

The Fiscal Survey of States

August 2000

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

THE NATIONAL GOVERNORS' ASSOCIATION

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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Founded in 1945, NASBO is the principal organization for enhancing the professional development of its members; for improving the capabilities of staff and information available to state budget officers; and for developing the national fiscal and executive management policies of the National Governors' Association. It is a self-governing affiliate of the National Governors' Association. The association is composed of the heads of state finance departments, the states' chief budget officers, and their deputies. All other state budget office staff are associate members. Association membership is organized into four standing committees—Health, Human Services, and Justice; Financial Management, Systems, and Data Reporting; Tax, Commerce, Physical Resources, and Transportation; and Training, Education, and Human Resources Management.

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

ISSN 0198-6562
ISBN 1-55877-338-X

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Price: \$25.00

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Preface

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

The field survey on which this report is based was conducted by the National Association of State Budget Officers in January through July 2000. The surveys were completed by Governors' state budget officers in the fifty states and the commonwealth of Puerto Rico.

Each edition of *The Fiscal Survey of States* features a state policy and/or budget issue. This edition highlights Governors' initiatives, growth in state Medicaid/S-CHIP, and Governors' recommendations for use of tobacco settlement funds.

Fiscal 1999 data represent actual figures, fiscal 2000 figures are estimated, and fiscal 2001 data are figures contained in Governors' recommended budgets.

In forty-six states, the fiscal year begins in July and ends in June. The exceptions are Alabama and Michigan, with an October to September fiscal year; New York, with an April to March fiscal year; and Texas, with a September to August fiscal year. In addition, twenty states are on a biennial budget cycle.

The Fiscal Survey of States is a cooperative effort of the National Association of State Budget Officers and the National Governors' Association. NASBO staff member Patrick Casados compiled the data and prepared the text for the report under the overall direction of Gloria Timmer, NASBO executive director. Greg Von Behren of the NASBO staff contributed to the text and provided technical and analytical support. Production assistance was provided by Kathy Skidmore-Williams, of NGA's Office of Public Affairs, and Mark Miller, a consulting editor. Dotty Esher of the State Services Organization provided typesetting services.

Executive Summary

Governors' recommended budgets for fiscal 2001 reflect the continuation of the strong economy with modest growth, fewer tax cuts, and priorities focused on education and health care. Although the rate of economic growth continues to be strong this year, states are anticipating a slightly lower rate of growth for fiscal 2001 budgets.

This edition of *The Fiscal Survey of States* includes features on Governors' recommendations for the use of the tobacco settlement funds and provides a snapshot of growth in the Medicaid program.

Governors' Fiscal 2001 Priorities

Education is at the forefront of Governors' priorities. Slightly more than one-third of state general fund spending and about one-quarter of state spending from all funding sources goes to elementary and secondary education.

In virtually all states, Governors propose major education initiatives in elementary and secondary education for fiscal 2001 budgets. Initiatives most frequently involve school accountability and performance measures; technology; teacher hiring, training and retention; and literacy programs. In more than half of the states, Governors' budgets also include proposals to address school finance issues.

Reflecting the continued general fiscal health of the states, budget priorities for fiscal 2001 continue to include spending in areas associated with economic growth and the associated policy concerns. These include tax cuts; technology-related economic development initiatives; environmental programs, such as open space preservation programs; and increased highway and transportation-related infrastructure spending.

Other significant initiatives include reductions in classroom size, construction and repairs of schools, comprehensive school reform, charter schools, school safety, and programs for at-risk children. Additionally, states cite early childhood programs as a significant feature of Governors' priorities in education.

State Medicaid Enrollment, Costs, and S-CHIP

States have reported that a variety of program and demographic factors may contribute to a renewed growth in future Medicaid expenditures, most notably the use of long-term care and the rise in pharmaceutical costs (see Table 11). In addition, states report actions to increase reimbursement rates and expand eligibility, especially for pregnant women and other adults, as contributing factors to recent cost increases.

- In the 45 states responding to the survey, Medicaid-eligible populations grew by an average of 1.9 percent in fiscal 1999, 3.9 percent in fiscal 2000, and is expected to grow by 2.9 percent in fiscal 2001.
- In the 45 states responding, increases in Medicaid costs for fiscal 1999, fiscal 2000, and proposed 2001 have averaged 6.2 percent, 7.7 percent, and 6.9 percent, respectively.
- Of those states tracking such enrollment increases, most anticipate Medicaid enrollment related to the State Children's Health Insurance Program (S-CHIP) to grow by 14.8 percent in fiscal 2001.

Governors' Recommendations for Use of Tobacco Settlement Funds

In Governors' recommendations for fiscal 2001, the most common plans for the use of tobacco settlement funds involve health and smoking cessation programs. The most frequently proposed uses for tobacco settlement funds are:

- Governors in 36 states propose to use funds for health programs.
- Governors in 17 states propose to use funds for children's health programs.
- Governors in 29 states propose using funds for smoking cessation programs.
- Governors in 15 states propose to use funds for education programs.
- Three states propose to use settlement funds for budget stabilization purposes.

- One state proposes to use settlement funds for tax reduction purposes.

Other proposals range from creating budget stabilization funds to funding infrastructure improvements. Most of the proposals for capital spending are health related, such as construction of rural health centers and conversion of hospitals to other health uses.

In 41 states, Governors have recommended that tobacco settlement funds be segregated into separate funds. These include trust funds, nonprofit corporations, and earmarked funds for medical research.

State Spending

Governors propose an increase in general fund spending of 3.8 percent for fiscal 2001 and estimate an increase of 6.9 percent in state general fund spending for fiscal 2000, just above the average increase of 6.8 percent over the past 22 years. These figures incorporate one-time spending from surplus funds, transfers into budget stabilization funds and other reserve funds, and payments to local governments to reduce property taxes.

- In addition to elementary and secondary education, other top priorities for states include tax cuts and property tax relief; health programs, such as programs for children; higher education; environmental programs, such as preserving open space; economic development; investment in early childhood development; public safety; transportation and infrastructure; and workforce development.
- Five states plan to reduce their fiscal 2000 enacted budgets by a combined \$259 million. This is slightly more than the number of states that were forced to reduce their enacted budgets last year.

State Revenue Actions

Net tax and fee changes would decrease fiscal 2001 revenues by nearly \$1.7 billion. Reflecting the general fiscal health of the states, the proposed tax reductions continue the trend to reduce taxes in recent years, although at a level significantly lower than in years past. This may signal a nationwide slowing in tax and fee cut initiatives.

Fiscal 2001 represents the seventh consecutive year that states would reduce taxes and fees, totaling \$28 billion over the seven-year period. In contrast, net state tax reductions occurred only twice during

the 1980s, totaling just over \$3 billion. Most of the proposed fiscal 2001 tax reductions focus on reducing personal and corporate income, sales, and property taxes.

- Fiscal 2000 sales, personal, and corporate income tax collections are 2.6 percent higher than the estimates states originally used in the adoption of state budgets.
- For fiscal 2001, personal income and sales tax collections are projected to be nearly 6.2 percent and 4.4 percent, respectively, above last year's collections. Corporate income tax collections are expected to exceed last year's by 1.0 percent.

State Balances

State year-end balances continue at healthy levels. Total balances, as a percentage of expenditures, are 8.4 percent, 6.4 percent, and 5.6 percent in fiscal 1999, fiscal 2000, and fiscal 2001, respectively. States recognize that an economic downturn can reduce balances dramatically. Therefore, states normally develop their fiscal plans with projected reserves. Depending on the state, these reserves may be in the form of a budget stabilization fund, a required ending balance, a rainy-day fund, or any combination of these. Over the past several years, states have been building up rainy-day fund balances and ending balances that will help prevent major disruptions in services to citizens if the economy slows from its current rapid pace of growth.

States experienced the rapid fall of balances during an economic downturn in both the early 1980s and the early 1990s. In 1980, states' healthy balances of 9 percent of expenditures rapidly diminished. In fact, balances declined from 9 percent to 4.4 percent in the one-year period from fiscal 1980 to fiscal 1981.

Changes to Budgeting and Financial Management Practices

Implementation of automated or integrated financial management systems comprise the majority of the most recent financial management practices of the states. Thirteen states have begun, or are in the process of completing, technological upgrades to their state budgeting systems as part of a general overhaul of their respective budget processes. Many states have incorporated these integrated systems as a part of a comprehensive overhaul of their budget processes, including such activities as performance-based budg-

ering or performance-based mid-year budget reviews, long-range planning, streamlining or decentralizing governmental functions, consolidating job classifica-

tions, and other actions designed to improve government efficiency.

State Expenditure Developments

CHAPTER ONE

Budget Management in Fiscal 2000

Five states (Iowa, Kansas, Kentucky, North Carolina, and West Virginia) reduced their fiscal 2000 enacted budgets by a total of \$259 million (see Table 1). This number contrasts sharply with the 20 or more states that reduced their enacted budgets during fiscal 1990 to fiscal 1993, the peak period for mid-year budget adjustments. Three states (Alaska, Hawaii, and Nevada) reduced their fiscal 1999 enacted budgets last year by a total of \$80 million. During the past seven years, 17 states have had to reduce their enacted budgets.

State Spending for Fiscal 2000

Reflecting a more conservative trend in state spending, Governors' recommended general fund spending for fiscal 2001 is 3.8 percent above estimated spending for fiscal 2000 (see Table 2). This recommended increase is well below the average increase of 6.8 percent over the past 22 years. Budget increases over the last five years have averaged just below 6 percent. Three states' Governors (Maine, Maryland, and Wyoming) recommended fiscal 2001 general fund spending 10 percent or more above fiscal 2000 estimates.

Fiscal 2000 expenditures are estimated to be 6.9 percent above actual fiscal 1999 expenditures (see Table 2 and Figure 1).

Reflecting a moderate budget approach, 23 of the states' Governors recommended increased fiscal 2001 general fund spending of less than 4.9 percent above fiscal 2000, and 20 Governors recommended spending greater than 5 percent, but less than 10 percent (see Table 3). Estimates for fiscal 2000 show that eight states currently have general fund spending increases of over 10 percent above fiscal 1999 (see Table 3 and Appendix Table A-4).

Governors' Priorities in Recommended Fiscal 2001 Budgets

While most states have completed their legislative sessions, this report reflects the priorities of the nation's Governors as proposed to their respective state legislators. Continuing the trend of the past few years, education tops the list of Governors' priorities, with the majority of states indicating that student performance standards and the hiring and retention of qualified elementary and secondary school teachers are at the forefront of Governors'

TABLE 1

Budget Cuts Made After the Fiscal 2000 Budget Passed

| State | Size of Cut (Millions) | Programs or Expenditures Exempted from Cuts |
|----------------|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Iowa | \$19.0 | Selective reductions. |
| Kansas | 67.0 | Specific budget reductions. |
| Kentucky | 45.6 | There was a mandated lapse of appropriations in two budget units. All programs, except funds available from elementary and secondary, overestimated student population and expected lapse of debt service appropriations. |
| Louisiana | | The Governor issued an executive order that froze spending in the amount of \$50 million. This amount was allocated to agencies based on discretionary state general fund and self-generated revenue. The total shortfall was approximately \$104 million. To make up the additional \$54 million, the state utilized surpluses in the Minimum Foundation program, the Tuition Opportunity for Students program, and other miscellaneous surpluses. Programs that were not included in the spending freeze were the Public Service Commission, Corrections, Retirement Systems, Higher Education, the legislature, and the judicial system. |
| New Hampshire | | The state initiated a hiring freeze. |
| North Carolina | 91.8 | The revenue shortfall is primarily controlled through spending slowdowns and anticipated unexpended funds to meet expected revenue collections. The state will use spending controls to address the budget gap issue. |
| West Virginia | 35.6 | Legislative, Judicial, Public Education, and Debt Service. |
| Total | \$259.0 | --- |

SOURCE: National Association of State Budget Officers.

TABLE 2

State Nominal and Real Annual Budget Increases, Fiscal 1979 to Fiscal 2001

| Fiscal Year | State General Fund | |
|-------------------|--------------------|---------------|
| | Nominal Increase | Real Increase |
| 2001* | 3.8% | 1.7% |
| 2000* | 6.9 | 3.0 |
| 1999 | 7.7 | 5.2 |
| 1998 | 5.7 | 3.9 |
| 1997 | 5.0 | 2.3 |
| 1996 | 4.5 | 1.6 |
| 1995 | 6.3 | 3.2 |
| 1994 | 5.0 | 2.3 |
| 1993 | 3.3 | 0.6 |
| 1992 | 5.1 | 1.9 |
| 1991 | 4.5 | 0.7 |
| 1990 | 6.4 | 2.1 |
| 1989 | 8.7 | 4.3 |
| 1988 | 7.0 | 2.9 |
| 1987 | 6.3 | 2.6 |
| 1986 | 8.9 | 3.7 |
| 1985 | 10.2 | 4.6 |
| 1984 | 8.0 | 3.3 |
| 1983 | -0.7 | -6.3 |
| 1982 | 6.4 | -1.1 |
| 1981 | 16.3 | 6.1 |
| 1980 | 10.0 | -0.6 |
| 1979 | 10.1 | 1.5 |
| 1979-2001 average | 6.8% | 2.1% |

NOTE: The state and local government implicit price deflator and the consumer price index were used for state expenditures in determining real changes. Fiscal 2000 figures are based on the change from fiscal 1999 actuals to fiscal 2000 estimated. Fiscal 2001 figures are based on the change from fiscal 2000 estimated to fiscal 2001 recommended.

SOURCE: National Association of State Budget Officers.

TABLE 3

Annual State General Fund Expenditure Increases, Fiscal 2000 and Fiscal 2001

| Spending Growth | Number of States | |
|-----------------|-------------------------------------|-------------------------------|
| | Fiscal 1999 (Preliminary Actual) | Fiscal 2000 (Appropriated) |
| Negative growth | 5 | 4 |
| 0.0% to 4.9% | 18 | 23 |
| 5.0% to 9.9% | 18 | 20 |
| 10% or more | 8 | 3 |

NOTE: Average spending growth for fiscal 2000 (estimated) is 6.9 percent; average spending growth for fiscal 2001 (recommended) is 3.8 percent.

SOURCE: National Association of State Budget Officers.

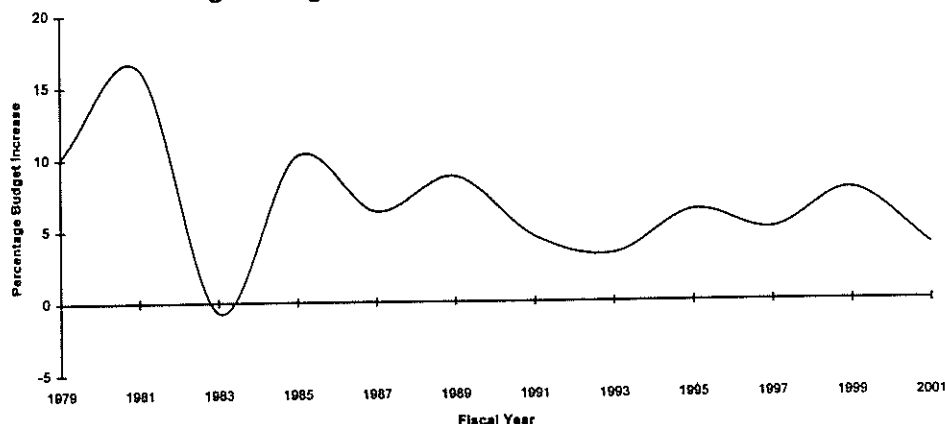
priorities (see Table 4). As in years past, the goals for education remain increasing funding for school construction, including improving technology in K-12; improving school safety; and expanding early childhood development programs.

In addition, as states begin to receive the first of what is anticipated to be over two decades of settlement payments from the major tobacco companies, this year's budget proposals all include program spending priorities in the areas of smoking cessation, early childhood development, and other health-related programs (see the Special Feature on Proposed Uses of Tobacco Settlement Funds).

Reflecting the continued general fiscal health of the states, fiscal 2001 budget priorities continue to

FIGURE 1

Annual Percentage Budget Increases, Fiscal 1979 to Fiscal 2001



SOURCE: National Association of State Budget Officers.

include spending in areas associated with continued economic growth and the associated policy concerns. These include tax cuts; technology-related economic development initiatives; environmental programs,

such as open space preservation programs; and increased highways and transportation-related infrastructure spending.

TABLE 4

Governors' Fiscal 2001 Priorities

NEW ENGLAND

| | |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Connecticut | <p><u>Education</u> - Proposes \$34 million to create a computer education network and a teacher-to-teacher computer mentoring program. Also proposes to increase funding for charter and magnet schools and to expand weekend and summer school programs.</p> <p><u>Taxes</u> - Proposes to cut the gasoline tax by 7 cents per gallon, to eliminate the hospital gross receipts tax, and to change the way manufacturers are taxed.</p> <p><u>Higher Education</u> - Renews call for new tax credits for working families.</p> |
| Maine | <p><u>Education</u> - \$30-million investment in education technology; \$12.6-million increase in General Purpose Aid; and \$20 million in school renovation.</p> <p><u>Taxes</u> - Indexing of the income tax, \$6,000 income tax exemption in pensions, single sales factor and reduction in the telecommunications mill rate tax basis.</p> <p><u>Transportation</u> - \$37-million investment in highway and bridge improvements; rail improvements; and airport and marine improvements.</p> <p><u>Environment</u> - \$2.9 million for construction of water pollution control facilities, \$1.25 million to close solid waste landfills and \$2.5 million for nutrient waste control.</p> <p><u>Corrections</u> - \$8.7 million to complete transition to new correctional facilities.</p> <p><u>Health Care</u> - \$12.3 million for children's mental health and mental retardation services. Finance authorization through the Government Facilities Authority to build a new psychiatric treatment center.</p> <p><u>Public Protection</u> - Increased funding for domestic violence.</p> <p><u>Higher Education</u> - \$22.6 million in investments in capital improvements.</p> |
| Massachusetts | <p><u>Taxes</u> - Phase in reduction in tax rate on most income to 5 percent over three years.</p> <p><u>Education</u> - Proposes initiatives to improve math-teacher performance.</p> <p><u>Environment</u> - Proposes to protect open spaces.</p> <p><u>Health Care</u> - Proposes to use \$50 million from the tobacco fund for targeted relief for hospitals and health care providers hurt by federal budget cuts.</p> |
| New Hampshire | <p><u>Education</u> - Proposes to increase accountability.</p> <p><u>Child Care</u> - Proposes an apprenticeship program for child care workers and to expand financial assistance to parents who pay more than 25 percent of their income on child care.</p> <p><u>Health Care Access</u> - Explore regional approaches for affordable insurance.</p> |
| Rhode Island | <p><u>Education</u> - Eliminate residency requirement to recruit teachers.</p> <p><u>Health Care</u> - Provide comprehensive health care up to age 19.</p> <p><u>Environment</u> - Propose a \$50-million bond issue to preserve 35,000 acres.</p> |
| Vermont | <p><u>Health Care</u> - Proposes coverage for the elderly, children, and low-income individuals.</p> <p><u>Fiscal Stability</u> - Ensure that programs put in place are fiscally sustainable, such as the recent changes in education financing.</p> |

MID-ATLANTIC

| | |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Delaware | <p><u>Fiscal Responsibility</u> - Proposes to authorize only 50 percent of available bonding capacity for capital projects.</p> <p><u>Environment</u> - Proposes to invest \$10 million in farmland preservation and \$3 million in open space programs.</p> <p><u>Education</u> - Proposes to invest about \$100 million for school construction.</p> |
| Maryland | <p><u>K-12 Education</u> - Increase access to K-12 education through a variety of initiatives, including building and modernizing classrooms (\$256 million), installing telephones in every classroom (\$8 million), and funding teacher pay raises.</p> <p><u>Capital Construction</u> - Building/renovating facilities--\$1.2 billion over five years.</p> <p><u>Tobacco</u> - Use \$1 billion in tobacco settlement funds, over 10 years, for a variety of programs, including cancer research and treatment (\$500 million), and antismoking efforts (\$300 million). Also use funds to help farmers transition away from tobacco crops.</p> |

TABLE 4 (continued)

| | |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| New Jersey | <p><u>Education</u> - Proposes \$609 million for school districts and community care centers, including funds to hire more qualified teachers for preschool programs.</p> <p><u>Elderly</u> - Dedicates \$13 million for initiatives for the elderly such as community assistance</p> <p><u>Environment</u> - Proposes a \$15-million program to offer grants to municipalities to clean up brownfields sites.</p> |
| New York | <p><u>Education</u> - Proposes to provide free tuition for students who commit to teaching critical subjects in disadvantaged schools.</p> <p><u>Health Care</u> - Proposes to invest \$2.9 billion of tobacco settlement funds for the Family Health Plan, which would offer free or reduced coverage for uninsured individuals.</p> <p><u>Reduce Taxes</u> - Proposes targeted tax cuts, including abolishing the gross receipts tax and other targeted taxes aimed at individuals and businesses.</p> |
| Pennsylvania | <p><u>Reduce taxes</u> - Proposes a \$100 rebate to those who pay school district property taxes to reduce income taxes for working families, and to eliminate the capital stock and franchise tax.</p> <p><u>Education</u> - Proposes an investment of \$123 million in reading programs and \$80 million in libraries.</p> <p><u>Environment</u> - Proposes \$20 million to preserve farmland and protect open space.</p> |
| GREAT LAKES | |
| Illinois | <p><u>Education</u> - Proposes to earmark 51 percent of all new state revenues to schools and job training. For the first time in Illinois history the categorical grants will be fully funded. \$14 million will be provided to fund the Attorney General's "Safe Schools" initiative. Proposes a \$528-million increase for education and workforce development, \$56 million in federal funds to hire new teachers, \$32.5 million has been budgeted for early childhood education programs, an increase of \$20 million has been budgeted for the successful Summer Bridge program, and an increase of \$39 million for state scholarship programs.</p> <p><u>Illinois Venture Tech</u> - Proposes a five-year, \$1.8-billion investment in Illinois high-technology future; an \$800-million commitment in high-tech venture capital; \$192 million for K-12 education programs; \$86 million for technology development programs; \$93 million for a new medical school in Chicago; \$80 million for a new post-genomics biotechnology institute; \$31 million for building the National Center for Super Computing Applications; \$71 million for the chemical sciences building; \$19 million for a microelectronics laboratory; \$8 million for a computer engineering laboratory; \$53 million for a pharmacy science building; and \$11 million for a MRI facility in Chicago. A continuing \$343-million investment in the Illinois Century Network; \$30 million for a biomedical research facility leveraging \$170 million in other funds; \$8 million for rural health telemedicine systems; and \$400 million for technology management improvements.</p> <p><u>Human Services</u> - Six pilot programs will be started throughout the state in fiscal 2001. The state will see a reduction of \$50.1 million in the state's budget for foster care services for children. A proposal for \$655.7 million to child care services serving 218,000 young people; \$10.9-million allocation to expand substance abuse services to young people; \$7.5-million allocation to expand teen reach after-school programs; \$5 million to fully fund the existing programs; \$2.5 million to create 10 new initiatives throughout the state; \$2 million for community-based child advocacy centers; \$9.9-million allocation to provide a \$1-an-hour wage increase for personal attendants in the Home Services Program; \$185 million in state and federal appropriations to improve and expand state-provided medical services; \$1-million funding increase for a child immunization program; and \$3.5-million appropriation for a child smoking prevention program.</p> |
| Indiana | <p><u>Technology</u> - Improve information technology to improve business competition and business services to consumers.</p> <p><u>Education</u> - Initiate school report cards to hold schools accountable. Improve teacher involvement and implement full-day kindergarten.</p> <p><u>Environment</u> - Enhance and embrace the new economy that will help emphasize telecommuting, e-mails, etc., and help keep Indiana clean.</p> |
| Michigan | <p><u>Education</u> - Governor Engler's multiyear school aid budget provides appropriations for fiscal years 2000 through 2003 that establish a minimum foundation grant of \$6,500 for every child attending a Michigan public school.</p> <p>To ensure Michigan teachers are up-to-date for the 21st century, \$110 million (\$55 million in both fiscal years 2001 and 2002) has been earmarked to train teachers on effective use of computers and technology in the classroom.</p> <p>To reward students who master basic reading, writing, science, and math, Governor Engler created the Michigan Merit Award--a \$2,500 scholarship for college or training awarded to high school students who pass their proficiency tests. (An additional \$500 is available to seventh and eighth graders who pass their tests.)</p> <p>Gov. Engler signed legislation to help parents finance their children's postsecondary education-whether it is for college or job training. It establishes a tax-free Michigan education savings plan that encourages families to save for their children's education.</p> <p>Gov. Engler has also announced the establishment of the Michigan Virtual Advanced Placement Academy, which will enable every Michigan high school student to earn college credit or advanced placement (AP) before graduation. Scholarships for these online courses will be available to students throughout the state.</p> |

TABLE 4 (continued)

Government - By executive order, Gov. Engler established the e-Michigan office, which will coordinate the development of electronic government service, reengineer current practices, and design better ways of conducting the business of government. E-Michigan goals are to provide more convenient services to citizens 24-hours a day, seven days a week. Not only will this new office provide services faster using the Internet and web-based technologies, it will eliminate the frustration of navigating through multiple government agencies to conduct business and will reduce the cost of services through the streamlining of current operations. Ultimately, citizens will have an easy-to-understand Web connection to government services and information.

By executive order, Gov. Engler created the Office of Financial and Insurance Services. This new office is the result of a merger of the Michigan Insurance Bureau, the Financial Institutions Bureau, and the securities division of the Corporation, Securities, and Land Development Bureau. Reorganizing the regulation of insurance, financial institutions, and securities into one office will improve service and protection for consumers, and it will allow Michigan companies to compete effectively in the national and international marketplace.

Taxes - Five new tax cuts were signed into law, expected to save taxpayers \$167.4 million in fiscal 2000 and \$94.9 million in fiscal 2001.

Transportation - Gov. Engler proposed Build Michigan III, a \$900-million transportation investment strategy designed to get people to work on time by aggressively addressing issues of congestion and safety.

Welfare - Gov. Engler's reform plan to strengthen Michigan families has trimmed welfare rolls by two-thirds and helped more than 250,000 families leave cash assistance because they found jobs.

To help the families who are still unable to secure employment, the budget includes \$50 million to finance a Family Opportunity Project, which includes the expansion of Michigan's landmark Project Zero reform effort.

Ohio

Education - Accelerated phase-in of a new school funding plan to provide a thorough and efficient system of education for Ohio.

OhioReads, an education policy initiative that provides \$25 million in classroom and community reading grants and puts 20,000 volunteers in schools to help improve the reading skills of students in kindergarten through fourth grade. Respond to the state supreme court ruling on school funding.

Higher Education - Ensure that students have greater access to higher education and a good chance to succeed through expanding of student financial aid and providing a tax deduction for college tuition.

Provide funds to ensure that average tuition increases for two-year colleges are held below 2 percent per year, to encourage two-year campuses to provide job-related training to local employers, and to encourage universities to serve at-risk students and reward universities for student completion in a timely manner.

Economic Development - Attract and keep businesses by renewing authority to create economic enterprise zones and renewing the machinery and equipment tax credit.

Workforce Development - To address the needs of businesses to find qualified, trained workers, the Department of Human Services and the Bureau of Employment Services have been merged into a new Department of Jobs and Family Services. The new department will provide greater economic opportunity by building on the strong programs in each separate agency and improving efficiency and eliminating duplication.

Drug and Alcohol Abuse Prevention and Treatment - Provide substance abuse prevention education and intervention at the earliest possible age by providing funding to help school districts hire full-time substance abuse coordinators.

Increase the number of drug courts by 25 percent, as these have proven successful in helping drug-abusing offenders overcome their addictions and reducing the number of repeat offenders.

Targeted Tax Relief - Income tax deductions for health insurance for persons who are not self-employed and not covered by an employer-provided plan for the purchase of long-term care insurance and for taxpayers with medical expenses in excess of 7.5 percent of their federal adjusted gross income.

Nonrefundable income tax credits to encourage more adoptions and to help more senior citizens live at home by funding an increase in eligibility levels for the homestead tax exemption.

Prudent Fiscal Management - End each fiscal year with a balance in the general revenue fund (GRF) of at least 0.5 percent of the previous year's revenues and a balance in the budget stabilization fund of at least 5 percent of the previous year's revenues.

Wisconsin

Technology - A new \$317-million BioStar initiative to build a series of state-of-the-art research centers on the University of Wisconsin campus. BioStar would complete a \$909-million investment in the science and research infrastructure that includes WISTAR, HealthStar, the Biotech faculty initiative, and venture capital funding.

Child Care - To help working families meet their child care needs, the state is working to develop the marketplace for second- and third-shift child care centers, with a \$1-million investment.

Education - Excellence in Reading Initiative that directs \$1 million to develop innovative reading academies around the state; invests \$350,000 to distribute the "best reading practices" over the Internet; convenes a statewide Governor's Reading Summit.

Economic Development - \$50-million state investment in the Midwest Rail Initiative, linking Madison, Milwaukee, and Chicago with Amtrak's fastest trains. The Governor will seek \$100 million in federal money to match investment.

Health Care - The Governor is proposing a Low-Income Prescription Drug Savings Plan that will save needy seniors citizens \$792 a year in drug costs.

TABLE 4 (continued)

PLAINS

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|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Iowa | <p><u>Education</u> - Increased funding to reduce classroom sizes, and support reading initiatives, community colleges, early childhood development, and teacher training.</p> <p><u>Tobacco</u> - Use funds to focus on preventive health care and aggressive antitobacco initiatives for children.</p> <p><u>Environment</u> - Aggressive initiatives of \$50 million together with federal funds for agricultural land preservation measures.</p> |
| Kansas | <p><u>Budgetary</u> - Maintain the significant tax cuts that have already been enacted. Fiscally manage the budget to retain a state general fund ending balance of 7.5 percent of expenditures.</p> <p><u>Education</u> - Substantially increase spending for public education relative to the rest of the budget. Follow through with the second year of higher education restructuring, which includes governance changes, property tax cuts in community college districts, and substantial faculty salary increases at regents universities.</p> <p><u>Transportation</u> - Implement the second year of the 10-year Comprehensive Transportation Program.</p> <p><u>Children</u> - Reaffirm the commitment to Kansas children that includes the fiscal 2001 use of \$30 million from tobacco settlement funds for children's programs.</p> |
| Minnesota | <p><u>Education</u> - Gov. Ventura recommends nearly \$600 million in new investments in K-12, including an incentive fund of \$150 million for reducing class sizes in K-3.</p> <p><u>Government</u> - The goal is a smaller and more efficient government. Envisioned is a more simplistic tax system, more strategic and successful state government working in partnership with local government entities, and a unicameral legislature that spends at least one year out of four cleaning old and intrusive laws off the books.</p> <p><u>Economic Development</u> - The objective is to have trade and economic development be the engine of Minnesota. The strategy is to sell tourism and business development, developing export markets, attracting firms, licensing technology, and creating opportunities.</p> |
| Missouri | <p><u>Economy</u> - In lieu of tax cuts passed in 1999, Missouri citizens will receive the third largest tax cut in the nation this year. Focus is being directed toward continued job growth and job retention, a growing high-tech industry spurred by new seed capital, major development projects that not only generate new business but preserve the unique historic character of the state's downtowns that will guarantee a competitive workforce for the 21st century.</p> <p><u>Education</u> - Missouri will continue to provide improved ways of distributing school financing, emphasizing technology, new performance standards, tough accountability measures, and other initiatives. The state will also continue to offer school district grants, which they can tailor to make their schools a more secure environment for students. Governor Carnahan is recommending that, once again, Missouri's school foundation formula be fully funded.</p> <p><u>Crime</u> - Missouri will continue its efforts to improve safety and fight crime, specifically focusing on drunken drivers. The state will continue to propose lower legal blood alcohol content levels and increase maximum jail time for first offenses from six months to one year. Also, the state will continue charging most violent juvenile offenders who commit adult crimes in adult court and offering victims support and assistance.</p> |
| Nebraska | <p><u>Taxes</u> - Proposing that Nebraska repeat the \$30-million community college aid that resulted in dollar-for-dollar property tax relief in 1999. Coupled with the \$35-million tax credit already approved for this year, property taxpayers would benefit from \$65 million in direct property tax relief this year. Provide continued commitment to allocate over-appropriated funds in the state aid to education formula to the following year's school aid. If Nebraska provides another year of community college aid, in addition to the direct credit and the school levy drop, a total of \$155 million in state resources will have been dedicated to property tax relief.</p> <p><u>Economic Development</u> - The economy in metropolitan areas and larger counties is experiencing growth, but the economy in rural areas and more sparsely populated counties has been adversely impacted by the crisis that has afflicted the agriculture economy. Nebraska will focus on a recent legislative initiative known as the "Rural Economic Opportunities Act" in pursuit of a more balanced economy.</p> <p><u>Health, Safety, and Success of Children</u> - Making adjustment that will provide additional dollars for child care, child welfare services, and adoption assistance for families willing to provide homes for children eligible for adoption. An added \$28 million to cover child care expansions that have been incurred and an additional \$11 million will be sought to cover the cost of more children being placed in state custody. Federal funds will be sought to lessen the impact on the general fund.</p> |
| North Dakota | <p><u>Technology</u> - Improve high-tech infrastructure to maximize the state's competitive advantage and improve the delivery of health care education and commerce.</p> <p><u>Education</u> - Challenge students to higher achievement, improve teachers' salaries, and reward excellence in teaching.</p> <p><u>Economic Development</u> - Use high-tech information to enhance job opportunities and traditional businesses.</p> |
| South Dakota | <p><u>Early Childhood</u> - Aggressive child nutrition and health care for children below three years old.</p> <p><u>Education</u> - Teachers certification and student testing.</p> <p><u>Environment</u> - Create new office of Agricultural Policy and Advocacy to deal with clean water, endangered species, and wetland issues.</p> |

TABLE 4 (continued)

SOUTHEAST

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| Alabama | <p><u>Education</u> - Reform education through a school accountability plan. The plan includes raising teacher salaries, giving schools and teachers the tools they need to succeed, and rewarding schools that improve. The plan also streamlines teacher and principal tenure laws, cuts administrative costs, and uses accountability report cards for every school.</p> <p><u>Criminal Justice</u> - Proposes to eliminate the two-tier death penalty process; toughen actions taken on adults who sexually assault children; provide mandatory jail time for repeat domestic violence offenders; and close legal loopholes on drunk driving.</p> <p><u>Governmental Accountability</u> - Make state government more accountable by imposing stricter reviews of expenditures in the use performance-based budgeting.</p> |
| Arkansas | <p><u>Education</u> - Improve education through increased school funding; continue support for Smart Start (K-4 initiative); establish autonomy and accountability for technical schools; and expand the scholarship programs by raising the family income limits.</p> <p><u>Tax Reform</u> - Bring about some tax relief by reforming the property tax system.</p> <p><u>Juvenile Justice</u> - Reform the juvenile justice system through blended sentencing and working to intervene and prevent violence.</p> |
| Florida | <p><u>Economic Development</u> - Support and implement the "One Florida" initiative by ending affirmative action programs while finding better ways to increase opportunities for all of Florida's citizens.</p> <p><u>Education</u> - Raise student achievement by increasing K-12 funding (by \$720 million), increasing funding to help schools improve, and providing extra assistance for teacher training and support.</p> <p><u>Juvenile Justice</u> - Reduce juvenile crime and illegal drug use through strong anticrime measures.</p> |
| Georgia | <p><u>Education</u> - Improve education by lowering class size, establishing accountability mechanisms, and ending teacher tenure.</p> |
| Kentucky | <p><u>Education</u> - Improve education through a variety of means, including funding family resource centers; helping teachers do a better job; reducing dropout rates; and making postsecondary education a high priority.</p> <p><u>Employment</u> - Develop a system of adequate and competitive compensation for state employees.</p> <p><u>Children</u> - Invest in early childhood development.</p> |
| Louisiana | <p><u>Jobs/ Exports</u> - Add value to exports and create new jobs and wealth in areas of high technology.</p> <p><u>Participation</u> - Empower citizens through referendum to participate with their legislative representatives in addressing certain problems that affect them all.</p> |
| Mississippi | <p>Offer better child care opportunities for Mississippi's working families; meet the state transportation needs; expand workforce training programs; and create agricultural success.</p> |
| North Carolina | <p><u>Education</u> - Reform education by expanding Smart Start, raising teacher standards and salaries, making schools safe, and ending social promotion.</p> |
| South Carolina | <p><u>Education</u> - Improve and reform education through a variety of initiatives, including increasing the number of teachers that are nationally certified; providing performance bonuses; establishing character education programs in every school; taking a comprehensive look at child care; and establishing an education lottery to fund college scholarships and pay for technology in the classroom. In addition, Gov. Hodges proposes an additional \$10 million for the state's preschool readiness program and \$23 million to meet education accountability standards.</p> <p><u>Senior Citizens</u> - Provide financial and medical relief to the state's senior citizens through tax cuts and home health care services (\$4.5 million).</p> <p><u>Tobacco</u> - Aid tobacco communities and underdeveloped areas of the state by establishing an economic development trust fund from some of the tobacco settlement funds.</p> |
| Tennessee | <p><u>Tax Reform</u> - Change the tax structure to rely on a combination of income, sales, and property taxes. This would include enacting a personal property tax, reducing the state sales tax, and eliminating the state sales tax on food.</p> <p><u>Education</u> - Improve K-12 and higher education through early childhood development programs (\$12 million); investing in K-12 schools and programs (\$8 million); and investing in the state's higher education system by improving libraries, labs, and buildings (\$114 million).</p> <p><u>Health Care</u> - Improve the state's health care system by adding funds to the state's health care program (\$132 million); improving mental health services (\$14 million); and improving health services for children in state custody (\$9 million).</p> |
| Virginia | <p><u>Tax Reform</u> - Enact a series of tax reforms, including the elimination of the state portion of the food sales tax and the elimination of taxes on a portion of income of military personnel living in Virginia.</p> <p><u>Tobacco</u> - Use tobacco settlement funds for economic and agricultural development; health programs for children, mental illness, long-term care, and youth antismoking; and critical transportation and education infrastructure needs.</p> <p><u>Education</u> - Improve K-12 education by increasing student achievement, establishing performance report cards, and hiring more teachers to reduce class size. Other initiatives include dedicating lottery profits to K-12 programs (\$245 million), faster processing of standardized tests (\$3.3 million), and early reading programs (\$5.3 million).</p> |
| West Virginia | <p><u>Economic Development</u> - Continue to diversify the state's economy through a new strategic study of opportunities and hold an economic summit to develop a strong economic development foundation.</p> |

TABLE 4 (continued)

SOUTHWEST

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| Arizona | <p><u>Education</u> - Improve school facilities and the quality of education in the classroom. Growth Management - Preservation of open spaces, establishment of a conservation trust, citizen involvement in community planning, and self-determined growth limits for cities and counties.</p> <p><u>Tobacco Settlement</u> - Health care is the first priority for these funds.</p> <p><u>Health</u> - Allocate \$80 million to building a new mental health hospital. Emphasize the state's behavioral health needs and early intervention and health insurance for children.</p> |
| New Mexico | <p><u>Education</u> - School vouchers; program and performance-based budgeting for schools; teacher merit pay; amend school material purchasing requirements; expand school testing program to include K-2 students; and expand state school accountability system to include all schools in the state.</p> <p><u>Economic Development</u> - Cut income taxes by \$65 million over the next three years; cut unemployment tax by \$50 million over the next two years.</p> <p><u>Government Reform</u> - Fully implement performance-based budgeting for more state agencies.</p> |
| Oklahoma | <p><u>Marriage Legislation</u> - Pass the covenant marriage bill.</p> <p><u>Alcohol</u> - Lower the DWI threshold to 0.08.</p> <p><u>Drug Enforcement</u> - Support initiatives to expand drug enforcement and treatment, including having drug testing in schools.</p> |
| Texas | <p><u>Education</u> - Improve education through early childhood initiatives; advanced placement programs; and additional funding for teachers, school construction, and school vouchers.</p> <p><u>Tax Reform</u> - Help taxpayers through a series of tax cuts for consumers and small businesses.</p> |

ROCKY MOUNTAIN

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| Colorado | <p><u>Public Safety</u> - Ban straw purchases of firearms; include juvenile records in background checks; require gun storage locks; state gun show background checks; make guns on school grounds a class 1 felony;</p> <p><u>Taxes</u> - Cut state income taxes by \$200 million.</p> <p><u>Government</u> - Implement New Century Colorado initiative to find savings in state government.</p> <p><u>Education</u> - Establish report cards for school performance, convert failing schools into independent charter schools; allow students to transfer to other schools via state-funded vouchers; replace tenure for all newly hired teachers; and require testing for college sophomores.</p> |
| Idaho | <p><u>Education</u> - Address K-12 school facility life safety maintenance issues and commit state to fund \$50 million over the next 20 years; increase penalties for guns in schools; establish Idaho Reading Specialist Examination program for teacher testing.</p> <p><u>Economic Development</u> - Expand and market state economy overseas.</p> <p><u>Environment</u> - Address salmon and other endangered species issues and redirect resources in the most cost-effective ways.</p> |
| Montana | Not applicable due to biannual budget. |
| Utah | <p><u>Education</u> - Increase school funding by 7.4 percent; support school/student performance standardization and testing; and increase higher education graduation rates.</p> <p><u>Economy</u> - Propose \$20-million cut in unemployment taxes, modify sales tax structure, and eliminate sales tax on food.</p> <p><u>Capital Construction</u> - Continue highway expansion and improvement and start planning for reconstruction of state capitol building.</p> |
| Wyoming | <p><u>Education</u> - Reinstate 2 mills property tax to fund school construction; use interest earnings from water development fund for education; divert portion of federal mineral royalties from transportation into an educational equity fund; and charge administrative fee on collection of mineral royalties.</p> <p><u>Children</u> - Phased funding for Wyoming Kid Care health insurance coverage.</p> <p><u>Tobacco</u> - Use settlement funds for smoking prevention programs.</p> <p><u>Public Safety</u> - Fund contract placement for men and women felons.</p> <p><u>Budgetary</u> - Increase tax on mineral and industry; impose broad-based taxes on gasoline and fuels and increase current taxes; remove sales tax exclusion on services; grant sales tax exclusion for food and water; remove sunset on 4-cent sales tax; and repeal of the 1999 Oil Recovery Act for severance taxes on oil and sales tax on electricity used to produce oil.</p> |

TABLE 4 (continued)

FAR WEST

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| Alaska | <p><u>Education</u> - Additional \$7.6 million for after-school sessions, lower class sizes, summer school, and tutoring; additional \$2 million for Head Start programs; school construction bonds totaling \$550 million; and \$5 million for completion of Hutchinson Center for vocational opportunities.</p> <p><u>Transportation</u> - Approval of \$350-million transportation initiative sought.</p> <p><u>Children</u> - \$25.4 million for Smart Start early childhood learning program.</p> <p><u>Budgetary</u> - Achieve balance budget through combination of spending reductions and savings.</p> |
| California | <p><u>Education</u> - Fund to increase teacher recruitment through economic incentives, such as loan forgiveness, fellowships, subsidized homes loans, and cash awards. Implement \$20-million program to require core classes in all high schools. Funding for 100,000 new pre school slots; \$75 million to launch California Institute for Science and Innovation.</p> <p><u>Health Care</u> - \$500 tax credit for caregivers or for elderly themselves. \$20 million of 10-year, \$500-million program to expand adult day care facilities; \$26 million to curb medical fraud.</p> <p><u>Transportation</u> - An additional \$3 billion in new highway construction funds.</p> <p><u>Public Safety</u> - Hire 100 new patrol officers.</p> |
| Hawaii | <p><u>Education</u> - Proposed three-year, \$210-million repair and maintenance program for schools, universities, and public buildings; establish school accountability and testing measures.</p> <p><u>Economic Development</u> - Establish \$50-million Hawaii Technology Fund to fund technology venture capital; increase state minimum wage.</p> <p><u>Tobacco</u> - Increase tax on tobacco to fund drug rehabilitation in prisons.</p> <p><u>Employment</u> - Decentralize collective bargaining and initiate timely and flexible recruitment and job classification system; replace Employee Health Fund with Union-Employer Trust Fund.</p> |
| Nevada | Not applicable due to biannual budget. |
| Oregon | <p><u>Education</u> - Create Stability in School Funding Act to maintain school funding using tobacco funds, interest income, and tax revenue surplus; create Accountability and Equity in School Funding Act to equalize and maintain education funding levels across the state; hire 500 teachers by 2003; establish teacher mentor program; and create tier-one engineering school by 2010.</p> <p><u>Health Care</u> - Universal health insurance coverage for all noninsured residents.</p> |
| Washington | <p><u>Education</u> - Teacher training, testing, and development; reduced classroom size by hiring 1,000 new teachers. Increase school construction funding.</p> <p><u>Economic Development</u> - Reduce state employees by 1,500, privatize state services, and increase state employee collective bargaining.</p> |

TERRITORY

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| Puerto Rico | <p><u>Education</u> - The construction and expansion of 217 schools, including 73 new elementary schools, 42 new intermediate schools, a new vocational center for artisans, a new technological institute, and more with \$1.2 million.</p> <p><u>Environment</u> - For the establishment of the State Forest of the New Millennium, \$4 million. To increase the production and planting of trees, \$7 million.</p> <p>For early retirement for government employees, \$17 million.</p> <p><u>Public Safety</u> - For recruiting new police and increasing police force to 21,000, \$8.5 million; for increasing the basic monthly salary of firemen to \$1,200 and recruiting 100 additional firemen, \$4 million; for opening the Fajardo Judicial Center, \$6.2 million; for correctional health and treatment of penal patients with transmissible diseases such as AIDS, \$9 million (part of a total of \$79 million dollars dedicated to prisoner health care); and for the implementation of the second phase of the classification plan for correctional and administration personnel, \$3.1 million.</p> |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

State Revenue Developments

CHAPTER TWO

Overview

Nationwide, proposed net tax and fee changes would decrease state revenues by nearly \$1.7 billion for fiscal 2001 (see Table 5). If these changes are enacted, this would be the seventh consecutive year that state actions would result in a decrease in new revenues (see Figure 3). Reflecting the general fiscal health of the states, the proposed tax reductions continue the trend in recent years to reduce taxes. In contrast, net state tax reductions occurred only twice in the 1980s, totaling \$3.1 billion. Most of the proposed fiscal 2001 tax reductions focus on reducing personal and corporate income, sales, and property taxes.

On average, estimated actual fiscal 2000 state tax collections were just over 2.6 percent higher than anticipated when states adopted their fiscal 2000 budgets (see Appendix Table A-5). Fiscal 2000 tax collections in personal and corporate income taxes combined were just 1.1 percent higher than anticipated, while sales tax collections were just 1.2 percent higher than anticipated. Traditionally, personal and corporate income tax collections are more difficult to anticipate because of the link between many states' personal income tax structure and the federal income tax structure. States' revenue estimates when adopting fiscal 2000 budgets were close to actual fiscal 2000 collections.

Collections in Fiscal 2000

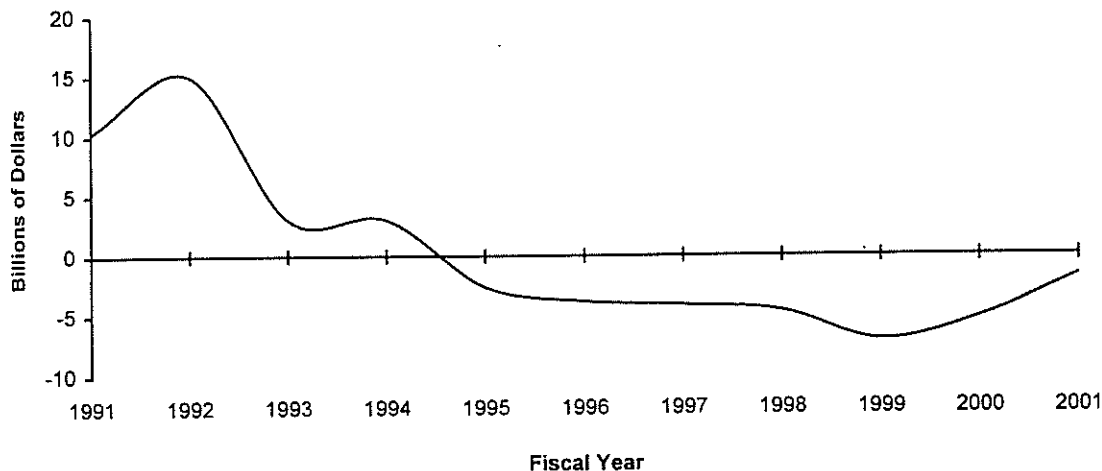
Estimated fiscal 2000 state revenues increased by 5 percent over actual fiscal 1999 revenue collections (see Appendix Tables A-1 and A-2). In fact, all but seven states experienced sales, personal income, and corporate income tax collections that met or exceeded expectations when states adopted their fiscal 2000 budgets (see Appendix Table A-5). These taxes represent well over two-thirds of the states' general fund revenues.

Projected Collections for Fiscal 2001

Reflecting a more optimistic revenue expectation by the nation's Governors when adopting the fiscal 2001 budgets, projected sales, personal income, and corporate income tax collections are anticipated to increase by 4.4 percent, 6.2 percent, and 1.0 percent, respectively, over preliminary actual fiscal 2000 collections (see Appendix Table A-6). Fifteen states adopted fiscal 2001 budgets anticipating a decline in corporate income tax collections, compared with three states in which fiscal 2001 sales or personal

FIGURE 2

Enacted State Revenue Changes, Fiscal 1991 to Fiscal 2001



SOURCE: National Association of State Budget Officers.

TABLE 5

Enacted State Revenue Changes, Fiscal 1979 to Fiscal 2001, and Proposed State Revenue Change, Fiscal 2001

| State | Revenue Change (Billions) |
|-------|------------------------------|
| 2001 | \$-1.7 |
| 2000 | -5.2 |
| 1999 | -7.0 |
| 1998 | -4.6 |
| 1997 | -4.1 |
| 1996 | -3.8 |
| 1995 | -2.6 |
| 1994 | 3.0 |
| 1993 | 3.0 |
| 1992 | 15.0 |
| 1991 | 10.3 |
| 1990 | 4.9 |
| 1989 | 0.8 |
| 1988 | 6.0 |
| 1987 | 0.6 |
| 1986 | -1.1 |
| 1985 | 0.9 |
| 1984 | 10.1 |
| 1983 | 3.5 |
| 1982 | 3.8 |
| 1981 | 0.4 |
| 1980 | -2.0 |
| 1979 | -\$2.3 |

SOURCES: Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism*, 1985-86 edition, page 77, based on data from the Tax Foundation and the National Conference of State Legislatures. Fiscal 1988-2001 data provided by the National Association of State Budget Officers.

income tax collections were expected to decline from the previous year.

Proposed Revenue Changes for Fiscal 2001

Twenty-one states are proposing net revenue changes for fiscal 2001 that would decrease revenues by \$1.7 billion (see Table 6 and Appendix Table A-7).

Fiscal 2001 revenue actions are highlighted below and are detailed in Appendix Table A-7. In some cases, the revenue changes include phased-in tax changes, such as in Florida, New York, and Pennsylvania. Excluded from these amounts are refunds that states make based on constitutional and statutory revenue limits, such as in Colorado and Missouri. Also not shown is West Virginia's \$700-million sales tax rebate, as it would be listed as a general fund expenditure.

Although the \$1.7-billion decrease represents the seventh year in a row that proposed and enacted

revenue changes have resulted in a net decrease in states' revenues, it is significantly less than in years past and may signal a nationwide slowing in tax and fee cut initiatives.

The most notable tax proposals include Tennessee's proposed 2.75-percent reduction in the sales and use tax rate, repeal of the sales tax on grocery food items, and implementation of a state income tax, resulting in an estimated net tax increase of \$416 million in fiscal 2001. Enacted tax cuts include Michigan's phase-in of a \$820-million tax cut, which entails a 0.01-percent reduction in the single business tax and personal income tax rate, as well as a number of new exemptions for dependents and children with disabilities. Other enacted tax cuts include Pennsylvania's phase-out of capital stock tax and one-time rebate totaling \$619 million, and Florida's 1 mill rate cut on personal property, resulting in a reduction in net revenue of \$471 million in fiscal 2001.

This survey differentiates between tax and fee increases and decreases (shown in Table 8 and Appendix Table A-9) and revenue measures (shown in Appendix Table A-10). Tax and fee changes reflect changes in current law that affect taxpayer liability. Revenue measures include deferrals of tax increases or decreases that do not affect taxpayer liability. An example of a revenue measure is the extension of a tax credit that occurs each year.

Sales Taxes. Thirteen states are proposing or implementing sales tax changes for fiscal 2001, resulting in a net decrease of \$2.04 billion for fiscal 2001. The most significant changes are Tennessee's proposed sales tax rate reduction from 6 percent to 3.75 percent (\$1.9 billion), Colorado's sales tax rate cut (\$71 million), and Florida's one-time sales tax holiday on clothing items under \$100 (\$42.8 million).

Only two states, Wisconsin and Wyoming, proposed a sales tax change resulting in net revenue increases. These states proposed eliminating certain sales tax exemptions, resulting in a net revenue increase of \$3.3 million and \$13 million, respectively.

Personal Income Taxes. Eighteen states are proposing or implementing changes to personal income tax rates, resulting in a net revenue increase of \$2.1 billion. A significant portion of those increases is attributed to Tennessee's proposed introduction of a new personal income tax of 3.75 percent.

Other states, however, have proposed or enacted personal income tax reductions by reducing the top marginal rate, increasing deductions and exemptions,

TABLE 6

Proposed Fiscal 2001 Revenue Actions by Type of Revenue and Net Increase or Decrease*
(Millions)

| State | Sales | Personal Income | Corporate Income | Cigarettes/ Tobacco | Motor Fuels | Alcohol | Other Taxes | Fees | Total |
|----------------|------------|--------------------|---------------------|------------------------|----------------|---------|----------------|--------|----------|
| Alabama** | | | \$55.0 | | | | N/A | \$14.8 | \$69.8 |
| Alaska | | | | | | | | | 0.0 |
| Arizona | | | | | | | | | 0.0 |
| Arkansas | | | | | | | | | 0.0 |
| California | \$-5.0 | \$-107.0 | -55.0 | | | | | | -167.0 |
| Colorado | -71.3 | -121.2 | | | | | \$-41.7 | | -234.2 |
| Connecticut | -3.5 | -28.4 | -15.7 | | \$-98.8 | | -78.7 | -\$1.8 | -226.9 |
| Delaware | | | | | | | | | 0.0 |
| Florida | -42.8 | | | | | \$-31.8 | -481.5 | -22.2 | -578.3 |
| Georgia | -7.0 | | -8.0 | | | | | | -15.0 |
| Hawaii | | | -24.8 | | | | | | -24.8 |
| Idaho | | -1.2 | | | | | | | -1.2 |
| Illinois | | | | | | | | | 0.0 |
| Indiana | | | | | | | | | 0.0 |
| Iowa | | | | | | | | | 0.0 |
| Kansas | | | | | | | | | 0.0 |
| Kentucky | | | | | | | | | 0.0 |
| Louisiana | | | | | | | 269.0 | | 269.0 |
| Maine | -7.5 | -23.1 | | | 23.3 | | 2.8 | | -4.5 |
| Maryland | | | | | | | -3.0 | | -3.0 |
| Massachusetts | | -135.0 | | | | | | | -135.0 |
| Michigan | -9.6 | -493.8 | -271.1 | | | | -49.0 | | -823.5 |
| Minnesota | | 6.8 | | | | | | 2.7 | 9.5 |
| Mississippi | | | | | | | | | 0.0 |
| Missouri | | | | | | | | | 0.0 |
| Montana** | | | | | | | -18.4 | | -18.4 |
| Nebraska | | | | | | | | | 0.0 |
| Nevada | | | | | | | | | 0.0 |
| New Hampshire | | | 22.0 | 28.0 | | | 36.0 | | 86.0 |
| New Jersey | | | | | | | | 4.6 | 4.6 |
| New Mexico | | 40.0 | | | | | | | 40.0 |
| New York** | -1.0 | -64.0 | -77.6 | | | -1.0 | -261.0 | 20.5 | -384.1 |
| North Carolina | | | | | | | | | 0.0 |
| North Dakota | | | | | | | | | 0.0 |
| Ohio | | | -15.0 | | | | | | -15.0 |
| Oklahoma | | -21.3 | | | | | -69.2 | 1.0 | -89.5 |
| Oregon | | | | -1.7 | | | | | -1.7 |
| Pennsylvania | -8.3 | -16.2 | | | | | -619.0 | | -643.5 |
| Puerto Rico | | 141.0 | | | | | | | 141.0 |
| Rhode Island | | -17.6 | | | | | | | -17.6 |
| South Carolina | -3.6 | 2.8 | | | | | | | -0.8 |
| South Dakota | | | | | | | | | 0.0 |
| Tennessee | -1,900.0 | 2,316.7 | | | | | | | 416.7 |
| Texas | | | | | | | | | 0.0 |
| Utah | | | | | | | -20.0 | 5.0 | -15.0 |
| Vermont | | | | | | | 4.6 | | 4.6 |
| Virginia | | | | | | | | | 0.0 |
| Washington | | | | | | | -45.9 | | -45.9 |
| West Virginia | | | | | | | 5.2 | | 5.2 |
| Wisconsin | 3.3 | 649.1 | | | | | | | 652.4 |
| Wyoming | 13.0 | | | | 22.5 | | 5.5 | | 41.0 |
| Total | \$-2,043.3 | \$2,127.6 | \$-390.2 | \$26.3 | \$-53.0 | \$-32.8 | \$-1,364.3 | \$24.6 | \$-1,705 |

NOTE: *See Appendix Table A-7 for details on specific revenue changes.

**See Notes to Table A-7.

SOURCE: National Association of State Budget Officers.

or providing homestead tax credits for persons with disabilities. Nine states currently do not have a broad-based personal income tax: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming.

Other states proposing or phasing in personal income tax reductions include Michigan (-\$494 million), Massachusetts (-\$135 million), California (-\$107 million), Colorado (-\$121 million), and New York (-\$64 million).

Corporate Income Taxes. Nine states are recommending corporate income tax changes, resulting in a net decrease of \$390.2 million. Michigan continues to phase in a reduction in the single business tax rate, resulting in a net tax decrease of \$271 million. Other proposals include New York's continued phase-out of corporate income taxes and other utility deregulation-related corporate franchise tax changes resulting in a net tax decrease of \$75 million.

Cigarette, Tobacco, and Alcohol Taxes. Often states increase cigarette and tobacco taxes to discourage smoking and raise revenue for health-related programs. This year, as states begin receiving initial payments of the Tobacco Master Settlement, and as tobacco companies themselves increase the price of tobacco, only one state, New Hampshire, is considering an increase in cigarette taxes, resulting in a net tax increase of \$28 million. In addition, Florida is

continuing with the second year of a three-year phase-out of the alcoholic beverage surcharge, resulting in a net tax loss of \$32 million in fiscal 2001.

Motor Fuel Taxes. For fiscal 2001, three states have proposed changes to motor fuel taxes, resulting in a nationwide net tax decrease of \$53 million. The most significant proposed tax change is Connecticut's 7-cent per gallon gas tax reduction, resulting in a net decrease of nearly \$99 million. Proposals resulting in net fuel tax increases include Maine's 3-cent-per-gallon fuel tax increase (\$23 million), and Wyoming's 5-cent per gallon fuel tax increase (\$22.5 million).

Other Taxes and Fees. Revenues generated from other taxes, including personal property taxes, usually cover the costs for licensing and regulation enforcement, promote environmental conservation, and generate revenues for health care. Fees are often associated with motor vehicles and other types of licensing. In total, enacted and proposed fiscal 2001 changes in other taxes and fees combined, resulted in a net reduction of \$1.3 billion. Some of the more significant tax changes include Pennsylvania's capital stock tax phase-out, resulting in a net tax decrease of \$619 million, and Florida's 1 mill property tax rate cut, resulting in a tax decrease of just over \$471 million.

Total Balances

CHAPTER THREE

The nation's continued economic growth has enabled states to build and maintain their reserves. If initiatives are enacted as proposed, fiscal 2001 would be the eighth consecutive year that state fund balances have exceeded 5 percent of expenditures annually (see Table 7). These balances reflect the continuation of the economic expansions and underscore that during healthy economic times, states need to accumulate balances for a possible downturn.

The combined fund balances recommended by the nation's Governors for fiscal 2001 total \$29.1 billion, or 5.6 percent of expenditures (see Table 7). Twenty-two of the Governors have recommended year-end balances of 5 percent or less for fiscal 2001, and 18 Governors have recommended budgets with year-end balances of 5 percent to 10 percent. Additionally, 10 Governors have recommended budgets with year-end balances of 10 percent or more, a healthy cushion for economic and other uncertainties (see Table 8 and Figure 3). Nationally, the average state fiscal 2000 year-end balance is estimated to be 6.4 percent of total expenditures and 5.6 percent in fiscal 2001.

Fund balances as a percentage of total expenditures in the last eight years have been the highest in the past 22 years (see Figure 4). Total year-end bal-

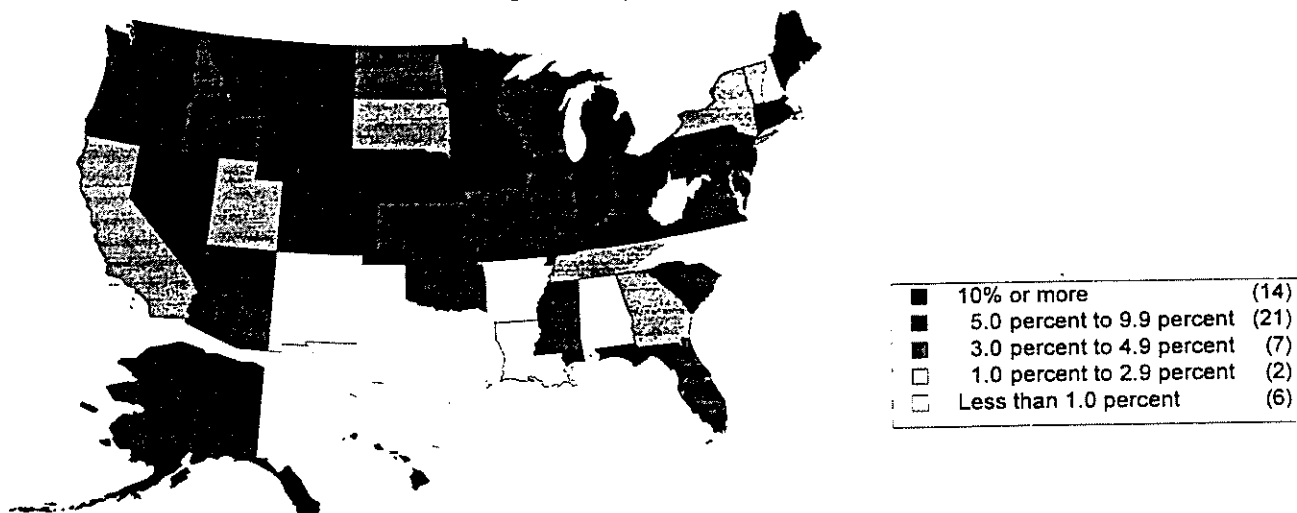
ances reflect those funds that remain after state fiscal obligations have been budgeted for, and that may be used to respond to unforeseen circumstances. Both ending balances and the balances of budget stabilization or "rainy-day" funds are included in total balance figures (see Appendix Tables A-1, A-2, A-3, and A-9). These balances help prevent major disruptions in services if the economy slows from its current rapid pace.

States experienced a rapid decline in fund balances during the economic downturn of the early 1980s and the early 1990s. States developed healthy balances of 9 percent of expenditures in fiscal 1980 only to see those balances diminish to 4.4 percent in fiscal 1981. The experience of this rapid decline in fund balances, combined with the budget cutting and tax increases required to maintain balanced budgets during the early 1990s, has led states to cautiously position themselves to manage the next economic downturn with less disruption to the services citizens expect from government.

During the early 1990s, states did not have adequate balances to weather the fiscal storm. Balances were at 4.8 percent of expenditures in fiscal 1989 before the economic decline. However, those balances fell to a low of 1.1 percent by fiscal 1991.

FIGURE 3

Total Year-End Balances as a Percentage of Expenditures, Fiscal 2000



SOURCE: National Association of State Budget Officers.

TABLE 7

Total Year-End Balances, Fiscal 1979 to Fiscal 2001

| <i>Fiscal Year</i> | <i>Total Balance (Billions)</i> | <i>Total Balance (Percentage of Expenditures)</i> |
|--------------------|---------------------------------|---------------------------------------------------|
| 2001* | \$29.1 | 5.6% |
| 2000* | 31.9 | 6.4 |
| 1999 | 39.1 | 8.4 |
| 1998 | 35.4 | 9.2 |
| 1997 | 30.7 | 7.9 |
| 1996 | 25.1 | 6.8 |
| 1995 | 20.6 | 5.8 |
| 1994 | 16.9 | 5.1 |
| 1993 | 13.0 | 4.2 |
| 1992 | 5.3 | 1.8 |
| 1991 | 3.1 | 1.1 |
| 1990 | 9.4 | 3.4 |
| 1989 | 12.5 | 4.8 |
| 1988 | 9.8 | 4.2 |
| 1987 | 6.7 | 3.1 |
| 1986 | 7.2 | 3.5 |
| 1985 | 9.7 | 5.2 |
| 1984 | 6.4 | 3.8 |
| 1983 | 2.3 | 1.5 |
| 1982 | 4.5 | 2.9 |
| 1981 | 6.5 | 4.4 |
| 1980 | 11.8 | 9.0 |
| 1979 | 11.2 | 8.7 |

NOTE: Figures for fiscal 1999 are actual; figures for fiscal 2000 are estimated; figures for fiscal 2001 are recommended.

SOURCE: National Association of State Budget Officers.

TABLE 8

Total Year-End Balances as a Percentage of Expenditures, Fiscal 1999 to Fiscal 2001

| <i>Percentage of Expenditures</i> | <i>Number of States</i> | | |
|-----------------------------------|-----------------------------|-----------------------------------------|----------------------------------|
| | <i>Fiscal 1999 (Actual)</i> | <i>Fiscal 2000 (Preliminary Actual)</i> | <i>Fiscal 2001 (Recommended)</i> |
| Less than 1.0% | 1 | 6 | 5 |
| 1.0% to 2.9% | 4 | 2 | 7 |
| 3.0% to 4.9% | 5 | 7 | 10 |
| 5.0% to 9.9% | 20 | 21 | 18 |
| 10% or more | 20 | 14 | 10 |

NOTE: The average for fiscal 1999 (actual) was 8.4 percent; the average for fiscal 2000 (estimated) is 6.4 percent; and the average for fiscal 2001 (recommended) is 5.6 percent.

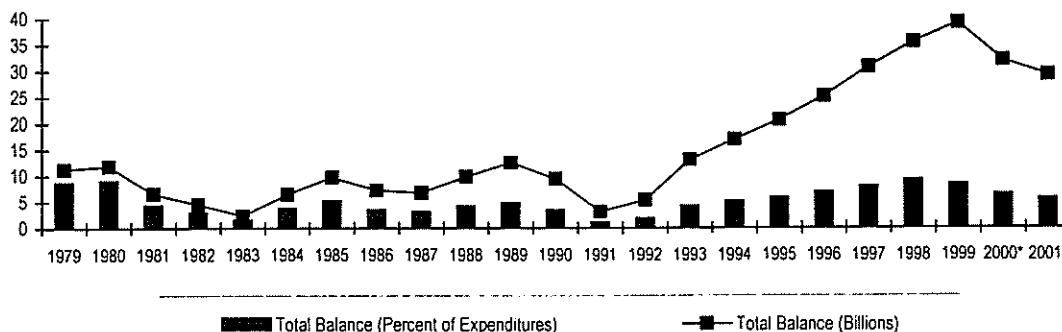
SOURCE: National Association of State Budget Officers.

Because of the lack of resources, states had to reduce current-year budgets, which caused a great deal of uncertainty for those receiving and delivering necessary state services. In fiscal 1992 and 1993, 35 states and 23 states, respectively, were forced to reduce current-year budgets due to the serious economic decline. At this same time, states sharply increased taxes, raising \$25 billion of new revenue over that two-year period.

Since fiscal 1998 (the peak of state balances at 9.2 percent of expenditures), fund balances have begun to slowly decline as the effects of tax cuts, an increase in state service obligations, and a leveling off

FIGURE 4

Total Year-End Balances and Total Year-End Balances as a Percentage of Expenditures, Fiscal 1979 to Fiscal 2001



SOURCE: National Association of State Budget Officers.

of the economy begin to show. If enacted, fiscal 2001 year-end fund balance percentages would be the lowest since fiscal 1994, despite a modest proposed increase in expenditures of 3.8 percent in fiscal 2001 by the nation's Governors. The 3.8-percent increase reflects a conservative budget approach by the states, despite optimistic projections of future tax sales, personal, and corporate tax revenue collections. As Table A-6 shows, fiscal 2001 sales and corporate income taxes combined are projected to increase by 5.4 percent. Personal income tax collections, which generally collect taxes on earnings from the previous year, are expected to increase by 6.2 percent.

Because of the additional responsibilities that states have assumed under the Temporary Assistance for Needy Families (TANF) program, states will need the resource flexibility adequate fund balances provide when the economy slows down and the most disadvantaged recipients need assistance. Almost all states have some type of budget stabilization fund. These funds may be budget reserve funds, revenue shortfall accounts, and cash flow accounts. About three-fifths of the states have a limit on the size of the budget reserve fund ranging from 3 percent to 10 percent of appropriations. The most common limit is 5 percent of general fund appropriations. Funds above the budget stabilization fund limit generally would remain in the state's general fund ending balance.

States often use statutory formulas in determining the size, method of deposit, and withdrawal of budget stabilization or rainy-day funds. Access to such funds is often tied to specific formulas, such as when actual revenues fall below the forecasted amounts. Access may also be based on statutory indicators, such as a decline in state personal income. Cyclical budget shortfalls, if they are not too severe, are often addressed through budget stabilization or rainy-day funds. States may also use those balances for cash-flow purposes.

Budgetary reserves are often used to address short-term imbalances between revenues and expenditures. Long-term imbalances require long-term solutions, such as multiyear forecasting, spending affordability limits, and expenditure controls.

Some states have appropriation limits that can serve as a safeguard when revenues fall below expectations. By appropriating less than 100 percent of estimated revenues, as Delaware, Iowa, Mississippi, Oklahoma, and Rhode Island do, states give themselves a cushion for revenue shortfalls. This is preferable to the alternative, which is often to reduce enacted budgets mid-year because of revenue shortfalls.

Changes to Budgeting and Financial Management Practices

CHAPTER FOUR

Implementation of automated or integrated financial management systems comprise the majority of the most recent financial management practices of the states. Thirteen states have begun, or are in the process of completing, technological upgrades to their state budgeting systems as part of a general overhaul of their respective budget processes (see Table 9).

Now more than ever, states are experiencing a greater need for more timely, integrated, and comprehensive budget information. A number of technological factors have contributed to an increase in the desirability of integrated financial systems, including increased memory and processing speed, lower costs, efficient system implementation and maintenance, improved user-friendly operating systems, and enhanced integration capability with existing budgeting formats.

In addition, many states have incorporated these integrated systems as a part of a comprehensive overhaul of their budget processes. This includes implementing performance-based budgeting or performance-based mid-year budget reviews, adopting long-range planning, streamlining or decentralizing governmental functions, consolidating job classifications, and taking other actions designed to improve government efficiency.

A number of states, including Alabama, Arkansas, Colorado, Florida, Maine, New Hampshire, Nevada, Oklahoma, Virginia, Vermont, and Wisconsin, have incorporated some form of performance-based budgeting into their budget process this year. In addition, Kentucky and Puerto Rico have established new chief information officer positions as part of their ongoing budgeting process improvements.

TABLE 9

Proposed Changes to Budgeting and Financial Management Practices

NEW ENGLAND

| | |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Connecticut | Initiated a hiring freeze statewide. Excluded refill of positions critical to public health, welfare, and safety or essential to the management of state responsibilities. Governor's budget earmarks \$7.5 million in surplus dollars to finance the replacement of core financial and human resources systems targeted under Phase I of the project beginning in fiscal 2001. |
| Maine | Full implementation of performance budgeting for the 2002-2003 biennium based on the prototype submitted to the legislature. |
| Massachusetts | Abolishment of county government in three more of the state's 14 counties to eliminate the duplication of government services. The state, then, will have absorbed all or most of the functions of 10 county governments. The Governor also recommends requiring a two-thirds (instead of a simple majority) legislative vote to appropriate funds from the rainy-day fund. |
| New Hampshire | The state is beginning a pilot program on performance-based budgeting. |
| Vermont | Continued planning and implementation of new financial management system, including an integrated accounting/performance budgeting capability to be implemented in fiscal 2001. |

MID-ATLANTIC

| | |
|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| New Jersey | New Jersey is in the process of developing an RFP for an integrated financial and administrative suite that will integrate the human resource, payroll, and financial systems of the state. |
| Pennsylvania | Acquisition of a new integrated management system for accounting, budgeting, payroll, personnel, and procurement. |

GREAT LAKES

| | |
|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Illinois | Establish a rainy-day fund using tobacco settlement proceeds. |
| Ohio | The Department of Human Services and the Bureau of Employment Services will be merged into a new agency, the Department of Job and Family Services, effective July 1, 2000. |
| Wisconsin | Performance measurement will be required components in the next biennium's agency budgets. |

TABLE 9 (continued)

PLAINS

| | |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Iowa | An information technology department was approved and \$1.1 million for a new budget system is being recommended. |
| Missouri | A new human resources system is to be implemented during calendar year 2000. As part of the change to the new human resources system, state employees will be paid on a bimonthly lag payroll rather than the current monthly anticipatory payroll. |
| Nebraska | The Governor has placed a strict limit on the number of employees in agencies under his control. The first payment of \$6.5 million has been included for a new financial management system. |

SOUTHEAST

| | |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Alabama | The administration is imposing stricter review of expenditures and piloting performance-based budgeting in certain agencies. |
| Arkansas | The state is phasing in performance-based budgeting and continuing the development of a statewide integrated information system that will include activities-based costing with expenditures tied not only to costs, but also to measurable performance outputs. Functionality will include potential for full implementation of performance-based budgeting, strategic planning, and results evaluation. |
| Florida | <p>The Governor recommends streamlining and decentralizing workforce development services. Legislation created a new public-private partnership known as "Workforce Florida, Inc.," which will be responsible for developing and overseeing the implementation of consolidated workforce policy and planning strategies at the state and local levels. (These are Title I programs—The Workforce Investment Act of 1998.)</p> <p>The legislature recently passed a bill that will require all state agencies to develop zero-based budgets at least once every eight years.</p> <p>The Governor's recommendations redesign the budget format with the primary goal of producing a budget that is policy-based, priority-driven, and fully accountable. The redesigned budget format reflects the performance-based program budget process by displaying services provided and expected outcomes, specific activities and associated costs necessary to provide each service, performance standards for all activities, and accountability criteria.</p> <p>Statutory revisions were made to eliminate the strategic planning process and to replace it with a long-range program planning process. The changes also increased flexibility for agencies in managing their budgets and created a new process for zero-based budgeting.</p> <p>The legislature recently authorized the implementation of phase one for an integrated financial management system that will improve interoperability of the state's accounting, payroll, personnel, and budgeting systems in selected agencies. The overall goal of the initiative is to take an enterprise approach by using integrated state-of-the-art technology to reduce government's inefficiency in this area, thus lowering costs and providing higher quality information to Florida's policymakers and taxpayers.</p> <p>A reserve policy has been established for the state pension system. The vesting period has been lowered, and a defined contribution (DC) plan has been authorized. The defined benefit (DB) plan remains in effect with employees having a choice between DC and DB plans. Certain other benefits were also improved.</p> |
| Georgia | <p>Several agencies were combined or new ones were created. The Technology Authority will coordinate all IT functions of state government, the Department of Community Health will consolidate all health care and insurance functions, and the newly established Office of Education Accountability will develop benchmarks and monitor and report student achievement in kindergarten through postsecondary grades.</p> <p>There continues to be ongoing external audits of state agencies and the financial system will be converted to PeopleSoft by the end of fiscal 2000.</p> |
| Kentucky | The state established a chief information officer and placed the Commonwealth's Information Technology agency under a Governor's Office for Technology. The 2000-2002 biennial budget process was done with the use of a new budget system. |
| Virginia | <p>In January, the Joint Commission on Reform of the Classified Compensation Plan submitted its recommendations to the Governor and General Assembly in a final report that outlines the new compensation plan. This new plan represents a significant and positive revision to the current plan, which has not changed in over 40 years. The new plan is designed to attract qualified talent; retain a qualified workforce; reward employees for performance; and support organizational mission, goals, and objectives.</p> <p>Some key features of the new plan include replacing the step-based, 23 pay grades with nine "pay bands" with no steps. For example, under the new plan, current salary grades six, seven, and eight will combine to form a "band," with minimum and maximum salary rates.</p> <p>Consolidating approximately 1,640 state job classifications into about 275 new broad "roles," providing opportunities for employee career growth. Human resource teams from many state agencies are drafting the new role descriptions.</p> <p>Introducing a performance-based system that rewards employees for their job performance rather than continuing the current across-the-board approach for awarding pay raises.</p> <p>Providing more flexibility in pay practices. For example, employees will have more opportunities to receive base pay salary increases and move through their pay band as they gain knowledge and job-related skills or as they take on additional job duties. In addition, the flexibility to provide in-band pay adjustments will help retain high-performing employees and provide a way to bring lower salaries of long-term employees in line with salaries of new hires performing the same work.</p> |

TABLE 9 (continued)

The 2000 session of the General Assembly has approved the new compensation plan, and implementation will begin July 1, 2000.

Planned redesign of financial systems. Funding is included in the 1998-2000 biennial budget to plan for the redesign of the state's financial management systems, including its accounting system (CARS) and its budgeting system (PROBUD). The Governor included funding in his proposed budget for the 2000-2002 biennium for a replacement or upgrade to the PROBUD system. The replacement of this system is intended to improve user friendliness and increase the analysis and report-writing features. The state's budgeting and accounting systems do not share a common database, though they are integrated through file transfer technology to the extent required to meet management needs. The planned redesign will ultimately fully integrate the state's budgeting and accounting systems.

West Virginia The state has initiated a project to integrate its budget system more closely with its financial system to reduce duplicate data entry. At this time, the project is still in the review and planning stage.

SOUTHWEST

Oklahoma Agency management must be results-oriented. Agencies must use prudent budgeting practices so that there will be no supplemental budget requests. All legislation must be accompanied by fiscal analysis. The use of management efficiencies to free up resources that would be used for performance pay.

All executive branch agencies are to prepare a five-year strategic plan with the first one due in 2001. Replacement of existing systems with an effective data management and core system integration that permits file sharing and accessibility for all users. The core management system will provide common processing routines while maintaining the required financial data integrity control over financial transactions, resource balances, and other financial management systems.

ROCKY MOUNTAIN

Colorado The state established new budget instructions that require targeted base reviews and changes to strategic plan requirements.

Montana The state implemented an automated budgeting system in 1998-99. New financial and human resource systems are being implemented in fiscal 2000.

FAR WEST

California The health plan regulation was moved to its own new department.

Nevada Statewide fundamental review of all executive agencies in preparation for the next budget cycle. The state implemented an integrated system from direct agency input through legislative closing. All steps were accomplished electronically. Modified zero-based budget review for selected travel and operating expenditure elements.

Oregon The state has a new budgeting system under development for use beginning in 2003.

TERRITORY

Puerto Rico Adopt the position of chief information officer in public organizations. Propose that mechanisms on the use of information technology and the Internet in each organization be strengthened as tools to garner savings, efficiency, and effectiveness, and, at the same time, allow for greater exposure of information to the public and multiply ordered and articulated initiatives of expanded services (open government or providing 24-hour services, seven days a week).

Puerto Rico aims to reduce the constitutional lending margin to 7 percent by arranging for an ordered reduction in the limit of the current constitutional lending margin of 15 percent. The margin is to decrease gradually in 10 years to the new maximum of 7 percent, as suggested by the credit evaluations of the GPR and similar to the margins in the states. The Commonwealth is also aiming to match general fund in works of capital improvement by requiring additional bond issuance for public permanent work. This is to be accomplished by contributing a sum equivalent to 2 percent in fiscal 2001 and 2 percent each subsequent year up to 20 percent in fiscal 2010. This will result in a proportional reduction of public debt and increased investment in the public work in absolute terms.

Puerto Rico will also work toward a requirement that future extra-constitutional debts can only incur with the expressed consent of the legislative assembly. The Commonwealth hopes to expand and strengthen the inventory and publication of indicators by identifying the statistics that citizens and investors need access to and to establish appropriate inventory mechanisms, reliability certification, and offer unlimited access via the Internet.

Special Feature: Growth in State Medicaid/S-CHIP

Growth of the Medicaid program continues to be an important budget issue for the states. State Medicaid spending totaled \$173 billion in fiscal 1999, an increase of 6 percent from 1998. Medicaid's share of total state expenditures has grown from 10 percent in 1987 to just under 20 percent in 1999, and is second only to elementary and secondary education in terms of total state spending. According to the Congressional Budget Office (CBO) estimates, state Medicaid spending is projected to grow by an average of 8 percent annually after fiscal 2001.

Background

Medicaid is a means-tested program that provides medical care for the poor. In exchange for federal funding, states must meet broad federal minimum standards in eligibility categories and covered services. Once those are met, states have wide latitude in determining who is covered, what services are covered, limits on the amounts of services, and reimbursement levels for provided services. Although Congress has gradually expanded the minimum standards that all states must meet, there is considerable variation among the programs, and no two state programs are alike. The program is jointly funded by the states and the federal government with states providing matching funds based on a federal rate that varies depending on state per capita personal income. While participation in the Medicaid program is voluntary, all states have elected to do so.

States must provide Medicaid coverage to certain population groups (low-income families, children, and pregnant women, and persons who are aged, blind, or disabled) and have the option of covering other populations. Certain basic medical services must also be provided, while additional services may be covered if the state chooses. Basic services include in-patient hospital care, nursing homes, state facilities for the mentally retarded, home health care, physician services, and outpatient hospital care.

Medicaid Cost Drivers

Medicaid's historically high annual cost increases have stabilized in recent years, due primarily to states' cost containment measures, congressional limits on the disproportionate share hospital program, the im-

proving economy, and the increased use of managed care.

However, states have reported a variety of program and demographic factors that may contribute to a renewed growth in future Medicaid expenditures, most notably the use of long-term care and the rise in pharmaceutical costs (see Table 11).

Pharmaceutical cost increases reflect increases in the costs of prescriptions and in volume. Reasons cited for the rise in pharmaceutical usage are the aging of the population, and direct consumer advertising. Another reported factor that could renew increases in future Medicaid costs is the increasing number of elderly and disabled people receiving long-term care services. In addition, to keep managed care plans in the Medicaid market, states are beginning to feel the pressure to increase their capitation rates, thus diminishing the savings realized by using managed care.

In addition, states report actions to increase reimbursement rates and expand eligibility, especially for pregnant women and other adults, as additional contributing factors to recent cost increases.

Medicaid Participation Growth Rates

In the 45 states responding to the survey, Medicaid-eligible populations grew by an average of 1.9 percent in fiscal 1999, 3.9 percent in fiscal 2000, and are expected to grow by 2.9 percent in fiscal 2001 (see Table 10). However, as S-CHIP-related outreach programs and other factors that increase participation in Medicaid participation take effect, many states have or are expected to see participation rates well above the combined three-year average of 2.9 percent. States reporting the largest three-year increase in participation rates include Puerto Rico (104 percent), South Carolina (32.6 percent), Missouri (29.9 percent), Oklahoma (29.6 percent), and Arkansas (24 percent).

Medicaid Cost Increases

In the 45 states responding, Medicaid cost increases for fiscal 1999, fiscal 2000, and proposed fiscal 2001 have averaged 6.2 percent, 7.7 percent, and 6.9 per-

TABLE 10

Medicaid Actual and Proposed Percentage Growth Rate

| Region and State | Fiscal 1999 | | Fiscal 2000 | | Fiscal 2001 (estimated) | |
|-------------------------------------|---------------|----------------|---------------|----------------|-------------------------|----------------|
| | Medicaid Pop. | Medicaid Costs | Medicaid Pop. | Medicaid Costs | Medicaid Pop. | Medicaid Costs |
| NEW ENGLAND | | | | | | |
| Connecticut | 2.0 | -2.1 | 2.4 | 6.8 | 3.0 | 4.1 |
| Maine | 6.1 | -3.5 | 3.3 | 9.7 | 1.8 | 6.2 |
| Massachusetts* | 12.8 | 5.1 | 2.3 | 7.7 | 4.2 | 6.5 |
| New Hampshire | 7.0 | 5.0 | NA | 4.0 | NA | 6.0 |
| Rhode Island | 6.7 | 6.3 | 3.4 | 2.6 | 2.3 | 2.3 |
| Vermont | 2.9 | 8.3 | 7.1 | 12.1 | 5.9 | 14.1 |
| Regional Average | 6.3 | 3.2 | 3.7 | 7.2 | 3.4 | 6.5 |
| MID-ATLANTIC | | | | | | |
| Delaware | 3.7 | 9.5 | 10.9 | 13.8 | 7.1 | 10.9 |
| Maryland | -1.0 | 6.4 | -1.0 | 10.6 | -1.2 | 5.0 |
| New Jersey | -2.7 | 5.6 | -2.0 | 4.8 | -0.1 | 6.7 |
| New York | -1.1 | 10.8 | -1.2 | 7.4 | -1.1 | 9.3 |
| Pennsylvania | -2.6 | 12.2 | -0.7 | 1.4 | 0.7 | 8.5 |
| Regional Average | -0.7 | 8.9 | 1.2 | 7.6 | 1.1 | 8.1 |
| GREAT LAKES | | | | | | |
| Illinois | -3.4 | -2.8 | 5.5 | 15.7 | 2.9 | 3.2 |
| Indiana | 12.0 | 12.0 | 8.0 | 7.0 | 3.0 | 7.0 |
| Michigan | -3.2 | 9.6 | -2.2 | 1.7 | -2.4 | 4.3 |
| Ohio | 0.0 | 3.4 | 0.0 | 5.4 | 0.0 | 6.1 |
| Wisconsin* | -0.5 | 0.0 | 21.0 | 8.7 | 4.2 | 5.1 |
| Regional Average | 1.0 | 4.4 | 6.5 | 7.7 | 1.5 | 5.1 |
| PLAINS | | | | | | |
| Iowa | -3.8 | 3.4 | 0.5 | 5.1 | 0.4 | 8.0 |
| Kansas | -2.1 | 16.5 | 8.9 | 9.3 | 6.2 | 6.0 |
| Minnesota | -4.7 | 2.3 | -0.5 | 11.0 | 0.6 | 9.4 |
| Missouri | 6.2 | 10.6 | 19.9 | 9.8 | 3.8 | 9.8 |
| Nebraska | 9.5 | 15.9 | 9.0 | 8.1 | 3.7 | 5.5 |
| North Dakota | -0.5 | -12.0 | 0.3 | 6.8 | 0.0 | 5.4 |
| South Dakota | 8.6 | 9.0 | 6.3 | 9.8 | 3.9 | 7.5 |
| Regional Average | 1.9 | 6.5 | 6.3 | 8.6 | 2.7 | 7.4 |
| SOUTHEAST | | | | | | |
| Alabama | NA | NA | 2.1 | 1.7 | 2.6 | 4.6 |
| Arkansas* | 11.2 | 4.4 | 7.3 | 8.6 | 5.9 | 6.4 |
| Florida* | 6.4 | 4.7 | 4.1 | 7.6 | 6.1 | 10.3 |
| Georgia | 0.6 | 0.3 | -0.8 | 2.5 | -1.2 | 1.7 |
| Kentucky | NA | NA | NA | NA | NA | NA |
| Louisiana | -1.3 | 3.8 | 4.8 | 2.4 | 1.6 | -0.9 |
| Mississippi | NA | NA | NA | NA | NA | NA |
| North Carolina | -0.7 | 3.3 | 3.6 | 11.7 | 5.0 | 9.0 |
| South Carolina | 10.6 | 7.4 | 11.0 | 10.4 | 11.0 | 8.2 |
| Tennessee* | 4.9 | 10.7 | 3.0 | 11.2 | 0.0 | 8.7 |
| Virginia | -2.6 | 5.1 | -0.6 | 10.5 | 1.8 | 3.3 |
| West Virginia | -4.7 | 0.4 | -6.7 | -1.1 | 1.2 | 6.7 |
| Regional Average | 2.7 | 4.5 | 2.8 | 6.6 | 3.4 | 5.8 |
| SOUTHWEST | | | | | | |
| Arizona | -2.3 | 5.4 | 7.0 | 5.2 | 4.5 | 5.3 |
| New Mexico | NA | NA | NA | NA | NA | NA |
| Oklahoma | 9.6 | 11.8 | 12.0 | 13.5 | 8.0 | 9.0 |
| Texas | -2.7 | 4.5 | -3.0 | 6.7 | 0.0 | 4.5 |
| Regional Average | 1.5 | 7.2 | 5.3 | 8.5 | 4.2 | 6.3 |
| ROCKY MOUNTAIN | | | | | | |
| Colorado | NA | NA | NA | NA | NA | NA |
| Idaho | 5.9 | 15.8 | 9.6 | 11.6 | 12.3 | 7.8 |
| Montana | -6.3 | 2.3 | -3.0 | 7.7 | 0.0 | 6.0 |
| Utah | 2.0 | 10.8 | 1.0 | 2.0 | 1.0 | 7.0 |
| Wyoming | -1.9 | 2.6 | 3.4 | 6.8 | 4.4 | 8.7 |
| Regional Average | -0.1 | 7.9 | 2.8 | 7.0 | 4.4 | 7.4 |
| FAR WEST | | | | | | |
| Alaska | NA | NA | NA | NA | NA | NA |
| California | -0.1 | 11.1 | 2.6 | 10.8 | 1.9 | 4.7 |
| Hawaii | 2.0 | 8.6 | 2.0 | 16.4 | 2.0 | 16.0 |
| Nevada | 2.6 | 6.7 | 2.0 | 9.0 | 8.4 | 8.8 |
| Oregon | 0.7 | 14.3 | 6.1 | 5.1 | 3.2 | 5.8 |
| Washington | -2.0 | 5.9 | 4.5 | 8.2 | -0.5 | 10.0 |
| Regional Average | 0.6 | 9.3 | 3.4 | 9.9 | 3.0 | 9.1 |
| TERRITORIES | | | | | | |
| Puerto Rico | 34.3 | 3.0 | 35.0 | 3.0 | 35.0 | 3.0 |
| Average Percentage Increase* | 1.9% | 6.2% | 3.9% | 7.7% | 2.9% | 6.9% |

NOTES: NA indicates data are not available. *See Notes to Table 10.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 10

| | |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tennessee | Fiscal 2001 percentage growth rates are expected to change pending adjustments made in response to the PricewaterhouseCoopers actual review of the TennCare program. |
| Florida | The estimates provided for fiscal 2000 are based on the final estimates provided by the Florida Social Services Estimating Conference. |
| Wisconsin | Medical assistance (MA) population figures include Badgercare (BC) enrollment. BC is Wisconsin's unique S-CHIP MA expansion program covering children and their parents. MA costs reflect all funds amounts and includes MA administration and BC program costs. |
| Massachusetts | The state's fiscal 1999 Medicaid population increase reflects implementation of a federal 1115 waiver granted in fiscal 1998 that significantly expanded eligibility and, thus, enrollments. |

cent, respectively. However, as S-CHIP-related outreach programs and other cost-increasing factors begin to take effect, many states have or are expected to see cost increases well above the combined three-year average of 6.9 percent (see Table 10). States reporting the largest three-year increase in Medicaid costs, including S-CHIP, include Idaho (35.2 percent) Oklahoma (34.3 percent), Delaware (34.2 percent), Kansas (31.8 percent), and New York (27.8 percent).

States Children's Health Insurance Program (S-CHIP)

The States Children's Health Insurance Program (S-CHIP) was created by the federal government to provide funds to the states to enable them to initiate and expand the provision of child health assistance to uninsured, low-income children. The Balanced Budget Act of 1997 provided \$20 billion in federal matching funds to the states over the following five years for children's health.

States responding to this survey indicate that S-CHIP initiatives will serve as a major factor in increasing the number of adults and children enrolled in Medicaid and increasing Medicaid costs, although the exact magnitude is not known. Most states plan to track how S-CHIP initiatives are affecting Medicaid enrollment, and some already have collected data on the number of applicants referred to Medicaid as a result of S-CHIP activities. Early results of state outreach efforts have varied widely from state to state, but according to the U.S. Department of Health and Human Services, enrollment in S-CHIP reached 1.9 million by September 30, 1999.

Of the states tracking S-CHIP-related Medicaid enrollment increases, most anticipate enrollment due to S-CHIP activities to grow by 14.8 percent in fiscal 2001. On average, estimated S-CHIP-related Medicaid enrollment growth in fiscal 2000 was 26.5 percent.

TABLE 11

Major Medicaid Cost Drivers, Fiscal 2000 and 2001

NEW ENGLAND

| | |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Connecticut | Continued enrollment of children younger than 19 at 185 percent of the Federal Poverty Level (FPL) and pharmacy costs. |
| Maine | Prescribed drugs, mental health clinics, private nonmedical institutions (PNMIs), boarding homes, hospitals, and psychiatric facility services. |
| Massachusetts | Pharmaceuticals utilization and cost increases, and community long-term care utilization and cost increases. |
| New Hampshire | Prescription drugs, outpatient, hospital, and home health services. |
| Rhode Island | In fiscal 2000, employee compensation at state institutions is a major cost driver. In fiscal 2000 and fiscal 2001, increased enrollments, managed care related to eligibility expansions, and turmoil in the private insurance market were key cost drivers. |
| Vermont | Pharmacy, inflation, and expansion of coverage. |

MID-ATLANTIC

| | |
|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Delaware | Client growth, spending increases for managed care, and prescription payments for seniors and disabled. |
| Maryland | Managed care organizations rates, pharmacy costs, and rare and expensive case management and enrollment increases. |
| New Jersey | In fiscal 2000, prescription drugs and Medicare B premiums were the major Medicaid cost drivers. In fiscal 2001, drugs, managed care, hospital outpatient, clinics, personal care, and Medicare B premiums were the major Medicaid cost drivers. |
| New York | Pharmacy costs, long-term care, and managed care. |
| Pennsylvania | The percentage growth in fiscal 2001 includes a total of \$172 million (\$91 million of tobacco settlement money and \$81 million anticipated federal match) for expanding Medicaid for the disabled, additional uncompensated care payments, and expansion of the home and community-based waiver for older Pennsylvanians. The major cost drivers are the growth in managed care rates (estimated at 7 percent to 9 percent) and pharmaceutical products (estimated at 11 percent). |

GREAT LAKES

| | |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Illinois | Drugs, S-CHIP, continuous eligibility, De-Link, Aid to the Aged, Blind, and Disabled (AABD) eligibility expansion, and Medicaid buy-in for the disabled. |
| Indiana | Pharmacy and child enrollment. |
| Michigan | Anticipated increases in managed care rates, increases in rates for fee-for-service providers, and initiatives to improve access to Medicaid services. |
| Ohio | Nursing homes, intermediate care facilities/mentally retarded, inpatient, outpatient, drugs, HMO, physician, buy-in, and other services. |
| Wisconsin | Implementation of BadgerCare (funded by S-CHIP and Medical Assistance) in fiscal 2000. |

PLAINS

| | |
|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Iowa | Nursing facilities, pharmaceutical drugs, and hospitals. |
| Kansas | Pharmacy is 25 percent of cost. S-CHIP is also increasing enrollment in regular medical for adults and children. |
| Minnesota | Waivered services for the developmentally disabled and managed care rates. |
| Missouri | Pharmacy increases in utilization and costs. Also old age assistance and permanently and totally disabled population, utilization, and costs. |
| Nebraska | Decrease in federal match rate, prescription drug costs, managed care contractual increases, and higher per-person costs for children's services. |
| North Dakota | Nursing facilities and drug expenditures. |
| South Dakota | Neonatal hospital units, prescription drugs, and early periodic screening diagnostic treatment services. |

TABLE 11 (continued)

SOUTHEAST

| | |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Alabama | Pharmacy and child enrollment. |
| Arkansas | Prescription drugs. |
| Florida | Prescribed drugs, nursing home care, and hospital inpatient services. |
| Louisiana | Greater utilization of hospitalization, lab and x-ray, physicians, dialysis, and case management services offered by private providers; increased demand for durable medical equipment; and the dramatic growth in the cost, type, and availability of pharmaceuticals. |
| North Carolina | Age and disabled eligibility increases and pharmaceutical drugs. |
| South Carolina | Prescription drugs, enrollment growth, and higher utilization of services. |
| Tennessee | Managed care organizations' and behavioral health organizations' increases, pharmacy, expansion of the mental retardation home- and community-based services waiver for the developmentally disabled, level I and level II long-term care services, and long-term care alternatives. |
| Virginia | Pharmacy and nursing home expenditures. |
| West Virginia | Pharmacy costs and mentally retarded/developmentally disabled waiver costs. |

SOUTHWEST

| | |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| New Mexico | Pharmacy and child enrollment. |
| Oklahoma | Increased enrollment of children and pregnant women under Medicaid expansion to 185 percent of federal poverty level and increasing costs of prescription drugs. |
| Texas | Prescription drugs, utilization levels, and nursing home rates. |

ROCKY MOUNTAIN

| | |
|----------|--------------------------------------------------------------------------------------------------------------------------|
| Colorado | Pharmacy and child enrollment. |
| Idaho | Child health outreach, caseload expansion due to waivers, and prescription drug costs. |
| Montana | Provider rate increases, prescription drug costs, and expanding home- and community-based services to aged and disabled. |
| Utah | Pharmacy inflation and utilization, HMO rate increases, outpatient hospital services, and S-CHIP outreach. |
| Wyoming | Prescription drugs. |

FAR WEST

| | |
|------------|----------------------------------------------------------------------------------------------------------------------------|
| California | Prescription costs, Medi-Cal expansion, and long-term care facilities' wage increases. |
| Hawaii | Prescription drugs. |
| Nevada | Aged and disabled populations. |
| Oregon | Pharmacy increases and number of eligible persons. |
| Washington | Prescription drug costs, managed care rate increases, and Temporary Assistance for Needy Families (TANF) redeterminations. |

SOURCE: National Association of State Budget Officers.

TABLE 12

States Tracking Increases in Medicaid Enrollment Resulting from SCHIP-Related Initiatives

| Region and State | Yes | No | If Yes, Percentage Increase for | |
|-------------------------|-----|----|---------------------------------|-------------|
| | | | Fiscal 2000 | Fiscal 2001 |
| NEW ENGLAND | | | | |
| Connecticut | x | | 3.4% | 3.5% |
| Maine | x | | 45.2 | 6.9 |
| Massachusetts* | | x | | |
| New Hampshire | x | | 21.8 | 21.8 |
| Rhode Island | x | | 93.6 | 23.8 |
| Vermont | x | | N/A | N/A |
| Regional Average | | | 41.0 | 14.0 |
| MID-ATLANTIC | | | | |
| Delaware | x | | 2.8 | |
| Maryland | x | | 23.0 | 0.0 |
| New Jersey* | x | | 3.5 | 3.5 |
| New York* | x | | | |
| Pennsylvania | | x | | |
| Regional Average | | | 9.8 | 1.8 |
| GREAT LAKES | | | | |
| Illinois | x | | 2.9 | 1.9 |
| Indiana* | x | | | |
| Michigan | x | | 30.0 | 10.0 |
| Ohio* | | x | | |
| Wisconsin* | x | | 95.6 | 95.1 |
| Regional Average | | | 42.8 | 35.7 |
| PLAINS | | | | |
| Iowa | x | | 62.0 | 72.0 |
| Kansas | x | | 1.0 | 1.0 |
| Minnesota | | x | | |
| Missouri* | x | | 6.2 | 3.0 |
| Nebraska | | x | | |
| North Dakota | | x | | |
| South Dakota | x | | 6.0 | 4.0 |
| Regional Average | | | 18.8 | 20.0 |
| SOUTHEAST | | | | |
| Alabama | x | | 7.2 | 3.5 |
| Arkansas | | x | | |
| Florida* | | x | | |
| Georgia | | x | | |
| Kentucky | | x | | |
| Louisiana | | x | | |
| Mississippi | | x | | |
| North Carolina | x | | 8.8 | 3.8 |
| South Carolina | x | | 24.2 | 26.3 |
| Tennessee | | x | | |
| Virginia | x | | 2.4 | 3.8 |
| West Virginia | | x | | |
| Regional Average | | | 10.7 | 9.4 |
| SOUTHWEST | | | | |
| Arizona | x | | 16.4 | 16.6 |
| New Mexico | | x | | |
| Oklahoma | x | | 150.0 | 20.0 |
| Texas | | | 83.2 | 18.3 |
| Regional Average | | | | |
| ROCKY MOUNTAIN | | | | |
| Colorado | | x | | |
| Idaho | | x | | |
| Montana | | x | | |
| Utah | | x | | |
| Wyoming | x | | 2.0 | 4.4 |
| Regional Average | | | 2.0 | 4.4 |
| FAR WEST | | | | |
| Alaska | | x | | |
| California | x | | 0.5 | 0.6 |
| Hawaii | | x | | |
| Nevada | x | | 0.5 | 0.5 |
| Oregon | | x | | |
| Washington | | x | | |
| Regional Average | | | 0.5 | 0.6 |
| TERRITORIES | | | | |
| Puerto Rico | | x | | |
| Total | 26 | 23 | 26.5% | 14.8% |

NOTE: *See Notes to Table 12.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 12

| | |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Florida | Although Florida does not track and project increases in Medicaid enrollment, the annual KidCare (S-CHIP) evaluation does report the number of applications referred to Medicaid as a result of S-CHIP activities. For fiscal 1999, 106,700 children out of 276,694 were referred to Medicaid; 85,888 children were subsequently enrolled in Medicaid. |
| Indiana | The state is attempting to track the changes, but it is a difficult process and not yet complete. |
| Massachusetts | The state maintains no formal tracking system of enrollment increases due to S-CHIP, but the internal department estimate is 2 percent increase year over year in both fiscal 2000 and fiscal 2001. |
| Missouri | The percentage increase for fiscal 2001 ranges between 2 percent and 4 percent. |
| New Jersey | For every three children enrolled in NJ KidCare (New Jersey's S-CHIP), an additional child is found eligible for regular Medicaid as an effect of the state's aggressive outreach efforts. |
| New York | Outreach initiative for S-CHIP is still in the implementation stage. It is currently too early to determine the increases in Medicaid enrollment resulting from the outreach initiative. |
| Ohio | In Ohio, S-CHIP is a Medicaid expansion. |
| Wisconsin | The enrollment percentage increase for fiscal 2000 is broken down to 79 percent in the Badgercare (BC) program, 16.6 percent in medical assistance (MA) as a result of S-CHIP, and 4.4 percent in MA as a result of other outreach. The enrollment percentage increase for fiscal 2001 is broken down to 78 percent in the BC program, 17.1 percent in MA as a result of S-CHIP, and 4.9 percent in MA as a result of other outreach. |

Special Feature: Governors' Recommendations for Use of Tobacco Settlement Funds

By now, nearly all states have begun collecting on the \$206 billion settlement agreement with the major tobacco manufacturers, Brown & Williamson Tobacco Corporation, Commonwealth Brands, Inc., the Liggett Group, Lorillard Tobacco Company, Philip Morris Incorporated, R.J. Reynolds Tobacco Company, and 15 other companies. These include the four states--Florida, Minnesota, Mississippi, and Texas--that had successfully settled their own lawsuits with the tobacco industry, worth \$40 billion, prior to the multi-state settlement.

Of the \$206 billion, \$195.9 billion has been divided among the states based on a formula derived by the attorneys general and subject to a number of reductions, adjustments, and offsets. The remainder of funds are to be used for various items including the National Public Education Fund, the Attorney General Enforcement Fund, and payments to the National Association of Attorneys General.

Financial Payments to States

Up-front Payments. Beginning in December 1998, tobacco companies made the first of five up-front payments that will continue through 2003. Those payments are \$2.4 billion in 1998, \$2.4 billion in 2000, \$2.5 billion in 2001, \$2.6 billion in 2002, and \$2.7 billion in 2003, for a total of \$12.7 billion in up-front payments.

Escrow Funds. Because funds from the settlement could not be obtained by the states until the final approval date of July 1, 2000, the up-front payments were placed in an escrow account. The funds remained in the escrow account until the states had achieved state-specific finality, at which time each state's specific allotment was transferred to a state-specific escrow account where it accrued interest until the final approval date.

Annual Payments. The tobacco industry began making annual payments on April 15, 2000. The total annual payments to states are listed in the schedule below. As mentioned earlier, adjustments to the settlement payment were possible and have been made for several reasons, including an inflation adjustment, a volume adjustment, a reduction for previously settled states, a reduction for nonsettling

states, an adjustment for nonparticipating manufacturers, offsets for miscalculated or disputed payments, offsets for federal tobacco litigation, and offsets for litigating releasing parties.

| Year | Annual Payments Before Previously Settled States <i>Reduction is Taken</i> | Annual Payments After Previously Settled States <i>Reduction is Taken</i> |
|--------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| 2000 | \$4,500,000,000 | \$3,939,750,000 |
| 2001 | \$5,000,000,000 | \$4,377,500,000 |
| 2002-2003 | \$6,500,000,000 | \$5,690,750,000 |
| 2004-2007 | \$8,000,000,000 | \$7,004,000,000 |
| 2008-2017 | \$8,139,000,000 | \$7,143,000,000 |
| After 2018 | \$9,000,000,000 | \$8,003,999,997 |
| Total through 2025 | \$207,890,000,000 | \$183,176,749,975 |

Because the amount of the previously settled states' reduction was predetermined and automatic, the above column totaling over \$183 billion is a more accurate reflection of the actual payment amounts to the states and does not include up-front payments.

Other Payments. In addition to the annual settlement payments to the states, payments are also included for a public education fund, a national foundation, administration, and enforcement. A total of \$250 million over the next 10 years will fund a charitable foundation to study programs to reduce teen smoking and substance abuse and to prevent diseases associated with tobacco use. The industry must pay at least \$1.45 billion over the next five years to support a national public education fund. This fund will sponsor a nationwide advertising and education program to counter youth tobacco use and educate consumers about tobacco-related diseases.

Governors' Recommendations for Use of Tobacco Settlement Funds.

The most common plans for the use of tobacco settlement funds, according to Governors' recommendations for fiscal 2001, involve health (36 states) and smoking cessation programs (29 states) (see Table 13). In addition, 17 states are recommending allocations for children's health programs, and 15 states are

TABLE 13

Governors' Recommended Allocation of Tobacco Settlement Funds by Program Area (Percent)

| Region and State | Smoking Cessation | Health | Children's Health | Education | Tax Reductions | Budget Stabilization | Infra- structure | Undecided | Other* |
|-----------------------|----------------------|--------|----------------------|-----------|-------------------|-------------------------|---------------------|-----------|--------|
| NEW ENGLAND | | | | | | | | | |
| Connecticut | 15.5% | 24.5% | 4.3% | 19.6% | 16.7% | | | 19.4% | |
| Maine | 15.0 | 3.0 | 6.0 | | | | | | 76.0% |
| Massachusetts** | 6.4 | 7.1 | 1.7 | | | | 3.1% | 11.7 | 70.0 |
| New Hampshire | 7.0 | | | 93.0 | | | | | |
| Rhode Island | | | | | | | | | |
| Vermont** | 26.2 | 70.0 | | | | | | | 3.8 |
| MID-ATLANTIC | | | | | | | | | |
| Delaware | 10.0 | 35.5 | | | | | | | 54.5 |
| Maryland | 18.0 | 42.0 | | 31.0 | | | | 4.0 | 5.0 |
| New Jersey | 6.4 | 76.3 | 2.1 | 4.6 | | | | | 10.6 |
| New York | | 62.6 | | | | | | | 37.4 |
| Pennsylvania | 5.0 | 95.0 | | | | | | | |
| GREAT LAKES | | | | | | | | | |
| Illinois | 1.0 | 30.0 | 3.0 | | | 57.0% | | | 9.0 |
| Indiana | 26.8 | 34.0 | 21.5 | | | | | 17.7 | |
| Michigan | | 34.0 | | 54.0 | | | | 12.0 | |
| Ohio | 25.4 | 15.0 | | 54.5 | | | | | 5.1 |
| Wisconsin | 15.0 | 85.0 | | | | | | | |
| PLAINS | | | | | | | | | |
| Iowa | 18.0 | 63.0 | 19.0 | | | | | | |
| Kansas | | | | | | | | | |
| Minnesota | | 42.0 | | 26.0 | | | | | 32.0 |
| Missouri | | | | | | | | | |
| Nebraska | | 100.0 | | | | | | | |
| North Dakota | | 10.0 | | 45.0 | | | | | 45.0 |
| South Dakota | | | | | | | | | 100.0 |
| SOUTHEAST | | | | | | | | | |
| Alabama | 0.6 | 2.1 | 8.4 | 12.6 | | | | | 76.3 |
| Arkansas | | | | | | | | | |
| Florida | 6.5 | 22.7 | 15.8 | 2.5 | | | 8.4 | | 44.1 |
| Georgia | 8.0 | 18.0 | 17.0 | | | | | 25.0 | 32.0 |
| Kentucky | | 25.0 | | | | | | | 75.0 |
| Louisiana | | 47.6 | 11.8 | 40.6 | | | | | |
| Mississippi | | | | | | | | | |
| North Carolina | | 25.0 | | | | | | | 75.0 |
| South Carolina | 6.0 | 54.0 | | | | | 5.0 | | 35.0 |
| Tennessee | | | | | | | | | |
| Virginia | 10.0 | | | | | | | | 90.0 |
| West Virginia | 8.8 | 82.4 | | | | | | | 8.8 |
| SOUTHWEST | | | | | | | | | |
| Arizona | | 100.0 | | | | | | | |
| New Mexico | 9.2 | 56.7 | 20.6 | 3.2 | | | | | 10.3 |
| Oklahoma | | | | | | | | | |
| Texas | | | | | | | | | |
| ROCKY MOUNTAIN | | | | | | | | | |
| Colorado** | 11.0 | 6.0 | 9.0 | 13.0 | | | | | 61.0 |
| Idaho | 60.0 | 30.0 | 5.0 | | | | | | 5.0 |
| Montana | 1.0 | 3.0 | 12.0 | | | 45.0 | | | 29.0 |
| Utah | 9.0 | 13.0 | 12.0 | | | | | 16.0 | 50.0 |
| Wyoming | | | | | | | | | |
| FAR WEST | | | | | | | | | |
| Alaska | 7.0 | | | | | | 93.0 | | |
| California | | | | | | | | | 100.0 |
| Hawaii | 25.0 | 25.0 | 10.0 | | | 40.0 | | | |
| Nevada | | 60.0 | | 40.0 | | | | | |
| Oregon | 10.0 | 40.0 | | 7.0 | | | | | 43.0 |
| Washington | 2.0 | 98.0 | | | | | | | |
| TERRITORIES | | | | | | | | | |
| Puerto Rico | | | | 100.0 | | | | | |
| Total Count | 29 | 36 | 17 | 15 | 1 | 3 | 4 | 7 | 27 |

NOTES: *See Table 14 for Other Program Areas. **See Notes to Table 13.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 13

| | |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Colorado | Health programs include primary and preventive care and nurse home visitations. |
| Massachusetts | All tobacco settlement payments must be used for health-related purposes. "Other" refers to funding of as-yet-unidentified health care initiatives. |
| Vermont | Children's health programs are included in health programs, and antitobacco education is included in smoking cessation programs. |

recommending settlement fund allocations for education.

Connecticut has proposed using settlement funds for tax reduction purposes, and two states (Illinois and Montana) have proposed dedicating a portion of settlement funds for budget stabilization or rainy-day funds. Twenty-seven states have recommended allocations for other purposes, including funding for infrastructure improvements and capital spending on health-related facilities, such as construction of rural health centers and conversion of hospitals for other health uses (see Table 14).

States Investing Settlement Funds

Where states deposit settlement funds depends largely on how they propose to spend them. Depositing those funds in the general fund, for example, would allow states to use the tobacco proceeds for any legislatively determined purpose. Eleven states indicated that they would deposit at least some of those funds in the general fund (see Table 15).

However, 41 states indicated they are creating a separate fund for the tobacco settlement proceeds. Those separate funds generally fall into three basic categories: **trust funds**, which are usually created to reserve revenue for specific purposes; **endowment funds**, which are kept separate from other funds and are generally used to preserve a base amount of funds in perpetuity (generally, only the interest is used to support specific objectives); and **foundations**, which are nonprofit, philanthropic entities established to aid and maintain charitable activities.

Of those states indicating a separate settlement fund, most have created trust funds with predetermined percentage allocations of settlement funds (see Table 15). North Dakota, for example, has created three separate trust funds, while Florida has created a single trust fund, from which funds may be transferred to state agencies, each of which has a separate trust fund of its own.

Other states have a combination of fund mechanisms. Minnesota, for example, has established an endowment fund for escrow or up-front payments

and will use the state's general fund for annual settlement payments. Virginia will allocate 60 percent of its settlement funds to a trust and 40 percent to the general fund.

Securitization of Settlement Funds

Securitization is the issuance of bonds, backed by future tobacco settlement funds, in exchange for large up-front payments. Under securitization, annual tobacco settlement payments are sold or pledged to a dedicated revenue fund set up by the state, a state authority, or a special purpose entity (SPE) created by the state, which issues bonds and pledges a portion of each annual settlement payment to pay the debt service.

The remaining portion of those payments are generally deposited in a trust on an annual basis and the fund balance grows from the proceeds received from the sale of the bonds. Those proceeds can then be used by the state for whatever purpose it designates. The actual bond structure will depend on the rating the state wants for the bonds, the amount of risk the state is willing to incur, the amount of money the state wants in an up-front payment, the use of the bond proceeds, and the rating agencies' requirements and assumptions.

Fourteen states indicated that they have or are in the process of securitizing tobacco settlement funds (see Table 16). Twenty-seven states indicated that they have not or are no longer considering securitization, and nine states indicated that such a decision is still pending.

Risks and Benefits of Securitization

The obvious benefit of securitization is that states would avoid incremental payments and receive large up-front payments in addition to the annual bond proceeds. Some states, such as Louisiana, have established a payment schedule over a number of years in which to receive lump-sum payments. This is particularly important for projects such as building construction and other capital projects. Securitization also reduces the risk to the states that settlement

payments will be interrupted by a tobacco company bankruptcy and transfers that risk to bondholders.

However, states generally have better bond ratings than tobacco companies so issuing bonds backed by tobacco settlement money would entail higher interest payments and result in fewer dollars to the states

to fund programs. In addition, commission and fees to the bond brokers (which could be as high as 1 percent) and tax implications of the use of the bonds would further reduce the return to the states even further.

TABLE 14

Governors' Recommendations for Other Uses of Tobacco Settlement Funds

| | |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Alabama | Other state tobacco settlement funds are proposed to be allocated as follows: 50.2 percent Medicaid; 3.9 percent senior services; 4.8 percent foster care; 5.0 percent juvenile probation officers; 8.5 percent juvenile correctional programs; 7.0 percent debt service; and 20.6 percent other. |
| Arizona | Although a final plan has not been adopted, the Governor proposes using the monies for health programs. |
| California | The settlement money is being deposited into the general fund; as such, it is for general purposes. |
| Colorado | Tobacco settlement funds will be allocated to a Tobacco Trust (54 percent); Veterans Trust (1 percent); and for smoking research (6 percent). |
| Connecticut | Per fiscal 1999-2001 enacted budget, June 1999. |
| Delaware | Other tobacco settlement money is being put towards a strategic reserve. |
| Florida | Child protection programs (21.3 percent); elder programs (3.6 percent); developmental disabilities programs (17 percent); and debt service (2.2 percent). Not included in these amounts is a transfer of \$1.1 billion during fiscal 1999-2000 to fund the Lawton Chiles Tobacco Endowment Fund. |
| Georgia | Other tobacco settlement money is to be used for rural economic development. |
| Idaho | The legislature appropriated itself \$100,000 of the \$2.3 million that is expected to be available in fiscal 2001 for technical support services. |
| Illinois | The Governor recommends that money be allocated to biomedical at 7 percent, tobacco enforcement at 1 percent, and other human services at 1 percent. |
| Kansas | Legislation passed in 1999 directs all tobacco settlement monies to the Kansas Endowment for Youth trust fund. The legislation sets up a schedule of withdrawals. In fiscal 2001, \$70.7 million is withdrawn for the state general fund and in fiscal 2002, \$10 million. All other withdrawals are to the Children's Initiatives Fund and are to be used to enhance or begin programs for children. In fiscal 2001, \$30 million is scheduled to be transferred to the Children's Initiatives Fund; in fiscal 2002, \$40 million; in fiscal 2003, \$45 million, and then a slight increase each year thereafter. |
| Kentucky | A total of 50 percent of funds will be allocated to rural development, 25 percent will be allocated to early childhood development, and 25 percent will be allocated to health programs, which includes smoking cessation. |
| Louisiana | Percentage distribution reflected above is proposed for fiscal 2001 only. Distribution from Louisiana Fund will change annually. Education and children's health programs include smoking cessation activities and subprograms. |
| Maine | Tobacco settlement funds are to be allocated to a reserve for future biennia at 33 percent, Medicaid at 17 percent, elderly prescription drugs at 9 percent, child care at 7 percent, substance abuse prevention and treatment at 5 percent, and other at 5 percent. |
| Maryland | Other tobacco settlement funds are to be allocated for tobacco crop conversion. |
| Minnesota | Other tobacco settlement funds will be allocated to the general fund. |
| Missouri | The Governor has proposed three distribution mechanisms; 1) For monies owed prior to fiscal 2002—75 percent, but no less than \$250 million, to reduce cost of prescription drugs for seniors; up to 25 percent, but no more than \$60 million, for comprehensive tobacco prevention, education, and cessation efforts; remaining funds to budget stabilization fund. 2) Initial payments owed for fiscal 2002 and fiscal 2003 would be allocated to health care access and treatment. 3) For annual payments owed in fiscal 2002 and thereafter--50 percent for health care treatment and access; 20 percent for health sciences research; 15 percent for comprehensive tobacco prevention, education, and cessation efforts; and 15 percent for early childhood care and education. |
| North Carolina | With 50 percent of the settlement funds, the foundation will provide economic impact assistance to economically affected or tobacco-dependent regions, and one of the trust funds established will similarly use 25 percent of the settlement funds for the benefit of tobacco farmers, quota holders, and persons in tobacco-related businesses. |
| North Dakota | All monies are deposited into the Tobacco Settlement Trust Fund. The principal and interest are allocated as follows: 10 percent will go to a Community Health Trust Fund to be administered by state health department; 45 percent will go to the Common Schools Trust Fund to become a part of the principal of that fund; and 45 percent will go to the Water Development Trust Fund to be used to address the long-term water development and management needs of the state. |
| New Jersey | Settlement funds will be allocated to a reserve for potential reductions in funding. |
| New Mexico | Other tobacco settlement funds will be used for cancer research. |
| New York | Other tobacco settlement funds will be used for debt reduction. |

TABLE 14 (continued)

| | |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ohio | <p>Law enforcement and southern Ohio agricultural and community development. The Ohio General Assembly approved a comprehensive plan for using the state's tobacco revenue through fiscal 2012. For fiscal 2012 through fiscal 2025, the bill contains a plan for using part of the revenue. The bill created a number of funds including the Tobacco Use Prevention and Cessation Trust Fund, the Tobacco Use Prevention Control Endowment Fund, the Law Enforcement Improvements Trust Fund, the Southern Ohio Agricultural and Community Development Trust Fund, the Southern Ohio Agricultural and Community Development Foundation Endowment Fund, the Ohio Health Priorities Trust Fund, the Biomedical Research and Technology Transfer Trust Fund, the Education Facilities Trust Fund, the Education Facilities Endowment Fund, and the Education Technology Trust Fund.</p> <p>With the exception of the funding for school facilities, dollar amounts allocated to each fund are not specific and are based on percentages of what remains after the school facilities funds receive their portion of the settlement funds. If the Master Settlement Agreement (MSA) revenue is greater than the estimate, the excess for each year will go to the state's Income Tax Reduction Fund. Under current law, the state's tobacco revenue budget will stand on its own and it will not be prepared as part of the regular operating budget. The first tobacco revenue budget will be submitted to the General Assembly in late January 2002 for fiscal years 2003 and 2004.</p> |
| Oklahoma | The legislature is currently in session and a decision has not been finalized. |
| Oregon | HB 2007 proposes to use the earnings only for those categories listed on Table 13. The 43 percent represents 20 percent for elderly and disabled transportation, 20 percent for housing and community service programs, and 3 percent for Department of Human Services shelter care program. |
| Pennsylvania | See note on Table 15 about the money being reserved in an endowment fund. |
| Rhode Island | Proceeds are included in general fund and, as such, are subject to general revenue appropriation. |
| South Carolina | 15 percent will go toward economic development and 20 percent will go toward tobacco community revitalization. The Governor's recommendation for use of the tobacco settlement funds is 60 percent for Healthy SC 2000 Fund (which includes smoking cessation programs), 20 percent for the Economic Development Fund (which includes infrastructure projects), and 20 percent for the Tobacco Community Revitalization Fund. |
| South Dakota | A trust fund was established and no allocations have been made. |
| Tennessee | Legislation is pending. |
| Utah | A total of 50 percent will be deposited into an endowment fund, with only 50 percent of interest and dividends available for future appropriation. |
| Virginia | <p>The commonwealth's share of the total amount paid to states through 2025 would be approximately \$4.1 billion. The exact dollar amount is contingent upon certain adjustments as set forth in the settlement.</p> <p>Legislation passed by the 1999 Virginia General Assembly (Chapter 880, 1999 Acts of Assembly) earmarked 60 percent of the allocation in two separate trust funds. The Tobacco Indemnification and Community Revitalization Fund receives 50 percent of the Master Settlement Agreement (MSA) allocation. This portion is used to compensate tobacco growers and tobacco quota holders for the economic loss resulting from quota loss or elimination and to promote economic growth and development in tobacco-dependent communities in the southside and southwest regions of the state. Because Virginia is one of the few states with a strong agricultural sector involving tobacco, sentiment is strong in the state for economic development efforts to mitigate the effects of decreasing dependency on tobacco.</p> <p>The Virginia Tobacco Settlement Fund receives the next 10 percent of the MSA allocation to be used for the purposes of discouraging, eliminating, or preventing the use of tobacco products by minors, including, but not limited to, educational and awareness programs on the health effects of tobacco use on minors and on laws restricting the distribution of tobacco products to minors. For fiscal years 2000, 2001, and 2002, it is anticipated that the Tobacco Indemnification and Community Revitalization Fund will receive \$83.2 million, \$64.4 million, and \$79.0 million, respectively, while the Virginia Tobacco Settlement Fund will take in \$16.7 million, \$12.9 million, and \$15.8 million over the same period.</p> |
| West Virginia | The figures listed on Table 13 are for fiscal 2001 only. Funds are to be spent on Public Employees' Insurance Agency. The 82.4 percent for health programs is for institutional facilities operations within the Department of Health and Human Resources. |
| Wyoming | A bill passed this session provides guidelines for funds to be used for health programs, smoking cessation, and prevention. No specific dollar amounts have been appropriated or directed for use. |

SOURCE: National Association of State Budget Officers.

TABLE 15

Governors' Recommendations for Tobacco Settlement Funds

| Region and State | General Fund | Separate Fund | Description of Separate Funds |
|---------------------|--------------|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| NEW ENGLAND | | | |
| Connecticut | | x | All funds must initially be deposited into the Tobacco Settlement Fund as disbursed. From there the funds may be transferred to the general fund or other funds according to use. |
| Maine | | x | Trust Fund for a Healthy Maine was established only for health purposes as defined in P.L. 1999, Ch. 401 sec. V-1. (22 MRSA 1511(6)). This fund includes smoking prevention and cessation, prenatal and young children's care, child care, health care for children and adults, prescription drugs, dental and oral health care, substance abuse prevention and treatment, and school health programs. |
| Massachusetts | | x | Tobacco settlement payments are deposited in the new Health Care Security Trust Fund. Annually, 30 percent of all payments and the trust's investment earnings must be transferred to the Tobacco Settlement Fund and are subject to appropriation for health-related purposes. Funds may not be used to supplant or replace other state expenditures or obligations. The Governor proposes increasing the annual transfers from 30 percent to 50 percent. |
| New Hampshire | x | x | Beginning in fiscal 2001, \$3 million annually will be deposited into a newly created Tobacco Use Prevention Fund to be used for prevention and cessation programs. |
| Rhode Island | x | | |
| Vermont | | x | The Tobacco Litigation Settlement Fund is to receive payments and the Tobacco Settlement Trust Fund will be used to invest unexpended receipts for ongoing tobacco control program. |
| MID-ATLANTIC | | | |
| Delaware | | x | Delaware Health Fund Advisory Committee made expenditure recommendations presented to the Governor and General Assembly on May 4, 2000. |
| Maryland | | x | Tobacco settlement money will go in the Cigarette Restitution Fund, which then is the fund source for programs using tobacco settlement dollars. These dollars must be appropriated through the regular budget process. |
| New Jersey | | x | All payments made by the tobacco manufacturers pursuant to the settlement agreement are deposited into the Tobacco Settlement Fund and appropriated from that fund. |
| New York | | x | Establishing a new Tobacco Settlement Sole Custody Fund for the deposit of tobacco settlement proceeds. |
| Pennsylvania | | x | The Tobacco Settlement Fund is a special revenue fund comprised of all monies received under the tobacco settlement agreement. The \$142 million payment for 1998, 5 percent of all subsequent payments and interest earning in the fund will be placed into an endowment account, within the fund, as a reserve against possible declines in future payments. The Governor has recommended that all tobacco settlement funds be used for smoking prevention/cessation and health-related programs. Tobacco settlement funds will be subject to annual appropriations by the General Assembly. |
| GREAT LAKES | | | |
| Illinois | | x | One fund has already been established to receive settlement payments. Balances are currently being invested on a short-term basis, pending a final tobacco plan. This fund would become the budget stabilization fund in the Governor's proposed fiscal 2001 budget. A second special fund would also be created under the Governor's proposal for expenditures related to health and public welfare. Approximately one-half of settlement receipts placed in this fund will be invested, while the balance is expended. |
| Indiana | | x | The Indiana tobacco master settlement agreement (MSA) fund was established to deposit and distribute money received from the MSA. |
| Michigan | | x | Michigan is setting up two funds, the Michigan Merit Award Trust Fund and the Tobacco Settlement Trust Fund. The Merit Award Trust Fund is the funding source for the Michigan Merit Award program. The Tobacco Settlement Trust Fund is the funding source for the other tobacco settlement funded activities. These include various health-related programs. |
| Ohio | | x | The revenue from the payments is deposited into a non-general revenue fund, the Tobacco Master Settlement Agreement Fund. After payments are received, the director of the Office of Budget and Management will transfer the payments and interest in accordance with the provision of the Tobacco Settlement Plan as approved in Senate Bill 192. Senate Bill 192 establishes seven trust funds that receive the money from the Tobacco Master Settlement Agreement Fund. |
| Wisconsin | x | x | The tobacco control fund was created in 1999 Act 9. A total of \$23.5 million has been placed into this fund. The rest of the settlement money will go in the general fund. |

TABLE 15 (continued)

| Region and State | General Fund | Separate Fund | Description of Separate Funds |
|------------------|--------------|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PLAINS | | | |
| Iowa | | x | The legislature established a separate fund two years ago. The Governor recommends using \$55.0 million a year for health programs and tobacco cessation. |
| Kansas | | x | Legislation passed in 1999 directs all tobacco settlement monies to the Kansas Endowment for Youth Trust Fund. The legislation sets up a schedule of withdrawals. In fiscal 2001, \$70.7 million is withdrawn for the state general fund, and in fiscal 2002, \$10.0 million. All other withdrawals are to the Children's Initiatives Fund and are to be used to enhance or begin programs for children. In fiscal 2001, \$30 million is scheduled to be transferred to the Children's Initiatives Fund; in fiscal 2002, \$40 million; in fiscal 2003, \$45 million; and then a slight increase each year thereafter. |
| Minnesota | x | x | Two endowment funds have been established for settlement payments, the Tobacco Use Prevention and Local Public Health Endowment Fund and the Medical Education Endowment Fund. Annual payments go to the general fund. |
| Missouri | | x | The Governor has recommended a separate fund. The legislature has not yet passed legislation or a constitutional amendment specifying how funds are to be accounted for or what purposes are eligible for funding. |
| Nebraska | | x | Funds are deposited into a trust fund and not spent. Investment earnings are appropriated to a grant program for health-related projects. A trust fund was established by legislation to receive the proceeds from the tobacco settlement. Only the interest from that fund will be spent. |
| North Dakota | | x | All monies are deposited into the Tobacco Settlement Trust Fund. The principal and interest are allocated as follows: 1) 10 percent to a Community Health Trust Fund to be administered by the state health department; 2) 45 percent to the Common Schools Trust Fund to become a part of the principal of that fund; and 3) 45 percent to the Water Development Trust Fund to be used to address the long-term water development and management needs of the state. |
| South Dakota | | x | All proceeds will be deposited into the People's Trust Fund; and annual interest earnings will be appropriated by the legislature. |
| SOUTHEAST | | | |
| Alabama | x | x | All funds are deposited into a new fund after an allocation for debt service for economic development and industrial recruitment bonds. The remainder is allocated from Medicaid, general fund, aging programs, Senior Services Trust Fund, and a newly created fund for children's programs. Funds are conditionally appropriated upon the recommendation of the finance director and the approval of the Governor. |
| Arkansas | | | Final decisions on use of settlement payments for the state of Arkansas have not been made at this time. A proposal is being discussed among the Governor, General Assembly, and various interested groups. |
| Florida | | x | Florida has created a Tobacco Settlement Clearing Trust Fund to which the settlement proceeds are deposited. Additionally, Florida has created a Tobacco Settlement Trust Fund for each state agency that receives authorization to spend tobacco settlement monies. The appropriations in the agencies, trust funds are funded by transfers from the clearing trust fund. |
| Georgia | x | | |
| Kentucky | x | | |
| Louisiana | | x | Constitutional amendment passed to create the Louisiana Fund to receive settlement proceeds as follows: 45 percent in fiscal 2000/01; 30 percent in fiscal 2001/02; 15 percent in fiscal 2002/03; and 25 percent in fiscal 2003/04 and thereafter. The millenium Trust was also created where interest earnings from the trust will be distributed to three funds: the Education Excellence Fund; Health Excellence Fund; and TOPS (Tuition Opportunity Program for Students) Fund. |
| North Carolina | | x | On March 16, 1999, the North Carolina General Assembly enacted a law approving the establishment of a foundation to provide economic impact assistance to economically affected or tobacco-dependent regions in North Carolina. The court must review the law for compliance with the intent outlined in the consent decree. The foundation would receive 50 percent of the settlement. The remaining half would be split equally between two trust funds established by the General Assembly. One trust fund would be for the benefit of tobacco farmers, quota holders, and persons in tobacco-related businesses, and the second trust fund would be for health programs. |
| South Carolina | | x | The Governor's budget recommendation establishes the Tobacco Settlement Fund (TSF), which is a fund separate from the general fund. Interest earned is credited to the TSF. The use of the proceeds is for health programs, loss reimbursements to tobacco quota farmers, revitalization of tobacco communities, and economic development. |
| Tennessee | | | Legislation is pending. |

TABLE 15 (continued)

| Region and State | General Fund | Separate Fund | Description of Separate Funds |
|-----------------------|--------------|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Virginia | x | x | <p>The commonwealth's share of the total amount paid to states through 2025 would be approximately \$4.1 billion. The exact dollar amount is contingent upon certain adjustments as set forth in the settlement. A total of 60 percent will be allocated to the general fund and 40 percent to the separate fund.</p> <p>Legislation passed by the 1999 Virginia General Assembly (Chapter 880, 1999 Acts of Assembly) earmarked 60 percent of the allocation in two separate trust funds. The Tobacco Indemnification and Community Revitalization Fund receives 50 percent of the MSA allocation. This portion is used to compensate tobacco growers and tobacco quota holders for the economic loss resulting from quota loss or elimination and to promote economic growth and development in tobacco-dependent communities in the southside and southwest regions of the state. Because Virginia is one of the few states with a strong agricultural sector involving tobacco, sentiment is strong in the state for economic development efforts to mitigate the effects of decreasing dependency on tobacco.</p> <p>The Virginia Tobacco Settlement Fund receives the next 10 percent of the Master Settlement Agreement (MSA) allocation to be used for the purposes of discouraging, eliminating, or preventing the use of tobacco products by minors, including, but not limited to, educational and awareness programs on the health effects of tobacco use on minors, and on laws restricting the distribution of tobacco products to minors. For fiscal years 2000, 2001, and 2002, it is anticipated that the Tobacco Indemnification and Community Revitalization Fund will receive \$83.2 million, \$64.4 million, and \$79.0 million, respectively, while the Virginia Tobacco Settlement Fund will take in \$16.7 million, \$12.9 million, and \$15.8 million over the same period.</p> <p>The remaining 40 percent of the MSA allocation is deposited to the general fund and are expended like any other source of general fund revenues.</p> |
| West Virginia | | x | <p>Fifty percent of all settlement revenues received shall be deposited into the interest-bearing West Virginia Tobacco Settlement Medical Trust Fund. No expenditure of the principal portion of the trust fund is permissible. The income (interest) portion of the trust fund shall be expended only upon appropriation of the legislature. The remaining 50 percent of all settlement revenues shall be deposited into the interest-bearing Tobacco Settlement Fund. Appropriations from this fund are limited to expenditures for the following purposes: reserve funds for continued support of programs offered by the Public Employees Insurance Agency; federal-state Medicaid program expansion, authorized by the legislature or the federal government; public health programs, services and agencies; and state-owned or operated health facilities.</p> |
| SOUTHWEST | | | |
| Arizona | | x | <p>The Governor and the legislature are currently developing a proposal for the use of settlement monies. State-specific finality has not been reached.</p> |
| New Mexico | | x | <p>One-half of prior-year revenues are appropriated. The other half goes to a permanent fund, which is available for appropriation.</p> |
| Oklahoma | | x | <p>The legislature is currently in session and a decision has not been finalized. Governor Keating proposed a separate fund used for rural health care and education.</p> |
| ROCKY MOUNTAIN | | | |
| Colorado | | x | |
| Idaho | | x | <p>The state has created an Idaho Millennium Fund (SB 1296) into which all tobacco settlement funds will be deposited. The fund is to be treated as an endowment fund. It will be invested by the state treasurer and retain its earnings. Each month 1/12th of 5.0 percent of the fund's market value will be transferred to the Idaho Millennium Income Fund. The legislature appropriated \$2.3 million from the Idaho Millennium Income Fund in fiscal 2001 for a variety of smoking cessation and health-related projects.</p> |
| Montana | x | | |
| Utah | | x | <p>Tobacco settlement money is to be allocated to three separate accounts. First, funds will be allocated to the Tobacco Settlement Restricted Account, which deposits 50 percent of all funds received and fund balance is available for appropriation; second, to a Tobacco Settlement Endowment that deposits 50 percent of all funds received and is not available for appropriation; and third, to the Constitutional Trust Fund, and if passed by voters, it will replace the Tobacco Settlement Endowment listed above on January 1, 2001. Fifty percent of dividends and interest earned by the fund are available for appropriation, while principal and capital gains are not available unless approved by two-thirds majority vote of both the House and Senate and approved by the Governor.</p> |
| Wyoming | | x | <p>Tobacco settlement money is to be allocated to a trust fund with two accounts. One account will receive settlement payments and cannot be used. The other account will receive interest and can be used by legislative appropriation only.</p> |

TABLE 15 (continued)

| Region and State | General Fund | Separate Fund | Description of Separate Funds |
|--------------------|--------------|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FAR WEST | | | |
| Alaska | x | x | The tobacco settlement initial payments will go to the general fund. The Governor has proposed a securitization bond package that would establish a separate fund. |
| California | x | | |
| Hawaii | | x | The Hawaii Tobacco Settlement Special Fund, administered by the Department of Health, was established by Act 304, SLH 1999, to receive all tobacco settlement monies. Monies received by the fund are distributed as follows: 40 percent to the Emergency and Budget Reserve Fund; 35 percent to the Department of Health for the children's health insurance program in the Department of Human Services and health promotion and disease prevention programs; and 25 percent to the Hawaii Tobacco Prevention and Control Trust Fund. |
| Nevada | | x | Three separate funds will be established--an education scholarship trust fund and two health-related trust funds. |
| Oregon | | x | A legislative initiative (HB 2007) and a Governor's initiative will be voted on in November 2000. Depending on the outcome, proceeds may be placed in a Health Security Fund (100 percent of proceeds) or a School Stabilization Fund (25 percent of proceeds). |
| Washington | | x | Settlement funds received will first be deposited in a new Tobacco Settlement Account. \$100 million will be transferred to another new account, the Tobacco Prevention and Control Account, for cessation programs. The remainder of the settlement will be transferred to the existing Health Services Account for health care services. |
| TERRITORIES | | | |
| Puerto Rico | | x | Tobacco settlement funds will go to a Children's Trust Fund to be used for the well-being of the children. |
| Total | 11 | 41 | |

SOURCE: National Association of State Budget Officers.

TABLE 16

Securitization of Settlement Funds

| <i>Region and State</i> | <i>Yes</i> | <i>No</i> | <i>Pending</i> |
|-------------------------|------------|-----------|----------------|
| NEW ENGLAND | | | |
| Connecticut | | x | |
| Maine | | x | |
| Massachusetts | | x | |
| New Hampshire | | | x |
| Rhode Island | | x | |
| Vermont | | x | |
| MID-ATLANTIC | | | |
| Delaware | | x | |
| Maryland | | x | |
| New Jersey | | x | |
| New York | | x | |
| Pennsylvania | | x | |
| GREAT LAKES | | | |
| Illinois | | | x |
| Indiana | | | x |
| Michigan | | x | |
| Ohio | | x | |
| Wisconsin | x | | |
| PLAINS | | | |
| Iowa | x | | |
| Kansas | x | | |
| Minnesota | | x | |
| Missouri | | | x |
| Nebraska | | x | |
| North Dakota | | x | |
| South Dakota | | x | |
| SOUTHEAST | | | |
| Alabama* | x | | |
| Arkansas | | | x |
| Florida* | x | | |
| Georgia | | x | |
| Kentucky | | x | |
| Louisiana | x | | x |
| Mississippi | | | |
| North Carolina | | x | |
| South Carolina | x | | |
| Tennessee | x | | |
| Virginia | | x | |
| West Virginia | | x | |
| SOUTHWEST | | | |
| Arizona | x | | |
| New Mexico | | | |
| Oklahoma | | | x |
| Texas | | | |
| ROCKY MOUNTAIN | | | |
| Colorado | | x | |
| Idaho | | x | |
| Montana | | x | |
| Utah | | x | |
| Wyoming | x | | |
| FAR WEST | | | |
| Alaska* | x | | x |
| California | | x | |
| Hawaii | x | | |
| Nevada | x | | |
| Oregon | | | x |
| Washington | | x | |
| TERRITORIES | | | |
| Puerto Rico | x | | |
| Total | 14 | 27 | 9 |

NOTE: *See Notes to Table 16.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 16

| | |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Alabama | The state will be securitized effective October 1, 2000. |
| Alaska | Final decision is pending until May 2000. |
| Florida | The Florida legislature passed a bill on May 5, 2000, creating the Tobacco Settlement Financing Corporation for the purpose of purchasing the state's right, title, and interest in the tobacco settlement agreement and issuing bonds to pay the purchase price. Such a purchase is contingent on final approval by the legislature. |

Appendix

TABLE A-1

Fiscal 1999 State General Fund, Actual (Millions)

| Region and State | Beginning Balance | Revenues | Adjustments | Resources | Expenditures | Adjustments | Ending Balance | Budget Stabilization Fund |
|-----------------------|-------------------|------------------|-------------|------------------|------------------|-------------|-----------------|---------------------------|
| NEW ENGLAND | | | | | | | | |
| Connecticut** | \$ 0 | \$10,616 | \$ 0 | \$10,616 | \$10,545 | \$ 0 | \$ 72 | \$ 529 |
| Maine** | 98 | 2,237 | -59 | 2,276 | 2,154 | -106 | 229 | 132 |
| Massachusetts** | 254 | 19,075 | 0 | 19,328 | 18,370 | 743 | 215 | 1,389 |
| New Hampshire** | 41 | 1,024 | -130 | 935 | 935 | 0 | 0 | 20 |
| Rhode Island** | 146 | 2,005 | 0 | 2,151 | 2,036 | 0 | 114 | 65 |
| Vermont** | 0 | 840 | 0 | 840 | 840 | 0 | 0 | 40 |
| MID-ATLANTIC | | | | | | | | |
| Delaware* ** | 315 | 2,191 | 0 | 2,506 | 2,153 | 0 | 305 | 114 |
| Maryland** | 420 | 8,513 | 185 | 9,118 | 8,535 | 0 | 583 | 635 |
| New Jersey* | 1,257 | 18,164 | 0 | 19,422 | 18,070 | 85 | 1,267 | 627 |
| New York* ** | 638 | 36,741 | 0 | 37,379 | 36,487 | 0 | 892 | 473 |
| Pennsylvania** | 265 | 18,583 | 118 | 18,966 | 18,368 | 150 | 448 | 1,134 |
| GREAT LAKES | | | | | | | | |
| Illinois | 1,202 | 21,675 | 0 | 22,876 | 21,525 | 0 | 1,351 | N/A |
| Indiana** | 1,560 | 8,940 | 0 | 10,500 | 8,474 | 559 | 1,467 | 525 |
| Michigan* ** | 55 | 9,561 | 50 | 9,667 | 9,422 | 244 | 0 | 1,223 |
| Ohio** | 139 | 19,065 | 0 | 19,204 | 18,017 | 966 | 221 | 953 |
| Wisconsin* ** | 552 | 10,114 | 56 | 10,722 | 10,009 | 11 | 701 | 0 |
| PLAINS | | | | | | | | |
| Iowa | 411 | 4,399 | 0 | 4,810 | 4,526 | 0 | 284 | 444 |
| Kansas** | 754 | 3,978 | 5 | 4,737 | 4,196 | 0 | 541 | 0 |
| Minnesota* ** | 2,527 | 10,374 | 0 | 12,902 | 10,981 | 0 | 1,921 | 1,542 |
| Missouri | 348 | 7,079 | 0 | 7,427 | 7,063 | 0 | 364 | 135 |
| Nebraska** | 431 | 2,124 | -30 | 2,526 | 2,233 | 0 | 293 | 146 |
| North Dakota** | 97 | 740 | 0 | 837 | 758 | 17 | 62 | 0 |
| South Dakota** | 0 | 751 | 16 | 767 | 734 | 33 | 0 | 35 |
| SOUTHEAST | | | | | | | | |
| Alabama | 51 | 4,940 | 0 | 4,991 | 4,919 | 0 | 72 | 0 |
| Arkansas | 0 | 3,050 | 0 | 3,050 | 3,009 | 0 | 40 | 0 |
| Florida | 401 | 17,917 | 0 | 18,318 | 17,952 | 0 | 366 | 1,328 |
| Georgia | 790 | 13,384 | 0 | 14,174 | 13,013 | 0 | 1,161 | 381 |
| Kentucky** | 356 | 6,198 | 39 | 6,593 | 6,537 | -8 | 64 | 231 |
| Louisiana** | 94 | 5,714 | 22 | 5,830 | 5,818 | 38 | -30 | 24 |
| Mississippi** | 101 | 3,281 | 0 | 3,382 | 3,138 | 120 | 124 | 236 |
| North Carolina** | 515 | 12,734 | 228 | 13,477 | 12,962 | 218 | 297 | 523 |
| .. South Carolina* | 517 | 4,931 | 0 | 5,447 | 4,724 | 0 | 723 | 138 |
| Tennessee** | 248 | 6,251 | -105 | 6,394 | 6,278 | 26 | 90 | 127 |
| Virginia | 971 | 9,708 | 0 | 10,679 | 10,194 | 0 | 485 | 362 |
| West Virginia** | 125 | 2,618 | 24 | 2,767 | 2,606 | 5 | 156 | 65 |
| SOUTHWEST | | | | | | | | |
| Arizona | 506 | 5,635 | 0 | 6,142 | 5,886 | 0 | 255 | 387 |
| New Mexico* ** | 225 | 3,172 | 5 | 3,402 | 3,217 | 0 | 185 | 0 |
| Oklahoma** | 174 | 4,506 | 14 | 4,694 | 4,460 | 0 | 234 | 150 |
| Texas** | 2,378 | 54,474 | -434 | 56,418 | 52,939 | 0 | 3,479 | 0 |
| ROCKY MOUNTAIN | | | | | | | | |
| Colorado* ** | 901 | 5,794 | -170 | 6,525 | 5,845 | 0 | 679 | 491 |
| Idaho** | 36 | 1,625 | -3 | 1,657 | 1,611 | 0 | 47 | 36 |
| Montana** | 44 | 1,091 | 13 | 1,149 | 1,039 | 0 | 110 | 0 |
| Utah** | 44 | 3,191 | 21 | 3,256 | 3,248 | 0 | 7 | 95 |
| Wyoming* ** | 40 | 500 | 35 | 575 | 502 | 0 | 73 | 13 |
| FAR WEST | | | | | | | | |
| Alaska* ** | 0 | 1,291 | 1,002 | 2,294 | 2,294 | 0 | 0 | 2,628 |
| California* | 2,920 | 58,615 | 0 | 61,535 | 57,827 | 0 | 3,708 | 3,116 |
| Hawaii | 154 | 3,286 | 0 | 3,440 | 3,251 | 0 | 189 | 0 |
| Nevada** | 83 | 1,526 | 111 | 1,721 | 1,623 | 0 | 98 | 129 |
| Oregon** | 349 | 4,328 | 0 | 4,677 | 4,128 | 0 | 549 | 28 |
| Washington** | 530 | 9,977 | -219 | 10,288 | 9,826 | 0 | 462 | 536 |
| TERRITORIES | | | | | | | | |
| Puerto Rico | 92 | 6,775 | 0 | 6,866 | 6,714 | 0 | 153 | 30 |
| Total | \$24,063 | \$468,526 | - | \$493,382 | \$465,276 | - | \$24,953 | \$21,182 |

NOTES: NA indicates data are not available. *The ending balance includes the balance in the budget stabilization fund. **See Notes to Table A-1.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-1

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

| | |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Alaska | Revenue adjustments of \$1,002.3 million draw from the constitutional budget reserve. |
| Colorado | Enactment of a 10-percent sales and use transfer to highways that reflect revenue adjustments of \$-170.4 million. |
| Connecticut | Figures include federal reimbursements, such as Medicaid. In accordance with Article XXVIII of the amendments to the state constitution, at the close of fiscal year the budget reserve fund balance will be maintained at its statutory limit of 5 percent of net general fund appropriations. |
| Delaware | The ending balance does not include continuing appropriations or encumbrances. |
| Idaho | Revenue adjustments reflect \$2.0 million to the Permanent Building Fund, \$0.8 million to the Fire Suppression Fund, and \$0.3 million to three other dedicated funds. |
| Indiana | The expenditure adjustments of \$559 million reflect one-time expenditures for pensions, highway, street, road construction and repair, funding of local auto excise tax and property tax cuts, some capital projects, and contingencies for 2000 computer hardware and software upgrade and replacement efforts. The beginning balance includes the amount (in this year, \$240 million) set aside from the general fund into the tuition reserve account to cover the first distribution of K-12 funding in the new fiscal year. |
| Kansas | Revenues reflect adjustments for released encumbrances. |
| Kentucky | Revenue adjustments reflect a \$38.6 million fund transfer to the general fund. Expenditure adjustments for fiscal 1998 reflect adjustment for continuing appropriations and fiscal 1999 and fiscal 2000 reflect surplus plan expenditures. |
| Louisiana | Revenue adjustments reflect carried-forward balances of \$21.7 million. Expenditure adjustments include \$38.1 million. |
| Maine | Revenue adjustments reflect \$-59.0 million in legislative and statutorily authorized transfers. Expenditure adjustments reflect \$-106.3 million in prior-year transactions and balances. |
| Maryland | Revenue adjustments of \$185 million reflect transfers from the rainy-day fund to the general fund. |
| Massachusetts | The general fund encompasses Massachusetts' three major funds: general, highway, and local aid funds. Massachusetts uses all three in the same manner as most states, which typically have far fewer dedicated or minor funds and use just their general fund. Expenditures are adjusted for lapsed appropriations, appropriations carried into the next fiscal year, and the statutorily required transfer of \$276 million total to the rainy-day and capital projects funds. |
| Michigan | Revenue adjustment of \$50.3 million reflects increases to fund balance not recorded as revenues include equity transfers and restatements to beginning fund balance. Expenditure adjustments totaled \$244.4 million. By statute, the unreserved fund balance at year-end was transferred to the rainy-day fund. |
| Minnesota | The ending balance includes a cash flow account of \$350 million, a budget reserve of \$622 million, a property tax reform account of \$328 million, and other reserves of \$242.4 million. |
| Mississippi | Expenditure adjustments reflect statutory transfers of \$120.1 million to working cash stabilization fund and education enhancement fund. |
| Montana | Revenue adjustments primarily reflect a \$13.3-million statutory change eliminating general fund loans made pending receipt of federal funds. |
| Nebraska | Revenue adjustments include \$-29.5 million in transfers between the general fund and other funds. Expenditure adjustments are carryovers from prior years. |
| Nevada | Revenue adjustments include \$111.3 million in reversions. |
| New Hampshire | Revenue adjustments reflect \$124.8 million in funds transferred from the general fund to Local Education Betterment Fund and \$5.3 million to the Health Care Transition Fund. |
| New Mexico | Revenue adjustments reflect a transfer of fund balance from state support reserve. |
| North Carolina | Revenue adjustments reflect reserves authorized for repair and renovations of \$145 million, clean water management of \$47.4 million, and the disproportionate share reserve of \$35.4 million. Expenditure adjustments reflect \$150 million for repair and renovations, \$31 million for clean water management, \$30 million for the aquarium reserve, and \$7 million for capital improvements. |
| North Dakota | Expenditure adjustment of \$17 million reflects money transferred to the Budget Stabilization Fund in the 1997-99 biennium and subsequently transferred to the Bank of North Dakota. Contingency funds of \$40 million are available from the Bank of North Dakota should a revenue shortfall occur during the 1999-2001 biennium. |
| Ohio | Federal reimbursements for Medicaid and other human services programs and Temporary Assistance for Needy Families federal block grant funds are included in the general revenue fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balances would be higher by the amount reserved for encumbrances and designated transfers from the general revenue fund, including transfers to the budget stabilization fund. Expenditures for fiscal 1999 do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements for the general revenue fund. Expenditure adjustments reflect a transfer to the income tax reduction fund of \$293.3 million, a transfer to the budget stabilization fund of \$46.4 million, a transfer to the school building assistance fund of \$325.7 million, a transfer to SchoolNet Plus of \$85.4 million, a transfer for Interactive Video Distance Learning of \$4.6 million, and other miscellaneous transfers-out, totaling \$239.3 million. These transfers-out are adjusted for a net change in encumbrances from fiscal 1998 levels of \$-28.9 million. |

NOTES TO TABLE A-1 (continued)

| | |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Oklahoma | Revenue adjustments reflect \$14.3 million in transfers to or from general revenue Cash-Flow Reserve Fund and deposits to the rainy-day fund. |
| Oregon | The beginning balance for fiscal 1999 and the ending balance for fiscal 2001 are currently being reconciled by the Office of Economic Analysis and the State Controller Division. |
| Pennsylvania | Revenue adjustments reflect adjustments to the beginning balance and lapses from prior-year appropriations. Expenditures reflect the total amount appropriated. Expenditure adjustments include the addition of current-year lapses and the transfer to the rainy-day fund that actually occurs in the following fiscal year. |
| Rhode Island | General fund reflects general revenue receipts and expenditures only. Total revenues are net of transfers to the budget reserve and cash stabilization fund. Fiscal 2000 includes reappropriations recommended by the Governor from fiscal 1999. Fiscal 2000 adjustment to revenues reduces opening surplus by \$6 million. |
| South Carolina | Figures do not include estimated tobacco settlement revenue or expenditures. |
| South Dakota | Revenue adjustments include transfers from the budget reserve fund and obligated cash carried forward. Expenditure adjustments include transfers to the budget reserve fund, property tax reduction fund, and other funds. Also included in expenditures are future obligations against cash. |
| Tennessee | Revenue adjustments reflect a \$51.6-million transfer from debt service fund unexpended appropriations and a \$156.9-million reduction in unexpended revenues reserved for future dedicated expenditures. Expenditure adjustments include a \$25.6-million transfer to the rainy-day fund balance. The beginning balance includes \$203.5 million to fund appropriations and \$44 million unreserved. The ending balance includes \$61.4 million reserved to fund appropriations and \$28.1 million unreserved. |
| Texas | The actual figures for fiscal 1999 represents two-year biennium (fiscal 1998 and 1999) data combined. |
| Utah | Net budget carried forward equals \$16.5 million. Revenue adjustments include transfers of \$4.8 million, a transfer to the rainy-day fund of \$0.7 million, and other adjustments equaling \$0.1 million. |
| Vermont | Total expenditures reflect a \$3.99-million transfer to the general fund budget stabilization reserve; \$1-million transfer to the education fund; \$2-million transfer to a debt service reserve; \$2.51-million transfer to the human services caseload management reserve; \$11.14-million transfer to the general fund surplus reserve; \$4.83-million transfer from the general fund deficit reserve; and \$0.14-million transfer from the transportation fund. |
| Washington | Revenue adjustments are necessary to reflect the fact that monies are transferred from the general fund to the rainy-day fund when the revenues exceed the state's expenditure limit. |
| West Virginia | Beginning balance (prior year's ending balance) reflects \$92.5 million in reappropriations, \$3.2 million in surplus appropriations, and \$29.5 million in unappropriated surplus balance. Revenue adjustments include \$0.2-million prior-year redeposits, \$7.5-million transfer from the rainy-day fund, \$14.5-million transfer from income tax refund reserve, and \$1.3-million transfer from special revenue. Total expenditures reflect \$2.52 billion in regular appropriations, \$50.8 million in reappropriations, \$11.5 million in surplus appropriations, \$23.7 million in 31-day (prior-year) expenditures. Expenditure adjustments include a \$4.5-million transfer to the rainy-day fund. |
| Wisconsin | Revenue adjustments include prior-year designations of continuing balances of \$55.8 million. Expenditure adjustments include designation for appropriation authority carried forward and residual equity transfers of \$11.6 million. |
| Wyoming | Revenue adjustments reflect interfund transfers from the budget reserve account, legislative impact account, and statutory reserve account. |

TABLE A-2

Fiscal 2000 State General Fund, Estimated (Millions)

| Region and State | Beginning Balance | Revenues | Adjustments | Resources | Expenditures | Adjustments | Ending Balance | Budget Stabilization Fund |
|-----------------------|----------------------|------------------|-------------|------------------|------------------|-------------|-------------------|---------------------------------|
| NEW ENGLAND | | | | | | | | |
| Connecticut | \$ 0 | \$10,959 | \$ 0 | \$10,959 | \$10,718 | \$ 0 | \$241 | \$563 |
| Maine** | 229 | 2,362 | 21 | 2,612 | 2,316 | 0 | 297 | 142 |
| Massachusetts** | 215 | 19,884 | 0 | 20,099 | 19,694 | 296 | 109 | 1,597 |
| New Hampshire | 0 | 1,028 | 0 | 1,028 | 1,048 | 0 | -20 | 20 |
| Rhode Island** | 114 | 2,161 | 0 | 2,276 | 2,231 | 0 | 44 | 69 |
| Vermont** | 0 | 854 | 0 | 854 | 854 | 0 | 0 | 41 |
| MID-ATLANTIC | | | | | | | | |
| Delaware* ** | 305 | 2,270 | 0 | 2,306 | 2,323 | 0 | 221 | 120 |
| Maryland** | 583 | 9,092 | 160 | 9,835 | 9,019 | 0 | 816 | 580 |
| New Jersey* | 1,267 | 19,369 | 0 | 20,636 | 19,462 | 0 | 1,174 | 720 |
| New York* ** | 892 | 37,341 | 0 | 38,233 | 37,063 | 0 | 1,170 | 548 |
| Pennsylvania** | 448 | 19,154 | 100 | 19,701 | 19,279 | -22 | 444 | 1,067 |
| GREAT LAKES | | | | | | | | |
| Illinois | 1,351 | 22,942 | 0 | 24,293 | 22,943 | 0 | 1,350 | N/A |
| Indiana** | 1,467 | 9,262 | 0 | 10,729 | 9,105 | 548 | 1,076 | 541 |
| Michigan* ** | 0 | 9,925 | -397 | 9,528 | 9,267 | 239 | 21 | 1,264 |
| Ohio** | 222 | 19,550 | 0 | 19,772 | 19,339 | 88 | 345 | 978 |
| Wisconsin* ** | 701 | 11,221 | 64 | 11,987 | 11,328 | 0 | 659 | 0 |
| PLAINS | | | | | | | | |
| Iowa** | 268 | 4,597 | 0 | 4,865 | 4,770 | 19 | 114 | 460 |
| Kansas** | 541 | 4,166 | 0 | 4,707 | 4,389 | 0 | 318 | 0 |
| Minnesota* ** | 1,921 | 12,037 | 0 | 13,957 | 11,588 | 0 | 2,370 | 2,167 |
| Missouri | 364 | 7,016 | 0 | 7,380 | 7,088 | 0 | 292 | 143 |
| Nebraska** | 293 | 2,326 | -44 | 2,575 | 2,324 | 132 | 120 | 151 |
| North Dakota** | 62 | 752 | 0 | 814 | 773 | 0 | 41 | 0 |
| South Dakota | 0 | 767 | 18 | 785 | 767 | 18 | 0 | 37 |
| SOUTHEAST | | | | | | | | |
| Alabama | 72 | 5,204 | 0 | 5,276 | 5,238 | 0 | 38 | 3 |
| Arkansas | 0 | 3,175 | 0 | 3,175 | 3,175 | 0 | 0 | 0 |
| Florida | 366 | 18,449 | 0 | 18,815 | 18,815 | 0 | 0 | 1,704 |
| Georgia | 1,161 | 13,208 | 0 | 14,369 | 14,203 | 0 | 166 | 379 |
| Kentucky | 64 | 6,569 | 68 | 6,701 | 6,454 | 64 | 183 | 239 |
| Louisiana** | -27 | 5,813 | 36 | 5,823 | 5,822 | 0 | -1 | 57 |
| Mississippi** | 124 | 3,433 | 0 | 3,557 | 3,468 | 49 | 39 | 261 |
| North Carolina** | 297 | 13,184 | 666 | 14,147 | 14,146 | 0 | 1 | 37 |
| South Carolina* | 723 | 5,075 | 0 | 5,798 | 5,334 | 0 | 464 | 145 |
| Tennessee** | 90 | 6,696 | 35 | 6,820 | 6,735 | 38 | 47 | 165 |
| Virginia | 485 | 11,296 | 0 | 11,781 | 11,272 | 0 | 510 | 556 |
| West Virginia** | 156 | 2,658 | 6 | 2,820 | 2,804 | 15 | 2 | 79 |
| SOUTHWEST | | | | | | | | |
| Arizona | 255 | 5,943 | 0 | 6,198 | 6,023 | 0 | 175 | 403 |
| New Mexico* | 185 | 3,362 | 0 | 3,547 | 3,404 | 0 | 143 | 0 |
| Oklahoma** | 234 | 4,667 | -56 | 4,844 | 4,545 | 0 | 299 | 112 |
| Texas** | 3,479 | 54,220 | 0 | 57,699 | 57,675 | 0 | 24 | 0 |
| ROCKY MOUNTAIN | | | | | | | | |
| Colorado* ** | 679 | 6,192 | -186 | 6,685 | 5,981 | 0 | 704 | 503 |
| Idaho** | 47 | 1,708 | -62 | 1,693 | 1,685 | 0 | 8 | 90 |
| Montana | 110 | 1,146 | 0 | 1,256 | 1,091 | 0 | 165 | 0 |
| Utah** | 7 | 3,380 | -23 | 3,364 | 3,364 | 0 | 0 | 100 |
| Wyoming* | 73 | 543 | 45 | 661 | 558 | 0 | 103 | 10 |
| FAR WEST | | | | | | | | |
| Alaska* ** | 0 | 1,984 | 305 | 305 | 2,289 | 0 | -1,984 | 2,851 |
| California* | 3,708 | 65,161 | 0 | 68,869 | 65,856 | 0 | 3,012 | 2,420 |
| Hawaii | 189 | 3,250 | 0 | 3,439 | 3,182 | 0 | 257 | 0 |
| Nevada** | 98 | 1,571 | 34 | 1,703 | 1,601 | 0 | 102 | 129 |
| Oregon** | 549 | 4,796 | 0 | 5,345 | 4,861 | 0 | 484 | 42 |
| Washington** | 462 | 10,305 | -134 | 10,632 | 10,159 | 0 | 474 | 701 |
| TERRITORIES | | | | | | | | |
| Puerto Rico | 153 | 7,043 | 0 | 7,196 | 7,114 | 0 | 82 | 65 |
| Total | \$24,829 | \$492,019 | - | \$515,251 | \$497,426 | - | \$16,617 | \$22,191 |

NOTES: NA indicates data are not available. **The ending balance includes the balance in the budget stabilization fund. **See Notes to Table A-2.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-2

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

| | |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Alaska | Revenue adjustments of \$304.9 million draw from the constitutional budget reserves. |
| Colorado | The state enacted a 10-percent sales and use tax transfer to highways that reflects revenue adjustments of \$-185.7 million. |
| Delaware | The ending balance does not include continuing appropriations or encumbrances. |
| Idaho | Revenue adjustments include \$54.0 million to the Budget Stabilization Fund, \$3.1 million to the Insurance Premium Refund Fund, \$1.7 million to the Fire Suppression Fund, \$1.5 million to the Natural Restoration Fund, \$1.0 million to the Permanent Building Fund, and \$0.5 million to four other dedicated funds. |
| Iowa | Expenditure adjustments include deappropriations from various agencies and departments. |
| Indiana | The expenditure adjustments of \$548 million reflect one-time expenditures for pensions; highway, street, and road construction and repair; funding of local auto excise tax and property tax cuts; some capital projects; and contingencies for 2000 computer hardware and software upgrade and replacement effort. Also included is extraordinary funding for higher education information technology. |
| Kansas | Revenues reflect adjustments for released encumbrances. |
| Louisiana | Revenue adjustments reflect a carried-forward balance of \$36.3 million. |
| Maine | Revenue adjustments include a legislative and statutorily authorized transfer of \$21.3 million. |
| Massachusetts | The general fund encompasses Massachusetts' three major funds: general, highway, and local aid funds. Massachusetts uses all three in the same manner as most states, which typically have far fewer dedicated or minor funds, use just their general fund. Expenditures are adjusted for lapsed appropriations, appropriations carried into the next fiscal year, and the statutorily required transfer of \$201 million total to the rainy-day and capital projects funds. |
| Maryland | Revenue adjustments of \$160 million reflect transfers from the rainy-day fund to the general fund. |
| Michigan | Revenue adjustments reflect \$397.2 million in recommended tax law changes and other adjustments. Expenditure adjustments of \$239.2 million reflect Senate passage of a supplemental bill that is awaiting House action. |
| Minnesota | The ending balance includes a cash flow account of \$350 million, a budget reserve of \$622 million, a tax relief and reform account of \$1.049 billion, and other reserves of \$144.7 million. |
| Mississippi | Expenditure adjustments reflect statutory transfers of \$49.4 million to the working cash stabilization fund and education enhancement fund. |
| Nebraska | Revenue adjustments reflect a \$-44.1 million in transfers between the general fund and other funds. Expenditure adjustments include \$131.5 million in carryovers from prior years. |
| Nevada | Revenue adjustments include \$33.7 million in reversions. |
| New York | The fiscal 2001 beginning balance is \$250 million lower than the fiscal 2000 ending balance due to proposed reclassification of the debt reduction reserve fund from the general fund to the capital projects fund in fiscal 2001. |
| North Carolina | Revenue adjustments reflect \$486 million transferred from rainy-day fund, \$150 million authorized for repairs and renovations, and \$30 million for the Clean Water Management Trust Fund. |
| North Dakota | Expenditure adjustment of \$17 million reflects money transferred to the Budget Stabilization Fund in the 1997-99 biennium and subsequently transferred to the Bank of North Dakota. Contingency funds of \$40 million are available from the Bank of North Dakota should a revenue shortfall occur during the 1999-2001 biennium. |
| Ohio | Federal reimbursements for Medicaid and other human services programs and Temporary Assistance for Needy Families federal block grant funds are included in the general revenue fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balances would be higher by the amount reserved for encumbrances and designated transfers from the general revenue fund, including transfers to the budget stabilization fund. Expenditures for fiscal 2000 do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements for the general revenue fund. Expenditure adjustments reflect a transfer to the budget stabilization fund of \$24.2 million, miscellaneous transfers-out of \$36.6 million, \$36.1 million in estimated capital spending, \$1.1 million for other uses, and an estimated lapse of \$10 million for general revenue fund debt service. |
| Oklahoma | Revenue adjustments reflect \$-56.1 million in transfers to or from general revenue Cash-Flow Reserve Fund or deposits to the rainy-day fund. The adjustment to revenues is an increase resulting from a decrease in the size of the general revenue Cash-Flow Reserve Fund. The general revenue Cash-Flow Reserve Fund was set at 10 percent of the general revenue fund appropriations for fiscal 1999, from fiscal 1998 year-end revenue sources. This was reduced to 9.5 percent for fiscal 2000, which resulted in a \$14-million requirement reduction going into fiscal 2000. |

NOTES TO TABLE A-2 (continued)

| | |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Oregon | The beginning balance for fiscal 1999 and the ending balance for fiscal 2001 are currently being reconciled by the Office of Economic Analysis and the State Controller Division. |
| Pennsylvania | Revenue adjustments reflect lapses from prior-year appropriations. Expenditures reflect the total amount appropriated. Expenditure adjustments include the addition of current-year lapses and the transfer to the rainy-day fund that actually occurs in the following fiscal year. |
| Rhode Island | The general fund reflects general revenue receipts and expenditures only. Total revenues are net of transfers to Budget Reserve and Cash Stabilization Fund. Fiscal 2000 includes reappropriations recommended by the Governor from fiscal 1999. Fiscal 2000 adjustment to revenues reduces opening surplus by \$6 million. |
| Tennessee | Revenue adjustments reflect a \$20 million transfer from debt service fund unexpended appropriations and \$15 million in transfers from Tennessee Housing Development Agency-earmarked tax revenue. Expenditure adjustments reflect a \$38.1-million transfer to the rainy-day fund balance. The ending balance is reserved to fund appropriations. |
| Texas | The estimated figures for fiscal 2000 represents two-year biennium (fiscal 2000 and 2001) data combined. |
| Utah | Net budget carried forward equals \$27.2 million. Revenue adjustments include transfers of \$1.5 million and other adjustments of \$2.4 million. |
| Vermont | Total expenditures reflect a \$1.21-million transfer for the general fund budget stabilization reserve; \$1.95-million transfer to the Vermont Health Access Program (VHAP) trust fund; \$0.55 million transfer to special education Medicaid administration fund; \$0.53 million transfer to the human services caseload management reserve; \$14.28 transfer to the general fund surplus reserve; and \$11.14 transfer from the general fund surplus reserve. |
| Washington | Revenue adjustments are necessary to reflect the fact that monies are transferred from the general fund to the rainy-day fund when the revenues exceed the state's expenditure limit. |
| West Virginia | The beginning balance (the prior year's ending balance) reflects \$103.4 million in reappropriations, \$14.6 million in surplus appropriations, and \$38 million in unappropriated surplus balance. Revenue adjustments include a \$6.2-million transfer from special revenue. Total expenditures reflect \$2.662 billion in regular appropriations, \$103.8 million in reappropriations, \$14.5 million in surplus appropriations, and \$23 million in 31-day (prior-year) expenditures. Expenditure adjustments include a \$14.6-million transfer to rainy-day fund. |
| Wisconsin | Revenue adjustments reflect a total of \$64 million. The ending balance includes a 1-percent required statutory balance for fiscal 2000. |

TABLE A-3

Fiscal 2001 State General Fund, Recommended (Millions)

| Region and State | Beginning Balance | Revenues | Adjustments | Resources | Expenditures | Adjustments | Ending Balance | Budget Stabilization Fund |
|-----------------------|----------------------|------------------|-------------|------------------|------------------|-------------|-------------------|---------------------------------|
| NEW ENGLAND | | | | | | | | |
| Connecticut | \$ 0 | \$11,254 | \$ 0 | \$11,254 | \$11,249 | \$ 0 | \$ 5 | \$ 567 |
| Maine** | 297 | 2,347 | -2 | 2,642 | 2,634 | 0 | 8 | 142 |
| Massachusetts** | 109 | 19,593 | 0 | 19,703 | 19,654 | 0 | 49 | 1,599 |
| New Hampshire | -20 | 1,060 | 0 | 1,040 | 1,064 | 0 | -24 | 20 |
| Rhode Island** | 44 | 2,259 | 0 | 2,303 | 2,303 | 0 | 1 | 71 |
| Vermont** | 0 | 859 | 0 | 859 | 855 | 0 | 4 | 42 |
| MID-ATLANTIC | | | | | | | | |
| Delaware* ** | 221 | 2,335 | 0 | 2,325 | 2,488 | 0 | 178 | 125 |
| Maryland | 816 | 9,378 | 0 | 10,194 | 10,181 | 0 | 13 | 1,095 |
| New Jersey* | 1,174 | 20,518 | 0 | 21,692 | 20,841 | 0 | 850 | 720 |
| New York* ** | 920 | 38,618 | 0 | 39,538 | 37,932 | 0 | 1,606 | 548 |
| Pennsylvania** | 444 | 19,898 | -644 | 19,698 | 19,678 | 3 | 17 | 1,132 |
| GREAT LAKES | | | | | | | | |
| Illinois | 1,350 | 23,743 | 0 | 25,093 | 23,993 | 0 | 1,100 | 385 |
| Indiana** | 1,076 | 9,727 | 0 | 10,803 | 9,761 | 549 | 493 | 566 |
| Michigan* ** | 0 | 10,351 | -713 | 9,638 | 9,637 | 0 | 1 | 1,314 |
| Ohio** | 345 | 20,304 | 0 | 20,649 | 20,474 | 54 | 121 | 1,015 |
| Wisconsin* ** | 659 | 10,596 | 0 | 11,254 | 11,073 | 0 | 181 | 0 |
| PLAINS | | | | | | | | |
| Iowa** | 89 | 4,784 | 59 | 4,932 | 4,879 | 0 | 53 | 474 |
| Kansas | 318 | 4,442 | 0 | 4,759 | 4,426 | 0 | 333 | 0 |
| Minnesota* ** | 2,370 | 12,098 | 0 | 14,468 | 12,301 | 0 | 2,167 | 2,167 |
| Missouri | 292 | 7,426 | 0 | 7,718 | 7,654 | 0 | 64 | 152 |
| Nebraska** | 120 | 2,435 | 11 | 2,565 | 2,390 | 5 | 170 | 100 |
| North Dakota** | 41 | 801 | 0 | 842 | 821 | 0 | 21 | 0 |
| South Dakota | 0 | 797 | 0 | 797 | 797 | 0 | 0 | 38 |
| SOUTHEAST | | | | | | | | |
| Alabama | 38 | 5,428 | 0 | 5,466 | 5,466 | 0 | 0 | 8 |
| Arkansas | 0 | 3,338 | 0 | 3,338 | 3,338 | 0 | 0 | 0 |
| Florida | 0 | 19,521 | 0 | 19,521 | 19,521 | 0 | 0 | 1,232 |
| Georgia | 166 | 14,306 | 0 | 14,472 | 14,472 | 0 | 0 | 408 |
| Kentucky | 69 | 6,900 | 23 | 6,992 | 6,923 | 69 | 0 | 239 |
| Louisiana | 1 | 6,171 | 0 | 6,172 | 6,171 | 0 | 1 | 90 |
| Mississippi** | 39 | 3,633 | 0 | 3,672 | 3,598 | 37 | 37 | 270 |
| North Carolina | 0 | 13,953 | 0 | 13,953 | 13,953 | 0 | 0 | 37 |
| South Carolina* | 464 | 5,388 | 0 | 5,851 | 5,605 | 0 | 247 | 148 |
| Tennessee** | 47 | 7,283 | 0 | 7,330 | 7,271 | 58 | 0 | 223 |
| Virginia | 510 | 11,799 | 0 | 12,308 | 12,267 | 0 | 41 | 659 |
| West Virginia** | 2 | 2,712 | 3 | 2,717 | 2,715 | 1 | 1 | 80 |
| SOUTHWEST | | | | | | | | |
| Arizona | 175 | 6,208 | 0 | 6,383 | 6,375 | 0 | 7 | 423 |
| New Mexico* | 143 | 3,524 | 0 | 3,667 | 3,493 | 0 | 174 | 0 |
| Oklahoma** | 299 | 4,854 | -19 | 5,134 | 4,836 | 0 | 298 | 112 |
| Texas** | 3,479 | 54,220 | 0 | 57,699 | 57,675 | 0 | 24 | 0 |
| ROCKY MOUNTAIN | | | | | | | | |
| Colorado* ** | 704 | 6,612 | -194 | 7,122 | 6,498 | 0 | 625 | 412 |
| Idaho** | 8 | 1,781 | 15 | 1,804 | 1,801 | 0 | 3 | 90 |
| Montana | 165 | 1,139 | 0 | 1,304 | 1,163 | 0 | 142 | 0 |
| Utah** | 0 | 3,495 | 64 | 3,558 | 3,558 | 0 | 0 | 105 |
| Wyoming* | 103 | 518 | 37 | 658 | 635 | 0 | 23 | 10 |
| FAR WEST | | | | | | | | |
| Alaska* ** | 0 | 1,877 | 413 | 2,290 | 2,290 | 0 | 0 | 2,677 |
| California* | 3,012 | 68,237 | 0 | 71,249 | 68,819 | 0 | 2,430 | 1,238 |
| Hawaii | 257 | 3,308 | 0 | 3,565 | 3,277 | 0 | 288 | 0 |
| Nevada** | 102 | 1,627 | 35 | 1,764 | 1,657 | 0 | 107 | 129 |
| Oregon** | 484 | 5,218 | 0 | 5,702 | 5,266 | 0 | 437 | 25 |
| Washington | 474 | 10,538 | -22 | 10,990 | 10,414 | 0 | 576 | 760 |
| TERRITORIES | | | | | | | | |
| Puerto Rico | 82 | 7,505 | 0 | 7,587 | 7,578 | 0 | 9 | 103 |
| Total | \$21,404 | \$509,208 | - | \$529,448 | \$516,141 | - | \$12,872 | \$21,647 |

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

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-3

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

| | |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Alaska | Revenue adjustments of \$412.9 million draw from the constitutional budget reserves. |
| Colorado | Enactment of a 10-percent sales and use transfer to highways that reflects revenue adjustments of \$-194 million. |
| Delaware | The ending balance does not include continuing appropriations or encumbrances. |
| Idaho | Revenue adjustments include a \$5-million transfer from the Water Pollution Control Fund, \$1.2 million in tax reductions for continued phasing-out of marriage penalty, and \$11.2 million in revenue transfers moving inheritance taxes from dedicated funds to the general fund. |
| Iowa | Revenue adjustments reflects tax simplification of \$-1.3 million; pension tax exemption, \$-6.5 million; targeted tax credits, \$-0.6 million; tobacco settlement to general fund, \$64.6 million; various one-time changes, \$-2.7 million. |
| Indiana | The expenditure adjustments of \$549 million reflect one-time expenditures for pensions; highway, street, and road construction and repair; funding of local auto excise tax and property tax cuts; some capital projects; and contingencies for 2000 computer hardware and software upgrade and replacement effort. Also included is extraordinary funding for higher education information technology. |
| Maine | Revenue adjustments include a legislative and statutorily authorized transfer of \$-2 million. |
| Massachusetts | The general fund encompasses Massachusetts' three major funds: general, highway, and local aid funds. Massachusetts uses all three in the same manner as most states, which typically have far fewer dedicated or minor funds, use just their general fund. It is currently projected that the rainy-day fund will reach its statutory ceiling (of 7.5 percent of total budgetary revenue) at the close fiscal 2001, resulting in a transfer of \$63.3 million to the tax reduction fund. |
| Michigan | Revenue adjustments reflect \$-712.8 million in recommended tax law changes and other adjustments. |
| Minnesota | The ending balance includes a cash flow account of \$350 million, a budget reserve of \$622 million, tax relief and reform account of \$1.049 billion, and other reserves of \$145.2 million. |
| Mississippi | Expenditure adjustments reflect statutory transfers of \$37 million to working cash stabilization fund and education enhancement fund. |
| Nebraska | Revenue adjustments reflect \$10.6 million in transfers between the general fund and other funds. Expenditure adjustments include \$5 million in carry-overs from the prior year. |
| Nevada | Projected revenue adjustments include \$35 million in reversions. |
| New York | The fiscal 2001 beginning balance is \$250 million lower than the fiscal 2000 ending balance due to proposed reclassification of the debt reduction reserve fund from the general fund to the capital projects fund in fiscal 2001. |
| North Dakota | Expenditure adjustment of \$17 million reflects money transferred to the Budget Stabilization Fund in the 1997-99 biennium and subsequently transferred to the Bank of North Dakota. Contingency funds of \$40 million are available from the Bank of North Dakota should a revenue shortfall occur during the 1999-2001 biennium. |
| Ohio | Federal reimbursements for Medicaid and other human services programs and Temporary Assistance for Needy Families federal block grant funds are included in the general revenue fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balances would be higher by the amount reserved for encumbrances and designated transfers from the general revenue fund, including transfers to the budget stabilization fund. Expenditures for fiscal 2001 do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements for the general revenue fund. Expenditure adjustments reflect a transfer to the budget stabilization fund of \$37.7 million, miscellaneous transfers-out of \$23.4 million, \$2.4 million for other uses, and an estimated lapse of \$10 million for general revenue fund debt service. |
| Oklahoma | Revenue adjustments reflect \$-18.7 million in transfers to or from the General Revenue Cash-Flow Reserve Fund or deposits to the rainy-day fund. |
| Oregon | The beginning balance for fiscal 1999 and the ending balance for fiscal 2001 are currently being reconciled by the Office of Economic Analysis and the State Controller Division. |
| Pennsylvania | Expenditures reflect the total amount appropriated. Expenditure adjustments reflect the transfer to the rainy-day fund that actually occurs in the following fiscal year. |
| Rhode Island | General fund reflects general revenue receipts and expenditures only. Total Revenues are net of transfers to Budget Reserve and Cash Stabilization Fund. Fiscal 2000 includes reappropriations recommended by the Governor from fiscal 1999. Fiscal 2000 adjustment to revenues reduces opening surplus by \$6 million. |
| Tennessee | Expenditure adjustments reflect a \$58.3-million transfer to rainy-day fund balance. The ending balance is unreserved. |
| Texas | The recommended fiscal 2001 represents two-year biennium (fiscal 2000 and 2001) data combined. |
| Utah | Net budget carried forward equals \$57.9 million. Revenue adjustments include transfers of \$3.8 million and other adjustments of \$2.1 million. |
| Vermont | Total expenditures reflect a \$1.09-million transfer to the general fund budget stabilization reserve; \$0.5-million transfer from the Human Services Caseload Management reserve; and \$14.71-million transfer from the general fund surplus reserve. |
| West Virginia | Beginning balance (prior year's ending balance) reflects \$1.8 million in unappropriated surplus balance. Revenue adjustments include a \$2.7-million transfer from special revenue. Total expenditures reflect \$2.714 billion in regular appropriations. Expenditure adjustments include a \$0.9 million transfer to the rainy-day fund. |
| Wisconsin | The ending balance includes a 1.2-percent required statutory balance for fiscal 2001. |

TABLE A-4

**General Fund Nominal Percentage
Expenditure Change,
Fiscal 2000 and Fiscal 2001***

| <i>Region and State</i> | <i>Fiscal 2000</i> | <i>Fiscal 2001</i> |
|-------------------------|------------------------|------------------------|
| NEW ENGLAND | | |
| Connecticut | 1.6% | 5.0% |
| Maine | 7.5 | 13.7 |
| Massachusetts | 7.2 | -0.2 |
| New Hampshire | 12.1 | 1.5 |
| Rhode Island | 9.6 | 3.2 |
| Vermont | 1.6 | 0.2 |
| MID-ATLANTIC | | |
| Delaware | 7.9 | 7.1 |
| Maryland | 5.7 | 12.9 |
| New Jersey | 7.7 | 7.1 |
| New York | 1.6 | 2.3 |
| Pennsylvania | 5.0 | 2.1 |
| GREAT LAKES | | |
| Illinois | 6.6 | 4.6 |
| Indiana | 7.4 | 7.2 |
| Michigan | -1.6 | 4.0 |
| Ohio | 7.3 | 5.9 |
| Wisconsin | 13.2 | -2.3 |
| PLAINS | | |
| Iowa | 5.4 | 2.3 |
| Kansas | 4.6 | 0.8 |
| Minnesota | 5.5 | 6.2 |
| Missouri | 0.4 | 8.0 |
| Nebraska | 4.1 | 2.9 |
| North Dakota | 2.0 | 6.2 |
| South Dakota | 4.6 | 3.9 |
| SOUTHEAST | | |
| Alabama | 6.5 | 4.4 |
| Arkansas | 5.5 | 5.1 |
| Florida | 4.8 | 3.8 |
| Georgia | 9.1 | 1.9 |
| Kentucky | -1.3 | 7.3 |
| Louisiana | 0.1 | 6.0 |
| Mississippi | 10.5 | 3.7 |
| North Carolina | 9.1 | -1.4 |
| South Carolina | 12.9 | 5.1 |
| Tennessee | 7.3 | 8.0 |
| Virginia | 10.6 | 8.8 |
| West Virginia | 7.6 | -3.2 |
| SOUTHWEST | | |
| Arizona | 2.3 | 5.8 |
| New Mexico | 5.8 | 2.6 |
| Oklahoma | 1.9 | 6.4 |
| Texas | 8.9 | 0.0 |
| ROCKY MOUNTAIN | | |
| Colorado | 2.3 | 8.6 |
| Idaho | 4.6 | 6.9 |
| Montana | 5.0 | 6.6 |
| Utah | 3.5 | 5.8 |
| Wyoming | 11.3 | 13.8 |
| FAR WEST | | |
| Alaska | -0.2 | 0.0 |
| California | 13.9 | 4.5 |
| Hawaii | -2.1 | 3.0 |
| Nevada | -1.4 | 3.5 |
| Oregon | 17.8 | 8.3 |
| Washington | 3.4 | 2.5 |
| TERRITORIES | | |
| Puerto Rico | 6.0 | 6.5 |
| Average | 6.9% | 3.8% |

NOTES: *Fiscal 2000 reflects changes from fiscal 1999 expenditures (actual) to fiscal 2000 expenditures (estimated). Fiscal 2001 reflects changes from fiscal 2000 expenditures (estimated) to fiscal 2001 expenditures (recommended).

TABLE A-5

Fiscal 2000 Tax Collections Compared with Projections Used in Adopting Fiscal 2000 Budgets (Millions)**

| Region and State | Sales Tax | | Personal Income Tax | | Corporate Income Tax | | Total Revenue Collection*** |
|------------------|-------------------|------------------|---------------------|------------------|----------------------|------------------|-----------------------------|
| | Original Estimate | Current Estimate | Original Estimate | Current Estimate | Original Estimate | Current Estimate | |
| NEW ENGLAND | | | | | | | |
| Connecticut | \$3,029 | \$3,057 | \$3,975 | \$4,131 | \$573 | \$ 549 | H |
| Maine | 814 | 845 | 982 | 1,099 | 134 | 150 | T |
| Massachusetts | 3,444 | 3,520 | 8,297 | 8,716 | 960 | 1,029 | H |
| New Hampshire | N/A | N/A | N/A | N/A | 322 | 322 | T |
| Rhode Island | 594 | 608 | 788 | 787 | 63 | 68 | H |
| Vermont | 200 | 213 | 390 | 402 | 45 | 38 | H |
| MID-ATLANTIC | | | | | | | |
| Delaware | N/A | N/A | 775 | 738 | 97 | 103 | H |
| Maryland | 2,349 | 2,447 | 4,336 | 4,666 | 265 | 317 | T |
| New Jersey | 5,333 | 5,575 | 6,820 | 7,035 | 1,494 | 1,450 | H |
| New York | 7,948 | 8,065 | 22,952 | 20,710 | 1,939 | 1,938 | L |
| Pennsylvania | 6,805 | 6,985 | 6,886 | 6,996 | 1,590 | 1,740 | H |
| GREAT LAKES | | | | | | | |
| Illinois | 5,860 | 5,975 | 7,550 | 7,550 | 1,100 | 1,050 | T |
| Indiana | 3,591 | 3,575 | 3,907 | 3,823 | 1,095 | 1,058 | T |
| Michigan* | 1,593 | 1,609 | 5,053 | 5,183 | 2,648 | 2,263 | H |
| Ohio | 5,705 | 5,705 | 6,917 | 6,917 | 1,074 | 1,074 | H |
| Wisconsin | 3,443 | 3,500 | 5,795 | 5,825 | 646 | 660 | T |
| PLAINS | | | | | | | |
| Iowa | 1,690 | 1,685 | 2,482 | 2,332 | 284 | 316 | T |
| Kansas | 1,448 | 1,455 | 1,895 | 1,820 | 218 | 235 | L |
| Minnesota | 3,601 | 3,714 | 5,018 | 5,448 | 702 | 741 | H |
| Missouri | 1,740 | 1,749 | 4,142 | 4,173 | 390 | 405 | T |
| Nebraska | 888 | 890 | 1,130 | 1,150 | 143 | 137 | H |
| North Dakota | 354 | 354 | 188 | 194 | 54 | 52 | H |
| South Dakota | 424 | 426 | N/A | N/A | N/A | N/A | H |
| SOUTHEAST | | | | | | | |
| Alabama | 1,343 | 1,365 | 1,927 | 1,967 | 248 | 226 | T |
| Arkansas | 1,617 | 1,617 | 1,691 | 1,721 | 309 | 272 | T |
| Florida | 13,214 | 13,646 | N/A | N/A | 1,477 | 1,496 | H |
| Georgia* | 4,142 | 4,155 | 6,690 | 6,495 | NA | NA | H |
| Kentucky | 2,352 | 2,369 | 2,625 | 2,679 | 356 | 316 | L |
| Louisiana | 2,130 | 2,048 | 1,654 | 1,575 | 291 | 260 | L |
| Mississippi | 1,365 | 1,389 | 1,011 | 1,050 | 310 | 293 | L |
| North Carolina | 3,374 | 3,373 | 7,121 | 7,053 | 1,240 | 1,237 | L |
| South Carolina | 1,967 | 2,008 | 2,067 | 2,478 | 206 | 246 | H |
| Tennessee | 4,512 | 4,560 | 166 | 166 | 1,139 | 1,109 | H |
| Virginia | 2,206 | 2,206 | 6,758 | 6,868 | 475 | 482 | T |
| West Virginia | 844 | 843 | 940 | 970 | 153 | 138 | L |
| SOUTHWEST | | | | | | | |
| Arizona | 2,719 | 2,790 | 2,297 | 2,295 | 490 | 550 | T |
| New Mexico | 1,402 | 1,414 | 855 | 860 | 145 | 140 | H |
| Oklahoma | 1,167 | 1,153 | 1,911 | 1,829 | 151 | 159 | H |
| Texas | N/A | N/A | N/A | N/A | N/A | N/A | H |
| ROCKY MOUNTAIN | | | | | | | |
| Colorado | 1,662 | 1,710 | 3,586 | 3,624 | 292 | 312 | H |
| Idaho | 603 | 618 | 861 | 892 | 113 | 99 | H |
| Montana | NA | NA | 476 | 513 | 95 | 83 | H |
| Utah | 1,360 | 1,345 | 1,560 | 1,583 | 191 | 172 | H |
| Wyoming | 241 | 243 | N/A | N/A | N/A | N/A | H |
| FAR WEST | | | | | | | |
| Alaska | NA | NA | NA | NA | 220 | 197 | H |
| California | 19,960 | 20,236 | 32,914 | 34,461 | 5,751 | 6,092 | H |
| Hawaii | 1,498 | 1,497 | 947 | 1,092 | 50 | 48 | H |
| Nevada | 577 | 590 | n/a | n/a | n/a | n/a | H |
| Oregon | N/A | N/A | 4,006 | 4,061 | 394 | 390 | H |
| Washington | 5,554 | 5,690 | N/A | N/A | N/A | N/A | H |
| TERRITORIES | | | | | | | |
| Puerto Rico | 520 | 553 | 2,310 | 2,576 | 1,545 | 1,673 | T |
| Total | \$136,659 | \$138,814 | \$182,342 | \$183,926 | \$29,931 | \$30,011 | - |

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

*See Notes to Table A-5.

**Unless otherwise noted, original estimates reflect the figures used when the fiscal 2000 budget was adopted, and current estimates reflect the most recent figures.

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

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-5

Georgia Personal and corporate income tax numbers are combined.

Michigan State estimates used when budget adopted are the May 1999 consensus revenue estimates net of balance sheet items. The current estimates for fiscal 2000 and the projections for fiscal 2001 are the January 2000 consensus revenue estimates net of balance sheet items. The revenue estimates include general fund/general purpose revenue and general fund/special purpose revenue. The estimates exclude revenue earmarked for the School Aid Fund and Transportation Funds.

TABLE A-6

Fiscal 2000 Tax Collections Compared with Projections Used in Adopting Fiscal 2001 Budgets (Millions)**

| Region and State | Sales Tax | | Personal Income Tax | | Corporate Income Tax | |
|-----------------------|------------------|------------------|---------------------|------------------|----------------------|-----------------|
| | Fiscal 2000 | Fiscal 2001 | Fiscal 2000 | Fiscal 2001 | Fiscal 2000 | Fiscal 2001 |
| NEW ENGLAND | | | | | | |
| Connecticut | \$3,057 | \$3,149 | \$4,131 | \$4,302 | \$ 549 | \$ 496 |
| Maine | 845 | 815 | 1,099 | 1,134 | 150 | 113 |
| Massachusetts | 3,520 | 3,663 | 8,716 | 8,898 | 1,029 | 1,055 |
| New Hampshire | N/A | N/A | N/A | N/A | 322 | 305 |
| Rhode Island | 608 | 637 | 787 | 806 | 68 | 67 |
| Vermont | 213 | 216 | 402 | 408 | 38 | 40 |
| MID-ATLANTIC | | | | | | |
| Delaware | NA | NA | 771 | 743 | 93 | 97 |
| Maryland | 2,447 | 2,592 | 4,666 | 4,885 | 317 | 336 |
| New Jersey | 5,575 | 5,993 | 7,035 | 7,580 | 1,450 | 1,553 |
| New York | 8,065 | 7,945 | 20,710 | 23,193 | 1,938 | 2,130 |
| Pennsylvania | 6,985 | 7,255 | 6,996 | 7,324 | 1,740 | 1,792 |
| GREAT LAKES | | | | | | |
| Illinois | 5,975 | 6,275 | 7,550 | 7,825 | 1,050 | 1,050 |
| Indiana | 3,575 | 3,735 | 3,823 | 4,085 | 1,058 | 1,102 |
| Michigan* | 1,609 | 1,681 | 5,183 | 5,242 | 2,263 | 2,220 |
| Ohio | 5,705 | 5,915 | 6,917 | 7,576 | 1,074 | 1,050 |
| Wisconsin | 3,500 | 3,710 | 5,825 | 5,480 | 660 | 655 |
| PLAINS | | | | | | |
| Iowa | 1,685 | 1,773 | 2,332 | 2,472 | 316 | 318 |
| Kansas | 1,455 | 1,510 | 1,820 | 1,920 | 235 | 235 |
| Minnesota | 3,714 | 3,877 | 5,448 | 5,826 | 741 | 740 |
| Missouri | 1,749 | 1,832 | 4,173 | 4,465 | 405 | 413 |
| Nebraska | 890 | 941 | 1,150 | 1,230 | 137 | 141 |
| North Dakota | 354 | 389 | 194 | 194 | 52 | 55 |
| South Dakota | 426 | 451 | NA | NA | NA | NA |
| SOUTHEAST | | | | | | |
| Alabama | 1,365 | 1,412 | 1,967 | 2,116 | 226 | 43 |
| Arkansas | 1,617 | 1,708 | 1,721 | 1,823 | 272 | 290 |
| Florida | 13,498 | 14,497 | NA | NA | 1,518 | 1,609 |
| Georgia* | 4,155 | 4,500 | 6,495 | 7,110 | NA | NA |
| Kentucky | 2,369 | 2,362 | 2,679 | 2,832 | 316 | 324 |
| Louisiana | 2,048 | 1,741 | 1,575 | 1,690 | 260 | 253 |
| Mississippi | 1,389 | 1,458 | 1,050 | 1,120 | 293 | 322 |
| North Carolina | 3,373 | 3,604 | 7,053 | 7,622 | 1,237 | 1,180 |
| South Carolina | 2,008 | 2,133 | 2,478 | 2,672 | 246 | 251 |
| Tennessee | 4,560 | 4,765 | 166 | 174 | 1,109 | 1,040 |
| Virginia | 2,206 | 2,313 | 6,868 | 7,409 | 482 | 468 |
| West Virginia | 843 | 873 | 970 | 991 | 138 | 153 |
| SOUTHWEST | | | | | | |
| Arizona | 2,790 | 2,953 | 2,295 | 2,494 | 550 | 513 |
| New Mexico | 1,414 | 1,479 | 860 | 905 | 140 | 165 |
| Oklahoma | 1,153 | 1,210 | 1,829 | 1,929 | 159 | 162 |
| Texas | NA | NA | NA | NA | NA | NA |
| ROCKY MOUNTAIN | | | | | | |
| Colorado | 1,710 | 1,769 | 3,624 | 3,953 | 312 | 312 |
| Idaho | 618 | 644 | 892 | 942 | 99 | 102 |
| Montana | NA | NA | 513 | 541 | 83 | 66 |
| Utah | 1,345 | 1,400 | 1,583 | 1,692 | 172 | 172 |
| Wyoming | 243 | 252 | NA | NA | NA | NA |
| FAR WEST | | | | | | |
| Alaska | NA | NA | NA | NA | 197 | 235 |
| California | 20,236 | 21,396 | 34,461 | 36,319 | 6,092 | 6,236 |
| Hawaii | 1,497 | 1,559 | 1,092 | 1,138 | 48 | 53 |
| Nevada | 590 | 618 | NA | NA | NA | NA |
| Oregon | NA | NA | 4,061 | 4,456 | 390 | 422 |
| Washington | 5,690 | 5,825 | NA | NA | NA | NA |
| TERRITORIES | | | | | | |
| Puerto Rico | 553 | 599 | 2,576 | 2,729 | 1,673 | 1,767 |
| Total | \$138,666 | \$144,824 | \$183,959 | \$195,517 | \$30,023 | \$30,334 |

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

*See Notes to Table A-6.

**Unless otherwise noted, fiscal 2000 figures reflect preliminary actual tax collection estimates as shown in Table A-5, and fiscal 2001 figures reflect the estimates used in recommended budgets.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-6

Georgia Personal and corporate income tax numbers are combined.

Michigan State estimates used when budget adopted are the May 1999 consensus revenue estimates net of balance sheet items. The current estimates for fiscal 2000 and the projections for fiscal 2001 are the January 2000 consensus revenue estimates net of balance sheet items. The revenue estimates include general fund/general purpose revenue and general fund/special purpose revenue. The estimates exclude revenue earmarked for the School Aid Fund and Transportation Funds.

TABLE A-7

Recommended Revenue Changes by Type of Revenue, Fiscal 2001

| State | Tax Change Description | Effective Date | Fiscal 2001 Revenue Changes (\$ in Millions) |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------------------------------------|
| SALES TAXES | | | |
| California | Exemption for rural investment. | 1/01 | -\$5.0 |
| Colorado | Amount reflects reduced rates. | | -71.3 |
| Connecticut | Exempts textbooks sold in college bookstores. | 7/00 | -3.5 |
| Florida | One-time sales tax holiday on clothing items less than \$100. Exempts certain advertising services. Exempts certain government contractors. Credit for machinery used in phosphate mining. Exempts parts and labor for repair of certain machinery. Exempts nonprofit organizations for fundraising. Exempts certain art donations. Exempts film and printing supplies. | 7/99 | -41.2 |
| | Changes current film industry exemption from a rebate to an up-front credit. | 7/00 | -1.6 |
| Georgia | Exemption for repair parts and plastic molds for manufacturers (over \$15 million). | 1/01 | -7 |
| Maine | Repeal of the tax on snack foods. | 1/01 | -7.5 |
| Michigan* | Enacted expansion of rolling stock exemption. | 7/99 | -7 |
| | Enacted change in industrial processing exemption. | 4/99 | -2.6 |
| New York | Exemption of emissions testing equipment for heavy trucks. | 6/00 | -1.0 |
| Pennsylvania | Computer purchase tax holiday. | 8/00 | -8.3 |
| South Carolina | Sales tax holiday. | 8/00 | -3.6 |
| Tennessee | The tax is reduced from a rate of 6 percent to 3.75 percent and repeals tax on grocery food. | 10/00 | -1900.0 |
| Wisconsin | Sales tax exemption for electricity used in farming reduces revenues by \$0.7 million fiscal 2000 and \$2.2 million in fiscal 2001. The effective date is May 2000. The voluntary agreement with direct marketers is expected to increase sales tax collections by \$2.8 million in fiscal 2000 and \$5.5 million in fiscal 2001. The effective date is October 1999. There is a \$700 million sales tax rebate not listed. The sales tax rebate was an expenditure rather than a revenue change, but it did reduce taxes by \$700 million. | | 3.3 |
| Wyoming | Reflects a removal in exemptions. | failed | 13.0 |
| Total Revenue Changes—Sales Taxes | | | \$-2,043.3 |

TABLE A-7 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 2001

| State | Tax Change Description | Effective Date | Fiscal 2001 Revenue Changes (\$ in Millions) |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------------------------------------|
| PERSONAL INCOME TAXES | | | |
| California | Creates a credit for long-term care; exclusion for employer-provided graduate expenses; and credit for land donations. | 1/00 | -\$107.0 |
| Colorado | The amounts reflect reduced rates. | | -121.2 |
| Connecticut | Institutes Helping Outstanding Pupils Educationally (HOPE) and lifetime learning credits for postsecondary education at 15 percent of federal amounts. Establishes an education expense credit equal to 25 percent of eligible expenses capped at \$500 per family for elementary or secondary schools. | 1/00 | -28.4 |
| Idaho | Continued phasing-out of the "marriage penalty." | 1/00 | -1.2 |
| Maine | The change includes a \$6,000 exemption on public and private pensions, earned income tax credit, and an increase in personal exemption (1/99). | 1/00 | -23.1 |
| Massachusetts | Reduces the rate from 5.8 percent to 5.0 percent over three years. | 1/01 | -135.0 |
| Michigan | Cut tax rate from 4.4 percent to 4.3 percent in calendar year 2000 and from 4.3 percent to 4.2 percent in calendar year 2001. | 1/00 | -328.3 |
| | Index personal exemption to inflation. | 1/00 | -33.5 |
| | Historic preservation credit. | 1/99 | -5.8 |
| | Proposed increase in child exemption for children ages 7 to 12. | NA | -8.8 |
| | Proposed child exemption for children ages 13 to 18. | NA | -17.7 |
| | Proposed one-time acceleration of rate cut. | NA | -46.9 |
| | Proposed combine special exemptions. | NA | -17.7 |
| | Proposed exemption for dependents with disabilities. | NA | -9.8 |
| | Proposed increase of homestead credit for persons with disabilities. | NA | -4.8 |
| | Proposed agriculture taxation changes. | NA | -20.5 |
| Minnesota | Lower tab deduction. | 7/00 | 4.5 |
| | Non-resident employee income. | 7/00 | 2.3 |
| Mississippi | Recommended 10-percent tax rebate. | | N/A |
| New Mexico | Lower rates and elimination of marriage penalty. | 1/00 | 40 |
| New York | Current year phase of prior tax cuts. | various | -64.0 |
| Oklahoma | Decrease top marginal rate by 0.25-percent. The annualized impact is -\$56.9 million. | 1/01 | -21.3 |
| Pennsylvania | Low-income tax forgiveness expansion. | 1/00 | -16.2 |
| Puerto Rico | Income tax reduction. | 1/00 | 141.0 |
| Rhode Island | Reduce personal income tax rate from 27.5 percent to 25 percent of federal liability (in 0.5 percent increments) over five years beginning January 1998. | 1/00 | -17.6 |
| South Carolina | Creates federal income tax conformity. | 1/00 | 2.8 |
| Tennessee | Creates a 3.75-percent income tax. | 7/00 | 2316.7 |
| Wisconsin | The amount reflects both Act 9/10 income tax reduction and restoration of school property tax rent credit (SPTRC). The effective date given is of the withholding change. The one-year absence of the SPTRC is not included in the table since this was effectively one funding source for the sales tax rebate that is also not included. | 7/00 | 649.1 |
| Total Revenue Changes—Personal Income Taxes | | | \$-2,127.6 |

TABLE A-7 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 2001

| <i>State</i> | <i>Tax Change Description</i> | <i>Effective Date</i> | <i>Fiscal 2001 Revenue Changes (\$ in Millions)</i> |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------------------------------------|
| CORPORATE INCOME TAXES | | | |
| Alabama | Increased rate from 5 percent to 6.5 percent. | 1/00 | \$55.0 |
| California | Expands net operation loss carry-over; increases research credit and credit for land donation. | 1/00 | -55.0 |
| Connecticut | Reflects single-factor apportionment for the manufacturing industry. It is extended to the broadcast industry. Increases business credit by \$1 million for firms hiring recipients covered under Temporary Assistance for Needy Families Program. | 1/02 | -14.7 |
| Georgia | Increases job tax credits and new credits for headquarters. | 1/00 | -8 |
| Hawaii | Creates an income tax credit for hotel construction. | 1/99 | -24.8 |
| Michigan* | Single Business Tax (SBT) reflects a cut in tax rate from 2.2 percent to 2.1 percent in calendar year 2000 and from 2.1 percent to 2.0 percent in calendar year 2001. | 1/99 | -229.6 |
| | SBT reflects changes in apportionment factors. | 1/99 | -23.5 |
| | SBT reflects a historic preservation credit. | 1/99 | -1.3 |
| | Proposed SBT for an increased investment tax credit for small businesses. | N/A | -16.7 |
| New Hampshire | Reflects a rate change from 7 percent to 8 percent. | 7/99 | 22.0 |
| New York | Reflects a current year phase of prior tax cuts. General fund totals \$-10.4 million and special revenues total \$-.9 million. | various | -11.3 |
| | Utility deregulation that affects the corporate franchise tax. General fund totals \$220 million and special revenues total \$36.6 million. | 1/00 | 256.6 |
| | Reflects a variety of cuts to the corporate franchise tax. General fund totals \$-24.1 million and special revenue totals \$-2.6 million. | various | -26.7 |
| | Utility deregulation that affects corporation and utility taxes. General fund totals \$-253 million and special revenue totals \$-43.2 million. | 1/00 | -296.2 |
| Ohio | Job Training Tax Credit that would be equal to one-half of the amount that training costs in the current year exceed the average of training costs in the three previous years. | 1/01 | -15.0 |
| Total Revenue Changes—Corporate Income Taxes | | | \$-390.2 |
| CIGARETTE AND TOBACCO TAXES | | | |
| New Hampshire | Creates a rate increase of 15-cents per pack. | 7/99 | \$28.0 |
| Oregon | Extends a 10-cent-per-pack surcharge past January 2000. | 1/00 | -1.7 |
| Total Revenue Changes—Cigarette and Tobacco Taxes | | | \$26.3 |
| MOTOR FUEL TAXES | | | |
| Connecticut | Reduces gas tax by 7 cents. | 4/00 | -\$98.8 |
| Maine | Creates a 3-cent increase in gasoline and special fuels tax (Highway Fund). | 8/99 | 23.3 |
| Wyoming | Reflects an increase of 5-cents per gallon. | failed | 22.5 |
| Total Revenue Changes—Motor Fuel Taxes | | | \$-53.0 |

*See Note to Table A-7.

TABLE A-7 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 2001

| State | Tax Change Description | Effective Date | Fiscal 2001 Revenue Changes (\$ in Millions) |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------------------------------------|
| ALCOHOLIC BEVERAGES | | | |
| Florida | Reduces the alcoholic beverage surcharge by the second third | 7/00 | -\$31.8 |
| New York | Reflects small brewer's exemption. | 1/00 | -1.0 |
| Total Revenue Changes—Alcoholic Beverages | | | -\$32.8 |
| OTHER TAXES | | | |
| Alabama | Reflects a privileged shares tax. | 11/99 | NA |
| Colorado | No description provided. | | -\$41.7 |
| Connecticut | Eliminates hospital gross receipts tax. | 4/00 | -75 |
| | Phases out the gift tax over four years. | 1/01 | -3.7 |
| Florida | Completes phase of tax on accounts receivable for intangible tax. | | -10.9 |
| | Reduces the millage by an additional 1 mill for intangible tax. | | -470.6 |
| Louisiana | Has not been finalized. | | 269.0 |
| Maine | Creates a \$2 increase in vehicle registration fees (Highway Fund). | 10/99 | 2.8 |
| Maryland | Repeals inheritance tax over two years. | 1/01 | -3.0 |
| Michigan* | State education tax that creates personal property exemption for eligible businesses in eligible districts. | N/A | -2.4 |
| | State Education Tax (SET) that revises personal property tax depreciation tables (administrative). | N/A | -14.5 |
| | Proposes SET, Single Business Tax (SBT), brownfields legislation. | N/A | -21.8 |
| | Uses taxes enacted to change the industrial processing exemption. | 4/99 | -10.3 |
| Montana | Phases in statewide reappraisal of residential and commercial property over four years. The tax rate will be lowered annually for four years for residential, commercial, agricultural land, and timberland. Creates new homestead and comstead exemptions phased in over a four-year period. | 1/99 | -8.5 |
| | Exempts business equipment valued less than \$5,000 from property tax. | 1/99 | -10.6 |
| | Reduces tax on business equipment from 6 percent to 3 percent. | | |
| | Reduces tax on light vehicles from 2 percent to 1.4 percent. | 1/00 | -11.4 |
| | Eliminates telephone company license tax. Establishes telephone excise tax. | 1/00 | 14.8 |
| | Reduces property tax rate on telecommunications from 12 percent to 6 percent. | | |
| | Reduces property tax rate on electrical generation property from 12 percent to 6 percent and establishes a wholesale energy transaction tax. | 1/00 | -2.7 |
| | Issues new vehicle license plates at a fee of \$2. | | |
| New Hampshire | Real estate transfer tax increases by \$2.50 to \$7.50 per thousand. Room and meals tax extends to motor vehicle rentals. | 7/99 | 36.0 |
| New York | Current year phase of prior tax cuts to the state's estate and gift tax. | various | -261.0 |
| Oklahoma | Decreases the cost of annual registration and also became an estate tax pick-up state with no fiscal 2002 impact. First-year impact of motor vehicle change is \$-69.2 million with an annualized of \$-138.4 million. First-year impact of estate tax is zero with annualized impact of \$-39.9 million. | 1/01 | -69.2 |
| Pennsylvania | Phase-out of capital stock tax totaling (\$289 million) and a one-time tax rebate of school property taxes (\$330 million). | 1/00 | -619.0 |
| Utah | Reflects an unemployment insurance social rate reduction from 0.2 percent to 0.055 percent. | 7/00 | -20 |
| Vermont | Increases cap on motor vehicle purchase and use tax. | 7/00 | 4.6 |
| Washington | Creates a permanent reduction of 6.2 percent in the state's share of the property tax. | 1/01 | -45.9 |
| West Virginia | Repeals insurance premium tax credit. | 7/00 | 5.2 |
| Wyoming | Repeals incentives on oil and methane gas. | 7/00 | 5.5 |
| Total Revenue Changes—Other Taxes | | | \$-1,364.3 |

*See Note to Table A-7.

TABLE A-7 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 2001

| State | Tax Change Description | Effective Date | Fiscal 2001 Revenue Changes (\$ in Millions) |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------|----------------|----------------------------------------------|
| FEES | | | |
| Alabama | Increases court cost. | 6/99 | \$14.8 |
| Connecticut | Consolidates liquor control fees. | 7/00 | -1.8 |
| Florida | Repeals annual sales tax registration fee. | 7/00 | -7 |
| | Creates a two-year fee holiday for selected professions. | 7/00 | -8.2 |
| | Eliminates vehicle emission inspection program and fee in Broward, Dade, Duval, and Palm Beach counties. | 7/00 | -7 |
| | | | |
| Minnesota | Reflects a game and fish license fee. | 7/00 | 1.1 |
| | Reflects an electricity board fee. | 7/00 | 1.6 |
| New Jersey | Reflects an HMO assessment of \$2 per insured person. | 7/00 | 4.6 |
| New York | Increases mandatory surcharges that will affect special revenue funding level. | 4/00 | 3.9 |
| | Increases hunting and fishing license fees that will affect the special revenue level. | 10/00 | 5.2 |
| | Imposes a statewide public water systems connection fee that will affect the special revenue funding level. | 4/00 | 6.5 |
| | Increases the license fees for a number of occupations that will affect the special revenue funding level. | 4/00 | 4.9 |
| Oklahoma | Increases college remedial fees to reflect cost at universities. | 1/00 | 1.0 |
| Utah | Reflects a 3-percent higher education tuition increase. | 7/00 | 5.0 |
| Total Revenue Changes—Fees | | | \$24.6 |

NOTE: NA indicates data are not available.

SOURCE: National Association of State Budget Officers.

NOTE TO TABLE A-7

Michigan SBT refers to Michigan's Single Business Tax. SET refers to the State Education Tax, a 6 mill statewide property tax.

TABLE A-8

Recommended Revenue Measures, Fiscal 2001

| State | Description | Effective Date | Recommended Changes (Millions) |
|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-----------------------------------|
| Delaware | Public accommodations tax revenue dedication. | 1/01 | \$-1.6 |
| | Other revenue dedication. | 1/01 | -2.3 |
| Florida | Increases estimated sales tax payment threshold. | | |
| | Reduces estimated sales tax percentage. | | |
| | Revises sales tax resale certificate process. | | |
| | Increases interest paid on overpayments. | | |
| | Reduces interest charged on delinquencies. | | |
| | Reduces audit statute of limitation to 3 years. | | |
| | Shift general revenue to trust to pay additional debt service on environmental bonds. | | |
| | Deposit Child Support Enforcement reimbursements into General Revenue. | | |
| Hawaii | Allows contractor to pay general excise tax on cash basis rather than accrual. | 1/01 | -9.0 |
| Idaho | Moving inheritance taxes from dedicated funds to the general fund. | 7/00 | 11.2 |
| Kansas | Increases number of businesses that are required to make estimated payment. | 7/00 | 13.0 |
| Kentucky | Telecommunications excise tax of 7 percent on long-distance phone calls, cable, and satellite services. | 12/00 | 106.9 |
| | Applies corporate license tax to LLPs and LLCs. | 1/01 | 2.5 |
| | Property tax use, local rate setting on real property. | 12/00 | 11.3 |
| Maine | Corporate income moved to modified accrual method. | | |
| | Cigarette tax moved to modified accrual method. | | |
| | Recognition of estate tax suspense as revenue. | | |
| | Move to modified accrual method for estate tax. | | |
| | Move to modified accrual method for real estate transfer tax. | | |
| Minnesota* | Lower motor vehicle tab fee and replace first year with general fund. | 7/00 | 276.2 |
| | Health care access fund delay gross premium tax until January 2002. | 7/00 | -16.2 |
| | General fund transfer from assigned risk. | 7/00 | 15.0 |
| | Special revenue fund Minnesota Comprehensive Health Association (MCHA) endowment account. | 7/00 | 65.0 |
| | Workers' compensation fund transfer from assigned risk. | 7/00 | 340.2 |
| Nebraska | | | |
| | The Governor's recommendation for fiscal 2000 includes an additional \$30 million in property tax relief aid for community colleges. The recommendation for fiscal 2001 continues that increased level of aid for community colleges and institutes a new credit program for owners of real property. That program, which involves a payment by the state to local governments (there is no state property tax), amounts to \$35 million for fiscal 2001. Subsequently, due to the conclusion of a recent legislative session, the amount has been reduced from \$35 million to \$25 million for fiscal 2001. | 7/99 | 65.0 |

TABLE A-8 (continued)

Recommended Revenue Measures, Fiscal 2001

| <i>State</i> | <i>Description</i> | <i>Effective Date</i> | <i>Recommended Changes (Millions)</i> |
|---------------|----------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------------------------------|
| New Hampshire | Cigarette tax increase of 10-cents per pack. | 7/00 | 10.0 |
| New Jersey | Increases the filing threshold for personal income tax. | 1/99 | -26.0 |
| | Tax deduction of health insurance costs for self-employed. | 1/00 | -7.0 |
| | Increases in pension exclusion. | 1/00 | -11.0 |
| | Deferral of earning in state tuition programs and education IRAs. | 1/00 | -1.0 |
| | Corporate income tax reflects certificate benefit transfers(CBT) for certain high-technology and bio-technology companies. | 1/99 | -40.0 |
| New York | Implements eight-year motor vehicle license renewals. | 4/00 | 4.9 |
| | Reissue license plates. | 10/00 | 18.2 |
| Ohio | Coal credit expansion that expands and increases the credit granted to electric utilities for Ohio coal burned. | 1/00 | -12.5 |
| Rhode Island | Transfers the value of additional 1 cent of gas tax to general fund in fiscal 2000. | 7/99 | |
| | Transfers the value of additional 1.5 cents of gas tax in fiscal 2001. | 7/00 | -6.9 |
| | Extends hospital licensing fee at current rate of 2 percent. | 7/00 | 37.4 |
| | Includes proceeds from emissions inspection program that are not required to fund program in general revenue. | 7/00 | 5.7 |
| | Transfers portion of retained earnings of Rhode Island Resource Recovery Corporation to general fund. | 7/00 | 3.0 |
| Washington | Increases learning improvement property tax credit. | Various | -73.0 |
| | Increases local option sales tax credit for transits. | Various | -100.0 |
| | Increases senior citizen property tax credit. | Various | -14.0 |
| West Virginia | Exempts military retirement from personal income tax. | 1/01 | -2.4 |
| | Creates a \$5 fee on automobile titles to clean up waste tire piles. | 7/00 | 3.6 |
| | Increases tax on smokeless tobacco. | 7/00 | 7.0 |
| Total | | | \$673.2 |

Note: See Note to Table A-8.

SOURCE: National Association of State Budget Officers.

NOTE TO TABLE A-8

Minnesota

The operations and investments of the Minnesota Workers' Compensation Assigned Risk Plan (MWCARP) have yielded an estimated surplus of approximately \$500 million. The Governor is recommending that the funds be used to subsidize the operations of the Minnesota Comprehensive Health Association (MCHA), resulting in reduced health insurance costs for Minnesota employers. The Governor further recommends that the balance of the surplus be used to reduce the liabilities in the Workers' Compensation Special Fund for second injury and supplementary benefit claims to reduce the assessment paid for the programs by Minnesota businesses.

TABLE A-9

Total Balances and Balances as a Percentage of Expenditures, Fiscal 1999 to Fiscal 2001*

| Region and State | Total Balances (Millions)** | | | Balances as a Percentage of Expenditures | | |
|-----------------------|-----------------------------|-----------------|-----------------|------------------------------------------|-------------|-------------|
| | Fiscal 1999 | Fiscal 2000 | Fiscal 2001 | Fiscal 1999 | Fiscal 2000 | Fiscal 2001 |
| NEW ENGLAND | | | | | | |
| Connecticut | \$ 529 | \$ 563 | \$ 567 | 5.0% | 5.0% | 5.0% |
| Maine | 361 | 439 | 150 | 16.8 | 18.9 | 5.7 |
| Massachusetts | 1,604 | 1,706 | 1,647 | 8.7 | 8.7 | 8.4 |
| New Hampshire | 20 | 0 | -4 | 2.1 | 0.0 | -0.4 |
| Rhode Island | 180 | 113 | 71 | 8.8 | 5.1 | 3.1 |
| Vermont | 40 | 41 | 46 | 4.8 | 4.8 | 5.4 |
| MID-ATLANTIC | | | | | | |
| Delaware | 305 | 221 | 178 | 14.2 | 9.5 | 7.2 |
| Maryland | 1,218 | 1,396 | 1,108 | 14.3 | 15.5 | 10.9 |
| New Jersey | 1,267 | 1,174 | 850 | 7.0 | 6.0 | 4.1 |
| New York | 892 | 1,170 | 1,606 | 2.4 | 3.2 | 4.2 |
| Pennsylvania | 1,134 | 1,511 | 1,149 | 6.2 | 7.8 | 5.8 |
| GREAT LAKES | | | | | | |
| Illinois | 1,351 | 1,350 | 1,485 | 6.3 | 5.9 | 6.2 |
| Indiana | 1,992 | 1,617 | 1,059 | 23.5 | 17.8 | 10.8 |
| Michigan | 1,223 | 1,285 | 1,315 | 13.0 | 13.9 | 13.6 |
| Ohio | 1,175 | 1,322 | 1,136 | 6.5 | 6.8 | 5.5 |
| Wisconsin | 701 | 659 | 181 | 7.0 | 5.8 | 1.6 |
| PLAINS | | | | | | |
| Iowa | 728 | 574 | 528 | 16.1 | 12.0 | 10.8 |
| Kansas | 541 | 318 | 333 | 12.9 | 7.2 | 7.5 |
| Minnesota | 1,921 | 2,370 | 2,167 | 17.5 | 20.5 | 17.6 |
| Missouri | 499 | 435 | 216 | 7.1 | 6.1 | 2.8 |
| Nebraska | 439 | 271 | 270 | 19.6 | 11.6 | 11.3 |
| North Dakota | 62 | 41 | 21 | 8.2 | 5.3 | 2.6 |
| South Dakota | 35 | 37 | 38 | 4.8 | 4.8 | 4.8 |
| SOUTHEAST | | | | | | |
| Alabama | 72 | 41 | 7 | 1.5 | 0.8 | 0.1 |
| Arkansas | 40 | 0 | 0 | 1.3 | 0.0 | 0.0 |
| Florida | 1,694 | 1,704 | 1,232 | 9.4 | 9.1 | 6.3 |
| Georgia | 1,542 | 545 | 408 | 11.8 | 3.8 | 2.8 |
| Kentucky | 295 | 422 | 239 | 4.5 | 6.5 | 3.5 |
| Louisiana | -6 | 58 | 91 | -0.1 | 1.0 | 1.5 |
| Mississippi | 360 | 300 | 307 | 11.5 | 8.7 | 8.5 |
| North Carolina | 819 | 38 | 37 | 6.3 | 0.3 | 0.3 |
| South Carolina | 723 | 464 | 247 | 15.3 | 8.7 | 4.4 |
| Tennessee | 217 | 212 | 223 | 3.4 | 3.1 | 3.1 |
| Virginia | 847 | 1,065 | 700 | 8.3 | 9.4 | 5.7 |
| West Virginia | 221 | 81 | 81 | 8.5 | 2.9 | 3.0 |
| SOUTHWEST | | | | | | |
| Arizona | 642 | 577 | 430 | 10.9 | 9.6 | 6.7 |
| New Mexico | 185 | 143 | 174 | 5.8 | 4.2 | 5.0 |
| Oklahoma | 383 | 411 | 411 | 8.6 | 9.0 | 8.5 |
| Texas | 3479 | 24 | 24 | 6.6 | 0.0 | 0.0 |
| ROCKY MOUNTAIN | | | | | | |
| Colorado | 679 | 704 | 625 | 11.6 | 11.8 | 9.6 |
| Idaho | 83 | 98 | 93 | 5.1 | 5.8 | 5.2 |
| Montana | 110 | 165 | 142 | 10.6 | 15.1 | 12.2 |
| Utah | 102 | 100 | 105 | 3.1 | 3.0 | 2.9 |
| Wyoming | 73 | 103 | 23 | 14.6 | 18.4 | 3.7 |
| FAR WEST | | | | | | |
| Alaska | 2,628 | 867 | 2,677 | 114.6 | 37.9 | 116.9 |
| California | 3,708 | 3,012 | 2,430 | 6.4 | 4.6 | 3.5 |
| Hawaii | 189 | 257 | 288 | 5.8 | 8.1 | 8.8 |
| Nevada | 227 | 231 | 235 | 14.0 | 14.4 | 14.2 |
| Oregon | 577 | 526 | 462 | 14.0 | 10.8 | 8.8 |
| Washington | 998 | 1,175 | 1,336 | 10.2 | 11.6 | 12.8 |
| TERRITORIES | | | | | | |
| Puerto Rico | 183 | 147 | 112 | 2.7 | 2.1 | 1.5 |
| Total | \$39,101 | \$31,934 | \$29,147 | 8.4% | 6.4% | 5.6% |

NOTES: NA indicates data are not available.

*Fiscal 1998 are actual figures, fiscal 1999 are preliminary actual figures, and fiscal 2000 are appropriated figures.

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

***For Indiana, total balance does not include \$240 million of tuition reserve. The tuition reserve is the amount from the general fund reserved for the July tuition support distribution to local elementary and secondary schools.

SOURCE: National Association of State Budget Officers.