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.

2000–2001 Executive Committee

Governor Parris N. Glendening, Maryland, Chairman
Governor John Engler, Michigan, Vice Chairman
Governor Mike Huckabee, Arkansas
Governor Thomas R. Carper, Delaware/
Governor Ronnie Musgrove, Mississippi*
Governor Dirk Kempthorne, Idaho
Governor Paul E. Patton, Kentucky
Governor Michael O. Leavitt, Utah
Governor Howard Dean, M.D., Vermont
Governor Tommy G. Thompson, Wisconsin

Raymond C. Scheppach, Executive Director

*Governor Musgrove will replace Governor Carper on the Executive Committee effective January 2001

THE NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

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.

2000–2001 Executive Committee

Robert Powell, North Carolina, President
Gerry A. Oligmueller, Nebraska, President-Elect
Sheila Peterson, North Dakota, Past President
Randy Bauer, Iowa, Midwestern Regional Director
John P. Comeaux, Nevada, Western Regional Director
Gary Brune, New Jersey, Eastern Regional Director
Les Boles, South Carolina, Southern Regional Director
Pamela Wheelock, Minnesota, Health, Human Services & Justice
Stephen P. McAllister, CPA, Rhode Island, Financial Management, Systems, and Data Reporting
Mark D. Brown, Indiana, Tax, Commerce, Physical Resources, and Transportation
Neil Bergsman, Maryland, Training, Education, and Human Resources Management

Bill Newton, Alabama, Member-at-Large

ISBN 1-55877-346-0

National Governors Association
444 North Capitol Street
Suite 267
Washington, D.C. 20001-1512
202/624-5300

National Association of State Budget Officers
444 North Capitol Street
Suite 642
Washington, D.C. 20001-1511
202/624-5382

Price: $25.00

Contents

Tables and Figures

Tables

Figures

Appendix Tables

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 NASBO in January through June 2001. The surveys were completed by governors' state budget officers in the 50 states.

Each edition of *The Fiscal Survey of States* features a state policy or budget issue. This edition features states' Medicaid expenditures and governors' recommended measures to contain Medicaid program costs.

Fiscal 2000 data represent actual figures, fiscal 2001 figures are estimates and fiscal 2002 data reflect recommended budgets.

Forty-six states begin their fiscal years in July and end them in June. The exceptions are Alabama and Michigan, with an October to September fiscal year; New York, with an April to March fiscal year; and Texas, with a September to August fiscal year. Additionally, 20 states operate on a biennial budget cycle.

NASBO staff members Greg Von Behren and Nick Samuels compiled the data and prepared the text for the report. Kathy Skidmore-Williams and Jason Feuchtwanger of NGA's Office of Public Affairs provided production assistance. Dotty Esher of State Services Organization provided typesetting services.

Executive Summary

Recently, the national economy has slowed considerably, and state budgets are not immune from its effects. Many states face a widening gap between revenues and expenditures. A recent survey suggests that states have had to make downward adjustments to their fiscal 2001 revenue estimates and fiscal 2002 forecasts. Furthermore, states are experiencing rapid growth in Medicaid and general health care expenditures, which represent about 27 percent of all state expenditures, severely straining state fiscal positions.

This edition of *The Fiscal Survey of States* reflects actual fiscal 2000, estimated fiscal 2001, and recommended fiscal 2002 revenue and expenditure totals. It also includes results of an ad-hoc survey conducted April through June to which 29 states responded and a feature on Medicaid expenditures and governors' recommended measures to contain program costs.

State Spending

Governors proposed general fund spending increases of 8.2 percent for fiscal 2001, but only 3.6 percent for fiscal 2002. These figures include one-time spending from surplus funds, transfers into budget stabilization funds and other reserve funds, and payments to local governments to reduce property taxes. Highlights are:

Eleven states reduced their fiscal 2001 enacted budgets by a total of nearly $1.6 billion—10 states more than the previous year. More recent data provided by the ad-hoc survey show the number of states cutting fiscal 2001-enacted budgets to be as high as 16.

To resolve this budget gap, seven states are making across-the-board cuts, one state is reorganizing programs, and 11 states are using other methods such as hiring freezes, targeted reductions, and adjusting expenditure estimates.

Within the framework of the Temporary Assistance for Needy Families (TANF) program, states are focusing on providing supportive services for families to achieve self-sufficiency. Most states are not adjusting benefit levels, but states that adjust cash assistance payments are, for the most part, increasing benefits, carrying over the trend from the past four years. For example, six of the eight states that propose to adjust cash assistance payments for fiscal 2002 increased benefit levels. In the previous three years, nine of the 10 states making changes increased benefit levels in fiscal 2001, all seven states making changes increased benefit levels in fiscal 2000, and six out of seven states making changes for fiscal 1999 increased benefit levels.

State Revenue Actions

The governors' proposed net tax and fee changes would decrease fiscal 2002 revenues by $676.8 million. Fiscal 2002 would represent the eighth consecutive year that states reduced taxes and fees—by nearly $34 billion over that period. Notably, the net tax decreases proposed in fiscal 2002 would be the smallest reduction since states began cutting taxes in 1994 during the recent economic surge. Most of the proposed fiscal 2002 cuts focus on lowering the personal income tax; governors also recommend substantial increases in state sales taxes.

While states enacted sizeable tax decreases in fiscal 2001, the changes governors propose in their fiscal 2002 budgets reflect the onset of a slowing economy that coincides with substantial spending pressures. Findings include the following:

Fiscal 2001 net tax collections are 1.4 percent higher than the estimates originally used in adopting state budgets.

Fourteen states have revised their fiscal 2001 revenue estimates downward, and 11 have lowered their fiscal 2002 projections.

Year-End Balances

Year-end balances are at 10.1 percent, 7.2 percent, and 5.9 percent in fiscal 2000, fiscal 2001, and fiscal 2002, respectively. Although balances are at healthy levels, the amount for fiscal 2002 represents a nearly 50 percent reduction from the 10.1 percent that states experienced just two years earlier, the height of recent state balances.

States recognize that an economic downturn can reduce balances dramatically, so they normally develop their fiscal plans with projected reserves. These reserves may be in the form of a budget stabilization fund, a required ending balance, a rainy day fund or any combination thereof. States have been building up rainy day fund balances and ending balances the past few years to help prevent major disruptions in services to citizens when economic growth slows.

Medicaid Trends

This edition of *The Fiscal Survey of States* contains information about trends in Medicaid, specifically the overall growth rate in expenditures, spending on prescription drugs and long-term care, and governors' recommendations to manage Medicaid program costs. Key findings include:

For fiscal 2002, the estimated average annual increase for Medicaid programs is 7.8 percent, down approximately 2 percent from the fiscal 2001 estimate.

In governors' recommended budgets for fiscal 2002, the total for prescription drugs is estimated at $25.1 billion, almost double the amount spent on prescription drugs under Medicaid in fiscal 1998.

Based on a recent ad-hoc survey, about two-thirds of states estimate that Medicaid expenditures in the current fiscal year will exceed the budgeted amounts.

State Expenditure Developments

CHAPTER ONE

Budget Management in Fiscal 2001

Reflecting declining economic conditions, many states have experienced serious revenue shortfalls combined with extensive expenditure growth. Slower revenues and increased expenditures are squeezing state coffers. As a result, 11 states were forced to reduce their fiscal 2001 enacted budgets by a total of nearly $1.6 billion (see Table 1). Although this number contrasts sharply with the 20 or more states that reduced their enacted budgets during fiscal 1990 to fiscal 1993 (the peak era for midyear budget adjustments), it is still significantly higher than in recent years. In 1996, 13 states cut their enacted budgets totaling a little more than $1.6 billion. Since then, the number of states making midyear budget adjustments has been in single digits. Data from a recent ad-hoc survey, to which 29 states responded, show that as many as 16 states cut their fiscal 2001 enacted budgets.

Many of the states forced to make midyear adjustments exempted certain programs or expenditures from budget cuts (i.e., spared from cuts were K-12 education, higher education, Medicaid, public safety, and aid to towns and cities). Typically, programs exempt from cuts are entitlement programs (e.g., Medicaid), programs that a governor considers to be of high priority, or those set by predetermined formula (e.g., school aid).

To resolve this budget gap, seven states are using a strategy that includes across-the-board cuts; one state is reorganizing programs; and 11 states are using a variety of other methods (see Appendix Table A-5), including hiring freezes, targeted reductions, fund transfers, adjusting expenditure estimates, and using available reserves (see Notes to Appendix Table A-5).

State Spending for Fiscal 2002

Although this report includes only state general fund spending, NASBO's annual *State Expenditure Report* encompasses spending from all funding sources and provides details on the various components of state spending. According to the 2001 edition, total state spending was estimated at $973 billion for fiscal 2001, with the general fund accounting for approximately 48 percent of the total. The components of

TABLE 1

Budget Cuts Made After the Fiscal 2001 Budget Passed

State	*Size of Cut (Millions)*	*Programs or Expenditures Exempted from Cuts*
Alabama	$263.8	Exemptions include debt service, certain federal court-ordered amounts, and Department of Youth Services activities for the care of children in custody are exempt.
Connecticut	50.0	----
Kentucky	47.6	K-12 education, postsecondary education, and Medicaid.
Louisiana	29.5	Attorney General, Lieutenant Governor, Public Service Commission, Insurance, Public Safety, Wildlife and Fishing, and Higher Education.
Mississippi	132.8	Medicaid, homestead exemption, and debt service.
Missouri	64.0	Distributions to K-12 schools and higher education institutions.
New Hampshire	20.0	Aid to towns and cities.
North Carolina	330.2	----
Ohio	125.0	The Department of Education; the Ohio Schools for the Blind and the Deaf; the School Facilities Commission; the SchoolNet Commission; Judiciary/Supreme Court; property tax allocation appropriations; tangible tax exemption appropriations; and appropriations for debt service, including lease rental payments, building and office rent appropriations, and pension system payments made by the state treasurer.
Virginia	469.7	Exemptions include smaller agencies, essential services (e.g., law enforcement, mental health direct care staff), debt service, and various programs involving aid to localities and aid to individuals.
West Virginia	23.9	Legislative, judicial, and public and higher education.
Total	**$1,556.5**	---

SOURCE: National Association of State Budget Officers.

total state spending are as follows for fiscal 2000, the most recent data available: elementary and secondary education at 22.7 percent, Medicaid at 19.5 percent, higher education at 11.1 percent, transportation at 8.9 percent, corrections at 3.8 percent, public assistance at 2.5 percent, and all other expenditures at 31.6 percent (numbers may not add due to rounding).

Within the general fund, state spending components are elementary and secondary education at 34.9 percent, Medicaid at 14.5 percent, higher education at 12.4 percent, corrections at 7 percent, public assistance at 2.6 percent, transportation at 0.7 percent, and all other expenditures at 26.6 percent (numbers may not add due to rounding). Although elementary and secondary education continue to dominate state spending, since fiscal 1993 Medicaid has become the second largest component of state spending—both from state general funds and from all spending sources. The Medicaid budget growth rate for fiscal 2002 is projected to be 7.8 percent.

A recent ad-hoc survey shows that about two-thirds of states estimate that Medicaid expenditures in the current fiscal year will exceed budgeted amounts. To address these higher expenditures, states are proposing measures to contain cost drivers, such as pharmaceutical costs, long-term care, and higher utilization of services in general. These proposed measures include home- and community-based alternatives to institutional long-term care, procuring private pharmacy contracts to manage drug utilization, reducing reimbursements for prescription drugs and nursing homes, promoting managed care, and eliminating coverage of certain optional services.

In addition to Medicaid, state spending on other health services accounts for another 8.3 percent of general fund spending. As health costs continue spiraling upward, cost containment measures are mandatory to lessen pressure on state budgets.

During a slower economy, states are considerably more cautious in their spending, which has increased an average of 6.4 percent over the past five years. The governors' recommended increase in states' general fund spending for fiscal 2002 is 3.6 percent above fiscal 2001 levels, the smallest increase in state general fund spending since 1993. State spending in fiscal 2001 is 8.2 percent above fiscal 2000 (see Table 2 and Figure 1).

Almost two-thirds of the states experienced expenditure growth of more than 5 percent in both fiscal 2000 and 2001. Conversely, in fiscal 2001 and 2002, approximately two-thirds of the states reported recommended increases below 5 percent; seven states experienced negative growth during the same period (see Table 3 and Appendix Table A-4).

TABLE 2

State Nominal and Real Annual Budget Increases, Fiscal 1979 to Fiscal 2002

	State General Fund	
Fiscal Year	*Nominal Increase*	*Real Increase*
2002*	3.6%	1.3%
2001*	8.2	3.0
2000	7.2	4.0
1999	7.7	5.2
1998	5.7	3.9
1997	5.0	2.3
1996	4.5	1.6
1995	6.3	3.2
1994	5.0	2.3
1993	3.3	0.6
1992	5.1	1.9
1991	4.5	0.7
1990	6.4	2.1
1989	8.7	4.3
1988	7.0	2.9
1987	6.3	2.6
1986	8.9	3.7
1985	10.2	4.6
1984	8.0	3.3
1983	-0.7	-6.3
1982	6.4	-1.1
1981	16.3	6.1
1980	10.0	-0.6
1979	10.1	1.5
1979–2002 average	**6.8%**	**2.2%**

NOTE: The state and local government implicit price deflator, as cited by the Bureau of Economic Analysis on April, 2001, is used for state expenditures in determining real changes. Fiscal 2001 figures are based on the change from fiscal 2000 actuals to fiscal 2001 estimated. Fiscal 2002 figures are based on the change from fiscal 2001 estimated to fiscal 2002 recommended.

SOURCE: National Association of State Budget Officers.

Cash Assistance Under the Temporary Assistance for Needy Families Program (TANF). For fiscal 2002, 42 states maintain the same cash assistance benefit levels that were in effect in fiscal 2001. Of the eight states that propose to adjust cash assistance benefit levels, all but two increased benefit levels, ranging between 2 percent and 9 percent (see Table 4). Most state welfare reform centers on restructuring programs rather than adjusting cash assistance payments. Since enactment of the 1996 welfare reform law, caseloads have declined substantially in nearly every state.

TABLE 3

Annual State General Fund Expenditure Increases, Fiscal 2001 and Fiscal 2002

	Number of States	
Spending Growth	*Fiscal 2001 (Estimated)*	*Fiscal 2002 (Recommended)*
Negative growth	4	7
0.0% to 4.9%	9	25
5.0% to 9.9%	25	15
10% or more	11	3

NOTE: Average spending growth for fiscal 2001 (estimated) is 8.2 percent; average spending growth for fiscal 2002 (recommended) is 3.6 percent.

SOURCE: National Association of State Budget Officers.

Between August 1996, when welfare reform began, and June 2000, welfare rolls dropped 53 percent nationwide, with 37 states experiencing caseload declines of more than 40 percent. The percentage of the U.S. population receiving TANF was 2.1 percent in June 2000, a decline of more than 59 percent from the number receiving welfare in fiscal 1994. However, funding levels remain relatively constant because the block grant nature of the TANF program guarantees certain levels of federal funding. As the need for cash assistance expenditures declines, states are free to use TANF funds for other services to assist families in making the transition from welfare to work and to assist low-income families in general.

TABLE 4

Proposed Cost-of-Living Changes for Cash Assistance Benefit Levels under the Temporary Assistance for Needy Families Block Grant, Fiscal 2002

State	*Percent Change*
California	4.9%
Florida	4.9
Kentucky	-4.5
Maryland	3.0
Michigan*	2.0
Montana*	2.5
New Hampshire*	*
Oregon	-2.0
South Dakota	9.0

NOTE: *See Notes to Table 4.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 4

Michigan	The fiscal 2002 increase is recommended only for families unable to work.
Montana	The Temporary Assistance to Needy Families (TANF) payment is increased with the change in the federal poverty index.
New Hampshire	The change reflects a $25 shelter allowance.

FIGURE 1

Annual Percentage Budget Increases, Fiscal 1979 to Fiscal 2002

SOURCE: National Association of State Budget Officers.

State Revenue Developments

CHAPTER TWO

Overview

The governors' recommended fiscal 2002 net tax and fee changes would decrease state revenues by $676.8 million. While this would be the eighth consecutive year of net tax reductions, the amount of the decrease reflects the slowing economy and its affect on state budgets: if enacted, it would be the smallest reduction since states began cutting taxes in 1994 during the surge in economic growth (see Tables 5 and 6 and Figure 2).

Proposed fiscal 2002 tax reductions would occur in personal income ($-1.2 billion) and other taxes ($-467 million). Proposed tax increases are in sales ($736.1 million), fees ($205.9 million), cigarette and tobacco taxes ($40.4 million), and corporate income taxes ($31.9 million). Much of the proposed increase in sales tax revenues reflects a plan in Tennessee to reduce rates, expand sales taxation to services, and eliminate exemptions.

Collections in Fiscal 2001

State revenue collections mirror the dynamic economic situations states are confronting currently, particularly the economic slowdown that began in early 2001. Simultaneously, 19 states report that sales, personal income, and corporate income tax collections are higher than original projections; 17 states report that they are lower; and 13 states report that they are on target. These taxes account for two-thirds of state general fund revenues. By comparison, only four states reported lower-than-projected revenues in fiscal 2000.

Overall, state revenues continue to grow, although at a significantly slower pace than recent experience. Estimated fiscal 2001 personal income tax collections exceeded original estimates by 2.1 percent; in fiscal 2000, they were 3.9 percent larger. Sales tax collections are estimated to increase by only 0.9 percent, less than half the fiscal 2000 rate. Corporate income tax collections are even more lackluster, predicted to shrink by -1.4 percent from the previous year.

Projected Collections for Fiscal 2002

Fiscal 2002 sales, personal income and corporate income net tax collections are estimated to top fiscal 2001 amounts by 5.0 percent (see Appendix Tables A-6 and A-7). Sales tax receipts are estimated to increase by 5.7 percent, personal income taxes by 4.9 percent, and corporate income taxes by 1.4 percent.

Recent Developments

While these figures suggest healthy fiscal circumstances, it should be noted that they are based on revenue estimates made in late 2000 and early 2001. Since then, at least 17 states have revised their fiscal 2001 revenue estimates downward and 14 states have lowered their fiscal 2002 forecasts. Several factors triggered these revisions. In some states, tax refunds have been higher than projected previously, while April quarterly estimated tax payments were lower.

TABLE 5

Enacted State Revenue Changes, Fiscal 1979 to Fiscal 2001, and Proposed State Revenue Change, Fiscal 2002

State	*Revenue Change (Billions)*
2002	-$0.7
2001	-5.8
2000	-5.2
1999	-7.0
1998	-4.6
1997	-4.1
1996	-3.8
1995	-2.6
1994	3.0
1993	3.0
1992	15.0
1991	10.3
1990	4.9
1989	0.8
1988	6.0
1987	0.6
1986	-1.1
1985	0.9
1984	10.1
1983	3.5
1982	3.8
1981	0.4
1980	-2.0
1979	-$2.3

SOURCES: Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism*, 1985-86 edition, page 77, based on data from the Tax Foundation and the National Conference of State Legislatures. Fiscal 1988–2002 data provided by the National Association of State Budget Officers.

TABLE 6

Proposed Fiscal 2002 Revenue Actions by Type of Revenue and Net Increase or Decrease* (Millions)

State	*Sales*	*Personal Income*	*Corporate Income*	*Cigarettes/ Tobacco*	*Motor Fuels*	*Alcohol*	*Other Taxes*	*Fees*	*Total*
Alabama									$ 0.0
Alaska**									0.0
Arizona			$-15.0						-15.0
Arkansas									0.0
California	$ -34.0		-74.0						-108.0
Colorado									0.0
Connecticut	-149.0		-2.0					$ 1.4	-149.6
Delaware									0.0
Florida	-43.3						$-269.5	-0.4	-313.2
Georgia									0.0
Hawaii		$ -6.6							-6.6
Idaho		-111.9	-24.7				-8.9		-145.5
Illinois		-35.0							-35.0
Indiana									0.0
Iowa								6.4	6.4
Kansas									0.0
Kentucky									0.0
Louisiana							-18.3		-18.3
Maine	13.7		1.1	$13.1			1.2		29.1
Maryland									0.0
Massachusetts									0.0
Michigan**	-10.0	-195.1	-154.1				-11.2	7.6	-362.8
Minnesota	186.7	-629.5	-27.9				-59.9	151.5	-379.1
Mississippi									0.0
Missouri									0.0
Montana							-3.6		-3.6
Nebraska									0.0
Nevada									0.0
New Hampshire							-40.0		-40.0
New Jersey		-10.0	64.0						54.0
New Mexico		-75.0							-75.0
New York	-12.4		-28.8				-7.6	29.8	-19.0
North Carolina							150.0		150.0
North Dakota								6.3	6.3
Ohio									0.0
Oklahoma**	-3.0	-50.2					-2.3		-55.5
Oregon		-1.8	-4.2	-0.9					-6.9
Pennsylvania	-10.7	-17.8					-188.9		-217.4
Puerto Rico									0.0
Rhode Island							-2.4	1.5	-0.9
South Carolina	75.1	-24.6							50.5
South Dakota									0.0
Tennessee	707.0	-65.0	290.0				-22.5		909.5
Texas									0.0
Utah		-5.4							-5.4
Vermont				28.2		$3.8	11.2		43.2
Virginia								1.8	1.8
Washington							-0.3		-0.3
West Virginia							6.0		6.0
Wisconsin	16.0		7.5						23.5
Wyoming									0.0
Total	**$736.1**	**$-1,227.9**	**$31.9**	**$40.4**	**$0.0**	**$3.8**	**$-467.0**	**$205.9**	**$-676.8**

NOTE: *See Appendix Table A-8 for details on specific revenue changes.
**See Notes to Table 6.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 6

Alaska	For several years, the governor has urged adoption of a long-range fiscal plan to use a combination of fiscal tools so that Alaska does not need to use the Constitutional Budget Reserve.
Michigan	Figures represent the change in tax liability between fiscal 2001 and fiscal 2002. For example, a phased-in tax cut that cuts $100 million from fiscal 2001 and $200 million from fiscal 2002 would be listed as having a $100 million impact in fiscal 2002. Public Act 3 of 1995 indexed the personal exemption to inflation. Public Act 7 of 1995 created the tuition tax credit. Public Acts 1 through 5 of 1999 instituted phased-in rate cuts. These acts all have a fiscal 2002 impact significantly larger than the fiscal 2001 impact. Estimates are from the January 11, 2001, Consensus Revenue Estimating Conference, except for fee increases.
Oklahoma	Other tax changes partially represent expenditures for an entrepreneurial development initiative. Expenditures include a research tax credit ($1.7 million), student loans ($0.3 million), and virtual incubator ($0.3 million). They also include a refundable tax credit on research and development contracts in the physical and biological sciences. These expenditures will have an impact in fiscal 2002. The credit is 30 percent of contracts with an institute of higher learning or $250,000 for contracts with a private entity. The student loan provision is for a credit against income taxes due for up to 75 percent of the annual student loan payment (up to a maximum of $500). The degree must be in science, engineering, computer science, math, finance or accounting. Students must have graduated within the last three years and be employed with a small company. The virtual incubator proposal is to provide Internet-based business planning and technical advice to new startup businesses. While this is not a tax incentive, it is part of the entrepreneurial development initiative. It is to be funded with a $250,000 appropriation to universities. Another part of the entrepreneurial development initiative excludes 80 percent of the capital gains earned on stock options from new Oklahoma technology firms. Since this is prospective, there is no impact on fiscal 2002. Expenditures with no impact on fiscal 2002 consist of a continued decrease in top marginal individual income tax from 6.75 percent to 6.25 percent (in 2002; impact noted above) with a yearly decrease of 0.5 percentage points for 5 more years until top rate is 3.75 percent. The estate tax proposal is to become a pickup tax state. The proposed effective date is January 1, 2002. Because the fiscal impact won't be felt until October 2002, there is no estimated impact on fiscal 2002. The unemployment insurance tax rate cut will be extended for two more years because the Oklahoma Unemployment Insurance Trust Fund is adequate to pay unemployment benefits at current rates for the next 5.5 years, even if no additional contributions are made to the fund.

Additionally, capital gains taxes from stock market gains were a boon to many states treasuries. However, the slowing economy also means lower taxable realized capital gains. In some states, they account for as much as 15 percent of personal income tax revenues, and they are the most volatile element of personal income tax liabilities. Indeed, taxable realized capital gains are projected to plummet by nearly one-third in 2001 and lose additional ground in 2002, falling to the lowest levels since 1996.

Other issues will affect state revenue collections, most notably the phase-out of the federal estate and gift tax. Congress' action effectively abolishes the estate tax in 40 states—because states have coordinated their death, inheritence or estate taxes with the federal law—and affects fiscal and tax policy in other states by elimating the dollar-for-dollar credit for state death taxes paid against federal estate taxes. According to the Federation of Tax Administrators, all types of death taxes account for approximately 1.5 percent of total state tax collections. In some states, they account for as much as 4.5 percent of total tax revenue. While the repeal measure phases out the federal share over 10 years, it eliminates the states' share of estate taxes more quickly: it will be cut by 50 percent by fiscal 2003, a projected $1.8 billion decrease. Based on current state estate tax laws, total state revenue lost during the next 10 years is estimated to be as much as $50 billion to $100 billion.

Revenue Changes for Fiscal 2002

Twenty states proposed net revenue changes for fiscal 2002 that will decrease revenues by $676.8 million (see Table 6).

Fiscal 2002 revenue actions are highlighted below and are detailed in Appendix Table A-8. In some cases, these changes include phased-in multi-year tax cuts. In other states, revenue actions reflect one-time changes, such as a sales tax rebate in Minnesota and a statutorily mandated use of surplus funds to reduce personal income taxes in Ohio.

This survey differentiates between tax and fee increases and decreases (shown in Table 6 and Appendix Table A-8) and recommended revenue measures (shown in Appendix Table A-9). Tax and fee changes reflect revisions in current laws 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. Twelve states propose sales tax changes for fiscal 2002, resulting in a net increase of $736.1 million. Much of this figure ($707 million) stems from a proposal in Tennessee to reduce rates by 2 percent, eliminate exemptions, and expand the sales tax to services. Minnesota also proposes to extend the sales tax to some services, while lowering the rate from 6.5 percent to 6 percent; the net result would be a $186.7 million increase.

Proposed sales tax decreases include a drop of $111.4 million by exempting certain hospital-related services in Connecticut, and sales tax holidays for clothing in Florida ($43.3 million) and for computers in Pennsylvania ($10.7 million).

Personal Income Taxes. Thirteen states propose modifications to their personal income taxes, resulting in a net revenue decrease of $1.2 billion in fiscal 2002. Half of that figure reflects a proposal in Minnesota to lower rates; the multi-year plan would continue to reduce rates as it is phased in. Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming currently have no broad-based personal income taxes.

Michigan's proposed lowering of its personal income tax rate by 0.1 percent would lead to a reduction of $161.8 million. Idaho's 10.6 percent rebate on 1999 personal income taxes would lead to a $91 million reduction. Illinois would continue to phase in its earned income tax credit program, lowering collections by $35 million.

Corporate Income Taxes. Twelve states propose corporate income tax changes, resulting in a net increase of $31.9 million. Cutting the single business tax rate in Michigan would result in a decrease of $132.4 million. California proposes to increase investment credits for manufacturers, resulting in a decrease of $74 million. New Jersey proposes to eliminate taxation of certain S corporations while closing specific loopholes used by limited liability corporations; the result is a $64 million increase.

Two other states propose considerable increases in corporate income taxes. Tennessee would expand the corporate income tax to sole proprietorships and general partnerships increasing revenue by $290 million. Minnesota would repeal the foreign operating corporation statute and the foreign royalty subtraction, resulting in increases of $34.6 million and $56.3 million, respectively.

Cigarette, Tobacco, and Alcohol Taxes. As states continue to receive payments from the Tobacco Master Settlement, three states propose changes to cigarette and other tobacco taxes in fiscal 2002, resulting in a net increase of $40.4 million. Vermont would increase the cigarette tax by $.67 cents per pack and earmark the $28.2 million revenue for health care. Maine proposes a similar increase, raising the tax to $1 per pack, for an increase of $13.1 million.

Only one state proposes changes to taxes on alcoholic beverages. Vermont would increase the beer tax by $.02 per bottle, resulting in an increase of $3.8 million. These funds would be devoted to juvenile and addiction programs.

Other Taxes and Fees. Revenues generated from other taxes, including personal property taxes, motor vehicles, and other types of licensing, usually cover the costs for licensing and regulation enforcement,

FIGURE 2

Enacted State Revenue Changes, Fiscal 1991 to Fiscal 2001; and Proposed State Revenue Change, Fiscal 2002

SOURCE: National Association of State Budget Officers.

promote environmental conservation, and generate revenues for health care. Fees are often associated with motor vehicles and other types of licensing.

Florida would continue millage reductions on its intangibles tax, which would result in a fiscal 2002 decrease of $241 million. Pennsylvania would continue the previously enacted phase-out of its capital stock tax, reducing revenues by $172.8 million. Louisiana proposes to reduce the land-based casino annual tax payment, for a decrease of $47.5 million. North Carolina proposes an increase of $150 million by closing most tax loopholes.

Total Balances

CHAPTER THREE

Continued economic growth has allowed states to increase their reserves. As a result, fiscal 2002 is the ninth consecutive year that ending balances exceeded 5 percent of states' annual expenditures. While these balances reflect the persistence of the economic expansion and emphasize the need for states to accumulate balances during healthy economic times, it is notable that the size of these reserves has shrunk considerably from their all-time high only two years ago.

Balances as a percentage of expenditures in fiscal 2001 are estimated to be among the strongest in the past 22 years, although notably lower than the immediately preceding years when states benefited most heavily from the strong economy (see Figure 3). Total balances reflect the funds states may use to respond to unforeseen circumstances after budget obligations have been met. Both ending balances and the amounts in budget stabilization funds are included in total balance figures (see Appendix Tables A-1, A-2, A-3, and A-10). Based on projected fiscal 2001 total balances of $34.3 billion, two-thirds of the states estimate balances as a percentage of expenditures to be 5 percent or more; the average is 7.2 percent. Nine of those states estimate total balances to be 10 percent or greater, a healthy buffer in case of an economic downturn or other uncertainties, but less than half the number whose balances reached that threshold during the previous fiscal year (see Table 7, 8, Appendix Table A-10 and Figure 3).

Based on governors' recommended budgets, total balances for fiscal 2002 are $29.1 billion, or 5.9 percent of expenditures (see Table 7). Compared to similar figures from 10 years ago, states are fiscally healthy; however, fiscal 2002 balances as a percentage of expenditures are lower than they have been in the past seven years, falling by nearly half of what they were in fiscal 2000, the peak of state balances.

Since the recession of the early 1990s, states have built their rainy day fund balances and ending balances to safeguard against disruption of services should economic growth slow. The fiscal downturn during those years and during a similar period in the early 1980s caused state balances to fall rapidly. Between1980 and 1981, for example, balances plunged from 9 percent of expenditures to 4.4 percent, forc-

TABLE 7

Total Year-End Balances, Fiscal 1979 to Fiscal 2002

Fiscal Year	*Total Balance (Billions)*	*Total Balance (Percentage of Expenditures)*
2002*	$29.1	5.9%
2001*	34.3	7.2
2000	44.4	10.1
1999	39.3	8.4
1998	35.4	9.2
1997	30.7	7.9
1996	25.1	6.8
1995	20.6	5.8
1994	16.9	5.1
1993	13.0	4.2
1992	5.3	1.8
1991	3.1	1.1
1990	9.4	3.4
1989	12.5	4.8
1988	9.8	4.2
1987	6.7	3.1
1986	7.2	3.5
1985	9.7	5.2
1984	6.4	3.8
1983	2.3	1.5
1982	4.5	2.9
1981	6.5	4.4
1980	11.8	9.0
1979	11.2	8.7

NOTE: Figures for fiscal 2001 are estimates; figures for fiscal 2002 are based on recommendations.

SOURCE: National Association of State Budget Officers.

TABLE 8

Total Year-End Balances as a Percentage of Expenditures, Fiscal 2000 to Fiscal 2002

	Number of States		
Percentage of Expenditures	*Fiscal 2000 (Actual)*	*Fiscal 2001 (Estimated)*	*Fiscal 2002 (Recommended)*
Less than 1.0%	3	2	2
1.0% to 2.9%	3	9	8
3.0% to 4.9%	5	5	13
5.0% or more	39	33	27

NOTE: The average for fiscal 2000 (actual) was 10.1 percent; the average for fiscal 2001 (estimated) is 7.2 percent; and the average for fiscal 2002 (recommended) is 5.9 percent.

SOURCE: National Association of State Budget Officers.

FIGURE 3

Total Year-End Balances and Total Year-End Balances as a Percentage of Expenditures, Fiscal 1979 to Fiscal 2002

SOURCE: National Association of State Budget Officers.

FIGURE 4

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

SOURCE: National Association of State Budget Officers.

ing states to cut budgets and raise taxes. During the early 1990s, states lacked balances adequate to manage another fiscal slowdown. Before the economy slowed in 1989, state balances equaled 4.8 percent of expenditures. By 1991, balances hit bottom, totaling only 1.1 percent of expenditures. In fiscal 1992, 35 states were forced to cut current-year budgets. The following year, 23 states had to take that action again, causing uncertainty both for citizens receiving necessary services and for the governments delivering them. To stem these losses, states raised $25 billion in new revenues during the same two-year period. Remembering how swiftly that economic decline transpired, states have cautiously prepared themselves to handle the current slowdown.

State balances reached a 20-year high in fiscal 1998, at 9.2 percent of expenditures, peaking in fiscal 2000 at 10.1 percent. Balances have declined since then because of recent tax cuts, increases in state service obligations (particularly for education and health care), and the slowing economy. Demonstrating the combined effect of those factors, fiscal 2002 year-end fund balances as a percentage of expenditures (as based on governors' recommended budgets) are the lowest since fiscal 1994. While expenditure growth in fiscal 2000 and fiscal 2001 outpace every fiscal year in the past 12, in fiscal 2002, governors recommend that it slow substantially. For more detail on state expenditures and the factors affecting them, see Chapter One.

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

Special Feature: Medicaid

Medicaid, a means-tested entitlement program financed by the states and the federal government, provides medical care for about 40 million low-income individuals. Medicaid spending—approximately $186 billion in fiscal 2000—accounts for approximately 20 percent of all state spending. Mirroring national health care trends, Medicaid expenditures have escalated and are consuming a greater portion of states' budgets. The pressure from escalating Medicaid costs coincides with the revenue slowdown in the states.

Medicaid Expenditures. The governors' recommended budgets for fiscal 2002 contain an estimated average annual increase of 7.8 percent for the Medicaid program. By comparison, states estimate a growth rate of 9.8 percent for fiscal 2001 (see Table 9). A recent ad-hoc survey shows that about two-thirds of the states estimate that Medicaid expenditures in the current fiscal year will exceed the budgeted amounts. While current growth rates in Medicaid are less than the double-digit rates states experienced in the early 1990s, they far exceed the 3 percent to 4 percent rate of general fund revenue growth.

Medicaid is projected to grow at an average annual rate of 8.6 percent from 2001 through 2011 according to the Congressional Budget Office (CBO). This follows a 9 percent rate of growth in 2000 and 6.7 percent in 1999 (the year that the recent upward spiral in Medicaid costs began). According to CBO, factors affecting the program's growth include the cost and use of medical services, most notably from prescription drugs. States have also seen greatly increased enrollment of children in Medicaid due to the extensive outreach campaigns conducted in the State Children's Health Insurance Program (S-CHIP). Some states have found that for every S-CHIP eligible child who is identified through the outreach, as many as three, four or five Medicaid eligible children are identified.

Other factors affecting long-term Medicaid costs include wage pressures in the health care industry, continued demand for prescription drugs, and legal challenges under the Americans with Disabilities Act that may result in more people receiving long-term care services at home.

Medicaid Expenditures for Prescription Drugs. Medicaid expenditures for prescription drugs rose by 50 percent between 1993 and 1998, rising from $8 billion to almost $12 billion. Prescription drugs expenditures represent the third largest component of the Medicaid budget—approximately 10 percent. The growth rate of prescription drug prices—approximately 18 percent per year—is almost double the rate of the Medicaid program.

Under Medicaid, coverage of prescription drugs is an optional service that all states have elected to provide. Prescription drug prices have risen nationwide and, according to the National Institute of Health Care Management, escalating sales from 23 relatively new medications accounted for about half of the spending increase in prescription drugs in 2000. Growth in direct-to-consumer advertising by drug companies also has affected the demand for prescription drugs. The Health Care Financing Administration (HCFA) estimates that prescription drug spending will increase by 17.4 percent and 16 percent in fiscal 2001 and 2002, respectively.

In the governors' recommended budgets for fiscal 2002, the total amount for Medicaid prescription drugs is estimated at $25.1 billion, or about double the amount spent on prescription drugs under Medicaid in fiscal 1998 (see Table 10). Prescription drugs accounted for about 10 percent of spending in fiscal 1998; estimates for fiscal 2002 are about 14 percent.

Medicaid Expenditures for Long-Term Care. Another key component in Medicaid expenditures is the cost of long-term institutional care and the use of waivers for home- and community-based care. The estimated costs for long-term institutional care are $42.1 billion in fiscal 2002, or 20 percent above the fiscal 1998 level (see Table 11). Twenty percent growth in this expensive component is in addition to the faster growth in home- and community-based alternatives to institutional care. In fiscal 2002, estimated expenditures are $15.8 billion, or almost double the expenditures in fiscal 1998 (see Table 12).

Governors' Proposals to Manage Medicaid Costs. As Medicaid costs escalate, states are proposing various cost-containing measures. As shown in Table 13, these measures include prior approval of certain services, anti-fraud and abuse efforts, imple-

TABLE 9

Annual Percentage Medicaid Growth Rate

Region/State	*Fiscal 2000 (Actual)*	*Fiscal 2001 (Estimated)*	*Fiscal 2002 (Recommended)*
NEW ENGLAND			
Connecticut	11.0%	6.5%	8.7%
Maine	11.8	8.5	6.8
Massachusetts*	10.5	7.3	7.5
New Hampshire	11.5	7.3	4.3
Rhode Island	6.4	13.1	6.8
Vermont	15.1	11.8	12.4
MID-ATLANTIC			
Delaware*	14.7	14.5	14.6
Maryland	4.8	6.9	4.3
New Jersey*	4.2	4.4	7.9
New York	0.2	3.4	6.0
Pennsylvania	6.7	5.1	2.1
GREAT LAKES			
Illinois	13.4	8.6	5.6
Indiana	6.0	4.0	9.4
Michigan	8.0	11.0	3.0
Ohio	7.9	15.8	6.9
Wisconsin*	7.9	5.1	11.8
PLAINS			
Iowa	8.3	12.4	12.8
Kansas	11.5	8.2	7.6
Minnesota	8.0	13.7	9.0
Missouri	-1.8	4.2	12.7
Nebraska	6.7	11.0	7.7
North Dakota*	28.2	2.8	4.3
South Dakota	5.1	26.0	4.7
SOUTHEAST			
Alabama	10.3	-2.2	7.3
Arkansas	7.2	10.6	7.2
Florida	11.9	15.4	6.7
Georgia	21.4	7.4	12.4
Kentucky	6.8	4.1	4.3
Louisiana	6.0	1.8	-0.4
Mississippi	0.1	0.2	0.2
North Carolina	3.4	16.5	15.0
South Carolina	10.7	12.1	10.3
Tennessee	14.1	16.2	7.0
Virginia	11.0	9.3	4.0
West Virginia	5.6	7.8	5.9
SOUTHWEST			
Arizona	8.1	13.0	4.0
New Mexico*	17.0	13.0	14.0
Oklahoma	11.5	16.9	7.8
Texas	1.8	9.8	17.1
ROCKY MOUNTAIN			
Colorado	9.6	7.9	9.0
Idaho	12.5	21.5	14.4
Montana	6.7	7.0	7.2
Utah	6.5	7.0	7.0
Wyoming			
FAR WEST			
Alaska	14.9	13.8	5.5
California	9.7	11.1	2.5
Hawaii	3.9	10.3	9.7
Nevada	8.0	10.5	18.0
Oregon*	N/A	N/A	N/A
Washington	13.5	22.5	7.8
Average**	**8.9**	**9.8**	**7.8**

NOTES: *See Notes to Table 9. **Average percent changes are not weighted averages as are other percentage changes in this report.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 9

Delaware	Figures are from all funds, federal and state. Percentages reflect all Medicaid costs, including administration.
Massachusetts	Higher growth for fiscal 2000 is due to a one-time payment of $100 million.
New Jersey	Derived from governor's message for fiscal 2002, consisting of State funds only.
New Mexico	Growth is due primarily to increased enrollment.
North Dakota	In fiscal 2000, North Dakota started the intergovernmental transfer program in long-term care. The added pool payments for this caused a portion of the increase in fiscal 2000.
Oregon	The biennial increase between 1999-2001 and 2001-2003 is projected to be 19 percent.
Wisconsin	The recommended percentage growth rate for fiscal 2002 includes funding for rate increases contingent upon Health Care Financing Administration (HCFA) approval of the state's revised intergovernmental transfer program (IGT) methodology.

menting pharmacy benefit management programs, and reducing optional benefits.

States are seeking larger discounts from manufacturers to purchase prescription drugs and reductions in reimbursement rates for some health care providers, such as nursing homes and hospitals. States also are using buying pools to leverage lower prices.

Because of the large percentage of state budgets that Medicaid commands, Medicaid spending increases are felt throughout state government, affecting resources allocated for other key services, such as education.

TABLE 10

Total Funds Spent on Prescription Drugs in Medicaid ($ in millions)

Region/State	*Fiscal 1998 (Actual)*	*Fiscal 1999 (Actual)*	*Fiscal 2000 (Actual)*	*Fiscal 2001 (Estimated)*	*Fiscal 2002 (Recommended)*
NEW ENGLAND					
Connecticut	$188.1	$208.8	$245.8	$273.3	$314.6
Maine	89.5	108.1	133.0	160.8	188.5
Massachusetts	481.6	589.1	685.9	780.5	887.1
New Hampshire	53.0	62.0	78.0	86.0	95.0
Rhode Island	59.3	71.6	85.5	N/A	N/A
Vermont	49.5	60.2	89.5	103.6	120.5
MID-ATLANTIC					
Delaware	34.7	43.6	52.4	66.2	77.2
Maryland	98.1	112.7	162.0	185.7	204.1
New Jersey*	382.0	387.0	499.0	516.0	595.0
New York	1,184.0	1,398.0	1,730.0	2,311.0	2,583.0
Pennsylvania*	831.2	1,051.9	1,144.5	1,286.8	1,463.2
GREAT LAKES					
Illinois	586.2	677.3	827.3	978.6	1,120.7
Indiana	311.0	367.0	459.0	567.0	696.0
Michigan*	287.8	227.6	301.0	427.0	524.0
Ohio	512.3	603.5	674.3	825.8	954.3
Wisconsin	224.9	259.3	326.0	396.7	470.0
PLAINS					
Iowa	147.6	166.8	190.7	245.2	261.0
Kansas	116.2	141.5	169.0	190.0	215.0
Minnesota*	165.0	185.0	222.0	269.0	280.0
Missouri*	374.1	468.5	581.2	730.3	762.7
Nebraska	89.2	108.5	126.5	152.4	180.9
North Dakota	22.6	24.6	30.2	34.4	38.8
South Dakota	25.9	29.1	36.6	42.1	48.8
SOUTHEAST					
Alabama	236.9	273.9	330.2	358.3	398.2
Arkansas	144.6	170.4	198.1	233.0	273.3
Florida	808.1	1,005.2	1,244.6	1,316.4	1,436.1
Georgia*	283.0	349.8	434.8	518.1	608.3
Kentucky	322.2	347.7	433.4	500.8	589.8
Louisiana	281.1	322.1	367.7	448.8	547.9
Mississippi	185.2	210.1	283.7	388.0	420.0
North Carolina	455.3	557.7	754.4	948.4	1,188.1
South Carolina	163.1	204.1	260.2	331.1	422.1
Tennessee*	N/A	139.6	194.2	469.4	543.2
Virginia	222.0	262.4	298.4	350.1	382.5
West Virginia	153.0	183.6	215.6	261.8	293.2
SOUTHWEST					
Arizona	82.0	96.6	117.3	133.3	182.6
New Mexico	28.5	41.5	48.5	57.5	66.9
Oklahoma	128.6	162.6	183.3	189.4	221.2
Texas	825.9	947.4	1,126.3	1,305.7	1,371.6
ROCKY MOUNTAIN					
Colorado	105.3	121.1	141.4	151.6	164.8
Idaho*	52.0	64.0	76.0	90.0	104.0
Montana	39.1	45.6	56.2	65.5	76.4
Utah	63.5	78.6	93.2	113.0	134.0
Wyoming	N/A	N/A	N/A	N/A	N/A
FAR WEST					
Alaska	30.8	37.3	46.3	55.9	67.1
California*	1,269.0	1,397.0	1,760.0	2,063.0	2,426.0
Hawaii*	35.6	44.4	56.2	70.6	86.4
Nevada	31.0	38.0	46.0	59.0	63.0
Oregon	194.9	213.1	287.9	316.0	459.8
Washington	239.5	294.6	377.7	455.8	525.3
Total	**$12,694.0**	**$14,960.1**	**$18,281.0**	**$21,878.9**	**$25,132.2**

NOTE: *See Notes to Table 10.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 10

California	Fee-for-service only. Figures do not include managed care expenditures and are net of manufacturer rebates.
Georgia	Amounts are net of drug rebates. This is funding spent by the Department of Human Resources, the agency in receipt of the block grant.
Hawaii	Fiscal 2000 amounts are estimates due to claims lag.
Idaho	The disaggregation of drug cost increases is based on a sample of change in per unit costs for the period December 1999 to December 2000. The balance of increased costs is shown as an increase in the number of recipients.
Michigan	Manufacturer rebates are subtracted from expenditures. The expenditure entries are fee-for-service prescriptions and, starting February 1, 2000, pyschotropic prescriptions dispensed to HMO enrollees. Managed care enrollment in 1999 caused a decrease in fee-for-service expenditures; beginning in fiscal 2000, managed care enrollment stabilized. For fiscal 2001 and fiscal 2002, costs will increase because of HCFA's mandate to disenroll dual Medicare/Medicaid recipients from HMOs. The fiscal 2002 recommendation includes $13 million in cost containment measures.
Minnesota	Roughly 20 percent of total Medicaid expenditures go to managed care (HMO) payments. Prescription drugs are a covered benefit under these contracts.
Missouri	Fee-for-service only. Fiscal 2002 assumes recommended cost-containment measures are implemented.
New Jersey	Amounts consist of state and federal funds, net of rebates.
Pennsylvania	Pennsylvania's Medical Assistance program includes both Medicaid-eligible clients plus the state's general assistance clients. No separate expenditure records are maintained for Medicaid clients only. Figures include estimates for managed care (capitated) program expenditures.
Tennessee	TennCare operates under a managed care system that requires managed care organizations (MCOs) to manage care at a capitated rate. Data for fiscal 1998, fiscal 1999, and fiscal 2000 are unavailable for the portion of the cap payment for prescription drugs paid to the MCOs. Fiscal 1999 and fiscal 2000 data are for the TennCare Partner's behavioral health organization (BHO) pharmacy program only. The state carved out TennCare Partner's Pharmacy Program July 1, 1998, and on July 1, 2000, also carved out the TennCare Dual Pharmacy Program. Fiscal 2001 and fiscal 2002 use the portion of the fiscal 2001 average cap payment related to pharmaceuticals multiplied by the estimated average enrollees. Fiscal 2001 and fiscal 2002 data also contain the estimated costs of the TennCare Partner's Pharmacy Program and the TennCare Dual Pharmacy Program.

TABLE 11

Total Funds Spent on Medicaid Institutional Long-Term Care ($ in millions)

Region/State	Fiscal 1998 (Actual)	Fiscal 1999 (Actual)	Fiscal 2000 (Actual)	Fiscal 2001 (Estimated)	Fiscal 2002 (Recommended)
NEW ENGLAND					
Connecticut	$956.5	$990.0	$1,078.4	$1,099.6	$1,132.0
Maine	278.5	283.4	318.7	336.5	349.3
Massachusetts	1,265.3	1,308.1	1,344.4	1,405.4	1,493.1
New Hampshire	175.0	172.0	185.0	185.0	185.0
Rhode Island	276.9	287.9	309.6	308.0	311.0
Vermont	74.0	74.9	79.8	89.4	102.9
MID-ATLANTIC					
Delaware*	133.8	130.2	141.9	151.1	160.6
Maryland	594.2	612.7	646.2	722.8	925.7
New Jersey*	1,151.0	1,173.0	1,193.0	1,186.0	1,289.0
New York	4,819.0	5,056.0	5,214.0	5,211.0	5,420.0
Pennsylvania	2,123.9	2,057.4	2,222.5	2,318.9	2,412.5
GREAT LAKES					
Illinois	1,616.6	1,684.0	1,752.4	1,853.2	1,885.1
Indiana	688.0	762.0	782.0	811.0	857.0
Michigan	891.9	929.9	959.4	1,074.0	1,092.0
Ohio	2,241.8	2,311.5	2,463.0	2,687.7	2,935.0
Wisconsin*	982.8	1,002.7	1,017.7	1,040.4	1,146.1
PLAINS					
Iowa	482.4	509.1	544.9	572.9	599.3
Kansas	343.7	344.9	372.1	383.3	400.2
Minnesota	1,105.0	1,073.0	1,057.0	1,148.0	1,121.0
Missouri	607.3	626.7	628.3	836.4	1,025.5
Nebraska	231.0	239.0	249.8	269.5	277.9
North Dakota	111.0	112.8	115.7	126.1	131.8
South Dakota	102.9	99.4	99.5	151.5	156.2
SOUTHEAST					
Alabama	529.0	570.2	658.7	640.0	680.3
Arkansas	417.0	408.5	426.5	466.3	560.4
Florida	1,490.2	1,511.6	1,639.1	1,726.0	1,915.4
Georgia*	716.4	740.6	812.6	842.4	864.8
Kentucky	553.2	588.1	638.0	674.4	720.6
Louisiana	820.7	844.1	856.6	840.8	N/A
Mississippi	382.2	474.9	508.6	580.0	655.1
North Carolina	1,038.7	1,096.8	1,158.2	1,223.1	1,291.5
South Carolina	271.7	295.8	323.9	348.8	375.6
Tennessee*	908.1	944.1	1,110.3	1,151.3	1,178.8
Virginia	1.9	1.9	1.7	1.7	1.0
West Virginia	302.8	318.9	302.2	320.9	344.2
SOUTHWEST					
Arizona	259.3	263.6	271.8	333.8	367.2
New Mexico	153.5	169.8	178.1	186.9	198.2
Oklahoma	462.5	468.9	459.6	554.7	554.7
Texas	1,793.7	1,916.1	2,019.7	1,977.8	2,241.3
ROCKY MOUNTAIN					
Colorado	344.0	357.2	375.9	391.6	408.5
Idaho	143.0	149.0	158.0	177.0	190.0
Montana	95.3	96.4	98.9	100.9	100.7
Utah	128.0	137.7	146.8	150.0	157.0
Wyoming	N/A	N/A	N/A	N/A	N/A
FAR WEST					
Alaska	46.2	52.4	69.9	76.9	83.8
California	2,325.0	2,307.0	2,472.0	2,960.0	2,978.0
Hawaii	146.7	148.7	149.7	160.7	171.5
Nevada	98.0	100.0	109.0	100.0	102.0
Oregon	293.7	280.0	249.5	228.3	213.8
Washington	215.2	258.8	301.5	346.7	354.2
Total	**$35,188.6**	**$36,341.7**	**$38,272.1**	**$40,528.7**	**$42,116.8**

NOTE: *See Notes to Table 11.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 11

Delaware	Figures include both private and state facilities.
Georgia	Information is based on linear trends with historical data.
New Jersey	Department of Health, nursing homes.
Wisconsin	Recommended amount for fiscal 2002 includes community-based waivers and all home health and personal care.
Tennessee	Long-term care data include long-term care for the elderly, disabled, and the mentally disabled. Fiscal years 2000, 2001, and 2002 include disproportionate share payments to qualifying nursing facilities.

TABLE 12

Total Funds Spent on Home- and Community-Based Alternatives such as 1915(c) Waivers, Personal Care Option, TEFRA ($ in millions)

Region/State	Fiscal 1998 (Actual)	Fiscal 1999 (Actual)	Fiscal 2000 (Actual)	Fiscal 2001 (Estimated)	Fiscal 2002 (Recommended)
NEW ENGLAND					
Connecticut	$ 56.2	$ 60.9	$ 63.3	$ 68.9	$ 77.1
Maine*	120.2	147.8	163.3	181.2	202.0
Massachusetts	246.4	279.1	326.8	366.6	404.0
New Hampshire	122.0	126.0	140.0	137.0	153.0
Rhode Island	9.7	9.9	12.3	15.7	16.1
Vermont	8.6	10.5	14.6	14.4	15.3
MID-ATLANTIC					
Delaware	30.5	36.0	43.9	48.8	54.7
Maryland	253.8	248.3	266.2	328.1	353.5
New Jersey*	313.7	331.7	327.1	363.2	390.4
New York	N/A	N/A	N/A	N/A	N/A
Pennsylvania	N/A	635.2	745.9	864.4	1,072.5
GREAT LAKES					
Illinois	328.1	356.7	423.3	483.7	540.0
Indiana	51.0	80.0	104.0	127.0	157.0
Michigan	186.6	240.9	255.5	315.1	317.6
Ohio	132.8	183.9	252.4	291.0	335.1
Wisconsin*	361.0	390.0	462.4	505.5	543.9
PLAINS					
Iowa	69.7	85.4	103.0	122.5	167.8
Kansas	177.3	241.3	274.2	296.0	310.5
Minnesota	504.0	572.0	645.0	835.0	938.0
Missouri	127.7	142.5	168.3	222.6	291.8
Nebraska	6.9	13.8	23.0	33.1	40.1
North Dakota	3.8	4.2	4.4	4.8	9.3
South Dakota	1.7	2.1	2.8	4.3	4.7
SOUTHEAST					
Alabama*	37.0	46.2	38.6	56.4	49.0
Arkansas	119.1	129.5	142.1	154.2	166.0
Florida	282.4	368.5	589.1	603.7	525.3
Georgia*	139.7	161.9	181.8	223.8	228.8
Kentucky	81.2	94.2	123.2	153.6	190.7
Louisiana	62.7	81.7	103.7	137.5	129.2
Mississippi	4.9	14.0	19.0	30.0	50.0
North Carolina	432.5	458.9	486.9	516.7	546.5
South Carolina	54.1	66.8	90.1	87.8	87.8
Tennessee*	105.7	147.7	198.0	291.0	358.2
Virginia	111.3	108.0	113.1	119.4	126.8
West Virginia	125.5	131.8	152.8	169.1	182.5
SOUTHWEST					
Arizona	369.8	441.4	502.4	590.6	677.3
New Mexico	111.7	120.8	140.5	191.6	219.3
Oklahoma	145.2	180.7	212.2	243.5	243.5
Texas	1,295.2	1,501.5	1,655.9	1,795.2	1,885.4
ROCKY MOUNTAIN					
Colorado	107.8	134.5	151.8	179.5	210.1
Idaho	22.0	26.0	38.0	45.0	58.0
Montana	12.5	14.2	16.3	18.1	18.3
Utah	62.6	71.5	80.3	87.0	94.0
Wyoming	N/A	N/A	N/A	N/A	N/A
FAR WEST					
Alaska	36.6	46.7	59.5	79.5	94.5
California	1,258.0	1,547.0	1,786.0	2,072.0	2,370.0
Hawaii	24.5	31.2	38.1	56.4	76.9
Nevada	11.0	13.0	19.0	22.0	28.0
Oregon	276.5	314.5	393.8	430.5	481.2
Washington	215.2	258.8	301.5	346.7	354.2
Total	**$8,616.4**	**$10,709.2**	**$12,455.4**	**$14,329.7**	**$15,845.8**

NOTE: *See Notes to Table 12.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 12

Alabama	Home- and community-based services (HCBS) waivers.
Georgia	Information is based on linear trends with historical data.
Maine	Figures include a Bureau of Mental Retardation (BMR) waiver.
New Jersey	State and federal, community care program for the elderly and disabled (CCPED), Medicaid Day Care (Health), Personal Care, and Home Health (Medicaid).
Tennessee	Long-term care data include long-term care for the elderly, disabled, and the mentally disabled. Fiscal years 2000, 2001, and 2002 include disproportionate share payments to qualifying nursing facilities.
Wisconsin	Of the fiscal 2002 amount, a $115 million increase is due to an intergovernmental transfer program.

TABLE 13

Proposed Measures to Contain Medicaid Program Costs

Alabama	Controls on pharmaceuticals.
Alaska	Preliminary plans to establish a task force to consider regulatory issues in fiscal 2002. Currently, efforts focus on policy controls (e.g., new edits to prevent over-utilization of drugs and placing prior authorizations to limit use of over-utilized and/or expensive drugs).
Arkansas	The state is looking at various cost-containment options, including, but not limited to, bidding services, reducing benefits, implementing prior approval on certain services, etc.
California	California has initiated strong anti-fraud and abuse efforts in Medi-Cal, the state's version of the Medicaid program. In 1999, the governor implemented the Medi-Cal Fraud and Fiscal Integrity Initiative, the most aggressive crackdown on Medi-Cal fraud in California history. As part of the 2000 Budget Act, 192 additional positions and $20.1 million ($8 million in general funds) were added to the Department of Health Services to conduct Medi-Cal fraud prevention activities and to establish and support the Medi-Cal Fraud Prevention Task Force. In the first 18 months of operation, the task force has identified more than $400 million in fraudulent billings, secured 84 fraud convictions, and produced more than $150 million in program savings and $20 million in restitution.
Colorado	Tighten eligibility determination process. Increase client cost-sharing responsibilities. Compensate providers of efficiently run and economically operated entities. Promote compensation equity for professional rendering services. Limit growth in indirect changes made for corporate administrative costs. Reduce the frequency of rate changes.
Connecticut	Restructuring prescription drugs by changing dispensing fee, introducing Medicaid administrative claiming (MAC), and revising average wholesale price (AWP) to -13. Limit nursing home rate increases and restrict certain provider fees. Eliminate the Uncompensated Care Program. Add $100 million to Medicaid hospital rates. Enhance asset rules by making them more restrictive.
Delaware	Improved third-party liability cost avoidance process in the Medicaid Management Information System (MMIS). Instead of paying and then recovering from third parties, pharmacies are notified online that the client has third-party insurance and that the bill is to be submitted to the other insurance.
Florida	Enhance rebates for drug formulary; competitively bid hospital services, drugs, nursing home services, and lab services; limit Medicaid reimbursement for hospital outpatient and nursing homes to Medicare crossover claims; and mandatory HMO enrollment for counties with more than two HMOs, except those with high-risk populations.
Georgia	Implement a pharmacy benefit management program to focus on a system that meets all state and federal requirements for processing Medicaid and public employee health prescription benefits; provide enhanced management of prescription costs while recognizing impact on total health care costs of members and recipients. Programs for assistance in management of total medical costs from a pharmacy perspective include: ProDur, cost avoidance, disease management, preferred drug use, proactive retrospective drug utilization review (DUR), and enforcement of most-favored pricing policies.
Hawaii	Procure a separate fiscal agent contract to better manage drug utilization.
Idaho	Restrict growth in intermediate care facilities for the mentally retarded (ICF-MR) beds covered by Medicaid; eliminate rate increases for transportation, physical therapy, ICF-MR per diem, and durable medical equipment (DME). Require pre-authorization of non generic drugs, mental health and developmental disabilities (DD) services. Review optional services for changes.
Illinois	Measures taken to reduce liability by $256 million over fiscal 2001-2002: reduced prescribed drug acquisition cost and dispensing fee, planned tertiary payments moved forward three months, hospital charges capped, and other minor revisions.
Indiana	Reduce reimbursement for prescription drugs and nursing homes, promote managed care, and eliminate certain optional services.
Kentucky	Implement a regulation that reduces the dispensing fees paid to pharmacists. Modify outpatient hospital regulations. Currently pays OP at 65 percent of billed charges; on average, settles at 45.5 percent of billed charges. The state plans to modify this and begin to reimburse either at each hospital's settled costs (based on the most recent cost report), or at the overall state average of 45.5 percent. Will likely cap HCBW services at the current number of individuals enrolled. State hopes to implement a more restrictive over-the-counter formulary. Currently covers virtually all over-the-counter medications. The state is attempting to modify statutes that restrict its ability to pre-authorize new medications.
Louisiana	Reduce pharmacy expenses, reimbursement rates for private in-patient hospitals, intermediate care facilities (ICF), out-patient hospital, and in-patient hospital outlier payments.
Maine	Drug pre-authorization, cost controls on some institutional providers, moratorium on fee-for-service rate increases, fraud and abuse contingency contract, and mortgage market information services (MMIS) system upgrades.
Maryland	Slowing planned expansion of Maryland Children's Health Program (MCHP). Considering slowing drug cost growth by step therapy. No current plan to reduce benefits.
Massachusetts	The Division of Medical Assistance (DMA) implements new savings initiatives each year. In fiscal 2002, DMA plans to implement the following new savings initiatives: expand the pharmacy prior approval program, adjust pharmacy payment rate methodology, and Medicare Part B claim repricing (reinstatement of policy).
Michigan	Reduce pharmacy dispensing fee, increase patient co-pay for drugs, provide coverage for cost-effective drugs within select drug classes, and implement a voluntary mail-order pharmacy plan.
Minnesota	Implement incentives to downsize nursing facilities.
Missouri	Hire a pharmacy benefits manager, increase efforts to stem fraud and abuse, increase third-party liability collection efforts.

TABLE 13 (continued)

Montana	Increased the number of services subject to prior authorization, raised medical necessity criteria for some services, and established regional care coordinators to assist in finding and developing less costly community services. In mental health, reduced provider rates for partial psychiatric hospitalization.
Nebraska	Nursing home prospective payment plan. Intermediate care facility/Medicaid reimbursement prospective payment plan. Hiring two full-time equivalent (FTE) surveillance and utilization staff. Physician and practitioner fee schedule rate freeze.
Nevada	Expanding waiver programs to defer entry to institutional care. Changing program to a value purchaser model to control costs, using lower unit-cost providers with no reduction in services.
New Hampshire	Pharmacy benefit manager.
New Jersey	Prior authorization of brand name drugs. Increase average wholesale price (AWP) discount for high-volume pharmacies. Movement of TANF and aged, blind, disabled (ABD) populations into managed care.
New Mexico	Continued managed care for portions of the program.
New York	In the executive budget, there are proposed reductions to nursing home rates; also increased efforts to stem fraud and initiated a thorough review of the state's pharmaceutical reimbursement system.
North Carolina	Increased drug dispensing fees, reduced wholesale drug purchase rates, and adjusted rates for intermediate mental retardation care facilities.
North Dakota	Unknown. The North Dakota 2001-2003 legislative appropriation is currently uncertain. Preliminary information indicates rates may be reduced and some optional services may be eliminated.
Ohio	The governor's fiscal 2002-2003 budget recommendations include a number of efficiency corrections to the nursing home reimbursement methodology that would slow the rate of payment to that industry. Additionally, the administration proposes a prescription drug repricing initiative in fiscal 2003.
Oklahoma	The governor's proposed budget would add more classes of drugs to the prior approval system of cost controls; slow the growth of behavioral health services funded through Medicaid; reduce optional benefits such as vision and dental services for adults; eliminate the Medically Needy program; provide cost-containment case management measures for 10 percent of the most costly recipients; and slow expansion.
Oregon	Proposed measures include copayment on prescription drugs, case management for certain antidepressant and antipsychotic therapies, and restructuring dispensing fees.
Pennsylvania	Ongoing efforts to reduce fraud and abuse.
Rhode Island	Proposing marginal measures to freeze eligibility for child care workers. Also, Rhode Island's Health Care 2000 Reform Act is attempting to maintain employer-based health coverage.
South Carolina	Proposed measures include point-of-sale and resultant cost-containment measures.
Tennessee	TennCare continues to contain Medicaid program costs; however, because of lawsuits in some program areas, most proposed cost increases are mandated. Most of the proposed increases are related to court compliance issues in the mental retardation community and a temporary restraining order on enrollment terminations.
Utah	Increased efforts to reduce fraud and abuse in fiscal 2001. Slightly lowered dispensing fees. No other significant reductions or slowing of expansions are planned.
Vermont	In the process of hiring a consulting firm to assess how the state compares with other states in the region.
Virginia	Securing contracts for transportation services; shortening the pre-assignment process from 75 days to 45 days; capturing savings by eliminating equity paid to lease nursing facilities; fostering enhancements to the drug utilization review program; limiting payment for dispensed drugs to one-month's supply; generating savings in case management expenditures to the mental retardation waiver; using CD-ROMs to reduce printing expenditures for provider manuals; ensuring accurate inpatient hospital services billing; validating prior authorization of services; enhancing utilization review for community-based services; improving estate recoveries; enacting third-party liability pharmacy mass billings; applying technology enhancements to the elderly and disabled waiver; and increasing staffing for fraud and abuse investigations.
Washington	For the state's upcoming fiscal 2003-2005 biennial budget, the following proposals for Medicaid cost controls are being considered: cost management/recovery ($8.1 million annual savings), drug management ($4.1 million), case coordination/utilization control ($7.6 million), and payment integrity program ($8.2 million). The department also is continuing its efforts to move persons receiving care in institutions and nursing homes into less expensive community settings.
Wisconsin	The governor's budget includes reduced drug reimbursement from average wholesale price (AWP)—10 percent to 15 percent. Also increasing initiatives to reduce fraud and abuse and modestly expanding the estate recovery program.

Appendix

TABLE A-1

Fiscal 2000 State General Fund, Actual (Millions)

Region and State	Beginning Balance	Revenues	Adjustments	Total Resources	Expenditures	Adjustments	Ending Balance	Budget Stabilization Fund
NEW ENGLAND								
Connecticut	$ 0	$11,214	$ 0	$11,214	$10,913	$ 0	$ 300	$ 564
Maine**	229	2,395	-15	2,610	2,317	-8	301	144
Massachusetts**	215	21,110	0	21,326	20,838	191	297	1,608
New Hampshire**	0	1,034	-2	1,032	1,028	0	4	20
Rhode Island**	98	2,246	0	2,344	2,231	22	92	71
Vermont**	0	886	20	905	855	51	0	41
MID-ATLANTIC								
Delaware	305	2,279	0	2,584	2,246	0	338	114
Maryland**	583	9,215	160	9,958	9,022	0	936	582
New Jersey* **	1,267	19,880	0	21,147	19,459	405	0	1,284
New York* **	942	37,395	0	38,337	37,170	0	1,167	547
Pennsylvania**	448	19,442	124	20,014	19,295	108	611	1,097
GREAT LAKES								
Illinois	1,351	23,250	0	24,600	23,084	0	1,517	0
Indiana**	1,476	9,215	0	10,691	8,967	626	1,098	540
Michigan**	0	10,015	0	10,015	9,803	0	212	1,264
Ohio**	221	20,051	0	20,272	19,244	832	196	1,003
Wisconsin* **	701	11,323	76	12,100	11,294	30	836	0
PLAINS								
Iowa	268	4,671	0	4,939	4,763	0	176	460
Kansas**	541	4,203	2	4,746	4,368	0	378	0
Minnesota* **	1,921	11,681	0	13,602	11,476	0	2,125	1,380
Missouri	357	7,180	0	7,537	7,350	0	187	143
Nebraska**	293	2,404	-37	2,660	2,344	0	316	142
North Dakota**	62	771	0	833	773	0	60	0
South Dakota**	0	782	18	800	771	30	0	37
SOUTHEAST								
Alabama	72	5,245	0	5,317	5,215	0	101	3
Arkansas	0	3,177	0	3,177	3,177	0	0	0
Florida	366	18,678	0	19,044	18,554	0	490	1,666
Georgia* **	1,799	13,782	0	15,581	13,782	-709	2,509	551
Kentucky**	64	6,478	240	6,782	6,549	58	175	239
Louisiana*	-27	5,956	36	5,966	5,909	138	-81	59
Mississippi	109	3,351	0	3,460	3,435	0	26	261
North Carolina**	297	13,136	667	14,100	13,854	246	0	38
South Carolina*	723	5,007	0	5,730	5,156	0	574	145
Tennessee**	28	6,805	-151	6,682	6,593	38	52	165
Virginia	485	11,450	0	11,935	11,282	0	653	575
West Virginia**	156	2,639	7	2,802	2,639	15	148	73
SOUTHWEST								
Arizona	255	5,960	0	6,216	6,012	0	203	408
New Mexico**	0	3,421	0	3,421	3,390	32	0	192
Oklahoma**	234	4,713	-121	4,825	4,545	0	280	158
Texas**	3,913	55,270	-585	58,598	56,266	0	2,332	525
ROCKY MOUNTAIN								
Colorado* **	679	6,304	-191	6,791	5,992	0	798	200
Idaho**	47	1,821	-5	1,863	1,681	0	182	36
Montana**	110	1,168	0	1,277	1,105	2	170	0
Utah**	7	3,505	-35	3,477	3,364	0	113	110
Wyoming**	72	543	45	660	518	0	142	39
FAR WEST								
Alaska* **	0	2,082	180	2,262	2,262	0	0	2,734
California* **	3,708	71,931	222	75,861	66,494	0	9,367	8,666
Hawaii	189	3,284	0	3,473	3,201	0	272	6
Nevada**	97	1,647	0	1,744	1,608	-32	168	136
Oregon**	329	4,948	0	5,277	5,183	0	94	21
Washington**	462	10,432	-189	10,705	10,220	0	485	754
Total	**$25,453**	**$505,370**	**-**	**$531,289**	**$497,593**	**-**	**$30,399**	**$28,800**

NOTES: N/A indicates data are not available. *In these states, the ending balance includes the balance in the budget stabilization fund. **See Notes to Table A-1.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-1

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

Alaska	Revenue adjustments reflect a constitutional budget reserve draw.
California	Revenue adjustments reflect an adjustment to the beginning balance.
Colorado	Revenue adjustments reflect state highway funding.
Georgia	The General Assembly authorized an additional 1 percent of the budget for the Revenue Shortfall Reserve at the discretion of the governor. The ending balance reflects $166 million reserved for property tax relief, $906 million for rainy day and midyear reserve funds, and $1.4 billion in surplus funds rolled over from the prior year.
Idaho	Revenue adjustments include transfers of $2.5 million to the Permanent Building Fund, $1.8 million to the Fire Suppression Fund, and $389,000 to three other funds.
Indiana	Expenditure adjustments represent one-time expenditures for pension contributions, repair of local roads, and projects for state-supported universities.
Kansas	Revenues are adjusted for released encumbrances. Kansas does not have a separate rainy day fund. However, state statute requires that the governor's recommended budget and the final approved budget maintain an ending balance of at least 7.5 percent of expenditures.
Kentucky	Revenue adjustments reflect $142.3 million in Phase I tobacco settlement payments and $68.1 million in fund transfers to the general fund. Expenditure adjustment represents fund balances to be carried forward into fiscal 2001.
Louisiana	The comprehensive annual financial report (CAFR) reconciliation amount is $-121 million. Revenue adjustments reflect carry-forward balances. The lottery proceeds fund is included in the general fund for reporting purposes because those funds are available for general purposes.
Maine	Revenue adjustments reflect $-14.8 million in legislative and statutorily authorized transfers. Expenditure adjustments reflect $-8.4 million in prior-year transactions and balances.
Maryland	Revenue adjustments reflect a transfer from the rainy day fund.
Massachusetts	"General fund" is the aggregate of the general, highway, and local aid funds. Massachusetts uses its three major funds in the manner that most states, which typically have far fewer dedicated minor funds, use just their general fund. Undesignated (general fund) balance is statutorily defined as the carry forward of 0.5 percent of the preceding fiscal year's tax revenues to the current fiscal year. Expenditures are adjusted for lapsed and continued appropriations and for certain statutorily required year-end transfers. Expenditure adjustments totaling $191.3 million include two transfers from the general fund. One transfer of $76.6 million was made to the Capital Projects Fund and a second transfer of $114.9 million went to the Stabilization Fund.
Michigan	Total expenditures include $100 million transferred to the rainy day fund.
Minnesota	Revenue adjustments reflect a $633.8 million sales tax rebate. The ending balance includes the following: a cash flow account of $350 million, a budget reserve of $622 million, other reserves of $137.7 million, and $270 million in appropriations carried forward.
Montana	Fiscal 2000 expenditures include $25.4 million for reimbursements to local governments for property tax reductions.
Nebraska	Revenue adjustments are transfers between the general fund and other funds. Expenditure adjustments are carryovers from prior years.
Nevada	Expenditure adjustments reflect reversions and adjustments to fund balances.
New Hampshire	Revenue adjustments reflect a $2 million transfer to health care fund.
New Jersey	Expenditure adjustments reflect $404.6 million in transfers.
New Mexico	Expenditure adjustments reflect transfers to the operating reserve (rainy day fund).
New York	The ending balance includes $547 million in the tax stabilization reserve fund (rainy day fund), $107 million in reserve funds for litigation risks, and $500 million in debt reduction reserve funds. In addition to general fund reserves, $1.8 billion was reserved for the governor's statewide property tax relief program.
North Carolina	Revenue adjustments reflect $667.1 million in transfers. Expenditure adjustments reflect $246.2 million in transfers.
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 year end. Ohio reports expenditures based on disbursements for the general revenue fund. Expenditure adjustments reflect a transfer to the income tax reduction fund of $610.5 million, a transfer to the budget stabilization fund of $49.2 million, a transfer to the school building assistance fund of $325.7 million, and other miscellaneous transfers-out, totaling $58.1 million. These transfers-out are adjusted for a net change in encumbrances from fiscal 1999 levels of $114.6 million.
Oklahoma	Revenue adjustments reflect $83 million to the rainy day fund and $39 million to the general revenue cash flow reserve fund.
Oregon	The rainy day fund is the general purpose emergency fund at the close of the June 2000 meeting of the Emergency Board.

NOTES TO TABLE A-1 (continued)

Pennsylvania	Revenue adjustments reflect lapses from prior-year appropriations. Expenditure adjustments reflect the year-end transfer to the budget stabilization (rainy day) fund that occurred subsequent to the close of the fiscal year.
Rhode Island	The general fund reflects general revenue receipts and expenditures only. Total revenues are net of transfers to the budget reserve fund.
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 $61.4 million reserve for fiscal 2000 appropriations, a $35.7 million transfer from the debt service fund for unexpended appropriations, and a $248.5 million reduction in unexpended revenues reserved for future appropriations. Expenditure adjustments reflect a $38.1 million transfer to the rainy day fund.
Texas	The state operates under a biennial budget. The amounts listed are for fiscal years 2000 and 2001. The amount shown for the beginning balance is derived from the comptroller’s BRE Table A-2 for fiscal years 2000-2001. The revenue amount shown is the comptroller’s estimate from the BRE Table A-2 plus $13.4 million. The additional amount represents higher disproportionate share hospital revenues the state will earn for general revenue in fiscal 2001. Revenue adjustments are the comptroller’s total other adjustments. The adjustments reflect $909.2 million with an additional $324 million in direct appropriation of tobacco settlement receipts. The comptroller treated the direct appropriation as a reduction of dedicated account balances. The Office of Budget and Planning treats it as an appropriation/expenditure. Total expenditure amount is the total general revenue plus balance minus 2002 beginning balance. Adding back an additional $324 million of direct tobacco appropriation, subtracting $86.4 million in use of TANF in 2000-2001 instead of general revenue, and adding $700 million for 2001 supplemental appropriation.
Utah	Revenue adjustments reflect a $-29.2 million net budget carry forward, $1.1 million in transfers, a $-9.1 million transfer to rainy day funds, and $1.9 million in other transfers.
Vermont	Revenue adjustments include $8.7 million in direct applications and transfers in and $11.1 million for appropriation from prior-year surplus reserve. Expenditure adjustments include $0.6 million to the Medicaid Reimbursement Administrative Fund, $2.0 million to the Vermont Health Access Plan (VHAP) Trust Fund, $1.3 million to the budget stabilization reserve, $6.2 million to the human services caseload reserve, and $40.6 million to the general fund surplus reserve.
Washington	The revenue adjustment reflects dollars above the Initiative 601 expenditure limit that are transferred to the Emergency Reserve Account.
West Virginia	The beginning balance includes $103.4 million in reappropriations, $14.6 million in surplus appropriations, and $38.0 million in unappropriated surplus balance. Revenue adjustments reflect $0.2 million in prior-year redeposits and $7.2 million in special revenue transfers. Expenditures include $2.6 billion in regular appropriations, $47.7 million in reapproprations, $11.8 million in surplus appropriations, and $23.0 million in 31-day (prior-year) expenditures. Expenditure adjustments reflect $14.6 million in transfers to rainy day fund.
Wisconsin	Revenue adjustments include $64.0 million from the Computer Escrow Fund and $11.5 million from prior-year designation of continuing balances. Expenditure adjustments include $29.6 million in designations for biennial appropriations not spent but carried forward to fiscal 2001.
Wyoming	The State of Wyoming budgets on a biennial basis. To complete the survey using annual figures, certain assumptions and estimates were required. Caution is advised when drawing conclusions or making projections using this information.

TABLE A-2

Fiscal 2001 State General Fund, Estimated (Millions)

Region and State	*Beginning Balance*	*Revenues*	*Adjustments*	*Resources*	*Expenditures*	*Adjustments*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND								
Connecticut	$ 0	$11,914	$ 0	$11,914	$11,413	$ 0	$501	$ 593
Maine**	301	2,359	8	2,662	2,648	0	19	144
Massachusetts**	297	20,403	0	20,700	20,596	0	104	1,655
New Hampshire**	4	1,134	-57	1,081	1,081	0	0	24
Rhode Island**	92	2,493	0	2,585	2,472	0	113	79
Vermont**	0	882	17	899	897	3	0	43
MID-ATLANTIC								
Delaware	243	2,326	0	2,569	2,467	0	102	120
Maryland	936	9,654	0	10,590	10,215	0	375	919
New Jersey* **	1,284	21,054	0	22,338	21,057	4	0	1,277
New York* **	917	39,883	0	40,800	39,702	0	1,098	627
Pennsylvania**	611	19,559	91	20,260	19,979	-32	313	1,221
GREAT LAKES								
Illinois	1,517	24,230	0	25,747	24,547	0	1,200	200
Indiana**	1,098	9,473	0	10,570	9,742	436	392	567
Michigan**	212	10,053	-434	9,831	9,831	0	0	1,264
Ohio**	196	20,931	0	21,128	20,739	199	190	1,077
Wisconsin* **	836	10,185	303	11,324	11,030	0	293	0
PLAINS								
Iowa**	164	4,649	64	4,877	4,869	0	8	471
Kansas**	378	4,486	0	4,864	4,434	0	430	0
Minnesota* **	2,125	12,114	0	14,239	13,131	0	1,108	1,108
Missouri	188	7,734	0	7,921	7,812	0	109	152
Nebraska**	316	2,530	-58	2,787	2,462	121	204	170
North Dakota**	60	804	0	864	826	0	38	0
South Dakota**	0	812	11	823	805	11	6	38
SOUTHEAST								
Alabama**	101	5,167	0	5,268	5,248	0	20	8
Arkansas	0	3,261	0	3,261	3,261	0	0	0
Florida	490	19,976	0	20,465	20,465	0	0	1,150
Georgia*	2,509	14,604	166	17,279	14,770	1,381	1,128	579
Kentucky**	175	6,722	227	7,124	7,124	0	0	257
Louisiana**	-81	6,275	22	6,216	6,227	-11	0	82
Mississippi	26	3,608	0	3,634	3,633	0	1	273
North Carolina**	0	13,483	237	13,720	13,720	0	0	158
South Carolina* **	574	5,221	0	5,794	5,644	0	150	148
Tennessee**	52	6,965	227	7,244	7,231	13	0	178
Virginia	653	11,999	0	12,652	12,339	0	314	678
West Virginia**	148	2,710	11	2,870	2,864	6	0	68
SOUTHWEST								
Arizona	203	6,368	0	6,572	6,467	0	104	235
New Mexico**	0	3,855	0	3,855	3,718	136	0	323
Oklahoma**	280	5,086	-288	5,077	4,819	0	259	323
Texas**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ROCKY MOUNTAIN								
Colorado*	798	6,791	-371	7,218	6,682	0	537	214
Idaho**	182	2,000	-158	2,024	1,844	0	180	53
Montana**	170	1,200	0	1,371	1,264	3	104	0
Utah**	113	3,675	4	3,792	3,792	0	0	110
Wyoming**	142	589	46	777	630	0	147	65
FAR WEST								
Alaska* **	0	2,293	-2	2,290	2,290	0	0	2,860
California*	9,367	76,899	0	86,266	79,708	0	6,557	5,849
Hawaii	272	3,444	0	3,716	3,385	0	330	21
Nevada**	168	1,750	0	1,918	1,875	-62	106	136
Oregon* **	94	5,287	0	5,381	4,920	0	461	5
Washington**	485	10,923	-135	11,273	10,788	0	486	544
Total	**$28,694**	**$469,808**	**-**	**$498,427**	**$477,462**	**-**	**$17,487**	**$26,064**

NOTES: N/A indicates data are not available. *In these states, the ending balance includes the balance in the budget stabilization fund. **See Notes to Table A-2.

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 reflect a surplus.
Alabama	Estimated education expenditures are adjusted to reflect across-the-board budget cuts of 6.2 percent announced by the governor on February 2, 2001.
Colorado	Revenue adjustments reflect $-208.2 million for state highway funding and $-163.0 million for K-12 education.
Iowa	Revenue adjustments reflect tobacco settlement proceeds.
Idaho	Revenue adjustments include transfers of $69.6 million to the Permanent Building Fund, $32.0 million to the Capitol Endowment Fund, $35.2 million to the Budget Stabilization Fund, $10.0 million to the School Safety Loan Fund, $9.5 million to the Fire Suppression Fund, $1.0 million to the Air Permitting Fee Fund, and $1.0 million to four other funds.
Indiana	Expenditure adjustments represent one-time expenditures for pension contributions, repair of local roads, and projects for state-supported universities.
Kansas	Kansas does not have a separate rainy day fund. However, state statute requires that the governor's recommended budget and the final approved budget maintain an ending balance of at least 7.5 percent of expenditures.
Kentucky	Revenue adjustments reflect $101.1 million in Phase I tobacco settlement payments and $40.4 million in fund transfers to the general fund.
Louisiana	Revenue adjustments reflect carry-forward balances. The lottery proceeds fund is included in the general fund for reporting purposes because those funds are available for general purposes.
Maine	Revenue adjustments reflect $-1.4 million in legislative and statutorily authorized transfers, and $9.5 million of proposed transfers in the proposed budget before the first regular session of the 120th Legislature.
Massachusetts	"General fund" is the aggregate of the general, highway, and local aid funds. Massachusetts uses its three major funds in the manner that most states, which typically have far fewer dedicated minor funds, use just their general fund. Undesignated (general fund) balance is statutorily defined as the carry forward of 0.5 percent of the preceding fiscal year's tax revenues to the current fiscal year. Expenditures are adjusted for lapsed and continued appropriations and for certain statutorily required year-end transfers.
Michigan	Fiscal 2001 revenue adjustments include tax law changes for fiscal 2000 and prior ($-431.2 million) and fiscal 2001 tax law changes ($-2.3 million).
Minnesota	Revenue adjustments reflect a $925.4 million sales tax rebate proposed by the governor. The ending balance includes the following: a cash flow account of $350 million, a budget reserve of $622 million, and other reserves of $136 million.
Montana	Fiscal 2001 revenues include $31.2 million in federal forest fire reimbursements. Expenditures include $57.7 million for wildfire costs and $67 million for reimbursements to local governments for property tax reductions.
Nebraska	Revenue adjustments are transfers between the general fund and other funds. Expenditure adjustments are carryovers from prior years.
Nevada	Expenditure adjustments reflect estimated reversions and estimated adjustments to fund balances.
New Hampshire	Revenue adjustments include a $4 million transfer to the rainy day fund, a $4 million transfer to health care, and $48 million to the education trust fund.
New Jersey	Expenditure adjustments reflect $3.5 million in transfers.
New Mexico	Expenditure adjustments reflect transfers to the operating reserve (rainy day fund).
New York	The ending balance includes $627 million in the tax stabilization reserve fund (rainy day fund), $150 million in reserve funds for litigation risks and $250 million in debt reduction reserve funds. In addition to general fund reserves, $1.2 billion was reserved for the governor's statewide property tax relief program.
North Carolina	Revenue adjustments include transfers to general fund availability of $237 million.
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 $74.3 million, miscellaneous transfers-out of $97.2 million, and a $27.2 million transfer to the income tax reduction fund.
Oklahoma	Revenue adjustments reflect a $253.7 million transfer to the rainy day fund and a $34.4 million transfer to the general revenue cash flow reserve fund.
Oregon	The rainy day fund is the general purpose emergency fund, which reverts to the ending balance at the close of the biennium.

NOTES TO TABLE A-2 (continued)

Pennsylvania	Revenue adjustments reflect projected lapses from prior-year appropriations. Total expenditures reflect the total amount appropriated plus recommended supplemental appropriations. Expenditure adjustments include the addition of projected current-year lapses of $87.0 million and the projected year-end transfer of $55.2 million to the budget stabilization (rainy day) fund.
Rhode Island	The general fund reflects general revenue receipts and expenditures only. Total revenues are net of transfers to budget reserve fund.
South Carolina	Figures do not include tobacco settlement funds.
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 $147.5 million reserve for fiscal 2001 appropriations, $34.3 million in other revenue and reserves, $6.0 million in new tax revenue, and a $39.2 million transfer from the debt service fund for unexpended appropriations. Expenditure adjustments reflect a $12.9 million transfer to the rainy day fund.
Texas	The state operates under a biennial budget. Revenue and spending are projected for a two-year period.
Utah	Revenue adjustments reflect a $-3.8 million net budget carry forward, $4.1 million in transfers, and $3.6 million in other transfers.
Vermont	Revenue adjustments include $5.8 million in direct applications and transfers in and $11.6 million for appropriation from prior-year surplus reserve. Expenditure adjustments include $1.0 million to the Housing and Conservation Trust Fund and $1.7 million to the budget stabilization reserve.
Washington	Revenue adjustments reflect dollars above the Initiative 601 Expenditure Limit that are transferred to the Emergency Reserve Account.
West Virginia	The beginning balance includes $110.2 million in reappropriations, $4.0 million in surplus appropriations, and $33.9 million in unappropriated surplus balance. Revenue adjustments reflect $0.2 million in prior-year redeposits and $11.1 million in special revenue transfers. Expenditures include $2. billion in regular appropriations, $110.2 million in reapproprations, $17.0 million in surplus appropriations, and $26.2 million in 31-day (prior year) expenditures. Expenditure adjustments reflect $5.9 million in transfers to rainy day fund.
Wisconsin	Revenue adjustments include $121.5 million from the tobacco settlement and $181.3 million in general program revenue earned.
Wyoming	Wyoming budgets on a biennial basis. To complete the survey using annual figures, certain assumptions and estimates were required. Caution is advised when drawing conclusions or making projections using this information.

TABLE A-3

Fiscal 2002 State General Fund, Recommended (Millions)

Region and State	*Beginning Balance*	*Revenues*	*Adjustments*	*Resources*	*Expenditures*	*Adjustments*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND								
Connecticut	$ 0	$11,858	$ 0	$11,858	$11,858	$ 0	$ 0	$ 593
Maine**	19	2,476	8	2,497	2,491	0	12	144
Massachusetts**	105	20,765	0	20,869	20,765	0	105	1,698
New Hampshire	0	1,105	0	1,105	1,094	0	11	24
Rhode Island**	113	2,501	0	2,614	2,617	-3	0	80
Vermont**	0	917	6	923	906	18	0	45
MID-ATLANTIC								
Delaware	155	2,433	0	2,587	2,491	0	96	126
Maryland**	375	9,911	557	10,843	10,818	0	25	552
New Jersey*	1,277	22,445	0	23,722	22,722	0	0	1,000
New York* **	1,098	42,703	0	43,801	41,343	0	2,458	627
Pennsylvania**	313	20,509	-45	20,777	20,772	1	4	1,294
GREAT LAKES								
Illinois	1,200	25,130	0	26,330	25,130	0	1,200	200
Indiana	392	10,251	0	10,643	10,376	0	267	595
Michigan**	0	10,591	-806	9,785	9,785	0	0	1,264
Ohio**	190	21,796	0	21,986	21,822	0	164	1,077
Wisconsin* **	293	10,789	678	11,761	11,528	0	233	0
PLAINS								
Iowa**	0	4,950	91	5,042	4,991	0	51	360
Kansas**	430	4,583	0	5,013	4,664	0	349	0
Minnesota* **	1,108	12,756	0	13,864	12,725	0	1,139	1,137
Missouri	109	8,058	0	8,167	8,027	0	140	160
Nebraska**	204	2,657	-4	2,857	2,670	5	182	164
North Dakota	38	836	0	874	858	0	16	0
South Dakota**	0	851	0	851	851	0	0	40
SOUTHEAST								
Alabama	20	5,335	0	5,355	5,342	0	14	17
Arkansas	0	3,450	0	3,450	3,450	0	0	0
Florida	0	20,161	0	20,161	20,161	0	0	1,122
Georgia*	1,128	14,607	166	15,901	14,773	104	1,024	618
Kentucky**	0	7,177	155	7,332	7,332	0	0	257
Louisiana* **	0	6,456	0	6,456	6,456	0	0	82
Mississippi	1	3,772	0	3,773	3,771	0	2	283
North Carolina	0	14,623	0	14,623	14,554	0	69	158
South Carolina* **	150	5,916	0	6,066	5,813	0	253	150
Tennessee**	0	7,221	779	8,000	7,894	106	0	284
Virginia	314	12,570	0	12,883	12,878	0	5	775
West Virginia**	0	2,774	0	2,774	2,774	0	0	68
SOUTHWEST								
Arizona	104	6,637	-15	6,726	6,594	0	132	263
New Mexico**	0	3,903	-75	3,828	3,814	14	0	337
Oklahoma**	259	5,221	-20	5,459	5,190	0	270	161
Texas**	2,332	58,438	-475	60,295	60,196	0	99	1,066
ROCKY MOUNTAIN								
Colorado* **	536	7,127	-345	7,318	7,096	0	222	222
Idaho	180	2,043	-142	2,081	2,079	0	1	62
Montana**	104	1,194	0	1,298	1,215	0	83	0
Utah**	0	3,864	62	3,926	3,926	0	0	110
Wyoming**	147	642	46	835	630	195	10	130
FAR WEST								
Alaska* **	0	1,778	631	2,409	2,409	0	0	2,624
California*	6,557	79,435	0	85,992	82,853	0	3,139	1,937
Hawaii	330	3,567	0	3,897	3,703	0	195	55
Nevada**	106	1,832	0	1,938	1,871	-39	106	136
Oregon**	461	5,196	0	5,657	5,506	0	152	30
Washington	486	11,036	0	11,522	11,150	0	371	493
Total	**$20,634**	**$546,841**	**-**	**$568,722**	**$554,732**	**-**	**$12,595**	**$22,618**

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

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-3

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

Alaska	Revenue adjustments reflect a constitutional budget reserve draw.
Arizona	Revenue adjustments reflect the executive's proposed tax reduction.
Colorado	Revenue adjustments reflect K-12 education.
Iowa	Revenue adjustments reflect various fund transfers.
Idaho	Revenue adjustments reflect $140.0 million in tax relief proposals, $40.0 million of which is ongoing. It also includes a $9.1 million transfer to the Budget Stabilization Fund and a $7.4 million transfer from the Indirect Cost Recovery Fund.
Kansas	Kansas does not have a separate rainy day fund. However, state statute requires that the governor's recommended budget and the final approved budget maintain an ending balance of at least 7.5 percent of expenditures.
Kentucky	Revenue adjustments reflect $121.6 million in Phase I tobacco settlement payments and $33.2 million in fund transfers to the general fund.
Louisiana	The lottery proceeds fund is included in the general fund for reporting purposes because those funds are available for general purposes.
Maine	Revenue adjustments consist of balance adjustments proposed in the fiscal 2002-2003 budget that is before the legislature.
Maryland	Revenue adjustments reflect transfers from the rainy day fund.
Massachusetts	"General fund" is the aggregate of the general, highway, and local aid funds. Massachusetts uses its three major funds in the manner that most states, which typically have far fewer dedicated minor funds, use just their general fund. Undesignated (general fund) balance is statutorily defined as the carry forward of 0.5 percent of the preceding fiscal year's tax revenues to the current fiscal year. Expenditures are adjusted for estimated lapsed appropriations.
Michigan	Fiscal 2002 revenue adjustments include tax law changes for fiscal 2000 and prior ($-803.0 million) and fiscal 2001 tax law and enacted changes ($-3.1 million).
Minnesota	The ending balance includes the following: a cash flow account of $350 million, a budget reserve of $659 million, and other reserves of $127.6 million.
Montana	Fiscal 2002 revenues include $10.4 million federal forest fire reimbursements. Expenditures include $64 million for reimbursements to local governments for property tax reductions.
Nebraska	Revenue adjustments are transfers between the general fund and other funds. Expenditure adjustments are carryovers from prior years and a small estimate of deficit needs totaling $5 million.
Nevada	Expenditure adjustments reflect estimated reversions.
New Mexico	Revenue adjustments reflect a recommended tax cut. Expenditure adjustments reflect transfers to the operating reserve (rainy day fund).
New York	The ending balance includes $627 million in the tax stabilization reserve fund (rainy day fund) and $150 million in reserve funds for litigation risks. In addition to these general fund reserves, the governor has recommended reserving $1.5 billion of the fiscal 2000-2001 surplus to guard against economic uncertainties and $250 million for debt reduction.
Ohio	Federal reimbursements for Medicaid and other human services programs are included in the general revenue fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balances would be higher by the amount reserved for encumbrances and designated transfers from the general revenue fund, including transfers to the budget stabilization fund.
Oklahoma	Revenue adjustments reflect $20 million to the general revenue cash flow reserve fund.
Oregon	Revenues are estimates based upon the December 2000 forecast. Expenditures are estimated at 48 percent of the governor's recommended level. The rainy day fund is the general purpose emergency fund.
Pennsylvania	Revenue adjustments reflect $44.6 million in proposed new tax reductions. Expenditure adjustments reflect the projected year-end transfer to the budget stabilization (rainy day) fund.
Rhode Island	General fund reflects general revenue receipts and expenditures only. Total revenues are net of transfers to the budget reserve fund. Recommended figures for fiscal 2000 include an adjustment that reduces proposed expenditures by $3.3 million. The adjustment is proposed because a negative audit adjustment was made to fiscal 2000 financial statements subsequent to the governor's budget submission, which results in a budget deficit when carried forward to fiscal 2002. In the event that fiscal 2002 resources are not sufficient to cover the audit adjustment, expenditures must be reduced to accommodate Rhode Island's statutory balanced budget requirement.
South Carolina	Figures do not include funds associated with the securitization of tobacco settlement funds. Revenues and expenditures include $448 million associated with the tax relief trust fund that was an off-budget revenue transfer in previous years.
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 $779 million in new tax revenue. Expenditure adjustments reflect a $105.5 million transfer to the rainy day fund.
Texas	The state operates under a biennial budget. The amounts listed are for fiscal 2002 and 2003. The beginning balance is the ending balance for 2001. Revenue equals the comptroller's revenue estimate plus $143.5 million in local tobacco settlement paybacks. Revenue adjustments reflect $475 million to rainy day fund.
Utah	Revenue adjustments reflect a $63.6 million net budget carry forward, $0.9 million in transfers, $-5.4 million proposed tax cuts, and $3.1 million in other transfers.

NOTES TO TABLE A-3 (continued)

Vermont	Revenue adjustments include $6.0 million in direct applications and transfers in. Expenditure adjustments include $15.8 million to the transportation fund and $1.8 million to the budget stabilization reserve.
West Virginia	Expenditure adjustments reflect a $0.1 million transfer to the rainy day fund.
Wisconsin	Includes $350.0 million from tobacco settlement securitization as well as $155.4 million from the tobacco settlement and $178.5 million in general program revenue earned.
Wyoming	Wyoming budgets on a biennial basis. To complete the survey using annual figures, certain assumptions and estimates were required. Caution is advised when drawing conclusions or making projections using this information.

TABLE A-4

General Fund Nominal Percentage Expenditure Change, Fiscal 2001 and Fiscal 2002*

Region and State	*Fiscal 2001*	*Fiscal 2002*
NEW ENGLAND		
Connecticut	6.0%	3.6%
Maine	14.3	-5.9
Massachusetts	-1.2	0.8
New Hampshire	5.2	1.2
Rhode Island	10.8	5.9
Vermont	4.9	1.0
MID-ATLANTIC		
Delaware	9.8	1.0
Maryland	13.2	5.9
New Jersey	8.2	7.9
New York	6.8	4.1
Pennsylvania	3.5	4.0
GREAT LAKES		
Illinois	6.3	2.4
Indiana	8.6	6.5
Michigan	0.3	-0.5
Ohio	7.8	5.2
Wisconsin	-2.3	4.5
PLAINS		
Iowa	2.2	2.5
Kansas	1.5	5.2
Minnesota	14.4	-3.1
Missouri	6.3	2.8
Nebraska	5.0	8.4
North Dakota	6.9	3.9
South Dakota	4.5	5.7
SOUTHEAST		
Alabama	0.6	1.8
Arkansas	2.7	5.8
Florida	10.3	-1.5
Georgia	7.2	0.0
Kentucky	8.8	2.9
Louisiana	5.4	3.7
Mississippi	5.8	3.8
North Carolina	-1.0	6.1
South Carolina	9.5	3.0
Tennessee	9.7	9.2
Virginia	9.4	4.4
West Virginia	8.5	-3.1
SOUTHWEST		
Arizona	7.6	2.0
New Mexico	9.7	2.6
Oklahoma	6.0	7.7
Texas**	N/A	N/A
ROCKY MOUNTAIN		
Colorado	11.5	6.2
Idaho	9.7	12.7
Montana	14.4	-3.9
Utah	12.7	3.5
Wyoming	21.6	0.0
FAR WEST		
Alaska	1.3	5.2
California	19.9	3.9
Hawaii	5.8	9.4
Nevada	16.6	-0.2
Oregon	-5.1	11.9
Washington	5.6	3.4
Average	**8.2%**	**3.6%**

NOTES: *Fiscal 2001 reflects changes from fiscal 2000 expenditures (actual) to fiscal 2001 expenditures (estimated). Fiscal 2002 reflects changes from fiscal 2001 expenditures (estimated) to fiscal 2002 expenditures (recommended). **See Notes to Table A-4.

NOTES TO TABLE A-4

Texas	The state operates on a biennial budget and could not disaggregate single-year amounts.

TABLE A-5

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2001

Region and State	*Fees*	*Layoffs*	*Furloughs*	*Early Retirement*	*Across-the-Board Percentage Cuts*	*Reduce Local Aid*	*Programs Reorganized*	*Privatization*	*Other*
NEW ENGLAND									
Connecticut									
Maine									
Massachusetts									
New Hampshire*					x				x
Rhode Island									
Vermont									
MID-ATLANTIC									
Delaware									
Maryland									
New Jersey									
New York									
Pennsylvania									
GREAT LAKES									
Illinois									
Indiana									
Michigan*									x
Ohio*					x				x
Wisconsin									
PLAINS									
Iowa									
Kansas									
Minnesota									
Missouri					x				
Nebraska									
North Dakota									
South Dakota									
SOUTHEAST									
Alabama*					x				
Arkansas									
Florida									
Georgia									
Kentucky*									x
Louisiana*									x
Mississippi*									x
North Carolina*					x				x
South Carolina*									x
Tennessee*									x
Virginia*					x				x
West Virginia*					x				
SOUTHWEST									
Arizona*									x
New Mexico									
Oklahoma									
Texas							x		
ROCKY MOUNTAIN									
Colorado									
Idaho									
Montana									
Utah									
Wyoming									
FAR WEST									
Alaska									
California									
Hawaii									
Nevada									
Oregon									
Washington									
Total	**0**	**0**	**0**	**0**	**7**	**0**	**1**	**0**	**11**

NOTES: *See Notes to Table A-5.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-5

Alabama	This item reflects a 6.2 percent across-the-board cut in the Education Trust Fund.
Arizona	The budget gap, the result of the state's alternative fuel program, was addressed through a loan from the budget stabilization fund. The fund will be reimbursed $16 million per year until the loan is paid off.
Louisiana	Specific cuts were implemented by executive order, dated February 21, 2001.
Kentucky	Managed budget reductions in the amount of $47.6 million ($24 million in unexpended debt service), use of Budget Reserve Trust Fund (rainy day fund) of $21.5 million, additional fund transfers of $16.6 million, and a technical adjustment of $5.5 million.
Michigan	January 2001 consensus revenue estimates are $121 million below the enacted budget. This revenue gap is covered by utilizing the fiscal 2000 general fund surplus and reducing fiscal 2001 spending through negative supplemental appropriations.
Mississippi	"Other" reflects reservations of expenditure authority and cuts, and transfers of special funds to general fund.
New Hampshire	"Other" reflects a hiring freeze used to cover the budget gap.
North Carolina	Governor Michael F. Easley invoked constitutional authority by declaring a state of spending emergency. Controls were initiated, employer contributions to the employee retirement system were suspended for the five months remaining in the fiscal year, local government reimbursements on a one-time basis were suspended, and cash balances available in all other governmental fund types will be transferred to general fund availability.
Ohio	Other actions include the cancellation of prior-year encumbrances and the use of previously appropriated funds to be used for pay raises that were not distributed as a result of the reduction of agencies' contributions to the Public Employees Retirement System in fiscal 2000.
South Carolina	The Capital Reserve Fund (CRF) was reduced to cover the budget gap. (The CRF is a recurring appropriation that must equal 2 percent of the general fund revenue of the latest completed fiscal year. If the current year's revenue forecast projects a year-end deficit, the CRF appropriation must be reduced to the extent necessary before mandating any operating appropriation reductions.)
Tennessee	"Other" reflects an increase under expenditure estimates and the use of available reserves.
Virginia	"Other" reflects targeted reductions to lower priority programs and the use of debt to supplant general fund in selected capital projects.
West Virginia	Across-the-board cuts reflect a 3 percent spending reduction.

TABLE A-6

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

	Sales Tax		*Personal Income Tax*		*Corporate Income Tax*		*Total*
Region and State	*Original Estimate*	*Current Estimate*	*Original Estimate*	*Current Estimate*	*Original Estimate*	*Current Estimate*	*Revenue Collection****
NEW ENGLAND							
Connecticut	$3,117	$3,191	$4,218	$4,681	$ 513	$ 580	H
Maine	815	823	1,134	1,121	113	114	T
Massachusetts	3,027	3,743	8,916	9,364	1,194	1,089	T
New Hampshire	N/A	N/A	N/A	N/A	175	175	H
Rhode Island	658	741	825	864	63	74	H
Vermont	221	221	437	434	41	41	T
MID-ATLANTIC							
Delaware	N/A	N/A	736	732	104	106	L
Maryland*	2,592	2,648	4,885	5,066	336	349	T
New Jersey	6,023	5,839	7,738	8,310	1,622	1,463	H
New York	7,913	8,368	24,334	24,782	2,150	2,382	H
Pennsylvania	7,291	7,256	7,358	7,560	1,947	1,867	T
GREAT LAKES							
Illinois	6,180	6,150	8,000	8,000	1,120	1,120	T
Indiana	3,770	3,701	4,203	4,016	1,153	950	L
Michigan*	126	113	5,350	5,123	2,158	2,247	L
Ohio	5,915	6,075	7,576	7,450	1,050	950	L
Wisconsin	3,710	3,640	5,161	5,160	655	614	L
PLAINS							
Iowa	1,497	1,448	2,490	2,422	318	309	L
Kansas	1,716	1,705	1,920	1,990	225	232	T
Minnesota*	3,850	3,014	5,583	5,898	740	858	H
Missouri	1,774	1,797	3,983	3,964	278	260	L
Nebraska	941	936	1,230	1,264	141	150	T
North Dakota	388	367	194	202	54	47	H
South Dakota	451	454	N/A	N/A	N/A	N/A	H
SOUTHEAST							
Alabama	1,412	1,297	2,116	2,069	243	95	L
Arkansas	1,695	1,695	1,801	1,801	252	252	L
Florida	13,945	14,014	N/A	N/A	1,609	1,506	T
Georgia	4,541	4,795	7,023	7,415	N/A	N/A	T
Kentucky	2,375	2,286	2,833	2,795	324	311	L
Louisiana	2,203	2,256	1,800	1,696	190	264	H
Mississippi	1,450	1,389	1,120	1,025	330	253	L
North Carolina	3,613	3,501	7,651	7,477	782	558	L
South Carolina	2,118	2,056	2,284	2,240	199	179	L
Tennessee	4,885	4,756	186	188	1,050	1,020	L
Virginia	2,313	2,298	7,416	7,258	462	477	T
West Virginia	873	862	996	1,011	153	115	L
SOUTHWEST							
Arizona	2,876	3,013	2,416	2,453	480	550	L
New Mexico	1,240	1,252	930	930	170	165	T
Oklahoma	1,436	1,430	2,231	2,216	206	186	H
Texas*	13,840	14,590	N/A	N/A	1,965	1,914	T
ROCKY MOUNTAIN							
Colorado	1,787	1,862	3,953	4,084	312	307	L
Idaho	639	658	916	1,024	99	170	H
Montana	NA	NA	497	541	66	77	H
Utah	1,400	1,435	1,692	1,772	172	197	H
Wyoming	N/A	N/A	N/A	N/A	N/A	N/A	
FAR WEST							
Alaska	N/A	N/A	N/A	N/A	235	275	H
California	21,318	21,980	41,339	43,305	6,800	6,865	H
Hawaii	1,539	1,600	1,138	1,134	53	73	H
Nevada	630	646	N/A	N/A	N/A	N/A	H
Oregon	N/A	N/A	4,422	4,505	405	424	H
Washington	5,333	5,572	N/A	N/A	N/A	N/A	H
Total	**$141,596**	**$142,880**	**$201,028**	**$205,344**	**$30,742**	**$30,297**	-

NOTES: N/A indicates data are not available because, in most cases, these states do not have this type of tax. Corporate income and sales tax totals have been adjusted to exclude Texas. Texas operates on a biennial budget and was unable to separate amounts by specific years.

*See Notes to Table A-6.

**Unless otherwise noted, original estimates reflect the figures used when the fiscal 2001 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-6

Maryland	Revenues are coming in even with the fiscal 2001 revised forecast, but higher than the original estimate.
Michigan	Fiscal 2001 estimates when the budget was adopted are the May 2000 consensus estimates and are net of all enacted tax law changes. Fiscal 2001 current estimates are based on the January 2001 consensus estimates and are net of all enacted tax law changes. Tax estimates are for the general fund general purpose portions of the taxes only. Sales tax collections are for the Michigan sales tax only and do not include collections from Michigan use tax. Michigan does not have a corporate income tax. Estimates are for Michigan's Single Business Tax.
Minnesota	Current estimates of fiscal 2001 sales tax collections include a recommended rebate of $925.4 million.
Texas	Texas operates under a biennial budget. Revenue and spending are projected for a two-year period. Figures reflect the two-year estimate of tax revenue at the time the General Appropriations Act was certified. Sales tax collections include general and limited sales and use taxes as well as motor vehicle sales and rental taxes. Texas does not have a personal income tax. Franchise taxes comprise tax collections shown under corporate income taxes.

TABLE A-7

Fiscal 2001 Tax Collections Compared with Projections Used in Recommended Fiscal 2002 Budgets (Millions)**

	Sales Tax		*Personal Income Tax*		*Corporate Income Tax*	
Region and State	*Fiscal 2001*	*Fiscal 2002*	*Fiscal 2001*	*Fiscal 2002*	*Fiscal 2001*	*Fiscal 2002*
NEW ENGLAND						
Connecticut	$3,191	$3,178	$4,681	$4,877	$ 580	$ 531
Maine	823	845	1,121	1,208	114	116
Massachusetts	3,743	3,902	9,364	9,209	1,089	1,141
New Hampshire	N/A	N/A	N/A	N/A	175	180
Rhode Island	741	776	864	907	74	68
Vermont	221	230	434	456	41	40
MID-ATLANTIC						
Delaware	N/A	N/A	732	776	106	106
Maryland	2,648	2,776	5,066	5,283	349	341
New Jersey	5,839	6,247	8,310	8,916	1,463	1,597
New York	8,368	8,690	24,782	26,736	2,382	2,222
Pennsylvania	7,256	7,525	7,560	7,920	1,867	1,878
GREAT LAKES						
Illinois	6,150	6,575	8,000	8,350	1,120	1,200
Indiana	3,701	3,904	4,016	4,261	950	964
Michigan*	113	129	5,123	5,249	2,247	2,204
Ohio	6,075	6,304	7,450	8,346	950	1,050
Wisconsin	3,640	3,830	5,160	5,506	614	644
PLAINS						
Iowa	1,448	1,500	2,422	2,565	309	323
Kansas	1,705	1,771	1,990	2,110	232	232
Minnesota*	3,014	4,199	5,898	5,764	858	800
Missouri	1,797	1,878	3,964	4,218	260	270
Nebraska	936	984	1,264	1,346	150	154
North Dakota	367	372	202	218	47	50
South Dakota	454	477	N/A	N/A	N/A	N/A
SOUTHEAST						
Alabama	1,297	1,316	2,069	2,118	95	152
Arkansas	1,695	1,782	1,801	1,904	252	257
Florida	14,014	14,824	N/A	N/A	1,506	1,583
Georgia	4,795	4,920	7,415	7,625	N/A	N/A
Kentucky	2,286	2,441	2,795	2,996	311	330
Louisiana	2,256	2,321	1,696	1,763	264	265
Mississippi	1,389	1,473	1,025	1,131	253	293
North Carolina	3,501	3,701	7,477	8,111	558	628
South Carolina	2,056	2,101	2,240	2,354	179	177
Tennessee	4,756	4,981	188	196	1,020	1,051
Virginia	2,298	2,448	7,258	7,793	477	515
West Virginia	862	880	1,011	1,049	115	115
SOUTHWEST						
Arizona	3,013	3,233	2,453	2,628	550	500
New Mexico	1,252	1,324	930	990	165	200
Oklahoma	1,430	1,472	2,216	2,349	186	194
Texas*	14,590	15,039	N/A	N/A	1,914	1,911
ROCKY MOUNTAIN						
Colorado	1,862	1,943	4,084	4,345	307	306
Idaho	658	696	1,024	1,077	170	116
Montana	NA	NA	541	570	77	74
Utah	1,435	1,507	1,772	1,888	197	207
Wyoming	N/A	N/A	N/A	N/A	N/A	N/A
FAR WEST						
Alaska	N/A	N/A	N/A	N/A	275	200
California	21,980	23,441	43,305	44,810	6,865	6,931
Hawaii	1,600	1,724	1,134	1,168	73	81
Nevada	646	685	N/A	N/A	N/A	N/A
Oregon	N/A	N/A	4,505	4,398	424	437
Washington	5,572	5,759	N/A	N/A	N/A	N/A
Total	**$142,880**	**$151,067**	**$205,344**	**$215,481**	**$30,297**	**$30,720**

NOTES: N/A indicates data are not available since, in most cases, these states do not have this type of tax. Corporate income and sales tax totals have been adjusted to exclude Texas. Texas operates on a biennial budget and was unable to separate amounts by specific years.
*See Notes to Table A-7.
**Unless otherwise noted, fiscal 2001 figures reflect preliminary actual tax collection estimates as shown in Table A-6, and fiscal 2002 figures reflect the estimates used in recommended budgets.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-7

Michigan	Fiscal 2001 current estimates are based on the January 2001 consensus estimates and are net of all enacted tax law changes. Tax estimates are for the general fund general purpose portions of the taxes only. Sales tax collections are for the Michigan sales tax only and do not include collections from Michigan use tax. Michigan does not have a corporate income tax. Estimates are for Michigan's Single Business Tax.
Minnesota	Current estimates of fiscal 2001 sales tax collections include a recommended rebate of $925.4 million. Projections of fiscal 2002 sales tax collections reflect recommended changes of $52.8 million. Fiscal 2002 projections of personal income tax collections include recommended reductions of $628.2 million. Projections of fiscal 2002 corporate income tax collections reflect recommended reductions of $27.7 million.
Texas	Texas operates under a biennial budget. Revenue and spending are projected for a two-year period. Figures reflect the two-year estimate of tax revenue at the time the General Appropriations Act was certified. Sales tax collections include general and limited sales and use taxes as well as motor vehicle sales and rental taxes. Texas does not have a personal income tax. Franchise taxes comprise tax collections shown under corporate income taxes.

TABLE A-8

Recommended Revenue Changes by Type of Revenue, Fiscal 2002

State	*Tax Change Description*	*Effective Date*	*Fiscal 2002 Revenue Changes ($ in Millions)*
	SALES TAXES		
California	Creates a three-day sales tax holiday; creates an exemption for land used in space launches; and extends the manufacturing exemption to software developers.	9/01	$-34.0
Connecticut	Eliminates the sales tax on hospital-related services.	7/01	-111.4
	Raises the clothing exemption from $75 to $125.	7/01	-32.9
	Adds an additional sales tax-free week.	7/01	-2.7
	Exempts parking at Bradley Air Field.	7/01	-1.0
	Intercepts $1 million for tourism activities.	7/01	-1.0
Florida	Creates a one-time sales tax holiday on clothing items less than $100.	7/01	-43.3
Maine	Increases the tax on prepared foods from 5 percent to 7 percent.	7/01	13.7
Michigan	Exempts vended beverages.	1/01	-3.0
	Exempts employee meals.	10/01	-7.0
Minnesota	Broadens the base by extending sales taxes to some services.	1/02	363.1
	Reduces the rate from 6.5 percent to 6.0 percent.	1/02	-159.5
	Extends the sales tax to telecommunications	1/02	22.1
	Creates an up-front exemption for capital equipment.	1/02	-39.0
New York	Reflects the current year phase-in of prior-year cuts in the sales tax on alcoholic beverages.		-3.9
	Reflects the current year phase-in of prior year cuts to the highway use tax.		-8.5
Oklahoma	Establishes a sales tax holiday.	1/02	-3.0
Pennsylvania	Creates a computer sales tax holiday.	7/01	-10.7
South Carolina	Creates a second sales tax holiday.	2/01	-2.0
	Discontinues the phase-in of elimination of the sales tax on food.	7/01	77.1
Tennessee	Reduces rates from 6 percent to 4 percent, expands the sales tax to include services, and eliminates exemptions. Also reduces the satellite television rate.	10/01	707.0
Wisconsin	Extends the sales tax to cutomized software.		16.0
Total Revenue Changes—Sales Taxes			**$736.1**

TABLE A-8 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 2002

State	*Tax Change Description*	*Effective Date*	*Fiscal 2002 Revenue Changes ($ in Millions)*
	PERSONAL INCOME TAXES		
Hawaii	Raises the standard deduction.	1/01	$-6.6
Idaho	Reduces the tax rate by 0.1 percent.	1/01	-14.6
	Creates a one-time 10.6 percent rebate on 1999 taxes capped at $2,500.	1/01	-91.0
	Changes the child care deduction to a credit.	1/01	-1.5
	Doubles the grocery tax credit for seniors.	1/01	-3.6
	Increases the elderly dependent care credit.	1/01	-1.2
Illinois	Reflects the second year of a three-year earned income tax credit program.	1/01	-35.0
Michigan	Cuts the rate from 4.2 percent to 4.1 percent.	1/02	-161.8
	Indexes personal income to inflation.	1/02	-24.9
	Expands the farmland credit.	3/01	-7.3
	Increases the adoption credit.	1/01	-1.1
Minnesota	Reduces rates by 0.4 percent in 2001 and 2002, 0.5 percent in 2003 and 0.6 percent in 2004.	1/01	-601.0
	Enhances the working family credit.	1/01	-28.5
New Jersey	Creates smart growth infrastructure tax credits.	---	-10.0
New Mexico	Cuts personal income taxes across the board.	7/02	-75.0
Oklahoma	Decreases top marginal rate from 6.75 percent to 6.25 percent. Proposal total is a yearly decrease of 0.5 percentage points for 6 years until top rate is 3.75 percent.	1/02	-50.2
Oregon	Extends the alternative energy devices tax credit.	1/01	-1.8
Pennsylvania	Expands tax forgiveness by increasing the income limit.	1/01	-17.8
South Carolina	Creates a food tax credit.	1/01	-24.6
Tennessee	Reduces the rate from 6 percent to 4 percent.	1/01	-65.0
Utah	Adjusts brackets for inflation. Increases the minimum income for poverty level before required to file.	1/02	-5.4
Total Revenue Changes—Personal Income Taxes			**-$1,227.9**

TABLE A-8 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 2002

State	*Tax Change Description*	*Effective Date*	*Fiscal 2002 Revenue Changes ($ in Millions)*
	CORPORATE INCOME TAXES		
Arizona	Reduces the corporate income tax.	1/02	$-15.0
California	Increases the manufacturers' investment credit. Creates an employer credit for providing transit passes to employees. Creates an employer credit for loaning employees to public schools to teach math or science.	1/01	-74.0
Connecticut	Increases the tax credit for opportunity certificates.	7/01	-1.0
	Makes increases in the Housing Tax Credit Contribution Program.	7/01	-1.0
Idaho	Reduces the tax rate by 0.2 percent.	1/01	-3.4
	Enhances the investment tax credit for counties with high unemployment.	1/01	-7.3
	Provides a new investment tax credit for broadband investment in rural areas.	1/01	-3.5
	Creates a research and development credit.	1/01	-7.0
	Creates a venture capital credit.	1/01	-2.0
	Expands the new jobs credit to all businesses.	1/01	-1.5
Maine	Creates limitations on the high-technology tax credit.	1/01	1.1
Michigan	Cuts the Single Business Tax (SBT) rate to 1.9 percent.	1/02	-132.4
	Combines the Michigan Economic Growth Authority (MEGA) and brownfields credits.	6/00	-21.7
Minnesota	Changes the sales apportionment to 90 percent.	1/01	-54.9
	Reflects federal conformity.	1/01	-18.8
	Exempts insurance companies that pay the gross premiums tax.	1/01	-10.1
	Amends the credit for increasing research activities.	1/01	18.1
	Repeals the alternative minimum tax.	1/01	-14.4
	Repeals the foreign operating corporation statute.	1/01	34.6
	Repeals the foreign royalty subtraction.	1/01	56.3
	Replaces the contributions deduction with the federal provision.	1/01	6.1
	Amends the net income definition.	1/01	-5.3
	Reduces the rate to 9.4 percent.	1/01	-39.5
New Jersey	Minimizes the use of tax loopholes by limited liability corporations.	---	100.0
	Eliminates the taxation of certain S corporations under the corporate business tax.	2/01	-36.0
New York	Creates various cuts. The general fund decrease totals $-25.9 million, the special revenues decrease totals $-2.9 million.	1/01	-28.8
Oregon	Extends the research credit, the dependent care credit, and the farm worker housing credit.	1/01	-4.2
Tennessee	Expands the corporate income tax to sole proprietorships and general partnerships, and includes compensation in excess of $72,000 for 1 percent owners and professionals.	7/01	290.0
Wisconsin	Revises the treatment for members of limited liability corporations.		7.5
Total Revenue Changes—Corporate Income Taxes			**$31.9**

TABLE A-8 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 2002

State	*Tax Change Description*	*Effective Date*	*Fiscal 2002 Revenue Changes ($ in Millions)*
	CIGARETTE AND TOBACCO TAXES		
Maine	Increases the cigarette tax from $.74 to $1.00 per pack.	11/01	$13.1
Oregon	Extends the cigarette tax surcharge.	1/02	-0.9
Vermont	Increases the per-pack tax by $.67 for health care.	7/01	28.2
Total Revenue Changes—Cigarette and Tobacco Taxes			**$40.4**
	ALCOHOLIC BEVERAGES		
Vermont	Increases the beer tax by $.02 per bottle for juvenile and addiction issues.	7/01	$3.8
Total Revenue Changes—Alcoholic Beverages			**$3.8**
	OTHER TAXES		
Florida	Reduces the intangibles tax by .25 mills and increases exemptions.	1/02	$-241.0
	Reduces assessments for outpatient services.	7/01	-28.3
	Reinstates refunds of Value Adjustment Board fees when valuations are successfully challenged.	7/01	-0.2
Idaho	Assists farmers and ranchers by offsetting some of their operating costs on a one-time basis.	1/01	-5.7
	Partially replaces community college property taxes on an ongoing basis with state general funds.	1/01	-3.2
Louisiana	Reduces the land-based casino annual tax payment from $100 million to $52.5 million.	4/01	-47.5
	Increases the river boat casino tax from 18.5 percent to 21.5 percent.	7/01	29.2
Maine	Revises the real estate transfer tax.	3/01	1.2
Michigan	Brownfield and high tech.	6/00	-5.8
	Exempts agricultural transfers from pop-up tax.	3/01	-1.2
	Revises the personal property tax table.	7/00	-4.2
Minnesota	Reduces the motor vehicles sales tax rate from 6.5 percent to 6.0 percent.	1/02	-16.9
	Reduces lawful gambling rates.	1/02	-5.5
	Reduces the MnCare tax rate.	1/01	-28.0
	Repeals the wholesale drug distributor tax.	1/02	-12.0
	Reduces the petroleum tax shrinking allowance from 3.0 percent to 2.5 percent.	7/01	2.5
Montana	Repeals the state inheritance tax by initiative.	1/01	-3.6
New Hampshire	Eliminates the legacy tax. Lowers interest and dividends tax rate.	7/01	-40.0
New York	Creates a partial exemption on the tax on aviation fuels.		-1.5
	Reflects current phase of prior-year cuts in the petroleum business tax. Total general fund decrease is $-0.6 million, total special revenues decrease is $-5.2 million.	7/01	-5.8
	Reflects current phase of prior-year cuts in pari-mutuel taxes.		-0.3
North Carolina	Closes tax loopholes.	7/01	150.0
Oklahoma	Makes the estate tax a pickup tax. Institutes various entrepreneurial development initiatives.	1/02	-2.3
Pennsylvania	Continues the enacted phase-out of the capital stock tax.	1/01	-172.8
	Increases job creation and neighborhood assistance tax credits.	7/01	-14.5
	Repeals minor (nuisance) taxes.	7/01	-1.6
Rhode Island	Decreases the hotel tax from 6 percent to 5 percent.	7/01	-2.4
Tennessee	Eliminates the gift tax and modifies the death tax.	1/02	-22.5
Vermont	Increases hospital, nursing home, and home health agency assessments.	7/01	11.2
Washington	Increases the business and occupations tax for sports teams.	7/01	1.7
	Creates business and occupations tax credits for energy-related efforts.	7/01	-2.0
West Virginia	Creates a 25 percent tax on the wholesale price of smokeless tobacco.		6.0
Total Revenue Changes—Other Taxes			**-$467.0**

TABLE A-8 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 2001

State	*Tax Change Description*	*Effective Date*	*Fiscal 2001 Revenue Changes ($ in Millions)*
	FEES		
Connecticut	Eliminates the pre-trial alcohol and drug programs totaling $2.5 million and establishes an emission sticker fee of $50 on the purchase of new cars for four-year exemption.	7/01	$1.4
Florida	Eliminates the Condominium Arbitration Program and reduces the associated fee by $.40 per condo unit.	7/01	-0.4
Iowa	Increases various scheduled fines and miscellaneous fees.		6.4
Michigan	Increases fees for those removing sewage from septic tank systems.	10/01	1.6
	Increases fees for daily state park camping.	10/01	4.0
	Increases annual snowmobile trail permit fee.	10/01	2.0
Minnesota	Institutes telecommunications reform.	7/01	164.3
	Reduces certain corrections department fees.	7/01	-3.7
	Increases certain health care facility fees.	7/01	3.3
	Health plan regulatory reform.	7/01	-1.5
	Reduces the lottery-in-lieu-of-sales tax distribution rate.	7/01	-2.0
	Suspends the dislocated worker tax.	1/02	-6.5
	Eliminates auto theft prevention surcharge.	7/01	-2.3
	Creates a permanent utility trailer registration fee.	7/01	4.9
	Initiates environmental tax reform.	7/01	-5.0
New York	Rebates part of the fee for professional licenses.	4/01	-5.0
	Increases fees for hunting and fishing licenses.	4/01	5.3
	Increases boat and dock fees on Lake George.	4/01	0.3
	Increases pesticide fees.	4/01	2.4
	Increases fees on bulk petroleum storage.	4/01	1.3
	Imposes a surcharge on generators of 15 or more tons of hazardous waste.	4/01	18.1
	Doubles boat registration fees.	8/01	0.7
	Increases snowmobile registration fees.	8/01	1.0
	Makes changes to the Uniform Commercial Code and its fees.	7/01	3.1
	Increases license fees for various occupations.	4/01	2.6
North Dakota	Increases motor vehicle registration fee by $15 per vehicle.	8/01	6.3
Rhode Island	Increases health department fees.	7/01	1.5
Vermont	Increases environmental permit fees.	7/01	1.8
Total Revenue Changes—Fees			**$205.9**

NOTE: N/A indicates data are not available.

SOURCE: National Association of State Budget Officers.

TABLE A-9

Recommended Revenue Measures, Fiscal 2002

State	*Description*	*Effective Date*	*Recommended Changes (Millions)*
Alaska*	---	---	---
Connecticut	Intercepts oil company taxes for transfer to Emergency Spill Response Fund.	7/01	-8.0
	Institutes a 100 percent credit for cable industry costs related to operating the Connecticut Network (CTN).	7/01	-1.5
	Institutes 6-year drivers' license fee replacing the 4-year fee.	7/01	3.3
	Raises Clean Air Fee from $4 to $10.	7/01	8.0
Florida	Bills county governments for a portion of the cost of pre-trial juvenile detention.	7/01	62.9
Hawaii	Creates a public service company tax offset of real property tax.	7/01	-32.0
Maine	Initiates assorted sales and personal income tax compliance efforts.	7/01	9.2
	Converts the business equipment tax reimbursement program from a general fund appropriation to another special revenue allocation (applied in the form of a revenue offset).	4/01	-32.7
Minnesota	Dedicates motor vehicle sales tax revenue to the highway user fund to offset lower motor vehicle registration taxes.	7/01	202.7
	Accelerates the June sales tax payment.	1/02	-134.0
	Sets aside unemployment insurance tax for unemployment insurance technology enhancement.	7/01	5.0
Montana	Places 40 percent of tobacco settlement proceeds in a trust fund.	1/01	-12.6
North Carolina	Enhances collections by the revenue department.	7/01	18.0
Ohio	The fiscal 2002-2003 executive budget proposes to freeze the amount of tax revenue deposited into and distributed from three local government funds. The proposed freeze, which will provide additional revenue for the general revenue fund, will extend from the July 2001 fund deposits/July 2001 distributions through the June 2003 fund deposits/July 2003 distributions. This statutory change will affect the allocation of revenue from four major sources: the sales tax ($14.3 million), the personal income tax ($40.9 million), the corporate franchise tax ($7.5 million), and the public utility excise tax/kilowatt-hour tax ($-3.3 million).	7/01	59.4
Pennsylvania	Increases transfer of surplus from State (Liquor) Stores Fund.	7/01	70.0
Rhode Island	Transfers portion of retained earnings of Rhode Island Resource Recovery Corporation to general fund ($3 million).	7/00	3.0
	Creates a Hospital Licensing Fee ($53.8 million). Outsources Corrections Commissary ($-2.6 million). Transfers bond earnings from restricted receipts to general revenue ($7.0 million). Transfers Depositors Economic Protection Corporation (DEPCO) proceeds to general fund ($15.0 million).	7/00	73.2
West Virginia	Licensing, regulation, and taxing of video gaming machines.		22.0
Wisconsin	Creates sales, personal income, and corporate income tax gains from the expansion of the integrated tax system.		11.0
Total			**$326.9**

NOTE: *For several years, the governor has urged adoption of a long-range fiscal plan to use a combination of fiscal tools so that Alaska does not need to use Constitutional Budget Reserve.

SOURCE: National Association of State Budget Officers.

TABLE A-10

Total Balances and Balances as a Percentage of Expenditures, Fiscal 2000 to Fiscal 2002*

	*Total Balances (Millions)***			*Balances as a Percentage of Expenditures*		
Region and State	*Fiscal 2000*	*Fiscal 2001*	*Fiscal 2002*	*Fiscal 2000*	*Fiscal 2001*	*Fiscal 2002*
NEW ENGLAND						
Connecticut	$ 564	$ 593	$ 593	5.0%	5.0%	5.0%
Maine	445	163	155	19.2	6.1	6.2
Massachusetts	1,905	1,760	1,803	9.1	8.5	8.7
New Hampshire	24	24	35	2.3	2.2	3.2
Rhode Island	163	192	80	7.3	7.8	3.1
Vermont	41	43	45	4.8	4.8	5.0
MID-ATLANTIC						
Delaware	338	102	96	15.1	4.1	3.8
Maryland	1,518	1,294	577	16.8	12.7	5.3
New Jersey	1,284	1,277	1,000	6.6	6.1	4.4
New York	1,167	1,098	2,458	3.1	2.8	5.9
Pennsylvania	1,708	1,533	1,298	8.9	7.7	6.2
GREAT LAKES						
Illinois	1,517	1,400	1,400	6.6	5.7	5.6
Indiana	1,638	960	862	18.3	9.9	8.3
Michigan	1,476	1,264	1,264	15.1	12.9	12.9
Ohio	1,199	1,267	1,241	6.2	6.1	5.7
Wisconsin	836	293	233	7.4	2.7	2.0
PLAINS						
Iowa	635	479	410	13.3	9.8	8.2
Kansas	378	430	349	8.7	9.7	7.5
Minnesota	2,125	1,108	1,139	18.5	8.4	8.9
Missouri	330	261	300	4.5	3.3	3.7
Nebraska	458	374	346	19.5	15.2	13.0
North Dakota	60	38	16	7.8	4.6	1.9
South Dakota	37	45	40	4.8	5.5	4.7
SOUTHEAST						
Alabama	104	28	31	2.0	0.5	0.6
Arkansas	0	0	0	0.0	0.0	0.0
Florida	2,156	1,150	1,122	11.6	5.6	5.6
Georgia	2,509	1,128	1,024	18.2	7.6	6.9
Kentucky	415	257	257	6.3	3.6	3.5
Louisiana	-22	82	82	-0.4	1.3	1.3
Mississippi	287	274	285	8.3	7.5	7.5
North Carolina	38	158	226	0.3	1.1	1.6
South Carolina	574	150	253	11.1	2.7	4.3
Tennessee	217	178	284	3.3	2.5	3.6
Virginia	1,228	992	780	10.9	8.0	6.1
West Virginia	221	68	68	8.4	2.4	2.5
SOUTHWEST						
Arizona	611	339	394	10.2	5.2	6.0
New Mexico	192	323	337	5.7	8.7	8.8
Oklahoma	438	581	431	9.6	12.1	8.3
Texas***	2,857	NA	1,165	5.1	N/A	1.9
ROCKY MOUNTAIN						
Colorado	798	537	222	13.3	8.0	3.1
Idaho	218	233	64	13.0	12.6	3.1
Montana	170	104	83	15.4	8.2	6.8
Utah	223	110	110	6.6	2.9	2.8
Wyoming	142	147	10	27.3	23.3	1.6
FAR WEST						
Alaska	2,734	2,860	2,624	120.9	124.9	108.9
California	9,367	6,557	3,139	14.1	8.2	3.8
Hawaii	278	352	250	8.7	10.4	6.7
Nevada	305	242	242	18.9	12.9	13.0
Oregon	115	466	182	2.2	9.5	3.3
Washington	1,239	1,030	865	12.1	9.5	7.8
Total	**$44,399**	**$34,341**	**$29,101**	**10.1%**	**7.2%**	**5.9%**

NOTES: N/A indicates data are not available.
*Fiscal 2000 are actual figures, fiscal 2001 are estimated figures, and fiscal 2002 are recommended figures.
**Total balances include both the ending balance and balances in budget stabilization funds.
***Total balances and total balances as a percent of expenditure have been adjusted to exclude Texas. Texas operates on a biennial budget and was unable to separate amounts by specific years.

SOURCE: National Association of State Budget Officers.