construction.	3/95	-17.7
	Repeal tax on utilities consumed in production.	6/95	-12.4
Massachusetts	Exempt purchases of pollution-control equipment.	1/96	-4.0
	Repeal sales tax on purchase of bulk telecommunications services.	NA	-3.0
Minnesota	Exempt used farm machinery.	7/95	-1.6
New Jersey	Repeal sales tax on "Yellow Page" advertising.	7/95	-20.0
New Mexico	Cut sales tax on prescription drugs.	7/95	-2.1
Utah	Repeal various exemptions.	7/95	-6.2
Washington	Exempt new and replacement machinery and equipment for manufacturers.	7/95	<b>-66.0</b>
Wisconsin	Eliminate exemption for central office equipment.	10/95	7.5
	Collect sales tax on time-share property.	10/95	2.0

State	Tax Change Description	Effective Date	Fiscal 1996 Revenue Change (Millions)
	PERSONAL INCOME TAX		
Arizona	Decrease all tax rates, primarily concentrated in the lower (below \$50,000, married family) income levels.	1/95	\$-200.0
California	Tax reduction.	1/96	-105.0
Connecticut	Institute a new 3 percent rate, which would be applied to certain levels of taxable income. These levels will be expanded in 1996-97.	Retroactive to 1/95	-222.7
Delaware	Tax reduction.	1/95	-28.0
Hawaii	Repeal tax credits for energy conservation.	7/95	1.2
	Limit tax credits to \$75,000 adjusted gross income.	7/95	22.4
Massachusetts	Increase the dependent, blind, and elderly exemptions to \$500.	1/96	-19.0
	Exempt military retirement pay from income taxes.	1/96	-1.0
Michigan	Raise personal exemption.	NA	-83.7
	Increase tax credit for food bank and higher education donations.	NA	-13.1
Minnesota	Tax credit prepayment.	1/96	-2.2
	Agriculture environmental tax credit.	7/95	-1.0
Mississippí	Increase personal exemptions over a three-year period.	1/96	-11.3
Missouri	Increase dependent exemption for elderly relatives being cared for by their families from \$400 to \$2,000.	1/96	-4.0
	Provide a 50 percent deduction for health insurance premiums for self- employed entrepreneurs.	1/96	-6.0
Montana	Provide a one-time rebate of excess fiscal 1995 surplus.	NA	-25.0
Nebraska	Reduce income tax by 4.5 percent.	1/95	-35,0
	Increase child care credit for income less than \$25,000.	1/95	-5.0
New Jersey	The cumulative revenue decrease from phase in of 30 percent reduction in income tax rates is \$861 million.	1/96	-247.0
New Mexico	Reduce top rate from 8.5 percent to 8.0 percent; restructure for 5 percent across all brackets and cut marriage penalty.	7/95	-46.5
lew York	First phase of a four-year, one-third cut in the personal income tax rate, which will ultimately reduce the top rate by 25 percent.	1/95	-720.0
lorth Carolina	Increase personal exemption from \$2,000 to \$2,500. Institute a \$50 per child tax credit.	7/95	-233.1
klahoma	Provide tax relief for retirees.	NA	-11.1
uerto Rico	Reform Tax Act 120.	10/94	-101.0
outh Carolina	Double tax exemption for children below six years of age (second step of four-year phase-in).	1/95	-10.0
Itah	Reduce personal income tax; no specific recommendation was made.	7/95	-30.0
'irginia	Modify current age deduction.	1/94	-26.2
	Increase personal exemption by \$200.	1/95	-118.9

TABLE A-11 (continued)

Recommended Revenue	Changes	hy Type of	Revenue	Fiscal 1996
Recommended Revenue	CHARLES	DV IVDE OI	nevellue.	I ISCAL LUCO

State	Tax Change Description	Effective Date	Fiscal 1996 Revenue Change (Millions)
	CORPORATE INCOME TAXES		
California	Tax reduction.	1/96	\$-125.0
Massachusetts	Job training tax credit.	1/96	-3.0
	Broaden research and development tax credit to encourage nonmilitary research and development by defense firms.	1/96	-2.4
	Harbor maintenance tax credit.	1/96	-2.0
Michigan	Change base.	NA	-105.0
Minnesota	Cambridge Bank judgment refund of corporate taxes resulting from state's taxation on interest earned on federal bonds during the 1980s.	Fiscal 1996	-80.0
New Jersey	\$33 million because of double-weighting of corporate sales factor, and \$14 million for rate reduction from 9.0 percent to 7.5 percent for small businesses with net income of less than \$100,000.	7/95	-47.0
New York	Day care credit.	1/95	-5.0
Okiahoma	Investment tax credit for software developed or systems integration.	NA	-12.0
	Corporate relief for new corporations.	NA	-2.6
Oregon	One-time surplus credit activated for 1995-97.	NA	-146.2
Pennsylvania	Reduce rate.	1/95	-143.3
	Increase net operating loss deduction.	1/95	-6.9
	Double-weight sales factor.	1/95	-35.7
Puerto Rico	Reform Tax Act 120.	10/94	-91.0
Washington	Business and occupation tax credit to businesses making donations to state higher education institutions.	7/95	-28.0
	Tax credit to businesses that hire and train Aid to Families with Dependent Children clients.	7/95	-5.0

State	Tax Change Description	Effective Date	Fiscal 1996 Revenue Change (Millions)
	CIGARETTE AND TOBACCO TAXES		
Oregon	Tax rate reduction of 26 percent.	7/95	\$-50.0
Puerto Rico	Tax Act 137.	7/94	5.0
Rhode Island	Increase excise tax by five cents per pack.	7/95	4,9
South Dakota	Increase tax by ten cents per pack.	7/95	6.2
	MOTOR FUEL TAXES		
New Mexico	Repeal six cent per gallon gasoline tax.	7/95	\$-36.5
	ALCOHOLIC BEVERAGE TAXES		
New Jersey	Replace current sales tax on alcoholic beverages with one collected at the wholesale level.	7/95	\$30.0
Puerto Rico	Tax Act 127.	NA	31.0
	OTHER TAXES		
Indiana	Reduce automobile excise taxes.	1/96	\$-50.1
Kansas	Reduce unemployment insurance taxes by 20 percent.	1/95	-43.6
Kentucky	Phase in exemption of private pension income.	1/95	-23.0
	Phase in conformity to federal estate tax pickup (inheritance tax).	7/95	-11.0
Massachusetts	Agricultural Preservation Program tax exemption.	1/96	-0.2
Michigan	Increase exemption and reduce rate for intangibles.	NA	-45.0
New Jersey	Institute various initiatives to close tax loopholes and resolve two inequities.	various	100.0
North Carolina	Eliminate tax on intangible personal property.	1/95	-110.0
Oklahoma	Provide gross production relief for marginal wells.	NA ·	-11.2
Pennsylvania	Eliminate 3 percent inheritance tax on spousal inheritance.	7/95	-28.9
Rhode Island	Phase out energy tax on manufacturers.	NA	-1.8
South Dakota	Impose one-cent sales tax on hotels, car rentals, amusements, and marinas dedicated to tourism promotion.	7/95	2.5
Visconsin	Reduce pari-mutuel tax and racing changes.	NA	-1.2

State	Tax Change Description	Effective Date	Fiscal 1996 Revenue Change (Millions)
	FEES		
Connecticut	Certification application fee for educators.	1/96	\$11.0
	Escheat unclaimed bottle deposit money.	1/95	15.0
Florida	Increase various driver license records fees.	7/95	9.6
	Increase per acre assessment for forest fire control from three cents to seven cents, paid by counties.	7/95	1.3
	Increase county reimbursements to state for urban and county foresters.	7/95	2.1
Hawaii	Increase school bus fare from ten cents to twenty-five cents.	7/95	1.5
Michigan	State police fire service fees and workers' compensation assessment fees.	NA	12.2
Minnesota	Health care facility licensure.	7/95	-2.8
	Air emission fee.	7/95	1.0
New Jersey	Clean air operating permits; outdoor advertising on state highways.	7/95	2.0
	Increase assessment on insurance companies to fully fund the department of insurance.	7/95	10.0
	\$5.00 transaction fee at motor vehicle offices for those transactions that can be completed by mail.	7/95	3.0
	Increase heavy duty truck fee.	7/95	1.5
	Increase notary fee.	7/95	1.2
New York	Impose a \$25 fee for general educational development (GED) exam for high school equivalency diploma.	4/95	1.5
Ohio	Regulatory board fee increase.	7/95	1.4
	Increase provider fee for intermediate care facilities for the mentally retarded.	7/95	1.3
	Increase recordation fee for state housing trust fund.	7/95	9.8
Oklahoma	Increase and add fees for probation or deferred and suspended sentences.	NA	3.7
Rhode Island	Repeal \$10 motor vehicle walk-in registration fee.	7/95	-0.4
	Change hospital licensing fee from 4.42 percent of gross receipts to 4.42 percent of net revenues (\$77.3 million vs. \$53.7 million).	NA	-23.6
	Health care provider assessment—a 2.75 percent tax on nursing homes expires September 30, 1995.	9/95	-7.8
South Dakota	Increase state's share of video lottery from 37 percent to 50 percent; dedicate \$60 million to the Property Tax Reduction Fund.	7/95	23.0
Vermont	Increase various fees.	7/95	1.0
Virginia	Increase various statutory sheriff's fees.	7/94	28.3

NOTE: NA indicates data are not available.

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TABLE A-12

### Recommended Revenue Measures, Fiscal 1996

State	Description	Effective Date	Proposed Changes (Millions)
California	Provide for local government realignment—sales and other taxes.	7/95	\$-1,021.0
Georgia	Settle federal retirees' suit-personal income tax.	10/95	-27.0
fillinois	Continue Medicaid provider taxes that are scheduled to sunset at the end of fiscal 1995.	7/95	NA
owa	Exempt printers and greenhouses from sales tax.	NA	-1.4
	Subchapter S corporations (corporate income tax).	NA	-8.0
	Enhance collections and court fines (fees).	NA	9.8
lew York	Expand electronic fund transfer.	12/95	45.0
	Prepay sales and user tax on cigarettes.	9/95	9.0
	Extend current regional business tax surcharge.	12/95	400.0
	Extend current pari-mutuel tax rates.	4/95	-10.0
	Require semimonthly remittance of real estate transfer tax.	4/95	5.0
	Extend current medical provider assessment.	4/95	275.0
hio	Extend temporary Environmental Protection Agency fees.	NA	17.0
lhode Island	Increase portion of gas tax dedicated to transportation purposes by an additional one cent.	7/95	-4.2
ermont	Extend sales tax otherwise scheduled to sunset June 30, 1995.	7/95	33.1
	Extend motor vehicle purchase and use tax otherwise scheduled to sunset June 30, 1995.	7/95	8.2
/ashington	Change assumed number of qualifying beds for Medicaid tax.	Ongoing	-1.7
	Divert drivers' license fee to a dedicated account,	7/95	-3.9

NOTE: NA indicates data are not available.

# Total Balances and Balances as a Percent of Expenditures, Fiscal 1994 to Fiscal 1996

	Total Balances (Millions)*			Balances as a Percent of Expenditures		
Region/State	Fiscal 1994	Fiscal 1995	Fiscal 1996	Fiscal 1994	Fiscal 1995	Fiscal 1996
NEW ENGLAND						
Connecticut	\$ 20	\$ -3	\$ 6	0.2%	0.0%	0.1%
Maine	21	1	1	1.3	0.0	0.0
Massachusetts	507	453	509	3.4	2.9	3.2
New Hampshire	131	123	111	16.0	15.0	13.6
Rhode Island	51	49	47	3.3	3.0	2.9
Vermont	1	1	2	0.2	0.1	0.3
MID-ATLANTIC						
Delaware	313	257	181	23.3	16.3	11.0
Maryland	222	363	512	3.4	5.2	6.9
New Jersey	1,240	898	496	8.5	5.9	3.2
New York	399	157	312	1.3	0.5	1.0
Pennsylvania	332	402	132	2.2	2.6	0.8
GREAT LAKES					4.0	
Illinois	230	200	200	1.5	1.2	1.1
Indiana	639	570	653	9.7	8.3	9.2
Michigan	779	1,071	1,134	9.9	13.1	13.3
Ohio	581	963	1,057	3.9	6.1	6.4
Wisconsin	235	311	400	3.2	4.0	4.9
PLAINS			664	0.0	7.0	е о
lowa	126	254	304	3.6 17.0	7.0 11.0	8.0 8.3
Kansas	530	367	288		8.8	7.4
Minnesota	904	765	653	<u>11.1</u> 6.7	6.0	1.2
<u>Missouri</u>	312	314	70 145	7.0	8.6	8.1
Nebraska Nebraska	118	148	18	4.6	10.1	2.7
North Dakota	28 22	63 11	17	3.5	1.8	2.7
South Dakota SOUTHEAST	- 22	11	11	3.5	1.0	<u> </u>
Alabama	128	0	0	3.3	0.0	NA
Arkansas	0	0	0	0.0	0.0	0.0
Florida	494	327	334	3.7	2.3	2.2
Georgia	387	267	267	4.4	2.8	2.6
Kentucky	188	224	121	4.0	4.4	2.3
Louisiana	213	2	0	5,0	0.0	0.0
Mississippi	526	329	261	24.5	12.7	10.0
North Carolina	1,315	1,119	699	15.3	11.7	7.1
South Carolina	407	418	307	10.8	10.3	7.2
Tennessee	173	133	101	3.6	2.6	1.9
Virginia	334	11	10	5.0	0.1	0.1
West Virginia	89	91	87	4.3	4.0	3.8
SOUTHWEST						
Arizona	271	332	121	6,9	7.6	2.7
New Mexico	148	101	127	5.7	3.7	4.6
Oklahoma	164	221	294	5.0	6.4	8.3
Texas	1,958	2,992	2,194	9.9	14.2	9.9
ROCKY MOUNTAIN						
Colorado	405	399	396	11,1	10.2	9.8
idaho	71	35	37	6.2	2.6	2.7
Montana	33	56	22	6.6	8.9	3.2
<u>Utah</u>	107	88	62	5.1	3.8	2.5
Wyoming	50	27	5	10.0	5.5	1.0
FAR WEST	<b>.</b>			40.5		57.0
Alaska	614	1,584	1,477	19.3	61.1	57.2
California	81	566	353	0.2	1.4	0.8
Hawaii	291	165	68	9.5	5.1	2.0
Nevada	147	190	240	14.6	17.1	20.6
Oregon	461	495	343	15.0	15.2	9.8
Washington	<u>515</u>	402	242	6.4	4.8	2.8
TERRITORIES	205	466	9.0	6.4	2.0	4 7
Puerto Rico	295	166	83 615 414	6.4	3.2	1.7
Total	\$17,311	\$18,310	\$15,414	5.2%	5.2%	4.3%

NOTES: NA indicates data are not available.

<sup>\*</sup>Total balances include both the ending balance and balances in budget stabilization funds.