



**The**



**Fiscal**



**Survey**



**of**



**States**

**June 2006**

**National Governors Association**

**National Association of State Budget Officers**

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## Preface

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*The Fiscal Survey of States* is published twice annually by the National Association of State Budget Officers (NASBO) and the National Governors Association (NGA). The series was started in 1979. The survey presents aggregate and individual data on the states' general fund receipts, expenditures and balances. Although not the totality of state spending, these general 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 from January through June 2006. The surveys were completed by Governors' state budget officers in the 50 states.

Fiscal 2005 data represent actual figures, fiscal 2006 figures are estimated, and fiscal 2007 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 associate, Greg Von Behren, led this project and compiled the data and prepared the text for the report with assistance from NASBO senior staff associate Stacey Mazer. Nelle Sandridge of State Services Organization provided typesetting services.



## Executive Summary

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Fiscal 2006—much like fiscal 2005—has been a year of stable financial conditions for the states. For now, revenue growth remains strong enough to support spending demands while reserve balances are being restored to levels adequate to begin addressing another fiscal downturn. However, states are still wary of the future, due to continued expenditure pressures in areas such as healthcare (i.e. Medicaid), education, corrections, employee pension systems, and infrastructure coupled with the expectation of more moderate revenue growth.

This edition of *The Fiscal Survey of States* reflects actual fiscal 2005, estimated fiscal 2006, and recommended fiscal 2007 figures. Data were collected during spring 2006 from all 50 states and show stable fiscal conditions in many states. While some governors made modifications later, for consistency, the data in this report represent the original budget recommendations they submitted to state legislatures.

### State Spending

In fiscal 2006, state general fund spending was 7.9 percent—one and a half percentage points above the 29 year historical state spending average of 6.4 percent. State expenditures are anticipated to drop below the historical average in fiscal 2007 and grow 5.6 percent in the governors' recommended budgets. Expenditures 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.

Findings of this edition of *The Fiscal Survey of States* include the following:

- Four states were forced to reduce their enacted budgets by an aggregate \$688.8 million in fiscal 2006. By comparison, 37 states were forced to make reductions to enacted budgets totaling \$15 billion in fiscal 2002.

- As the dominant force in state spending, Medicaid continues to constrict state budgets. Eighteen states experienced Medicaid shortfalls in fiscal 2005 and 16 states anticipate shortfalls in fiscal 2006. As a percentage of the total Medicaid program in fiscal 2005, shortfalls ranged from 1.7 percent to 17.2 percent of program costs, averaging 5.4 percent. In governors' recommended fiscal 2007 budgets, Medicaid is estimated to increase by 4.6 percent, of which state funds are expected to increase by 6.4 percent and federal funds by 3.9 percent.
- A few states are experiencing tight fiscal conditions. In fiscal 2006, 4 states reported having negative expenditure growth and 6 states reported the same in the governors recommended budgets for fiscal 2007. By comparison, 21 states enacted negative growth budgets in fiscal 2003.
- States continue to provide supportive services for families to achieve self-sufficiency: 5 states proposed to increase their Temporary Assistance for Needy Families (TANF) cash assistance benefit levels in fiscal 2007, ranging from 2.4 percent to 13.1 percent. One state proposed a decrease.

### State Revenue Actions

State revenue growth continued its solid performance in fiscal 2006. Revenue in most states exceeded expectations. In addition, states have proposed changes to their tax systems for fiscal 2007. Thirty-one states are proposing changes to their tax systems totaling \$1.2 billion. Eleven states proposed net increases while 20 states are proposing net decreases. The largest proposed net increase was in sales taxes and totaled \$1,085.5 million. Governors



also proposed a net decrease of \$1,425.7 million in personal income taxes. Additionally:

- In fiscal 2006, revenues exceeded original budget projections in 38 states. Revenues were on target in ten states and below budget projections in two states.
- Revenue collections in fiscal 2006 were 3.4 percent higher than original estimates. Specifically, sales taxes were 1.3 percent higher, personal income taxes were 3.5 percent higher, and corporate income taxes were 12.9 percent above original estimates.
- Revenues are projected to grow by 5.1 percent in the governors recommended budgets for fiscal 2007.

## Year-End Balances

Total year-end balances—ending balances and the amounts in budget stabilization funds—are critical in balancing revenues with expenditure demands during depressed fiscal times. Total balances were over \$48 billion or 8.7 percent of expenditures in fiscal 2005; \$47.7 billion or 7.9 percent expenditures in 2006; and projected to be \$33.3 billion or 5.3 percent of expenditures in fiscal 2007. By comparison, total balances peaked at \$48.8 billion, or 10.4 percent of expenditures in fiscal 2000.

# State Expenditure Developments

## CHAPTER ONE

### Budget Management in Fiscal 2006

Most states continue to experience relatively stable and healthy financial conditions in fiscal 2006. This has been due in large part to continued revenue growth that has exceeded budgeted expectations. As a result, many states have been able to absorb persistent and mounting spending pressures in areas such as health care, infrastructure, education, employee pension systems, and employee benefits. While this is positive, states realize that meeting increasing expenditure expectations with limited revenues will likely be problematic in the future. A number of states are concerned about structural deficits over the long term.

As most states continue to experience stable fiscal conditions, some states have not been so fortunate. Four states were forced to make mid-year budget cuts totaling approximately \$688.8 million in fiscal 2006. By comparison, a record 37 states cut their enacted budgets by nearly \$15 billion in fiscal 2002—the highest dollar amount recorded during the most recent fiscal downturn.

To stabilize their budgets—especially during distressed fiscal times—states typically make across-the-board and targeted cuts. In fiscal 2006, only one state was forced to make across-the-board budget cuts and just three states targeted expenditures for

reduction. Aside from making cuts, states use a variety of strategies to reduce or eliminate budget gaps. During fiscal 2006, one state (Louisiana) that was hit particularly hard with hurricane related costs was forced to initiate layoffs, furloughs, early retirement, reduction in local aid, and use of rainy day funds—all in addition to across-the-board cuts—to address their budget imbalance. Additionally, one state reorganized programs; one used privatization; two used rainy day funds; and three took “other” measures to eliminate or reduce their budget gaps. Other strategies include fund shifts, loans, transfers, allotment, rescissions, debt restructuring, hiring freezes and the closing of tax loopholes (see Appendix Table A-5).

### State Spending for Fiscal 2007

This report captures only state general fund spending, which represents the major component of discretionary expenditure of revenues derived from general sources not earmarked for specific items. According to the most recent edition of NASBO's *State Expenditure Report*, estimated fiscal 2004 state spending from all sources is nearly \$1.2 trillion, with the general fund representing 43.1 percent of the total. The components of total state spending are: elementary and secondary education, 21.4 percent; Medicaid, 22.3 percent; higher education, 10.9 percent; transportation, 8 percent; corrections, 3.5

**TABLE 1**

#### Budget Cuts Made After the Fiscal 2006 Budget Passed

State	Size of Cuts (\$ in Millions)	Programs or Expenditures Exempted from Cuts
Indiana	\$131.0	General fund tuition support for K-12 education; property tax relief; and Medicaid.
Louisiana	431.2	—
New Jersey	112.0	Appropriations to institutions, Debt Service, State Aid.
Rhode Island	14.6	—
<b>Total</b>	<b>\$688.8</b>	—

**SOURCE:** National Association of State Budget Officers.

percent; public assistance, 2.1 percent; and all other expenditures, 31.7 percent.

Components of state spending within the general fund specifically are elementary and secondary education, 35.7 percent; Medicaid, 16.9 percent; higher education, 11.9 percent; corrections, 7 percent; public assistance, 2.3 percent; transportation, 0.6 percent; and all other expenditures, 25.6 percent.

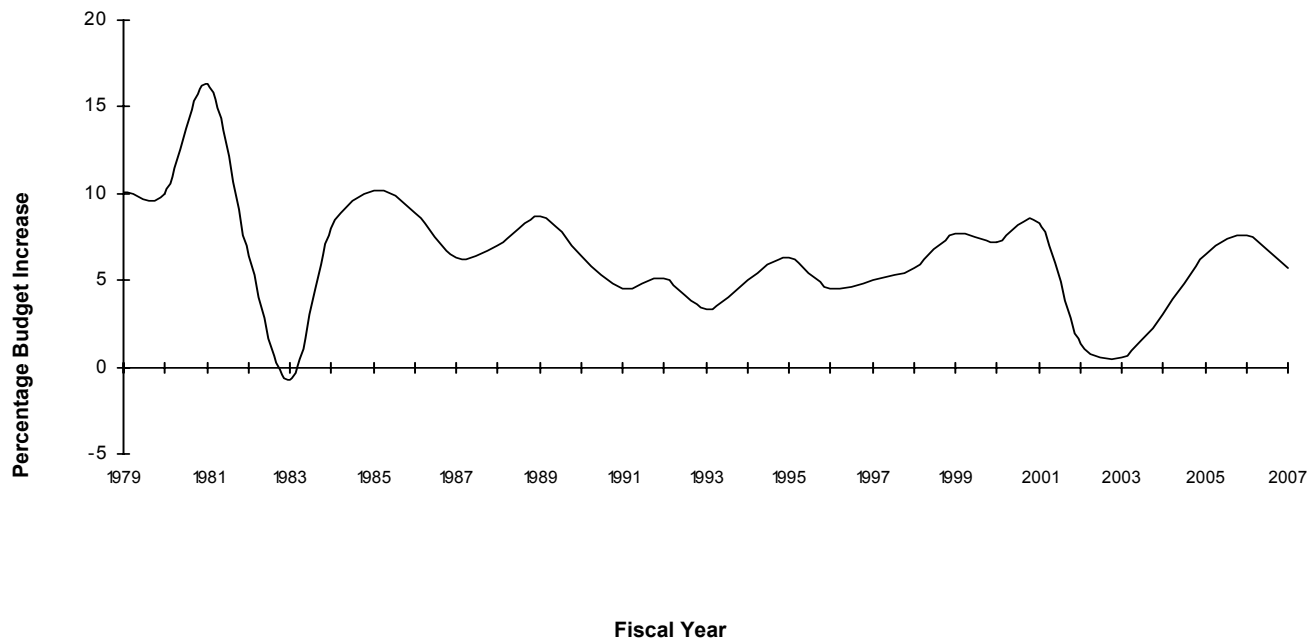
Estimated state general fund expenditures in fiscal 2006 totaled approximately \$582 billion, an increase of 7.6 percent from the previous year. The 29-year historical average rate of growth is 6.4 percent. Among factors contributing to the higher-than-average expenditure growth rate are spending pressures from programs that were cut during the recent fiscal downturn, and general program

expenditure increases (especially for health care). In fiscal 2007, Governors' budget proposals reflect a slower expenditure growth rate of 5.7 percent. (see Table 2, Figure 1, and Appendix Table A-4.)

While the fiscal situation in most states is stable, a few are experiencing tight fiscal constraints. In fiscal 2006, 4 states experienced negative expenditure growth, and governors' recommended budgets in 6 states reflect the same in fiscal 2007. Furthermore, 15 states have experienced expenditure growth of less than 5 percent in fiscal 2006 and 21 states expect the same in 2007. Since fiscal 2003, state fiscal conditions have improved greatly. During this period 21 states reported negative expenditure growth, the highest number of states to report a negative nominal percentage expenditure change since the first edition of this report (see Table 3 and Appendix Table A-4).

**FIGURE 1**

**Annual Percentage Budget Increases, Fiscal 1979 to Fiscal 2007**



**SOURCE:** National Association of State Budget Officers.

TABLE 2

**State Nominal and Real Annual Budget Increases, Fiscal 1979 to Fiscal 2007**

	<i>State General Fund</i>	
	<i>Nominal Increase</i>	<i>Real Increase</i>
2007*	5.6%	2.2%
2006*	7.6	4.2
2005	6.5	3.1
2004	3.0	-0.4
2003	0.6	-3.1
2002	1.3	-1.4
2001	8.3	4.0
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
<b>1979-2007 average</b>	<b>6.4%</b>	<b>2.0%</b>

**NOTES:** \*The state and local government implicit price deflator, table 1.1.9 (Implicit Price Deflators for Gross Domestic Product) as cited by the Bureau of Economic Analysis in April 2006, is used for state expenditures in determining real changes. Fiscal 2005 figures are based on the change from fiscal 2005 actuals to fiscal 2006 estimated. Fiscal 2007 figures are based on the change from fiscal 2006 estimated to fiscal 2007 recommended.

**SOURCE:** National Association of State Budget Officers.

TABLE 3

**Annual State General Fund Expenditure Increases, Fiscal 2006 and Fiscal 2007**

<i>Spending Growth</i>	<i>Number of States</i>	
	<i>Fiscal 2006 (Estimated)</i>	<i>Fiscal 2007 (Recommended)</i>
Negative growth	4	6
0.0% to 4.9%	11	22
5.0% to 9.9%	21	13
10% or more	14	9

**NOTE:** Average spending growth for fiscal 2006 (estimated) is 7.6 percent; average spending growth for fiscal 2007 (recommended) is 5.7 percent

**SOURCE:** National Association of State Budget Officers.

**State Cash Assistance Increased Under the Temporary Assistance for Needy Families Program**

The Temporary Assistance for Needy Families (TANF) program was reauthorized under the Deficit Reduction Act in February 2006. The program maintains the same grant level from the original program in 1997 but tightens up work requirements and definitions of work.

Since welfare reform was passed in 1996, states have focused on providing supportive services for families to achieve self-sufficiency rather than cash assistance. This report has information only on the changes in the cash assistance benefit levels within the program which represents approximately 36 percent of total program costs. For governors' recommended budgets for fiscal 2007, 45 states maintain the same cash assistance benefit levels that were in effect in fiscal 2006. Five states propose to increase cash assistance benefit levels—ranging from 2.4 percent to 13.1 percent and one state proposes a decrease in cash assistance benefits (see Table 4 and Notes to Table 4).

**TABLE 4**  
**Proposed Cost-of-Living Changes for Cash Assistance Benefit Levels Under the Temporary Assistance For Needy Families Block Grant, Fiscal 2007**

<i>State</i>	<i>Percent Change</i>
Florida	6.6%
Louisiana	13.1
Oregon	2.4
Maryland	4.8
Nebraska*	--
New Mexico	-8.0
Texas	2.9

**NOTE:** \*See Notes to Table 4.

**SOURCE:** National Association of State Budget Officers.

#### NOTES TO TABLE 4

Nebraska	No increase in the maximum grant an individual may receive has been enacted for fiscal 2007. Per State Statute (Sec. 43-513), Nebraska will not increase the maximum "standard of need" in fiscal 2007. The next "standard of need" increase is due July 1, 2007.
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## Medicaid

Medicaid is a means-tested entitlement program financed by the states and the federal government that provides comprehensive and long-term medical care for more than 59 million low-income individuals. Total spending for Medicaid is estimated at approximately \$320 billion in state and federal funds in 2006. Medicaid spending is approximately 22 percent of total state spending while all health care accounts for about 32 percent of total state spending.

**Medicaid Growth Rates.** With its dominance in state spending, Medicaid continues to be a major budget issue for states. As shown in Table 5, the overall percentage growth in the program is 7.6 percent in fiscal 2005 and estimated at 6.2 percent in fiscal 2006. The percentage increases for state and federal funds differ significantly during fiscal 2005 due to the impact of the state fiscal relief in the Jobs and Growth Tax Relief Reconciliation Act of 2003 which increased the Federal Medical Assistance Percentage (FMAP) by 2.95 percent from April 2003

through June 2004. State funds increased by 17.0 percent while federal funds increased by 4.2 percent in fiscal 2005.

Medicaid is estimated to increase by 4.6 percent in governors recommended budgets for fiscal 2007, with state funds increasing by 6.4 percent and federal funds increasing by 3.9 percent. State funds are estimated to increase more than the federal share in both fiscal 2006 and 2007 for the majority of states. Some of the reasons for the higher growth rates of state funds versus federal funds are attributable to factors such as a change in the amount of federal funds individual states will receive as part of the FMAP formula in current law and phasing out of special financing.

A significant factor affecting Medicaid growth rates and historical comparisons is the change in the financing of prescription drug benefits for the dual eligibles, those who are eligible for both Medicaid and Medicare. Beginning in January 2006, the prescription drug costs for the dual eligibles are no longer part of the Medicaid program. Instead these costs are now part of Medicare Part D. States finance these benefits by providing a payment to the federal Medicare trust fund. The amount that will be paid by states to the federal government represents about 5 percent of state Medicaid expenditures. At the federal level, lower Medicaid spending will be offset by an increase in Medicare spending for the dual eligibles. Other costs for the dual eligibles, such as for long-term care, remain within the Medicaid program.

States have been aggressive over the past five years in pursuing cost containment measures. According to the Kaiser Commission on Medicaid and the Uninsured, every state instituted cost containment measures during this period with the majority centered on freezing or reducing provider payments and managing prescription drug costs. Long range projections for national health spending are approximately 7.2 percent, according to the Centers for Medicaid and Medicaid Services and will continue to rise as a percentage of the nation's gross domestic product.

**TABLE 5**  
**Annual Percentage Medicaid Growth Rate**

Region and State	Fiscal 2005 (Actual)			Fiscal 2006 (Estimated)			Fiscal 2007 (Recommended)		
	State Funds	Federal Funds	Total Funds	State Funds	Federal Funds	Total Funds	State Funds	Federal Funds	Total Funds
<b>NEW ENGLAND</b>									
Connecticut	NA	NA	4.9%	NA	NA	6.8%	NA	NA	3.7%
Maine	28.2	-4.9	4.6	9.2	9.3	9.3	-2.1	-2.3	-2.2
Massachusetts	7.6	7.6	7.6	7.9	7.9	7.9	2.5	2.5	2.5
New Hampshire	6.2	4.7	4.8	7.5	5.3	6.1	0.8	-3.1	-1.4
Rhode Island*	22.8	1.5	10.1	7.0	0.7	3.5	3.9	-7.4	-2.2
Vermont	23.0	3.0	10.0	14.0	2.0	7.0	20.0	5.0	11.0
<b>MID-ATLANTIC</b>									
Delaware	20.2	7.8	13.6	12.3	11.7	12.0	13.8	13.1	13.4
Maryland	12.7	1.1	6.5	7.9	7.8	7.8	7.9	7.8	7.8
New Jersey	32.1	-5.7	9.6	6.3	5.8	6.0	-2.5	10.2	4.0
New York	4.6	5.7	8.2	18.2	-0.5	4.2	3.9	-0.1	1.5
Pennsylvania	13.8	8.0	10.6	13.5	-0.4	5.9	-0.7	-2.7	-1.7
<b>GREAT LAKES</b>									
Illinois	19.1	5.5	11.9	8.7	2.8	5.7	3.3	3.4	3.3
Indiana	12.1	0.7	4.7	4.5	5.7	5.3	8.4	7.1	7.5
Michigan*	14.8	2.9	7.4	7.9	-1.8	2.1	9.1	7.9	8.4
Ohio	7.4	8.0	7.7	11.3	3.8	7.0	1.3	4.6	3.2
Wisconsin	13.4	1.3	-5.1	0.4	-4.2	-2.4	4.6	3.6	4.0
<b>PLAINS</b>									
Iowa	15.9	-4.9	4.6	16.5	5.4	8.3	7.7	2.5	3.9
Kansas	38.0	17.3	24.8	17.4	20.2	19.1	9.6	9.5	9.5
Minnesota	9.0	-1.8	4.0	5.7	6.2	5.8	5.2	5.3	5.3
Missouri	22.1	8.8	13.6	-8.3	-7.5	-7.8	5.0	5.8	5.5
Nebraska	17.4	-2.3	3.8	10.9	9.0	9.7	8.0	7.0	7.3
North Dakota	13.9	-3.9	1.1	3.5	-2.5	-0.6	6.2	0.5	2.4
South Dakota	16.8	0.2	5.1	10.0	11.2	10.8	2.9	-1.7	0.0
<b>SOUTHEAST</b>									
Alabama	13.9	5.1	7.6	7.7	1.1	3.1	7.2	4.0	5.0
Arkansas	23.8	6.1	10.1	17.4	8.2	10.5	8.7	4.7	5.7
Florida*	14.8	1.1	6.2	8.6	4.1	5.9	7.7	4.3	5.7
Georgia	12.1	1.6	5.6	4.6	6.1	5.5	0.7	5.3	3.5
Kentucky	14.0	-1.3	2.9	8.5	5.7	6.5	-1.0	-2.8	-2.2
Louisiana	-1.2	6.0	4.2	1.1	-13.7	-10.1	8.9	5.9	6.7
Mississippi									
North Carolina*	15.5	5.8	9.4	6.3	7.5	7.1	7.4	6.6	6.88
South Carolina	32.4	4.3	8.0	3.1	4.3	3.5	7.9	0.2	4.46
Tennessee	20.5	7.0	12.3	3.8	-3.8	-3.6	1.4	-9.5	-9.2
Virginia	20.0	6.3	12.8	7.2	5.8	6.5	9.1	4.0	6.6
West Virginia	29.5	0.5	4.8	18.3	6.4	9.4	16.0	4.1	4.4
<b>SOUTHWEST</b>									
Arizona	26.2	11.0	15.4	15.1	11.9	12.9	12.1	9.1	10.1
New Mexico	13.4	-1.8	1.6	16.1	2.2	5.7	11.9	9.4	10.1
Oklahoma*	16.4	0.2	5.1	20.4	13.2	15.6	10.8	8.5	9.3
Texas	12.2	4.9	7.6	7.9	8.9	8.5	0.4	-0.6	-0.2
<b>ROCKY MOUNTAIN</b>									
Colorado*	9.4	-3.2	2.8	4.0	8.3	7.9	4.6	6.0	5.4
Idaho	26.9	5.6	10.6	10.4	6.5	7.2	13.0	7.1	7.5
Montana	22.9	1.2	6.1	17.4	10.0	11.9	9.9	6.8	7.6
Utah	31.3	5.3	9.6	19.1	9.8	11.3	5.4	0.3	2.1
Wyoming	0	0	0	0	0	0	0	0	0
<b>FAR WEST</b>									
Alaska	8.0	4.0	5.0	13.0	-3.0	3.0	4.0	12.0	9.0
California*	11.7	7.4	9.5	6.8	8.6	7.7	5.4	2.2	3.7
Hawaii	12.0	30.0	6.0	11.0	6.0	9.0	8.0	1.0	4.0
Nevada	17.0	10.7	13.4	8.3	5.0	6.5	8.7	3.0	5.5
Oregon*	10.3	12.2	11.5	10.3	10.3	10.3	10.3	10.3	10.3
Washington	13.4	5.1	9.0	2.3	1.2	1.8	4.8	4.8	4.8
<b>Average**</b>	<b>17.0%</b>	<b>4.2%</b>	<b>7.6%</b>	<b>9.4%</b>	<b>4.9%</b>	<b>6.2%</b>	<b>6.4%</b>	<b>3.9%</b>	<b>4.6%</b>

**NOTES:** \*See Notes to Table 5. \*\*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 5**

California	Increase in 2004-2005 reflects a one-time increase due to change from an accrual budgeting basis to a cash basis in 2003-2004, resulting in one-time savings in 2003-2004 and an increase due to the timing of payments in 2004-2005.
Colorado	Medicaid refers to Medical Services Premiums only - actual cost of treatment, no administration. State Funds includes General Fund and General Fund Exempt. Total Funds includes General Fund, Federal Funds, Cash Funds, and Cash Funds Exempt. Fiscal 2006 funds are an estimate of total expenditures provided by the Department of Health Care Policy and Financing on Nov. 15, 2005. Fiscal 2007 funds represent the Executive request as submitted to the legislature on November, 15 2005. The Fiscal 2007 appropriation will not be set until April 2006.
Connecticut	Connecticut's Medicaid program is "gross" appropriated with the federal dollars being deposited directly in the state's treasury.
Florida	These percentages were calculated by comparing the total state funds spent/appropriated for Medicaid from one year to the next. Total state funds include expenditure amounts recorded in the General Revenue Fund, Medical Care Trust Fund, Public Medical Assistance Trust Fund, Grants and Donations Trust Fund and local funds.
Michigan	The increase in state funds in fiscal 2005 was needed to accommodate increases in Medicaid spending and results from discontinued federal FMAP relief, elimination of certain special financing payments that occurred in fiscal 2004, and managed care actuarially-sound rates.
North Carolina	State funds include direct appropriation, county funds (North Carolina requires counties to pay 15 percent of the non federal share), provider taxes and other receipts. State fiscal year 2006 estimated expenditures are the current budget for the Medicaid program. State fiscal year 2007 proposed is the current budget. The state fiscal year 2007 budget was passed by the General Assembly during the summer of 2005. The General Assembly has not yet convened for the 2006 session, therefore the Medicaid budget has not been updated.
Oklahoma	Fiscal 2005 actual percentage changes come from a comparison of the state fiscal year 2004 and state fiscal year 2005 Oklahoma Health Care Authority Annual Reports. State fiscal year 2006 and 2007 estimates and proposed come from the Health Care Authority.
Oregon	For Fiscal 2005, actual expenditures based on CMS64 were used. For Fiscal 2006, two quarters of actual expenditures from CMS64 and 2 quarters of projections were used. Fiscal 2007 is based on percentage increase from Fiscal 2006.
Pennsylvania	The fiscal 2007 percentages decrease due to postponing approximately \$608 million (\$295 million State funds) in Medical Assistance payments to fiscal 2008. Without the postponed payments, the percentages would be 1.7 percent for State Funds. 0.7 percent for Federal funds and 1.7 percent for Total Funds.
Rhode Island	Regarding fiscal 2007 negative change in Medicaid growth; State and federal mix in fiscal 2006 and fiscal 2007 is also distorted by removal of federal Part D pharmaceuticals from reported federal and total funds; clawback cost is still included in State funds, and; additional S-Chip funds from enacted Medicaid funds in fiscal 2006 including \$49.7 million, of which \$22.5 million is State funds.
Wisconsin	Change is for Wisconsin Title-19 Medicaid only and excludes SCHIP (BadgerCare) and state pharmacy assistance. Wisconsin's biennial budget allows expenditures to be moved between fiscal years. Approximately \$100 million in total expenditures were moved from fiscal 2005 to fiscal 2004 to reflect the dates of service qualifying for the federal matching percentage. Excluding this shift the total percentage growth from fiscal 2004 to fiscal 2005 would be -0.8 percent.

**Medicaid Shortfalls.** States have experienced Medicaid expenditures exceeding the amount that had been originally budgeted for the program. Eighteen states experienced Medicaid shortfalls in fiscal 2005 and 16 states are anticipating shortfalls in the current fiscal year (see Table 6). The shortfalls as a percentage of the total Medicaid program in fiscal 2005 ranged from 1.7 percent to 17.2 percent of the program costs, averaging 5.4 percent. The combined amount of the shortfalls in fiscal 2005 and fiscal 2006 totals over \$5.2 billion. While the number of states with shortfalls has decreased since the peak of thirty-one states in fiscal 2001, there still

remains about one quarter to one-third of states with Medicaid shortfalls. States have taken a variety of measures to cover the shortfalls including supplemental funding, transferring resources from other parts of the state budget, as well as implementing additional cost containment measures.

**Medicaid Enrollment.** Enrollment increased by 4 percent in fiscal 2005 and is estimated to increase by 3.1 percent in fiscal 2006, according to the Kaiser Commission on Medicaid and the Uninsured. These enrollment increases have slowed from the height of the recession when enrollment increased by 9.9

percent in fiscal 2002. The average cost per recipient varies greatly in Medicaid with the elderly and the disabled costing about six times the amount per recipient as children and adults.

**Federal Budget and Medicaid.** The Deficit Reduction Act (DRA) enacted in February 2006 affected entitlement programs, including Medicaid. Through the DRA, states have been provided new flexibilities to tailor benefits for certain populations and to enforce cost sharing within limits. Another major provision of the DRA affects asset transfer rules for long-term care programs. Savings to the Medicaid program from all of the changes in the DRA are estimated at \$4.8 billion over 5 years by the U.S. Congressional Budget Office.

**Medicare Prescription Drug Benefit.** The enactment of the prescription drug benefit under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) has a significant effect on the Medicaid program. Since the program went into effect in January 2006, states are assessing the fiscal impact on overall state budgets. The most significant fiscal impact centers on the phased down state contribution or “clawback” These are the payments made by states to the federal Medicare trust fund to finance prescription drug benefits for the dual eligibles.

Under the clawback, states pay 90 percent of the baseline costs in 2006, declining to 75 percent in 2015 and thereafter. The baseline for the clawback payments is based on per beneficiary cost of coverage for Medicare covered drugs in 2003. The cost is multiplied by the number of dual eligibles in the state to create a baseline that is inflated each year by national health inflators for prescription drug costs.

Other aspects of the MMA will result in savings for most states such as the savings for states that had offered state funded pharmacy assistance programs and the provision in the MMA that provides employers, including states, a subsidy for providing retirees prescription drug coverage that at least equals the new Medicare Part D benefit.

**Significant Health Issues.** States face a number of challenges in funding health care both within the Medicaid program and throughout state government. States are concerned about a range of issues in providing health care as described in Table 7. Among the issues of the greatest concern for states include health care cost increases and greater utilization of services, rising state employee health insurance costs, the number of uninsured, the aging population and the impact on long-term care financing, and changes at the federal level affecting Medicaid. Even with more moderate growth rates in health care spending from the height of the recession, projections over the next decade remain at an average annual rate of growth of 8 percent according to the most recent estimates by the Congressional Budget Office. With Medicaid comprising 22 percent of state budgets, these long-term growth rates, along with growth in overall state health care costs generally, will continue to strain state budgets.



TABLE 6

**Medicaid Expenditures Exceeding Budgeted Amounts**

<i>Region and State</i>	<i>Exceeded Fiscal 2005 Budgeted Amounts by (\$ Millions)</i>	<i>Percentage of Fiscal 2005 Medicaid Budget</i>	<i>Exceeding Fiscal 2006 Budgeted Amounts by (\$ Millions)</i>	<i>Actions Taken to Cover Shortfall</i>
<b>NEW ENGLAND</b>				
Maine			9.2	Request additional General Fund appropriations and continue the cap on enrollment in the MaineCare noncategorical adults waiver program.
New Hampshire	37.0	4.5	9.0	Finding funds from other areas of budget.
Rhode Island	34.6	2.1		Transfer to S-Chip already recognized (see footnote to table 5).
Vermont	28.8	3.0	40.9	Budgetary increases and close monitoring of trends.
<b>MID-ATLANTIC</b>				
Maryland	132.0	2.6	44.0	Transfers from other programs in surplus; Accrual accounting for pharmacy rebates; Deficiency appropriations.
New Jersey			52.0	Supplemental Appropriations.
New York*	428.0	6.2	845.0	Use of additional revenue in the General Fund. Increase in spending includes \$500 million in prepayments for 2006-2007.
Pennsylvania	493.0	4.0	191.0	Supplemental funding is requested. In addition, prudent payment practices are being reinstated for long-term services.
<b>GREAT LAKES</b>				
Illinois	129.7	1.7		
Indiana	117.3	2.6		
Michigan*				
Wisconsin	116.5	2.6		
<b>PLAINS</b>				
Iowa			21.0	The Medicaid estimating work group consisting of representatives from the Department of Human Services, Department of Management and the Legislative Services Agency agreed upon an estimated additional state need of \$15-\$27 million. The State Legislature is in the process of providing a supplemental appropriation.
Minnesota				
Missouri	180.5	2.6	162.3	Supplemental appropriations have been requested.
North Dakota	12.7	3.6		
<b>SOUTHEAST</b>				
Kentucky			329.7	Appropriated additional funds.
Mississippi	546.0	17.0		
Tennessee	515.1	6.4		The state implemented a 5 script limit on pharmacy services and disenrolled adult expansion population.
West Virginia				

TABLE 6 (continued)

**Medicaid Expenditures Exceeding Budgeted Amounts**

<i>Region and State</i>	<i>Exceeded Fiscal 2005 Budgeted Amounts by (\$ Millions)</i>	<i>Percentage of Fiscal 2005 Medicaid Budget</i>	<i>Exceeding Fiscal 2006 Budgeted Amounts by (\$ Millions)</i>	<i>Actions Taken to Cover Shortfall</i>
<b>SOUTHWEST</b>				
Texas	121.8	1.9		
<b>ROCKY MOUNTAIN</b>				
Colorado*				
Montana			13.6	Supplemental appropriation transfer.
Wyoming	63.0	17.2	44.0	A supplemental budget request was funded for \$115,056,071.
<b>FAR WEST</b>				
Alaska	108.0	11.0	43.0	Cost containment, supplemental appropriation
California			213.2	Supplemental Appropriations Bill.
Hawaii	30.0	3.0	45.0	Carry over debt to fiscal 2007.
Nevada	57.4	5.2		Total costs will be below budget. State funds will be 27 million over budget.
Oregon*			23.8	Rebalance proposal was submitted March 13, 2006 due to change in FMAP
<b>Total/Average %</b>	<b>\$3,151.4</b>	<b>5.4%</b>	<b>\$2,086.7</b>	

**Notes to Table 6**

Colorado	The Medicaid budget is adjusted several times. The original fiscal 2005 appropriation (budget), which was set in the April 2004 budget bill, exceeded the actual 2005 Medicaid expenditures by \$2.2 million General Fund. Fiscal 2006 Medicaid costs are below the appropriation. A negative supplemental of \$42.2 million General Fund was approved by the General Assembly in March 2006.
Michigan	Supplemental appropriations of \$261 million were enacted during fiscal 2005 to cover Medicaid expenditures that exceeded the amount originally appropriated, ensuring expenditures would not exceed the amount budgeted.
New York	Deficiency/higher costs due to payment of 53 <sup>rd</sup> cycle (\$190M) that was originally scheduled for 2005-2006, the delayed receipt of Empire Conversion proceeds (\$200M), and an increase in underlying costs (\$38M). Deficiency/higher costs due to a pre-payment for 2006-07 (\$500M), delayed Provider Assessments (\$106M), and an increase in underlying costs (\$239M).
Oregon	Fiscal 2005 is based on DHS practice. Fiscal 2006 and Fiscal 2007 are based on 2005-07 Rebalance letter dated March 13, 2006.

TABLE 7

**Significant Health Care Issues Facing the States***Region and State*

<b>NEW ENGLAND</b>	
Connecticut	Access to affordable, quality health care for low income, elderly and disabled population and existing Medicaid litigation (dental access, ADA and institutionalization).
Maine	High cost of health care and Maine's increasingly aging population.
Massachusetts	Major health care reform legislation is being debated in conference committee. Federal funds are at stake if an approved plan is not agreed upon.
New Hampshire	Increasing costs of services and uninsured.
Rhode Island	Inflation and utilization in pharmaceuticals.
Vermont	Chronic care disease management and fiscal constraints.
<b>MID-ATLANTIC</b>	
Delaware	Cancer, infant mortality and health disparities.
Maryland	Medicaid programmatic growth, public health issues of infant mortality and AIDS, over-utilization of emergency rooms, cost containment issues, and provider payments.
New Jersey	Prescription drug costs, long-term care, AIDS / HIV, uninsured population, and retired and active state and local employees.
New York	Rising pharmacy costs; reforming long-term care system; coordinating/implementing Medicare Part D; Medicaid burden on local governments; number of uninsured in New York State; reducing fraud, waste, and abuse; hospital consolidation--Brach Commission.
Pennsylvania	Providing long term living services, both institutional and community based, for Pennsylvania's growing elderly population.
<b>GREAT LAKES</b>	
Illinois	Rising cost of employee and retiree insurance and rising cost of prescription drugs.
Indiana	Controlling the cost of healthcare is a significant health care issue facing Indiana. While other states have seen double digit increases in Medicaid spending, Indiana is focusing on keeping Medicaid spending at 5% or less. Initiatives have been started to create effectiveness in the Medicaid system, which include changes in programs and services as well as streamlining eligibility determination. Another healthcare issue is the Indiana State Department of Health's (ISDH) work on the bird flu/pandemic issue. ISDH is working on the impact, both from a fiscal sense and a human impact sense, on the affects of a nationwide pandemic related to the bird flu and how Indiana is prepared for such an issue. ISDH is also focusing on programs and awareness for Indiana residents concerning healthier lifestyles and what steps can be taken to achieve a healthy and balanced life.
Michigan	Rising healthcare costs; federal actuarial soundness requirements for managed care organizations, including Michigan's Medicaid HMOs; loss of private-sector, employer-sponsored insurance coverage; economic recovery lag in Michigan; a larger portion of state funds consumed by Medicaid; proposed Medicaid changes at the federal level; state costs resulting from federal efforts to discontinue certain state Medicaid financing mechanisms.
Ohio	Cost containment options for dual eligible populations.
<b>PLAINS</b>	
Iowa	Health care costs rising faster than state revenues. Increased state costs because the state used one time funding which is coming to an end. Federal impetus to disallow costs for federal match under Medicaid pushing the costs back on states.
Kansas	Medicaid growth.
Minnesota	Over the past five years, Medicaid expenditures have risen over ten percent annually. While the growth is not expected to continue increasing at that pace, projections still show growth of over seven percent annually from 2006 through 2009.
Missouri	Medicaid Reform.
Nebraska	Medicaid and employee health insurance growth relative to State revenue growth.
North Dakota	Increased utilization in inpatient and outpatient hospital services and enhancements needed in home and community-based services.
South Dakota	Medicaid financing with potential cuts in funding from the federal government; increase in the state match resulting from a decrease in the FMAP; continued growth in the number of eligibles in both XIX and S-CHIP programs; increased costs; increases in the utilization of services; and potential of exceeding our S-CHIP allotment.

TABLE 7 (continued)

**Significant Health Care Issues Facing the States***Region and State***SOUTHEAST**

Alabama	Decreasing federal matching percentage and limited state resources.
Arkansas	As are almost all states, Arkansas is faced with increasing costs based on both demand (increasing eligibles) and inflation by increased costs. Federal rules and court decisions regarding access place increasing pressures on our state that is virtually barred from any competitive managed care by a federal court decree in which the state medical society, dental association and various other provider groups must consent to any changes in the fee structure that apply to them. In addition for institutional care, 75% of the nursing home beds are financed by our Medicaid program, though there are noninstitutional options those facilities costs continue to increase for the recipients they serve. In essence there is no shelter to the rising cost of publicly funded health care as there is none for privately insured, the exception is that for the vast majority covered under Medicaid both by regulation and lack of the recipients own resources there is no way to share the increase in these costs.
Florida	Implementation of Medicaid Reform Waiver Program and rapidly escalating Medicaid and state employee health insurance.
Georgia	Low Income Medicaid Program - Unsustainable growth in program cost driven primarily by increased enrollment. Aged, Blind, and Disabled Program - Unsustainable growth in program cost due to increases in service price and utilization. State Health Benefit (SHBP)- Unsustainable growth in program cost due to increases in service price and utilization. Also, problems with generating adequate revenues to cover SHBP costs.
Kentucky	Uninsured and underinsured; obesity; diabetes; asthma; heart disease; cancer; tobacco use; teen pregnancy; AIDS and other STDs; injury and violence; substance abuse; access to care.
Louisiana	As a result of hurricanes Katrina and Rita: Reconstruction of the medical infrastructure including hospitals, ICF/MR's, outpatient clinics, physicians offices, therapy services, dialysis centers, mental health facilities and others; Displacement of medical staff and support staff; Displacement of clients including relocation to other states and relocation within the state; Increased requests for services from newly eligible populations; Development of innovative approaches and numerous waivers and modifications of procedures to maintain access to care; Coordination with other states and out of state providers to ensure service availability; and increased opportunities for fraud and abuse. Implementation of Medicare Part D, particularly problems with transitioning of dual eligibles to the new program and the resulting lack of coverage of certain prescribed pharmaceuticals. Financing of the additional costs of healthcare in Louisiana.
Mississippi	Aging, population, and health care inflation.
North Carolina	Mental health issues (treatment protocols not clear, efficacy of treatment uncertain, high cost, high demand), (2) Lifestyle issues difficult to control (smoking, obesity, sedentary lifestyles, (3) High rate of uninsured (17.5% in 2004 in North Carolina). These are not in any particular order of priority.
South Carolina	Based on the current information available and the specific characteristics of South Carolina's Medicaid program we do not anticipate that our state will realize any net savings or costs as a result of the clawback. In other words, our best estimate at this time is that we will break even. Based on current information available, it is not possible to determine the effects of such components as the loss of discounts/rebates, increased administrative costs, and other such categories.
Tennessee	Decreasing federal funds and increasing enrollment.
Virginia	Increasing costs of long-term care.
West Virginia	Funding to match caseload growth and medical inflation; Decrease of federal funds (FMAP); Increased subsidies for Medicare-Medicaid population: alternatives to long-term care.

**SOUTHWEST**

Arizona	Controlling medical inflation driven by new technologies, medications, and procedures, and the growing elderly population.
Oklahoma	Coverage for the uninsured and the value of expanding Medicaid to include additional services and populations such as autism, traumatic brain injury and assisted living versus the need to control rising Medicaid costs.
Texas	Mental health system reform, high rate of uninsured, large number of Texans who have diabetes, increasing the number of Federally Qualified Health Centers in Texas.

TABLE 7 (continued)

**Significant Health Care Issues Facing the States***Region and State***ROCKY MOUNTAIN**

Colorado	Federal regulations driving program changes and increased state cost; health care for the uninsured and underinsured; health care issues for legal and illegal immigrants; and Medicaid reimbursement rates.
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Idaho	
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Montana	Long-term care issues, asbestos (Libby), and neonate issues.
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Utah	Rising health-care costs and insurance premiums.
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**FAR WEST**

Alaska	The large number of uninsured and transportation costs to get to needed services.
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California	Increasing costs and utilization for aged and disabled beneficiaries.
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Hawaii	Increased enrollment.
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Nevada	Access to mental health care and increasing health care costs.
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Oregon	Federal budget cuts in both entitlement and discretionary programs are the most significant health care issues the state is currently facing. The effects of the Deficit Reduction Act (for 2006) and the associated rule-making processes will have a significant impact on our ability to maintain services to Oregonians. The President's Federal Fiscal Year 2007 proposed budget reflects the intent to further reduce funding to states for the federal share of social and medical programs through the rule-making process. Thus, more burden is being placed on the state during unstable economic times in Oregon. Some of the impacted programs are Temporary Assistance to Needy Families (TANF), Medicaid (Targeted Case Management, Provider Taxes, School-Based Administration and Transportation, and Third Party Resources and Rehabilitative Services), State Children's Health Insurance Program, Title IV-E (Foster Care), Food Stamps, Women and Infant Care (WIC), Preventative Health Block Grant, and Immunization Grants. Note: Based on information from FFIS and analysis of Federal budgets prepared by FFPRO.
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Washington	Reducing the number of uninsured, particularly children, within available resources; and the potential for a large budget deficit next biennium (in Fiscal Year 2009) may require reductions in the state's Medicaid program.
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**SOURCE:** National Association of State Budget Officers.

# State Revenue Developments

## CHAPTER TWO

### Overview

In fiscal 2006, sales, personal income, and corporate income taxes either met or exceeded budgeted estimates in nearly every state. Caution must be taken, however, when considering outlying years, since the margin between actual collections and anticipated revenues is small and demand for state spending remains high. In addition, expenditure demands for public services are expected to remain high.

Governors are proposing net tax and fee increases of \$1.2 billion in fiscal 2007. In addition, they are recommending other measures at a cost of \$5.6 million that enhance general fund revenue but do not affect taxpayer liability.

### Collections in Fiscal 2006

In fiscal 2006, collections of sales, personal income, and corporate taxes exceeded originally budgeted projections in 38 states, were on target in 10 states, and lower in 2 states.

This is much improved from fiscal 2002 when 42 states reported less revenue than budgeted. In fiscal 2006, overall revenue collections were 3.4 percent higher than the amounts reflected in originally enacted budgets. Specifically, sales taxes were 1.3 percent higher, personal income taxes were 3.5 percent higher, and corporate income tax collections were 12.9 percent above original estimates (see Table A-6).

### Projected Collection in Fiscal 2007

Based on governors' recommended fiscal 2007 budgets, states anticipate that revenues will continue to perform strongly—exceeding fiscal 2006 amounts by 5.1 percent. Fiscal 2007 recommended budgets reflect 6.2 percent more in personal income tax revenue, 5 percent more in sales tax revenue, and .02 percent less in corporate income tax revenue

when compared to collections in fiscal 2006 (see Table A-7).

**TABLE 8**

### Enacted State Revenue Changes, Fiscal 1979 to Fiscal 2006; and Proposed State Revenue, Fiscal 2007

<i>Fiscal Year</i>	<i>Revenue Change (Billions)</i>
2007	\$1.2
2006	2.4
2005	3.5
2004	9.6
2003	8.3
2002	0.3
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 9

**Proposed Fiscal 2007 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	-\$3.5	-\$28.0							-\$31.5
Alaska							\$430.3		430.3
Arizona	-25.0	-35.0	-\$20.0				-20.0		-100.0
Arkansas									0.0
California	\$35.0	202.0							237.0
Colorado									0.0
Connecticut			43.7				79.0		122.7
Delaware									0.0
Florida	-140.7						-175.9		-316.6
Georgia	-20.0	-87.8			-\$75.0				-182.8
Hawaii		-295.6	9.0						-286.6
Idaho	-7.3	4.0	3.0						-0.3
Illinois		-90.0	10.0		69.0				-11.0
Indiana	-8.0	-1.4	32.4					\$21.4	44.4
Iowa			25.0	\$129.9		\$7.4		14.6	176.9
Kansas									0.0
Kentucky			-3.2						-3.2
Louisiana									0.0
Maine									0.0
Maryland		-13.3					-14.0		-27.3
Massachusetts		-132.0							-132.0
Michigan	42.9	3.8	45.9				13.6	23.0	129.2
Minnesota		-38.6	-3.6					8.7	-33.5
Mississippi									0.0
Missouri									0.0
Montana									0.0
Nebraska	-16.1	-63.2							-79.3
Nevada									0.0
New Hampshire									0.0
New Jersey	1,333.0	-105.0	60.0	80.0	17.0	12.0	29.0		1,426.0
New Mexico	-8.3	-0.7	-1.8						-10.8
New York	-40.0	-728.0	-77.0	308.0				88.7	-448.3
North Carolina	-203.7	-3.0					-23.6		-230.3
North Dakota									0.0
Ohio									0.0
Oklahoma		-13.9					-5.4		-19.3
Oregon									0.0
Pennsylvania							-35.6		-35.6
Puerto Rico									0.0
Rhode Island	-1.0							1.5	0.5
South Carolina									0.0
South Dakota									0.0
Tennessee	-11.0								-11.0
Texas									0.0
Utah	-167.0							8.1	-158.9
Vermont								1.1	1.1
Virginia	380.7						250.1	147.4	778.2
Washington	-2.9						44.1		41.2
West Virginia									0.0
Wisconsin									0.0
Wyoming	-51.6								-51.6
<b>Total</b>	<b>\$1,085.5</b>	<b>(\$1,425.7)</b>	<b>\$123.4</b>	<b>\$517.9</b>	<b>\$11.0</b>	<b>\$19.4</b>	<b>\$571.6</b>	<b>\$314.5</b>	<b>\$1,217.6</b>

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

SOURCE: National Association of State Budget Officers.

## Proposed Fiscal 2007 Revenue Changes

Governors recommended net tax and fee changes totaling approximately \$1.2 billion in their fiscal 2007 proposed budgets. Governors are proposing net tax increases in 11 states, while 20 states are proposing net tax decreases. The largest proposed net tax increase is in sales taxes (\$1,085.5 million) and the largest proposed net decrease is in personal income taxes (\$1,425.7 million). Additional net increases being recommended by governors are reflected mostly in other taxes (\$571.6 million) and cigarette and tobacco taxes (\$517.9 million).

The Fiscal Survey distinguishes between tax and fee increases or decreases (detailed in Table 9 and Table A-8) and revenue measures (listed in Table A-9). Tax and fee changes are revisions in current law that affect taxpayer liability and that in some instances reflect one-time actions such as sales tax holidays. Revenue measures refer to actions that do not affect taxpayer liability, such as the deferral of a tax increase or decrease or the extension of a tax credit that occurs each year.

**Sales Taxes.** In fiscal 2007, governors are proposing a net increase in sales taxes of \$1,085.5 million in their budget recommendations. Specifically, 4 states are proposing to increase sales taxes, while 15 states are proposing decreases. Among the increases, New Jersey is proposing to increase their sales tax rate from 6 percent to 7 percent (\$1,085 million) and broaden their sales tax base (\$248 billion), creating \$1,333 million in sales tax revenues. In Virginia, the motor vehicle sales and use tax would increase from 3 percent to 5 percent, a \$380.7 billion increase. North Carolina would reduce the sales tax rate by .24 percent, reduce sales tax on equipment used for Research and Development, and refund sales taxes to professional motor sports racing teams for racing-vehicle parts and equipment, representing a decrease of \$203.7 million.

**Personal Income Taxes.** Various recommended changes in 18 states reflect a net personal income tax decrease of \$1,425.7 million in fiscal 2007. New York is proposing to enhance a School Tax Relief (STAR) exemption and STAR Plus rebate, eliminate the marriage penalty tax, and provide a national guard exemption—decreasing revenues by \$728 million. California is proposing to conform with federal Health Savings Accounts (HSA) and suspend a teacher tax credit that would increase revenues by \$202 million.

**Corporate Income Taxes.** Thirteen states recommend changes to corporate income taxes resulting in a net increase of \$123.4 million in fiscal 2007. New York is looking to extend additional fixed dollar minimum brackets in Corporate Franchise Tax (CFT), change bank tax treatment of Real Estate Investment Trusts (REIT) and Regulated Investment Companies (RIC), eliminate Alternative Minimum Tax (AMT) and Capital base, provide a low income housing credit, lower limitations on life insurance rates, establish a marginal tax rate for annuity premiums, and eliminate s-corporation differential rates, for a net decrease of \$77 million. New Jersey plans to impose a 2.5 percent surcharge on corporations with fiscal years beginning on or after January 1, 2006, representing an increase of \$60 million.

**Cigarette, Tobacco and Alcohol Taxes.** Continuing the trend of prior years but to a much lesser degree, three states plan to increase cigarette and tobacco taxes in fiscal 2007 by \$517.9 million. The greatest increase stems from New York which, generating dollars in revenue, would increase the cigarette tax to \$2.50 per pack. Iowa and New Jersey also plan to increase cigarette and tobacco taxes by \$129.9 million and \$80 million, respectively.

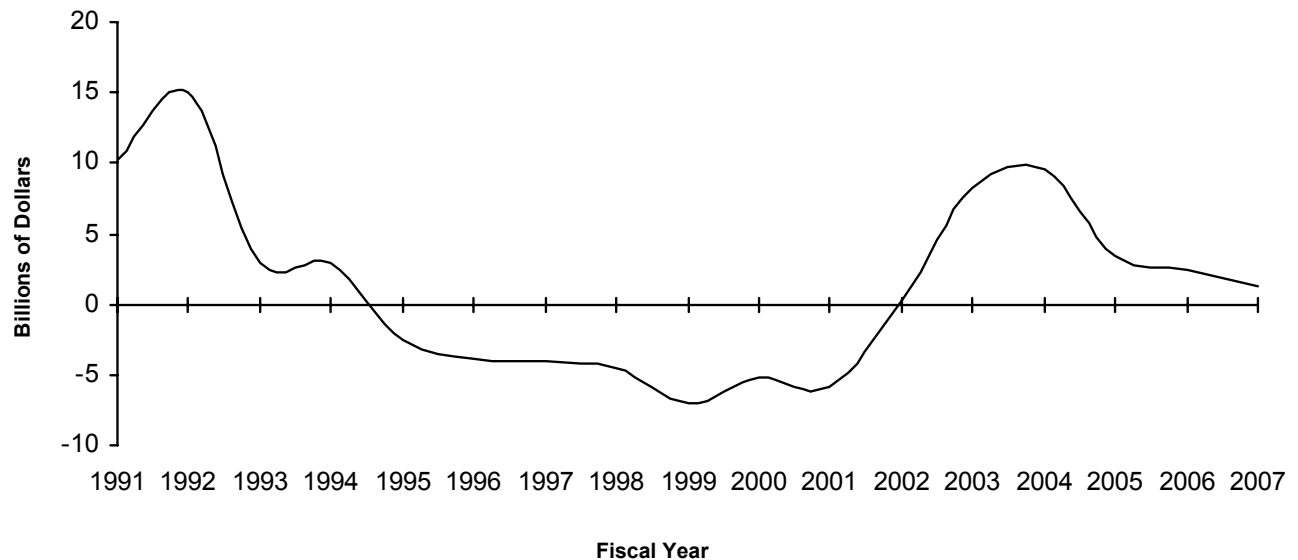


**Other Taxes and Fees.** Governors in 12 states proposed changes in other taxes totaling a net \$571.6 million increase in fiscal 2007. Recommended changes in fees would occur in 9 states and amount to a \$314.5 million increase. Revenue from other taxes, such as personal property taxes, provider taxes

and levies on hotels and rental cars usually cover the costs for license and regulation enforcement, promote environmental conservation, and generate revenues for health care. Fees frequently are associated with motor vehicle and other types of licensing.

**FIGURE 2**

**Enacted State Revenue Changes, Fiscal 1991 to Fiscal 2006, and Proposed State Revenue Change, Fiscal 2007**



**SOURCE:** National Association of State Budget Officers.

## Total Balances

### CHAPTER THREE

In the aftermath of the early 2000's when nearly every state was experiencing distressed fiscal conditions, states recognized how important it was to have budget reserve balances to address fiscal downturns. Though budget experts views vary, the informal rule-of-thumb has previously been to build-up budget reserve balances to a level that equals at least 5 percent of total expenditures to provide a relatively adequate fiscal cushion. Due in large part to strong revenue growth, states have either met or exceeded these expectations—even as spending pressures continue to persist. Total balances include both ending balances and the amounts in states' budget stabilization funds; they reflect the funds states may use to respond to unforeseen circumstances after budget obligations have been met. Balances peaked in fiscal 2000 when levels reached \$48.8 billion or 10.4 percent of expenditures. Three years later, they fell to \$16.4 billion or 3.2 percent of expenditures—the peak of the most recent fiscal downturn. Based on the most recent data, total balances were slightly over \$48 billion or 8.7 percent of expenditures in fiscal 2005 and \$47.7 billion or 7.9 percent of expenditures in fiscal 2006. In fiscal 2007, governors are recommending total balances of \$33.3 billion or 5.3 percent of expenditures (see Table 10 and Tables A-1, A-2, A-3, and A-10).

After the recession of the early 1990s, states worked hard to build 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. During the one-year period from 1980 to 1981, for example, balances plunged from 9 percent of expenditures to 4.4 percent, forcing states to cut budgets and raise taxes. During the early 1990s, states found themselves lacking balances adequate to manage a fiscal slowdown once again. Before the economy slowed in 1989, state balances equaled 4.8 percent of expenditures. Within two years, balances hit bottom, totaling only 1.1 percent of expenditures in 1991. In fiscal 1992, 35 states were forced to cut current-year budgets. The following year, 23 states were obliged 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 prepared themselves cautiously to handle the next slowdown, and indeed the most recent 2001-2003 downturn would have caused worse problems had states not built up rainy day funds of more than 10 percent of expenditures in fiscal 2000.

Forty-seven states have budget stabilization funds, which may be budget reserve funds, revenue-shortfall accounts, or cash-flow accounts. About three-fifths of the states have limits on 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.

TABLE 10

### Total Year-End Balances, Fiscal 1979 to Fiscal 2007

<i>Fiscal Year</i>	<i>Total Balance (Billions)</i>	<i>Total Balance (Percentage of Expenditures)</i>
2007*	\$33.3	5.3%
2006*	47.3	7.9
2005	48.0	8.7
2004	26.7	5.1
2003	16.4	3.2
2002	18.3	3.7
2001	44.1	9.1
2000	48.8	10.4
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 2006 are estimates; figures for fiscal 2007 are based on recommendations.

**SOURCE:** National Association of State Budget Officers.

TABLE 11

### Total Year-End Balances as a Percentage of Expenditures, Fiscal 2005 to Fiscal 2007

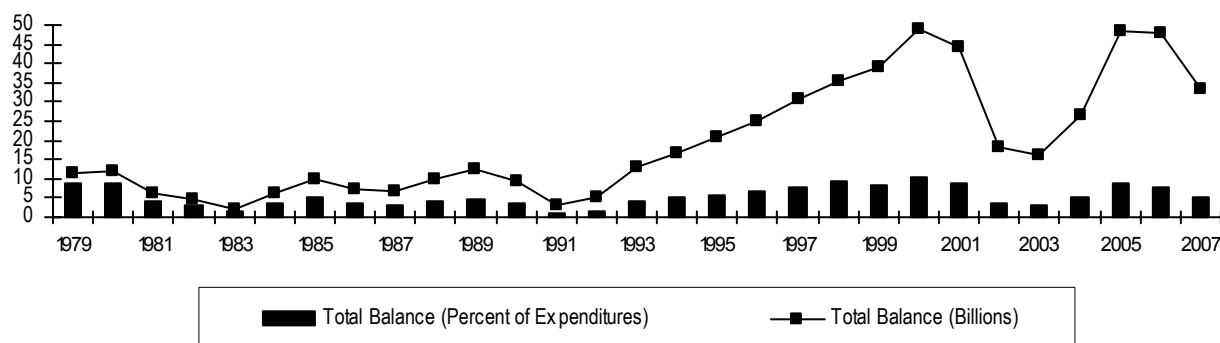
<i>Percentage</i>	<i>Number of States</i>		
	<i>Fiscal 2005 (Actual)</i>	<i>Fiscal 2006 (Estimated)</i>	<i>Fiscal 2007 (Recommended)</i>
Less than 1.0%	3	6	5
1.0% to 2.9%	5	4	6
3.0% to 4.9%	5	8	18
5% or more	37	33	21

**NOTE:** The average for fiscal 2005 (actual) was 8.7 percent; the average for fiscal 2006 (estimated) is 7.9 percent; and the average for fiscal 2007 (recommended) is 5.2 percent.

**SOURCE:** National Association of State Budget Officers.

FIGURE 3

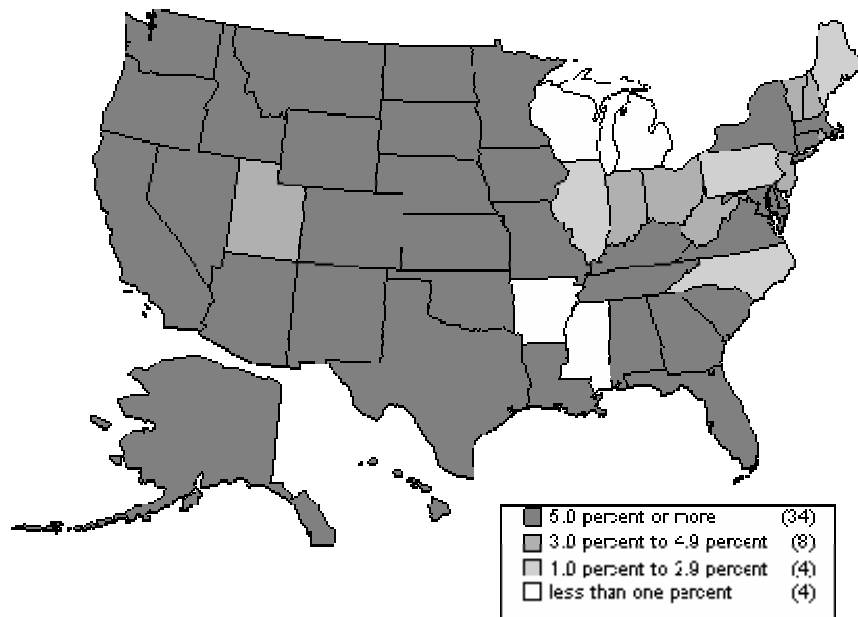
### Total Year-End Balances and Total Year-End Balances as a Percentage of Expenditures, Fiscal 1979 to Fiscal 2007



**SOURCE:** National Association of State Budget Officers.

FIGURE 4

## Total Year-End Balances as a Percentage of Expenditures, Fiscal 2006



**SOURCE:** National Association of State Budget Officers.

## Appendix



TABLE A-1

## Fiscal 2005 General Fund, Actual (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Total Resources	Expenditures	Adjustments	Ending Balance	Budget Stabilization Fund
<b>NEW ENGLAND</b>								
Connecticut**	\$0	\$14,214	\$0	\$14,214	\$13,909	\$0	\$305	\$607
Maine**	15	2,791	12	2,818	2,784	0	34	47
Massachusetts* **	1,893	24,373	0	26,266	23,799	0	2,487	1,728
New Hampshire	15	1,392	0	1,407	1,325	0	82	17
Rhode Island**	35	3,005	-61	2,979	2,927	0	52	91
Vermont**	0	1,035	48	1,083	1,038	45	0	46
<b>MID-ATLANTIC</b>								
Delaware*	646	2,878	0	3,524	2,822	0	701	148
Maryland**	453	11,548	438	12,438	11,264	0	1,174	521
New Jersey* **	834	28,132	0	28,966	27,844	344	778	289
New York* **	2,302	43,863	0	46,165	43,619	0	2,546	872
Pennsylvania**	77	23,309	98	23,483	23,054	64	365	329
<b>GREAT LAKES</b>								
Illinois	182	26,160	0	26,342	25,845	0	497	276
Indiana**	0	11,488	158	11,647	11,800	-272	119	317
Michigan**	0	8,163	701	8,865	8,644	0	221	2
Ohio**	158	25,551	0	25,708	24,831	739	138	575
Wisconsin* **	105	11,446	221	11,773	11,860	91	4	0
<b>PLAINS</b>								
Iowa**	0	4,929	0	4,929	4,603	160	166	226
Kansas	328	4,841	0	5,169	4,690	0	479	0
Minnesota* **	1,269	14,653	0	15,922	14,529	0	1,393	1,340
Missouri**	489	6,933	0	7,421	7,121	0	300	232
Nebraska**	176	3,032	-84	3,124	2,720	0	403	177
North Dakota**	76	997	0	1,073	904	100	69	100
South Dakota**	0	958	33	991	989	2	0	134
<b>SOUTHEAST</b>								
Alabama**	347	6,232	174	6,753	5,961	53	739	157
Arkansas	0	3,630	0	3,630	3,630	0	0	0
Florida	2,457	25,553	0	28,010	24,440	0	3,571	988
Georgia*	869	16,789	0	17,657	16,395	0	1,262	257
Kentucky* **	250	7,757	231	8,238	7,698	71	469	29
Louisiana**	0	7,392	78	7,470	7,217	0	252	462
Mississippi**	3	3,941	0	3,945	3,835	58	52	93
North Carolina**	289	16,327	0	16,616	15,798	339	479	313
South Carolina* **	120	5,591	0	5,712	5,073	105	533	75
Tennessee**	545	9,311	-60	9,796	9,113	221	462	275
Virginia	677	13,759	0	14,436	13,879	0	557	482
West Virginia**	291	3,505	8	3,803	3,410	32	361	79
<b>SOUTHWEST</b>								
Arizona* **	360	7,799	25	8,184	7,545	0	639	165
New Mexico*	447	4,969	0	5,416	4,710	0	706	688
Oklahoma**	67	5,374	-301	5,140	4,945	186	10	461
Texas**	1,448	32,655	295	34,398	29,711	948	3,739	7
<b>ROCKY MOUNTAIN</b>								
Colorado* **	224	6,475	-251	6,448	6,113	0	336	98
Idaho**	100	2,268	-43	2,325	2,110	0	214	16
Montana	131	1,524	0	1,656	1,366	0	290	0
Utah**	54	4,092	-63	4,083	3,978	0	106	146
Wyoming**	58	1,246	0	1,304	1,299	0	5	446
<b>FAR WEST</b>								
Alaska**	0	3,055	0	3,055	3,046	0	9	2,274
California*	7,228	82,210	0	89,438	79,804	0	9,634	0
Hawaii	185	4,486	0	4,671	4,185	0	486	0
Nevada	221	3,041	0	3,262	3,101	0	161	0
Oregon	-431	5,516	0	5,086	4,777	0	309	0
Washington**	500	12,067	523	13,090	12,220	0	870	0
<b>Total***</b>	<b>\$25,492</b>	<b>\$572,253</b>	<b>-</b>	<b>\$599,925</b>	<b>\$558,280</b>	<b>-</b>	<b>\$38,562</b>	<b>\$15,585</b>

NOTES: NA Indicates data are not available. \*In these states, the ending balance includes the balance in the budget stabilization fund.

\*\*See Notes to Table A-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.**

Alabama	Revenue adjustments include \$12 million Demutualization of Insurance Companies; \$90.1 million Cigarette Tax Increase; \$12 million Court Costs Increase; \$21.4 million Unrealized Capital Gains; \$8.8 million Oil & Gas Severance Tax Temporary Increase; \$16.8 million Temporary Increased percent Sales Tax to General Fund; and \$13.1million Boards and Commissions and Mental Health Trust Fund Surpluses. Expenditure Adjustments include a \$53 million Transfer to Rainy Day Funds.
Alaska	Information is not updated and still reflects the preliminary actual as shown in Fall Fiscal Survey.
Arizona	Revenues adjustments reflect enacted fund transfers, a VLT transfer, and Ladewig lawsuit payments.
Colorado	Revenue adjustments include diversions to the Older Coloradan's Program and State Education Fund. Ending balance includes \$98 million above 4 percent statutory reserve requirement. Per Colorado Statute, these monies will be allocated for transportation and capital construction needs.
Connecticut	Includes the expenditure of \$639.8 million of surplus funds.
Idaho	Revenue adjustments include a \$21.8 million transfer to the Revolving Development Fund and a \$21.0 million transfer to the Budget Stabilization Fund.
Indiana	Revenue adjustments reflect one-time transfers from dedicated funds and transfer to Rainy Day Fund and expenditure adjustments include one-time capital reversions from prior biennium.
Iowa	Rainy Day funds include the Cash Reserve Fund (\$222.4 million) and Economic Emergency Fund (\$3.3 million).
Kentucky	Revenue includes \$112 million in Tobacco Settlement funds. Revenue adjustments include Fund transfers (\$154 million) and Reserve for Continuing Appropriations (\$77 million). Expenditure adjustments include funds reserved for Continued Appropriations.
Louisiana	Revenue adjustments include a \$22.8 million general fund carry-forward, \$32.9 million utilization of prior year surplus, \$2.7 million utilization of fund balances, and \$17.3 million utilization of non-recurring revenue for capital outlay.
Maine	Revenue adjustments reflect \$12.4 million in legislative and statutory authorized transfers. The \$12.4 million includes \$14.2 million of unbudgeted lapsed balances, -\$37.6 million of statutory year-end transfers from unappropriated surplus, \$31.8 million of transfers and \$4 million of prior period and other accounting adjustments.
Maryland	Revenue adjustments reflect a \$37 million reduction resulting from a multi-year reconciliation of cash; and transfers to the General Fund of \$91 million from the Rainy Day Fund and \$383.6 million from various special funds.
Massachusetts	Fiscal 2005 beginning balance includes \$1,137.3 million in Rainy Day Fund balance.
Michigan	Revenue adjustments include federal and state law changes (\$98.4 million); revenue sharing law changes (\$506.3 million); sale of properties (\$15.6 million); a withdrawal from the Rainy Day Fund (\$81.3 million); deposits from state restricted revenues (\$21.5 million); and other revenue adjustments (-\$21.7 million).
Minnesota	Ending balance includes budget reserve of \$653 million, cash flow account of \$350 million and tax relief account of \$316.7 million.
Mississippi	Includes a \$57.7 million transfer to Working Cash Stabilization Reserve Fund.
Missouri	Revenues are net of refunds. Refunds for fiscal 2005 totaled \$1,071.3 million. Revenues include \$175.9 million transferred to the General Revenue Fund and \$45.2 million from bond proceeds for capital improvement projects.
Nebraska	Revenue adjustments reflect transfers between the General Fund and other funds. Per Nebraska law, includes a transfer to the Cash Reserve Fund (Rainy Day Fund) of the amount the prior year's net General Fund receipts exceeded the official forecast.
New Jersey	Reflects budget vs. GAAP adjustments.
New York	The ending balance includes over \$1.3 billion in the Tax Refund Reserve, \$872 million in the tax stabilization reserve fund (rainy day fund), \$325 million in the Community Projects Fund and \$21 million in reserve funds for litigation risks. Fiscal 2005 is based on actual audited results for the 2004-2005 state fiscal year.
North Carolina	Expenditure adjustments reflect a \$199.1 million increase to Rainy Day Fund, \$125 million increase to Repair and Renovation Reserve, and \$14.9 million transferred from Unreserved Credit balance.
North Dakota	Expenditure adjustment reflects transfer of \$100 million to the budget stabilization fund.



**NOTES TO TABLE A-1 (continued)**

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. Expenditures for fiscal 2005 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 \$394.2 million and miscellaneous transfers-out of \$193.5 million. These transfers-out are adjusted for a net change in encumbrances from fiscal 2004 levels of \$151.0 million.
Oklahoma	Rainy Day Fund Deposit reflects \$243.8 million and difference between Cash Flow reserve Fund fiscal 2005 vs. fiscal 2006 is \$57.5 million. Expenditure adjustments include deposits to Taxpayer Relief Fund of \$92 million and Oklahoma Cynamic Economy and Budget Stabilization Fund of \$92 million.
Pennsylvania	Revenue adjustment includes a \$.7 million adjustment to the beginning balance and \$97.2 million in prior year lapses. Expenditure adjustment reflects a \$64.4 million transfer (25 percent of the ending balance) to the budget stabilization reserve (rainy day) fund.
Rhode Island	Opening balance includes reappropriated surplus of \$10.1 million from fiscal 2004 and revenue adjustment reflects transfer to the budget stabilization fund. Total expenditures include expended reappropriations. Fiscal 2005 data based on audited values prepared in March, 2006, with ending balance variance from unaudited of \$105,276.
South Carolina	Correction of prior years accounting errors.
South Dakota	Revenue adjustments include \$7.4 million from one-time receipts; \$24.6 million transferred from the Property Tax Reduction Fund to cover the budget shortfall, and \$1.2 million in obligated cash carried forward from fiscal 2004. Expenditure adjustments include \$1.2 million transferred to the Budget Reserve Fund from the prior year's obligated cash and \$0.8 million in obligated cash to the Budget Reserve Fund.
Tennessee	Revenue adjustments include \$42.7 million in transfers from debt service fund unexpended appropriations; -\$58.4 million in transfers to Rainy Day Fund; and -\$44.5 million in reserves for dedicated revenue appropriations. Expenditure Adjustments include a \$36.3 million transfer to Transportation Equity Fund; a \$81 million transfer to capital outlay projects fund; a \$56 million transfer to systems development projects; and a \$47.6 million transfer to dedicated revenue appropriations.
Texas	The beginning balance is from the Comptroller's January 2005 Biennial Revenue Estimate. Revenues are from the Comptroller's February 2006 certification revenue estimate. The revenue adjustment is the actual change in dedicated account balances. Total expenditures are 2005 budgeted, as reported by the Legislative Budget Board. Expenditure adjustment includes \$905 million reserved for transfer to the Rainy Day Fund and other adjustments to reconcile the estimated ending balance.
Utah	Revenue adjustments include a \$107.2 million reserve from prior fiscal year; \$16.7 million from various restricted funds; a \$4.4 million reserve from surplus for Industrial Assistance Fund; \$3 million in other funds; -\$7.4 million surplus reserved for other uses; -\$69.3 million surplus transferred to the rainy day fund; and -\$117.6 million funds held in reserve for the following fiscal year.
Vermont	Revenue adjustments include -\$2 million in Economic Development Authority debt forgiveness; \$20.6 million direct applications and transfers in; \$13.8 million additional property transfer tax to the General Fund; and \$15.6 million from General Fund Surplus Reserve. Expenditure adjustments include \$4.8 million to the Transportation Fund; -\$1.7 million from the General Bond Fund; \$14.3 million to the Health Access Trust Fund; \$3.7 million to Internal Service Funds; \$3.1 million to miscellaneous other funds; \$1.3 million to the Budget Stabilization Reserve; and \$19.6 million to the General Fund Surplus Reserve.
Washington	The \$522.7 million represents transfers from other accounts to the General Fund and adjustments to balance to the official annual financial statement.
West Virginia	Revenue adjustments reflect a \$7.3 transfer from Special Revenue and \$0.3 prior year redeposits, for a total of \$7. Expenditure adjustments reflect a \$31.7 transfer to Rainy Day Fund.
Wisconsin	Revenue adjustments include interfund transfers (\$166.3 million), beginning unreserved designated opening balance (\$51.2 million) and tribal gaming revenue (\$3.8 million). Expenditure adjustments include interfund transfers (\$166.3 million), transfers to the MA Trust Fund (-\$70 million) and designations for continuing balances (-\$5.2 million).
Wyoming	The state 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 2006 State General Fund, Estimated (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Budget Stabilization Fund
<b>NEW ENGLAND</b>								
Connecticut**	\$0	\$14,606	\$0	\$14,606	\$14,094	\$0	\$512	\$943
Maine**	34	2,743	41	2,818	2,811	0	8	47
Massachusetts*	2,487	25,643	0	28,130	25,529	0	2,601	2,438
New Hampshire**	82	1,295	0	1,377	1,348	14	16	31
Rhode Island**	52	3,150	-64	3,138	3,142	-18	14	96
Vermont**	0	1,070	38	1,109	1,091	18	0	52
<b>MID-ATLANTIC</b>								
Delaware*	701	3,103	0	3,805	3,236	0	569	161
Maryland**	1,174	12,226	139	13,539	12,330	0	1,208	756
New Jersey* **	778	27,632	0	28,410	27,578	18	815	300
New York* **	2,546	47,981	0	50,527	47,226	0	3,301	945
Pennsylvania**	365	24,279	120	24,764	24,502	58	204	405
<b>GREAT LAKES</b>								
Illinois**	497	27,095	0	27,592	27,085	0	507	276
Indiana**	119	12,013	131	12,263	11,972	156	135	328
Michigan**	221	8,247	627	9,095	9,015	0	80	2
Ohio**	138	25,626	0	25,765	25,533	-215	447	575
Wisconsin* **	4	12,636	119	12,758	12,405	342	11	0
<b>PLAINS</b>								
Iowa**	0	5,220	0	5,220	4,930	86	203	391
Kansas	479	5,162	0	5,640	5,163	0	477	0
Minnesota**	1,393	15,306	0	16,699	15,813	0	886	1,003
Missouri**	300	7,244	0	7,545	7,153	0	392	246
Nebraska**	403	3,252	-266	3,389	2,968	97	324	274
North Dakota	69	1,038	0	1,107	975	0	132	100
South Dakota**	0	1,016	29	1,045	1,044	1	0	108
<b>SOUTHEAST</b>								
Alabama**	739	6,705	345	7,789	6,685	750	354	176
Arkansas	0	3,825	0	3,825	3,825	0	0	0
Florida	3,571	26,752	0	30,323	26,877	0	3,446	1,068
Georgia*	1,262	17,851	0	19,112	17,851	0	1,262	257
Kentucky**	469	8,308	345	9,121	8,402	192	528	119
Louisiana**	0	6,901	256	7,156	6,787	369	0	682
Mississippi**	52	4,262	0	4,315	4,014	301	0	28
North Carolina**	479	16,816	125	17,420	17,306	0	113	313
South Carolina*	533	5,899	0	6,432	5,750	0	682	154
Tennessee**	462	9,735	16	10,213	9,842	146	225	328
Virginia	557	15,335	0	15,892	15,206	0	686	1,065
West Virginia**	361	3,520	54	3,934	3,889	45	0	124
<b>SOUTHWEST</b>								
Arizona* **	639	8,706	-42	9,302	8,255	0	1,047	165
New Mexico*	688	5,221	0	5,909	5,398	0	511	471
Oklahoma	10	5,620	0	5,629	5,512	0	118	496
Texas**	3,739	31,901	86	35,725	32,283	100	3,343	174
<b>ROCKY MOUNTAIN</b>								
Colorado* **	237	6,958	-318	6,878	6,507	0	370	119
Idaho**	214	2,229	-103	2,340	2,224	0	116	39
Montana**	290	1,543	1	1,834	1,611	0	222	0
Utah**	106	4,405	-78	4,432	4,432	0	0	195
Wyoming**	5	1,247	0	1,252	1,242	0	10	892
<b>FAR WEST</b>								
Alaska**	0	4,428	-533	3,896	3,896	0	0	2,308
California*	9,634	87,691	0	97,325	90,294	0	7,031	0
Hawaii	486	4,754	0	5,240	4,666	0	574	0
Nevada	161	2,927	0	3,087	2,905	0	183	0
Oregon	309	5,918	0	6,227	5,736	0	491	0
Washington**	870	13,078	-136	13,812	12,769	0	1,043	267
<b>Total***</b>	<b>\$37,713</b>	<b>\$600,104</b>	<b>-</b>	<b>\$638,759</b>	<b>\$601,104</b>	<b>-</b>	<b>\$35,196</b>	<b>\$18,913</b>

NOTES: NA Indicates data are not available. \*In these states, the ending balance includes the balance in the budget stabilization fund.

\*\*See Notes to Table A-2.

SOURCE: National Association of State Budget Officers.

**NOTES TO TABLE A-2**

Alabama	Revenue adjustments include a \$47.2 million Transfer of Tobacco Settlement Revenue to the General Fund; \$17.2 million Temporary Increase percent Sales Tax to General Fund; \$31.9 million Unrealized Capital Gains; \$18 million Supersede as Bond; \$ -3.5 million Proposed Sales Tax Holiday; and \$233.9 million Proposed Transfer from Proration Prevention Account. Expenditure adjustments include \$-3.0 million in FMAP Savings; \$500 million Proposed Supplemental for Capital Outlay; and \$252.9 million Transfers to Rainy Day Funds.
Alaska	Spring Revenue Source Book is not out until mid-April. The Revenue, Expenditure, and Surplus amount is from OMB's 3/7/06 Governor's Amended Fiscal Summary.
Arizona	Revenues adjustments reflect enacted fund transfers and Ladewig lawsuit payments. Estimated General Fund revenue and executive recommendations are as of Jan 13, 2006.
Colorado	Adjustments include diversions to the Older Coloradan's Program, the Highway User's Tax Fund and State Education Fund. Ending balance includes \$118.8 million above 4 percent statutory reserve requirement. Per current Colorado Statute, these monies will be allocated for transportation and capital construction needs.
Connecticut	Includes the expenditure of \$85.5 million to pre-fund Economic Recovery Notes and a \$91 million carry-forward to fiscal year 2007.
Idaho	Revenue adjustments include the following transfers: \$22.7 million to the Budget Stabilization Fund; \$9.4 million to deficiency warrant funds; \$4.6 million to endowment funds; and \$3.0 million to the Revolving Development Fund. There is also a \$63.2 million transfer to provide energy assistance checks to Idaho residents.
Indiana	Total Expenditures include additional expenditures for Tuition Support of \$20.1 million. Revenue adjustments reflect one-time revenue from Tax Amnesty Program in Excess of Plan and expenditure adjustments reflect reversal of payment delays.
Iowa	Revenue estimates are from the March 24, 2006 REC meeting. Revenue adjustments are based upon the Governor's recommendation of a reimbursement for additional agents on Riverboats. Expenditure adjustments include changes in appropriations of \$1.1 million and the enacted supplemental of \$86.4 million. Rainy Day funds include the Cash Reserve Fund (\$367.7 million) and the Economic Emergency Fund (\$24.2 million).
Kentucky	Revenue includes \$91 million in Tobacco Settlement funds. Revenue adjustments include Fund transfers (\$243 million) and Reserve for Continuing Appropriations (\$101 million). Expenditure adjustments include funds reserved for Continued Appropriations.
Louisiana	Revenue adjustments include a \$37.8 million general fund carry-forward, \$153.9 million utilization of Budget Stabilization Fund, \$57.6 million transfer of balances to the General Fund by Executive Order KBB 2005-82, \$6.4 million Transfer of balances to the General Fund by Act 67 of 2005 First Special Session. Expenditures adjustments reflect savings of -\$31 million from Executive Order KBB 2005-82 spending freeze, -\$1.2 million in savings from Act 67, \$401.7 million projected supplemental needs including \$156 million for funding match for FEMA invoices.
Maine	Revenue adjustments reflect \$41.2 million in legislative and statutory authorized transfers.
Maryland	Revenue adjustments reflect transfers to the General Fund of \$90 million from transfer tax revenues and \$48.5 million from the local share of highway user revenues.
Michigan	Revenue adjustments include federal and state law changes (-\$39.4 million); revenue sharing law changes (\$550.5 million); deposits from state restricted revenues (\$68.8 million); and several pending property sales (\$47.0 million).
Minnesota	Ending balance includes budget reserve of \$653 million and cash flow account of \$350 million.
Mississippi	Includes a \$.35 million special fund transfer to the general fund and a \$291.9 million transfer to the Budget Contingent Fund (BCF).
Missouri	Revenues are net of refunds. Estimated refunds for fiscal 2006 total \$1,195.3 million. Revenues include \$204.4 million transferred to the General Revenue Fund.
Montana	Includes supplemental appropriations of \$24.5 million.
Nebraska	Revenue adjustments reflect transfers between the General Fund and other funds. Per Nebraska law, includes a transfer to the Cash Reserve Fund (Rainy Day Fund) of the amount the prior year's net General Fund receipts exceeded the official forecast. Expenditure adjustments reflect carryover appropriations from the prior fiscal year. The revenue forecasts for fiscal 2006 and fiscal 2007 have been revised since the amounts shown were included in the Governor's budget recommendations. Official revenue estimates have increased by \$26.0 million for fiscal 2006 and by \$21.0 million for fiscal 2007.
New Hampshire	Expenditure adjustments reflect a \$3.5 million transfer to Rainy Day Fund.
New Jersey	Reflects transfers to other funds that are not part of the General Fund.

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

New York	The ending balance per the 2006-2007 Executive Budget (as amended) includes over \$2 billion in the spending stabilization reserve, \$945 million in the tax stabilization reserve fund (rainy day fund), \$286 million in the Community Projects Fund and \$21 million in reserve funds for litigation risks. Fiscal 2006 & fiscal 2007 are based on estimates included in the 2006-2007 Executive Budget, as amended in February 2006. These estimates are used for consistency with the other states, since NY's fiscal year runs from April-March.
North Carolina	Revenue Adjustments reflect \$125 million transferred from Repair and Renovation Reserve.
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. Expenditures for fiscal 2006 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 miscellaneous transfers-out of \$49.6 million. These transfers-out are adjusted for an anticipated net change in encumbrances from fiscal 2005 levels of -\$265 million.
Pennsylvania	Revenue adjustment includes \$120 million in estimated prior year lapse. Expenditures include supplemental appropriations. Expenditure adjustment includes \$10 million estimated current year lapse and \$68 million transfer (25 percent of the ending balance) to the rainy day fund.
Rhode Island	Opening balance based on audited fiscal 2005 closing statements, and includes \$13.5 million reappropriated surplus from fiscal 2005 and expenditure adjustments of \$18.2 million to reflect change in treatment of local match for Medicaid special education. Revenue adjustments reflect transfers to the budget stabilization fund and expenditure adjustment indicates net of expended reappropriations and revised appropriations.
South Dakota	Revenue adjustments include \$2.3 million from one-time receipts; \$26.2 million from the Property Tax Reduction Fund to cover the projected budget shortfall; and \$0.8 million in obligated cash carried forward from fiscal 2005. Expenditure adjustments include \$0.8 million transferred to the Budget Reserve Fund from the prior year's obligated cash.
Tennessee	Revenue adjustments include a \$65 million transfer from debt service fund unexpended appropriations and a -\$49.3 million to Rainy Day Fund. Expenditure adjustments include a \$32 million transfer to Transportation Equity Fund; a \$68.8 million transfer to capital outlay projects fund; a \$10 million transfer to Highway Fund; and \$35.5 million for dedicated revenue appropriations.
Texas	The beginning balance and revenues are from the Comptroller's February 2006 certification revenue estimate. Total expenditures are 2006 appropriated, as reported by the Legislative Budget Board. Expenditure adjustment is to reconcile appropriations to the Comptroller's estimated ending balance.
Utah	Revenue adjustments include \$117.6 million funds held in reserve from fiscal 2005 for use in fiscal 2006; \$25 million repayment of disaster loan from Washington County; \$7.4 million fiscal 2005 surplus held in reserve from prior fiscal year; \$6.8 million in other miscellaneous funds; \$1.6 million from restricted accounts; -\$49 million transfer to rainy day funds; and - \$187.4 million held in reserve for next fiscal year.
Vermont	Revenue adjustments include \$6.5 million direct applications and transfers in; \$12.2 million increase in property transfer tax revenue estimate; and \$19.6 million from General Fund Surplus Reserve. Expenditure adjustments include \$10 million to the Transportation Fund; -\$8.3 million from the Human Services Caseload Reserve; \$6.1 million to the Budget Stabilization Reserve; and \$9.8 million to the General Fund Surplus Reserve.
Washington	The \$(136) is the net amount for transfers from other accounts to the General Fund and a transfer to the Emergency Reserve Fund.
West Virginia	Revenue adjustments include a \$53.5 transfer from Special Revenue and \$0.1 million prior year redeposits, for a total of \$53.6 million. Expenditure adjustments include a \$44.9 transfer to Rainy Day Fund. Ending balances for fiscal 2006 and fiscal 2007 assumes all appropriations will be expended and does not anticipate ending balances. However, some amounts will remain and be reappropriated to the next fiscal year.
Wisconsin	Revenue adjustments are \$118.6 million in Tribal Gaming revenue. Expenditure adjustments are cost transfers of \$341.8 million to the MA trust fund. Also included with expenditures is a compensation reserve of \$90.1 million.
Wyoming	The state 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 2007 State General Fund, Recommended (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Budget Stabilization Fund
<b>NEW ENGLAND</b>								
Connecticut	\$0	\$14,911	\$0	\$14,911	\$14,911	\$0	\$0	\$943
Maine**	8	2,900	-27	2,881	2,869	0	12	77
Massachusetts*	2,601	26,505	0	29,107	26,522	0	2,585	2,419
New Hampshire	16	1,352	0	1,368	1,365	0	2	61
Rhode Island**	14	3,204	-64	3,154	3,154	0	0	97
Vermont**	0	1,093	34	1,126	1,123	3	0	55
<b>MID-ATLANTIC</b>								
Delaware* **	569	3,178	1	3,747	3,262	0	485	170
Maryland**	1,208	12,833	780	14,821	14,789	0	32	644
New Jersey*	815	30,119	0	30,934	30,334	0	600	300
New York* **	3,301	50,209	0	53,510	49,677	0	3,833	945
Pennsylvania**	204	25,225	0	25,429	25,425	1	3	414
<b>GREAT LAKES</b>								
Illinois**	507	28,338	0	28,845	28,320	0	525	276
Indiana**	135	12,465	0	12,600	12,322	277	1	443
Michigan**	80	8,436	739	9,255	9,253	0	2	2
Ohio**	447	25,860	0	26,307	26,053	88	167	575
Wisconsin* **	11	13,066	86	13,163	13,128	25	10	0
<b>PLAINS</b>								
Iowa**	0	5,315	47	5,362	5,294	0	68	413
Kansas	477	5,225	0	5,702	5,306	0	396	0
Minnesota* **	886	16,058	0	16,944	15,782	0	1,162	1,162
Missouri**	392	7,494	0	7,886	7,886	0	0	261
Nebraska**	324	3,225	-148	3,401	3,191	5	205	416
North Dakota	132	978	0	1,110	1,015	0	95	100
South Dakota**	0	1,059	5	1,065	1,065	0	0	103
<b>SOUTHEAST</b>								
Alabama**	354	6,930	-19	7,264	7,188	72	4	248
Arkansas	0	4,059	0	4,059	4,059	0	0	0
Florida	3,446	26,459	0	29,905	28,473	0	1,432	1,226
Georgia*	1,262	18,655	0	19,916	18,655	0	1,262	257
Kentucky**	528	8,453	256	9,237	8,770	152	315	119
Louisiana	0	7,118	0	7,118	7,118	0	0	682
Mississippi**	0	4,479	0	4,479	4,390	51	38	79
North Carolina	113	17,806	0	17,919	17,396	0	523	313
South Carolina*	682	6,024	0	6,705	6,426	0	280	168
Tennessee**	225	10,166	-57	10,334	10,191	143	0	382
Virginia	686	16,737	0	17,423	17,422	0	2	1,104
West Virginia**	0	3,629	0	3,629	3,629	0	0	124
<b>SOUTHWEST</b>								
Arizona* **	1,047	9,232	-154	10,125	10,100	0	25	345
New Mexico*	471	5,238	0	5,708	5,184	0	524	534
Oklahoma	118	6,288	0	6,405	6,117	0	288	0
Texas**	3,343	32,927	128	36,398	31,843	2,539	2,017	61
<b>ROCKY MOUNTAIN</b>								
Colorado* **	252	7,429	-463	7,217	6,951	0	267	0
Idaho**	116	2,307	-113	2,310	2,310	0	0	106
Montana**	222	1,597	0	1,819	1,610	0	210	0
Utah**	0	4,642	123	4,764	4,748	0	16	195
Wyoming**	10	1,443	0	1,453	1,448	0	5	457
<b>FAR WEST</b>								
Alaska**	0	4,005	-317	3,688	3,688	0	0	2,233
California*	7,031	91,545	0	98,576	97,902	0	674	0
Hawaii	574	4,746	0	5,321	5,168	0	152	0
Nevada	183	3,118	0	3,300	3,103	0	198	0
Oregon	491	6,075	0	6,565	5,757	0	808	0
Washington**	1,043	13,365	-1	14,407	13,184	0	1,223	354
<b>Total***</b>	<b>\$34,322</b>	<b>\$623,517</b>	<b>-</b>	<b>\$658,675</b>	<b>\$634,873</b>	<b>-</b>	<b>\$20,446</b>	<b>\$18,859</b>

NOTES: NA Indicates data are not available. \*In these states, the ending balance includes the balance in the budget stabilization fund.

\*\*See Notes to Table A-3.

SOURCE: National Association of State Budget Officers.

## NOTES TO TABLE A-3

Alabama	Revenue adjustments include a \$12.3 million Transfer from Tobacco Settlement Revenue to the General Fund; -\$3.5 million Proposed Sales Tax Holiday; and \$28 million Proposed Income Tax Cut. Expenditure adjustments include a \$72 million Transfers to Rainy Day Funds.
Alaska	Absent the Spring Revenue Source Book, the fiscal 2007 balance is the balance on 3/30/06 as posted on Dept. of Revenue's Cash Management website.
Arizona	Revenue adjustments reflect Ladewig lawsuit settlement monies, a judicial collection program, a rental property tax enforcement program, revenue maximization program, and targeted tax relief proposed by the Governor. Estimated General Fund revenue and executive recommendations are as of Jan 13, 2006.
Colorado	Adjustments include diversions to the Older Coloradan's Program, the Highway User's Tax Fund and State Education Fund. Ending balance includes \$118.8 million above 4 percent statutory reserve requirement. Per current Colorado Statute, these monies will be allocated for transportation and capital construction needs.
Delaware	Revenue adjustments include estimated \$600,000 revenue from opening of the Delaware Veterans Home in spring calendar year 2007.
Idaho	Revenue adjustments include transfers of \$67.7 million to the Permanent Building Fund; \$67.0 million to the Budget Stabilization Fund; and \$21.3 million back from the Revolving Development Fund.
Indiana	Total expenditures include additional expenditures for Tuition Support totaling \$48 million and additional property tax relief of \$99.3 million. Expenditure adjustments reflect payment delays of \$176.5 million and one-time transfer to Rainy Day Fund of \$100 million.
Iowa	Revenue estimates are from the March 24, 2006 REC meeting. Revenue adjustments are based upon the Governor's recommendation of a miscellaneous tax and revenue items. Rainy Day funds include an estimated \$389.2 million in the Cash Reserve Fund and \$24.1 million in the Economic Emergency Fund.
Kentucky	Revenue includes \$89 million in Tobacco Settlement funds. Revenue adjustments include Fund transfers (\$105 million) and Reserve for Continuing Appropriations (\$152 million). Expenditures adjustments include funds reserved for Continued Appropriations.
Maine	Revenue adjustments reflect -\$26.6 million in legislative and statutory authorized transfers.
Maryland	Revenue adjustments reflect transfers to the General Fund of \$770 million from the Rainy Day Fund to fund appropriations to the Dedicated Purpose Account of the State Reserve Fund (\$670 million reserved for fiscal 2008 expenditures and \$100 million reserved for the cost of health care for retirees) and a \$10 million reimbursement from the reserve for Heritage Tax Credits.
Michigan	Revenue adjustments include federal and state law changes (-\$58.8 million); revenue sharing law changes (\$600.2 million); deposits from state restricted revenues (\$35.8 million); and several pending actions including the sale of properties (\$28.0 million); and tax policy changes and revenue options (\$134.2 million).
Minnesota	Ending balance includes budget reserve of \$812.1 million and cash flow account of \$350 million.
Mississippi	A \$51.4 million transfer to Working Cash Stabilization Reserve Fund.
Missouri	Revenues are net of refunds. Estimated refunds for fiscal 2007 total \$1,245.1 million. Revenues include \$136.1 million transferred to the General Revenue Fund.
Montana	Includes supplemental appropriations of \$44.2 million.
Nebraska	Revenue adjustments reflect transfers between the General Fund and other funds. Per Nebraska law, includes a transfer to the Cash Reserve Fund (Rainy Day Fund) of the amount the prior year's net General Fund receipts are estimated to exceed the official forecast. Expenditure adjustments include a small amount reserved for supplemental/deficit appropriations. The revenue forecasts for fiscal 2006 and fiscal 2007 have been revised since the amounts shown were included in the Governor's budget recommendations. Official revenue estimates have increased by \$26.0 million for fiscal 2006 and by \$21.0 million for fiscal 2007.
New York	The ending balance per the 2006-2007 Executive Budget (as amended), includes over \$2.1 billion in the spending stabilization reserve, \$945 million in the tax stabilization reserve fund (rainy day fund), \$275 million in a Collective Bargaining Reserve, \$250 million in a Debt reduction Reserve, \$236 million in the Community Projects Fund and \$21 million in reserve funds for litigation risks.
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. Expenditure adjustments reflect projected miscellaneous transfers-out of \$87.6 million.
Pennsylvania	Expenditure adjustment includes \$1 million transfer (25 percent of the ending balance) to the budget stabilization reserve (rainy day) fund.

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


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Rhode Island	Revenue adjustments for all years reflect transfers to the budget stabilization fund.
South Dakota	Revenue adjustments include \$5.3 million from the Property Tax Reduction Fund to cover the projected budget shortfall.
Tennessee	Revenue adjustments include a -57.1 million transfer to Rainy Day Fund. Expenditure adjustments include a \$32 million transfer to Transportation Equity Fund; a \$61.8 million transfer to capital outlay projects fund; an \$11 million transfer to Highway Fund; a \$22 million transfer to local government fund (state-shared taxes); and a \$16.3 million transfer to dedicated revenue appropriations.
Texas	The beginning balance and revenues are from the Comptroller's February 2006 certification revenue estimate. Total expenditures are 2007 appropriated, as reported by the Legislative Budget Board. Expenditure adjustment is to reconcile appropriations to the Comptroller's estimated ending balance, and includes \$1.8 billion in contingency appropriations for public education/property tax relief that have yet to take effect, and an estimated \$427 million reserved for transfer to the Rainy Day Fund.
Utah	Revenue adjustments include \$187.4 million fiscal 2006 reserve held for fiscal 2007; \$2.3 million mineral lease transfer; -\$7 million in other miscellaneous funds; and -\$60 million revenue reduction for tax reform.
Vermont	Revenue adjustments include -\$1.9 million Streamlined Sales Tax; \$16.4 million direct applications and transfers in; \$9.7 million increase in property transfer tax revenue estimate; -\$5 million downtown revitalization tax credit; and \$9.8 million from General Fund Surplus Reserve. Expenditure adjustments include \$2.7 million to the Budget Stabilization Reserve.
Washington	The \$(1.2) is the net amount for transfers from other accounts to the General Fund and a transfer to the Emergency Reserve Fund.
West Virginia	Ending balances for fiscal 2006 and fiscal 2007 assumes all appropriations will be expended and does not anticipate ending balances. However, some amounts will remain and be reappropriated to the next fiscal year.
Wisconsin	Revenue adjustments are \$86.3 million in Tribal revenues. Expenditure adjustments are cost transfers of \$25.3 million to the MA trust fund and a compensation reserve of \$178.3 million.
Wyoming	The state 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 2006 and Fiscal 2007\***

<i>Region/State</i>	<i>Fiscal 2006</i>	<i>Fiscal 2007</i>
<b>NEW ENGLAND</b>		
Connecticut	1.3%	5.8%
Maine	0.9	2.1
Massachusetts	7.3	3.9
New Hampshire	1.7	1.3
Rhode Island	7.4	0.4
Vermont	5.1	3.0
<b>MID-ATLANTIC</b>		
Delaware	14.6	0.8
Maryland	9.5	19.9
New Jersey	-1.0	10.0
New York	8.3	5.2
Pennsylvania	6.3	3.8
<b>GREAT LAKES</b>		
Illinois	4.8	4.6
Indiana	1.5	2.9
Michigan	4.3	2.6
Ohio	2.8	2.0
Wisconsin	4.6	5.8
<b>PLAINS</b>		
Iowa	7.1	7.4
Kansas	10.1	2.8
Minnesota	8.8	-0.2
Missouri	0.4	10.3
Nebraska	9.1	7.5
North Dakota	7.9	4.1
South Dakota	5.6	2.0
<b>SOUTHEAST</b>		
Alabama	12.1	7.5
Arkansas	5.4	6.1
Florida	10.0	5.9
Georgia	8.9	4.5
Kentucky	9.1	4.4
Louisiana	-6.0	4.9
Mississippi	4.7	9.4
North Carolina	9.5	0.5
South Carolina	13.3	11.7
Tennessee	8.0	3.5
Virginia	9.6	14.6
West Virginia	14.0	-6.7
<b>SOUTHWEST</b>		
Arizona	9.4	22.3
New Mexico	14.6	-4.0
Oklahoma	11.5	11.0
Texas	8.7	-1.4
<b>ROCKY MOUNTAIN</b>		
Colorado	6.5	6.8
Idaho	5.4	3.8
Montana	17.9	-0.1
Utah	11.4	7.1
Wyoming	-4.4	16.6
<b>FAR WEST</b>		
Alaska	27.9	-5.3
California	13.1	8.4
Hawaii	11.5	10.8
Nevada	-6.3	6.8
Oregon	20.1	0.4
Washington	4.5	3.3
<b>Average</b>	<b>7.7%</b>	<b>5.6%</b>

\*Fiscal 2006 reflects changes from fiscal 2005 expenditures (actual) to fiscal 2006 expenditures (estimated). Fiscal 2007 reflects changes from fiscal 2006 expenditures (estimated) to fiscal 2007 expenditures (recommended).

**SOURCE:** National Association of State Budget Officers.



TABLE A-5

## Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2006

<i>Region/State</i>	<i>Fees</i>	<i>Layoffs</i>	<i>Furloughs</i>	<i>Early Retirement</i>	<i>Across-the-Board Percentage Cuts</i>	<i>Targeted Cuts</i>	<i>Reduce Local Aid</i>	<i>Programs Reorganized</i>	<i>Privatization</i>	<i>Rainy Day Fund</i>	<i>Other</i>
<b>NEW ENGLAND</b>											
Connecticut											
Maine											
Massachusetts											
New Hampshire*											x
Rhode Island*						x					x
Vermont											
<b>MID-ATLANTIC</b>											
Delaware											
Maryland											
New Jersey											
New York											
Pennsylvania											
<b>GREAT LAKES</b>											
Illinois											
Indiana					x	x		x	x		
Michigan*											x
Ohio											
Wisconsin											
<b>PLAINS</b>											
Iowa											
Kansas											
Minnesota											
Missouri											
Nebraska											
North Dakota											
South Dakota										x	
<b>SOUTHEAST</b>											
Alabama											
Arkansas											
Florida											
Georgia											
Kentucky											
Louisiana		x	x	x		x	x			x	
Mississippi											
North Carolina											
South Carolina											
Tennessee											
Virginia											
West Virginia											
<b>SOUTHWEST</b>											
Arizona											
New Mexico										x	
Oklahoma											
Texas											
<b>ROCKY MOUNTAIN</b>											
Colorado											
Idaho											
Montana											
Utah											
Wyoming											
<b>FAR WEST</b>											
Alaska											
California											
Hawaii											
Nevada											
Oregon											
Washington											
<b>Total</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>3</b>

NOTE: \*See Notes to Table A-5.

SOURCE: National Association of State Budget Officers.

**NOTES TO TABLE A-5**

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Michigan	General Fund year end balance.
New Hampshire	Additional appropriation to cover energy shortfalls.
Rhode Island	One time miscellaneous revenue adjustments.

TABLE A-6

## Fiscal 2006 Tax Collections Compared with Projections Used in Adopting Fiscal 2006 Budgets (Millions)\*\*

Region and State	Sales Tax		Personal Income Tax		Corporate Income Tax		Total
	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Revenue Collection***
NEW ENGLAND							
Connecticut	\$ 3,432	\$ 3,385	\$ 5,786	\$ 6,080	\$646	\$751	H
Maine	1,011	980	1,168	1,239	119	165	H
Massachusetts	4,066	4,067	9,787	10,155	1,811	1,314	H
New Hampshire	N/A	N/A	N/A	N/A	246	246	H
Rhode Island	888	882	1,034	1,016	110	112	L
Vermont	211	215	491	515	46	63	H
MID-ATLANTIC							
Delaware	N/A	N/A	953	994	131	148	H
Maryland	3,256	3,351	5,801	6,203	501	625	T
New Jersey	6,890	6,733	10,335	10,585	2,555	3,032	T
New York*	11,220	11,181	30,345	30,988	6,109	6,929	H
Pennsylvania	8,269	8,281	9,182	9,332	2,059	2,129	H
GREAT LAKES							
Illinois	6,873	6,950	8,235	8,461	1,266	1,488	H
Indiana	5,187	5,174	4,371	4,208	757	811	T
Michigan	6,905	6,800	6,176	6,171	1,914	1,818	T
Ohio	7,481	7,481	8,674	8,674	953	953	H
Wisconsin	4,182	4,182	6,145	6,025	683	770	T
PLAINS							
Iowa	1,850	1,885	2,791	2,812	296	312	T
Kansas	1,950	1,980	2,130	2,230	210	260	H
Minnesota	4,395	4,468	6,566	6,609	768	957	H
Missouri*	1,948	1,949	4,184	4,399	342	365	T
Nebraska*	1,252	1,265	1,440	1,508	186	214	H
North Dakota	432	446	227	250	42	78	H
South Dakota	565	569	N/A	N/A	N/A	N/A	H
SOUTHEAST							
Alabama	1,873	1,934	2,405	2,615	314	405	H
Arkansas	1,999	1,999	1,879	1,879	272	272	H
Florida	18,642	19,101	N/A	N/A	1,841	2,191	H
Georgia	5,638	5,560	7,748	7,778	564	793	H
Kentucky	2,689	2,707	2,976	2,926	394	866	T
Louisiana	2,269	2,357	2,416	2,043	428	251	L
Mississippi	1,591	1,652	1,150	1,219	358	381	H
North Carolina	4,693	4,972	8,840	9,390	906	1,138	H
South Carolina	2,396	2,444	2,633	2,897	175	250	H
Tennessee*	6,346	6,432	162	165	1,358	1,420	H
Virginia	2,828	2,812	8,335	9,075	508	722	H
West Virginia	972	991	1,153	1,239	245	308	H
SOUTHWEST							
Arizona	3,866	4,125	2,875	3,381	820	850	H
New Mexico	2,025	2,049	1,012	1,055	210	364	H
Oklahoma	1,388	1,438	2,137	2,310	143	198	H
Texas	16,558	16,898	N/A	N/A	N/A	N/A	H
ROCKY MOUNTAIN							
Colorado	1,952	1,949	3,674	3,976	316	435	T
Idaho	784	836	1,046	1,097	134	164	H
Montana	3	3	607	678	81	91	H
Utah	1,614	1,705	1,940	2,105	203	233	H
Wyoming	327	390	N/A	N/A	N/A	N/A	H
FAR WEST							
Alaska*	N/A	N/A	N/A	N/A	329	694	H
California	26,951	27,184	43,231	45,493	8,822	9,621	T
Hawaii	2,144	2,313	1,400	1,498	71	127	H
Nevada	950	950	N/A	N/A	N/A	N/A	H
Oregon	N/A	N/A	4,942	5,141	261	425	H
Washington	6,766	7,175	N/A	N/A	N/A	N/A	H
Total	\$199,526	\$202,198	\$228,378	\$236,410	\$40,501	\$45,737	-

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

\*See Notes to Table A-6.

\*\*Unless otherwise noted, original estimates reflect the figures used when the fiscal 2005 budget was adopted, and current estimates reflect preliminary actual tax collections.

\*\*\*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**


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Alaska	The Department of Revenue verbally provided corporate tax information that will appear in the Spring Revenue Source Book. Current estimates and projects represent both oil and non-oil corporate income tax.
Missouri	Figures are net of refunds. Sales tax figures include the first and second year (of four) of the distribution of sales tax collections on motor vehicles from the state's general revenue fund to the state's transportation fund. Corporate estimates include franchise taxes.
Nebraska	The revenue forecasts for fiscal 2006 and fiscal 2007 have been revised since the amounts shown were included in the Governor's budget recommendations. Official revenue estimates have increased by \$26.0 million for fiscal 2006 and by \$21.0 million for fiscal 2007.
New York	Based on All Governmental Funds. Recent accounting change now excludes the Refund Reserve from personal income tax collections.
Tennessee	Corporate Income Tax includes excise tax and franchise tax. Sales tax, personal income tax and corporate excise tax are shared with local governments.

TABLE A-7

## Fiscal 2006 Tax Collections Compared with Projections Used in Adopting Fiscal 2007 Budgets (Millions)

Region/State	Sales Tax		Personal Income Tax		Corporate Income Tax	
	Fiscal 2006	Fiscal 2007	Fiscal 2006	Fiscal 2007	Fiscal 2006	Fiscal 2007
<b>NEW ENGLAND</b>						
Connecticut	\$ 3,385	\$ 3,521	\$ 6,080	\$ 6,450	\$751	\$708
Maine	980	1,031	1,239	1,292	165	159
Massachusetts	4,067	4,285	10,155	10,691	1,314	1,258
New Hampshire	N/A	N/A	N/A	N/A	246	246
Rhode Island	882	926	1,016	1,067	112	112
Vermont	215	228	515	533	63	54
<b>MID-ATLANTIC</b>						
Delaware	N/A	N/A	994	1,028	148	157
Maryland	3,351	3,502	6,203	6,575	625	686
New Jersey	6,733	8,410	10,585	11,615	3,032	2,710
New York*	11,181	11,538	30,988	33,663	6,929	6,964
Pennsylvania	8,281	8,621	9,332	9,849	2,129	2,142
<b>GREAT LAKES</b>						
Illinois	6,950	7,280	8,461	8,884	1,488	1,688
Indiana	5,174	5,472	4,208	4,523	811	804
Michigan	6,800	7,049	6,171	6,324	1,818	1,848
Ohio	7,481	7,806	8,674	8,803	953	838
Wisconsin	4,182	4,358	6,025	6,405	770	785
<b>PLAINS</b>						
Iowa	1,885	1,946	2,812	2,918	312	320
Kansas	1,980	1,997	2,230	2,360	260	260
Minnesota	4,468	4,646	6,609	7,009	957	886
Missouri*	1,949	1,985	4,399	4,677	365	393
Nebraska	1,265	1,310	1,508	1,580	214	200
North Dakota	446	467	250	237	78	42
South Dakota	569	600	N/A	N/A	N/A	N/A
<b>SOUTHEAST</b>						
Alabama	1,934	2,024	2,615	2,734	405	423
Arkansas	1,999	2,089	1,879	1,971	272	280
Florida	19,101	19,808	N/A	N/A	2,191	2,253
Georgia	5,560	5,926	7,778	8,193	793	829
Kentucky	2,707	2,771	2,926	3,084	866	852
Louisiana	2,357	2,289	2,043	2,151	251	242
Mississippi	1,652	1,752	1,219	1,304	381	403
North Carolina	4,972	4,973	9,390	9,686	1,138	1,067
South Carolina	2,444	2,554	2,897	2,974	250	224
Tennessee*	6,432	6,741	165	175	1,420	1,448
Virginia	2,812	3,150	9,075	9,610	722	747
West Virginia	991	1,018	1,239	1,318	308	296
<b>SOUTHWEST</b>						
Arizona	4,125	4,475	3,381	3,648	850	863
New Mexico	2,049	2,146	1,055	1,067	364	323
Oklahoma	1,438	1,490	2,310	2,431	198	193
Texas	16,898	17,774	N/A	N/A	N/A	N/A
<b>ROCKY MOUNTAIN</b>						
Colorado	1,949	2,067	3,976	4,274	435	479
Idaho	836	850	1,097	1,164	164	174
Montana	3	3	678	713	91	97
Utah	1,705	1,805	2,105	2,235	233	240
Wyoming	390	395	N/A	N/A	N/A	N/A
<b>FAR WEST</b>						
Alaska	N/A	N/A	N/A	N/A	694	552
California	27,184	28,295	45,493	48,716	9,621	10,024
Hawaii	2,313	2,521	1,498	1,625	127	91
Nevada	950	1,007	N/A	N/A	N/A	N/A
Oregon	N/A	N/A	5,141	5,407	425	280
Washington	7,175	7,385	N/A	N/A	N/A	N/A
<b>Total***</b>	<b>\$202,198</b>	<b>\$212,286</b>	<b>\$236,410</b>	<b>\$250,961</b>	<b>\$45,737</b>	<b>\$45,638</b>

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

\*See Notes to Table A-7.

\*\* Unless otherwise noted, fiscal 2006 figures reflect preliminary actual tax collections estimates as shown in Table A-7, and fiscal 2007 figures reflect the estimates used in enacted budgets.

SOURCE: National Association of State Budget Officers.

**NOTES TO TABLE A-7**

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New York	Based on All Governmental Funds. Recent accounting change now excludes the Refund Reserve from personal income tax collections.
Tennessee	Corporate Income Tax includes excise tax and franchise tax. Sales tax, personal income tax and corporate excise tax are shared with local governments.

TABLE A-8

## Proposed Revenue Changes by Type of Revenue, Fiscal 2007

State	Tax Change Description	Effective Date	Fiscal 2007 Revenue Changes (\$ in Millions)
<b>SALES TAXES</b>			
Alabama	Reflects sales tax holiday.	8/06	-\$3.5
Arizona	Sales tax holiday, exempting selected back-to-school purchases.		-25.0
California	Reflects use tax on luxury vessels.	7/06	35.0
Florida	Sales tax holiday on hurricane preparedness supplies.	7/06	-54.2
	Sales tax holiday on clothing, school supplies & books.	7/06	-32.0
	Exempt Machinery and Equipment for Space and Defense Industries.	7/06	-2.6
	Exempt Machinery and Equipment for Expanding Manufacturers.	7/06	-19.7
	Exempt Machinery and Equipment for Research & Development.	7/06	-23.4
	Hydrogen Initiatives (sales & corporate).	7/06	-8.8
Georgia	Temporary Sales Tax Exemption on Natural and Propane Gas.	Jan to Mar 2006	-20.0
Idaho	Increase the circuit breaker property tax relief program funded by the state.	7/06	-7.3
Indiana	Reflects tax exemption on RV Sales (\$6.8), Home Energy Sales Tax Exemption (\$2.2), and Courts \$1.0.		-8
Michigan	Eliminate tax exemptions for certain interstate calls, interstate trucks and trailers, driver education vehicles, inmate purchases, and out-of-state company purchases.	10/06	42.9
Nebraska	Exempt contractor labor on remodeling or home improvement.	1/07	-16.1
New Jersey	Increase sales tax rate from 6 percent to 7 percent.	7/06	1085.0
	Broaden sales tax base.	10/06	248.0
New Mexico	Reflects Licensing Fees, Bed Surtax, and Sales Tax Exemptions.	7/06	-8.3
New York	Reflects Sales Tax Vendor Credit.	various	-13
	Reflects Exemption for Energy Star Products.	various	-6
	Reflects exemption of clothing & footwear valued at \$110 or less.	various	-21
North Carolina	Reflects a reduced sales tax rate of .25 percent.	10/06	-196.5
	Reflects a reduced sales tax on equipment used for Research and Development.		-4
	Reflects a refund in sales taxes to professional motor sports racing teams for racing-vehicle parts and equipment.		-3.2
Rhode Island	Tax credit for K-12 scholarship contributions.	1/07	-1.0
Tennessee	The sales tax laws were amended to provide for a Sales Tax Holiday. The Sales Tax Holiday exempts clothing and school supplies with a sales price of \$100 or less, and computers with a price of \$1,500 or less. To be exempt from sales tax, items must be purchased between 12:01 a.m. on the first Friday of August and 11:59 p.m. the following Sunday (TCA 67-6-393).	7/06	-11.0
Utah	Remove sales tax on unprepared foods at the cash register.	7/06	-167.0
Virginia	Increases the motor vehicle sales and use tax from 3 percent to 5 percent.		380.7
Washington	Extends sales/use tax exemption for computer equipment/software used primarily in commercial airplane development to nonmanufacturing firms. Extends the B&O tax credit equal to 1.5% of preproduction development expenditures related to commercial aircraft to nonmanufacturing firms. Allows B&O tax credit for leasehold excise taxes paid on property used in the manufacture of commercial airplanes and airplane components. Extends the reduced B&O tax rate for FAA certificated repair stations engaged in the repair of equipment used in interstate or foreign commerce to July 1, 2011.	7/06	-2.9
Wyoming	Temporarily repealed tax on food for domestic home consumption.	7/06	-51.6
<b>Total Revenue Changes—Sales Taxes</b>			<b>\$1,137.1</b>

TABLE A-8 (continued)

## Proposed Revenue Changes by Type of Revenue, Fiscal 2007

<i>State</i>	<i>Tax Change Description</i>	<i>Effective Date</i>	<i>Fiscal 2007 Revenue Changes (\$ in Millions)</i>
<b>PERSONAL INCOME TAXES</b>			
Alabama	Reflects income tax cut for Families.	1/07	-\$28.0
Arizona	Small business healthcare tax credit.		-35.0
California	Reflects conformance with federal HSAs.		-8.0
	Reflects suspended teacher tax credit.		210.0
Georgia	Child Care Tax Credit	1/07	-11.8
	Conservation Tax Credit	1/07	-12.0
	Increase in Retirement income exclusion from \$15k to \$25k per taxpayer 62 and older.	1/06	-64.0
Hawaii	Provides a tax refund to individual tax payers.		-128.5
	Raises the standard deduction and widens the income tax brackets.	1/06	-89.5
	Provides a refundable and nonrefundable income tax credit to encourage the purchase of long-term care insurance.	1/06	-6.9
	Establishes a refundable income tax credit for food, medical services, and nonprescription drugs.	1/06	-70.7
Idaho	Non-resident withholding on real estate sales adjustment.	7/06	4.0
Illinois	Reflects a tuition tax credit.	7/06	-90.0
Indiana	Revenue Code Update.		-1.4
Maryland	Subtraction modifications for military retirement income -\$10.3 and long-term care -\$3.0.	7/06	-13.3
Massachusetts	Decrease in personal income tax rates from 5.3 percent to 5.15 percent.	1/07	-132.0
Michigan	Eliminate double deduction for oil and gas extraction expenses and change tax on gain from certain inherited assets.	1/07	3.8
Minnesota	Tax credit for qualified citizenship expenses incurred during the naturalization process.	7/06	-1.1
	Conform MN to the federal change in the standard deduction for filers contained in the Working Families Tax Relief Act of 2004.	1/06	-28.7
	Allows a subtraction from taxable income for military pensions and retirement payments.	1/06	-4.1
	Tax credit to producers who invest in dairy operations.	1/06	-4.7
Nebraska	Reduce income tax rates.	1/06	-63.2
New Jersey	Effective with tax year 2006 is a new low income refundable tax credit.	7/06	-105.0
New Mexico	Reflects Solar Tax Credit and National Guard Insurance Premium Exemption.	7/06	-0.7
New York	Enhanced STAR exemption.	various	-72.0
	STAR Plus rebate.	various	-530.0
	Eliminate marriage penalty.	various	-125.0
	National guard exemption.	various	-1.0
North Carolina	Reflects Adoption Tax Credit which would equal 50 percent of Federal Adoption Tax Credit.	1/06	-3.0
Oklahoma	Increase in income exemption for retirees up to \$25,000 individual and \$50,000 per couple.	1/07	-13.9
<b>Total Revenue Changes—Personal Income Taxes</b>			<b>-\$1,425.7</b>



TABLE A-8 (continued)

## Proposed Revenue Changes by Type of Revenue, Fiscal 2007

State	Tax Change Description	Effective Date	Fiscal 2007 Revenue Changes (\$ in Millions)
<b>CORPORATE INCOME TAXES</b>			
Arizona	Extension on research and development tax credit.		-\$20.0
Connecticut	Repeals 15 percent surcharge in IY 2007.	7/06	32.2
	Reflects a film industry tax credit.	7/06	5.0
	Reflects a job creation tax credit.	7/06	2.0
	Reflects a displaced worker tax credit.	7/06	4.5
Hawaii	Allows performing arts companies that qualify for the high technology business investment tax credit to sell their tax credits to the State for 20 percent of their face value.		9.0
Idaho	Internal Revenue Code compliance.	7/06	3.0
Iowa	Reflects combined corporate reporting.	7/06	\$25.0
Indiana	Increased EDGE credits.		-5
	Reflects utility services use tax.		40.0
	Reflects a single factor apportionment.		-2.6
Kentucky	Small Business Alternative Minimum Tax relief.	1/07	-3.2
Michigan	Eliminate single business tax exemptions and loopholes including, enforcing affiliate nexus; limiting deductions for professional employer organizations; applying small business eligibility tests to limited liability companies and out-of-state affiliates; eliminating the deduction for gains from entities not taxable in Michigan; and limiting certain flow-through entity deductions.	1/07	45.9
Minnesota	Conform MN to the federal change in the Energy Tax Incentives Act of 2005 for taxpayers engaged in the production and distribution of energy.	1/05	-2.0
	Shortens the phase-in period of the single sales factor for corporate franchise tax to five years.	1/07	-1.6
New Jersey	Impose a 2.5 percent surcharge on corporations with fiscal years beginning on or after January 1, 2006.	7/06	60.0
New Mexico	Reflects Film Production Tax Credit.	1/06	-1.8
New York	Reflects extended additional fixed dollar minimum brackets in CFT.	various	46.0
	Reflects a changed bank tax treatment of REITS & RICS.	various	53.0
	Reflects elimination of AMT and Capital base.	various	-111.0
	Eliminate tax on subsidiary capital of corps.	various	-5.0
	Reflects low income housing credit.	various	-2.0
	Reflects lower limitations on life insurance rates.	various	-15.0
	Reflects marginal tax rate for annuity premiums.	various	-3.0
	Eliminate s-corp differential rate.	various	-40.0
<b>Total Revenue Changes—Corporate Income Taxes</b>			<b>\$123.4</b>
<b>CIGARETTE AND TOBACCO TAXES</b>			
Iowa	Reflects an 80 cent per pack increase.	4/06	129.9
New Jersey	Increase cigarette tax from \$2.40 per pack to \$2.75 per pack.	7/06	80.0
New York	Increase cigarette tax to \$2.50 per pack.	6/06	308.0
<b>Total Revenue Changes—Cigarette and Tobacco Taxes</b>			<b>\$517.9</b>

TABLE A-8 (continued)

## Proposed Revenue Changes by Type of Revenue, Fiscal 2007

State	Tax Change Description	Effective Date	Fiscal 2007 Revenue Changes (\$ in Millions)
<b>ALCOHOLIC BEVERAGES</b>			
Iowa	Reflects a 10 cent per gallon increase in the state tax on beer.	7/06	\$7.4
New Jersey	Reflects increase in the tax on a gallon of beer \$.05 from \$.12 to \$.17; an increased tax on a gallon of wine \$.10 from \$.70 to \$.80; and an increased tax on a gallon of liquor \$.10 from \$.40 to \$.45.	7/06	12.0
<b>Total Revenue Changes—Alcoholic Beverages</b>			<b>\$19.4</b>
<b>MOTOR FUELS TAXES</b>			
Georgia	Motor Fuel Tax Suspension September 2006.	9/06	-\$75.0
Illinois	Reflects Reform Retail Rate Law.		25.0
	Reflects lower motor fuel tax 10 percent but repeal exemption on fuel stored in Illinois but exported to other states, thereby creating larger tax base.	7/06	44.0
New Jersey	Imposes a one time fee of 0.4 percent of manufacturer's sticker price for either luxury vehicles with a sticker price of \$45,000 or greater or fuel-inefficient vehicles with an EPA rating of less than 19 mpg.	7/06	17.0
<b>Total Revenue Changes—Motor Fuel Taxes</b>			<b>\$11.0</b>
<b>OTHER</b>			
Alaska	Temporary 3-year increase in Regulatory Cost Charge rate from .007 to .009.		\$1.3
	Gained by amending the oil and gas production tax to base it on the net value of the oil and gas.		429.0
Arizona	Vehicle license tax relief for fuel efficient vehicles.		-20.0
Connecticut	Phase out Inheritance and Estate tax by current year 2010.	7/06	34.1
	Reflects a reduced tax rate for Gas & Electric Consumers by 25 percent.	7/06	44.9
Florida	Eliminate the Beverage Surtax.	7/06	-45.3
	Eliminate the Intangibles Tax on Stocks & Bonds.	7/06	-130.6
Maryland	Estate tax: increase exemption and add marital trust deferral.	7/06	-14.0
Michigan	Exempt certain commercial rental property from the property tax and subject to a specific tax, and increase the penalties for certain delinquent taxpayers.	1/07	13.6
New Jersey	Reflects a 1 percent fee on grantees (buyers) of commercial property valued in excess of \$1 million with certain exemptions.	7/06	17.0
	Imposes surcharge of \$.04 per 1,000 gallons of water on owners and operators of public community water supply systems	7/06	12.0
North Carolina	Reflects a cap on gas tax rate, and because of this cap the General Fund will hold the DOT Highway and Highway Trust Funds harmless by budgeting \$23.6 million to transfer to DOT.	7/06	-23.6
Oklahoma	Back to school sales tax holiday, first weekend in August.	8/07	-5.4
Pennsylvania	Accelerated decrease in the Capital Stock and Franchise Tax.	1/06	-18.3
	Additional Research and Development tax credits.	1/07	-10.0
	Net Operating Loss Carryforward cap increase.	1/07	-7.3
Virginia	Reflects auto premium tax increase from 2.25 percent to 4.5 percent.	2007	250.1
Washington	Requires insurers to pay retail sales and use taxes on purchases of both tangible personal property or services, on the same terms as other taxpayers.	3/06	51.6
	Reflects a \$6 million increase to the statewide cap on the public utility tax credit for qualifying contributions and billing discounts made by a utility for the purpose of providing home energy assistance to low-income households.	7/06	-6
	Reflects an authorized public utility tax liability credit for natural gas distribution utilities that invest in high-efficiency equipment and services to reduce gas consumption.	7/06	-1.5
<b>Total Revenue Changes—Other Taxes</b>			<b>\$573.1</b>

TABLE A-8 (continued)

## Proposed Revenue Changes by Type of Revenue, Fiscal 2007

<i>State</i>	<i>Tax Change Description</i>	<i>Effective Date</i>	<i>Fiscal 2007 Revenue Changes (\$ in Millions)</i>
<b>FEES</b>			
Indiana	Reflects Medicaid Health Facility Quality Assessment.		\$18.0
	Reflects State Child Support Central Collection Unit.		1.4
	Reflects fireworks Fee.		2.0
Iowa	Reflects increases in various fees charged by state agencies and courts.	7/06	14.6
Michigan	Increase liquor license fees.	10/06	23.0
Minnesota	Various changes in community support services fees in Dept of Human Services state operated services.	various	8.7
New York	Reflects park user fees.		1.0
	Reflects AGMKTS Food Safety Inspection Penalty.		1.1
	Reflects increased banking fines/penalties.		8.0
	Reflects automated speed enforcement & increase criminal history records fee.		46.0
	Reflects increased Title V OPP fees.		6.1
	Reflects wetland permit fees.		1.0
	Reflects regulatory fees.		2.3
	Reflects compliance/delinquency billings.		15.0
	Reflects prepaid phone fees.		3.5
Rhode Island	Reflects tribal state compact.		4.7
	Imposed \$200 Breathalyzer refusal fee; newborn testing fee to \$110; and state share of emissions testing increase by \$3.	3/06	1.5
Texas	Various regulatory agencies were authorized to raise fees as needed to pay for the across-the-board salary increase.	9/06	N/A
Utah	Fee increases on approximately 150 miscellaneous regulatory fees to cover agency operations.	7/06	8.1
Vermont	To liquor control for enforcement.	7/06	0.8
	To secretary of State-Office of Professional Regulation.	7/06	0.3
Virginia	Reflects fees imposed by Court for driving infractions such as driving under the influence, aggressive driving, felony and misdemeanor convictions.	1/07	74.6
	Reflects fees on a sliding scale for vehicles weighing more than 2,500 pounds from \$29.50 to \$47.50 depending on weight of the vehicle.		72.8
<b>Total Revenue Changes—Fees</b>			<b>\$166.8</b>

SOURCE: National Association of State Budget Officers.

\*

TABLE A-9

## Recommended Revenue Measures, Fiscal 2007

<i>State</i>	<i>Description</i>	<i>Effective Date</i>	<i>Fiscal 2007 Recommended Changes (\$ in Millions)</i>
Alabama	Reflects transfer of tobacco settlement revenue to state General Fund.	05-07	\$12.3
Arkansas	Reflects a transfer from the Property Tax Relief Fund to general revenue.	07	22.0
	Reflects a transfer from Revenue Allotment Reserve Fund to general revenue.	07	34.0
California	Reflects additional collection activities.	7/06	14.0
	Reflects additional collection activities.	7/06	1.3
Connecticut	Reflects net cost to the general fund as a result of the Governor's Proposal to eliminate the local property tax on privately owned, Connecticut registered passenger vehicles.	7/06	61.2
	Reflects an increase transfer to the Special Transportation Fund for transportation initiatives.	7/06	40.0
Florida	Reflects sales tax distribution for space education.	7/06	-3.6
	Reflects sales tax distribution to pay cash in lieu of bonding.	7/06	-710.0
	Reflects sales tax diverted to trust fund for class size reduction.	7/06	-59.9
	Reflects a redirected beverage taxes back from trust funds to general revenue.	7/06	30.0
Illinois	Reflects technology improvement in collections.	7/06	8.0
Indiana	Reflects collection of delinquent taxes.		2.7
Michigan	Increase enforcement by publishing the names of major delinquent taxpayers.	10/06	5.0
Minnesota	Front end payments on timber sales.	7/06	2.7
New Jersey	Limit sales tax exemption to purchases goods and materials related to the building, initially equipping, or expanding a commercial structure within the urban enterprise zone. Ending fraud and abuse of the program.	7/06	100.0
New Mexico	Reflects enhanced tax audit, tax collection services, and fire protection dist.	7/06	-5.7
	Reflects enhanced tax audit and tax collection services.	7/06	2.6
	Reflects mineral production tax, investment income, rents and royalties		0.9
Pennsylvania	Reflects realty Transfer Tax deferred transfer from the General Fund to the Keystone Recreation Park and Conservation Fund; the one time measure changes Keystone Fund expenditures from prior year revenues to current year revenues.	7/06	79.1
Rhode Island	Reflects temporary amnesty on overdue payments (\$4.8); loss of \$5.3 for tax holiday; and \$2.4 from streamlined tax implementation.	7/06	1.9
	Reflects temporary amnesty on overdue personal tax payments.	7/06	4.8
	Reflects temporary amnesty on overdue corporate income tax overdue payments	7/06	1.9
	Reflects a \$5.6 interest rate increase on overdue taxes; less \$3.4 shift of financial institution refund to fiscal 2007; and \$.2 from temporary amnesty on fuel/gas/inheritance tax overdue payments.	7/06	2.4
	Reflects reinstitution of Hospital Licensing Fee.	7/06	70.8
	Reflects converted Judiciary Fines and Penalties from general revenues to restricted receipts	7/06	-22.5
	Reflects delayed disproportionate Share payment to fiscal 2008.	7/06	-12.9
	Reflects one time revenue from sale of land for residential development and courthouse parking.	7/06	5.0
	Reflects retained earnings transfer from solid waste facility to general fund.	7/06	3.3
	Reflects \$0.4 from indirect cost recoveries increase; \$0.1for application of overdue tax to interest first.	7/06	0.5

TABLE A-9 (continued)

**Recommended Revenue Measures, Fiscal 2007**

<i>State</i>	<i>Description</i>	<i>Effective Date</i>	<i>Fiscal 2007 Recommended Changes (\$ in Millions)</i>
Texas	Extended existing Telecommunications Infrastructure Fund assessment until 2011 (\$200 million gain); temporarily transferred certain driver-related fee revenue from the Texas Mobility Fund to general revenue (\$101.6 million gain); implemented a Model Fines program to increase collections of court costs and fees (\$27.7 million gain.)	9/06	329.3
Washington	Reflects wine manufactured in Washington State to be shipped to residents of Washington who are 21 years of age or older.	6/06	2.8
	Reflects a moved due date for excise taxes from the 20th of the month to the 25th of the month, and eliminates an assessment penalty.	7/06	-18.3
<b>Total</b>			<b>\$5.6</b>

**SOURCE:** National Association of State Budget Officers.

TABLE A-10

## Total Balances and Balances as a Percentage of Expenditures, Fiscal 2005 to Fiscal 2007\*

Region/State	Total Balance (\$ in Millions)**			Balances as a Percent of Expenditures		
	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2005	Fiscal 2006	Fiscal 2007
<b>NEW ENGLAND</b>						
Connecticut	\$ 607	\$ 943	\$ 943	4.4%	6.7%	6.3%
Maine	81	55	89	2.9	1.9	3.1
Massachusetts	2,487	2,601	2,585	10.5	10.2	9.7
New Hampshire	99	47	63	7.5	3.5	4.6
Rhode Island	143	110	97	4.9	3.5	3.1
Vermont	46	52	55	4.4	4.8	4.9
<b>MID-ATLANTIC</b>						
Delaware	701	569	485	24.8	17.6	14.9
Maryland	1,696	1,964	676	15.1	15.9	4.6
New Jersey	778	815	600	2.8	3.0	2.0
New York	2,546	3,301	3,833	5.8	7.0	7.7
Pennsylvania	694	609	417	3.0	2.5	1.6
<b>GREAT LAKES</b>						
Illinois	773	783	801	3.0	2.9	2.8
Indiana	435	463	443	3.7	3.9	3.6
Michigan	222	82	4	2.6	0.9	0.0
Ohio	713	1,022	742	2.9	4.0	2.8
Wisconsin	4	11	10	0.0	0.1	0.1
<b>PLAINS</b>						
Iowa	392	594	481	8.5	12.1	9.1
Kansas	479	477	396	10.2	9.2	7.5
Minnesota	1,393	886	1,162	9.6	5.6	7.4
Missouri	532	638	261	7.5	8.9	3.3
Nebraska	581	598	621	21.3	20.1	19.4
North Dakota	169	232	195	18.7	23.8	19.2
South Dakota	134	108	103	13.6	10.4	9.7
<b>SOUTHEAST</b>						
Alabama	896	530	252	15.0	7.9	3.5
Arkansas	0	0	0	0.0	0.0	0.0
Florida	4,559	4,514	2,657	18.7	16.8	9.3
Georgia	1,262	1,262	1,262	7.7	7.1	6.8
Kentucky	498	647	434	6.5	7.7	4.9
Louisiana	714	682	682	9.9	10.0	9.6
Mississippi	145	28	117	3.8	0.7	2.7
North Carolina	791	426	835	5.0	2.5	4.8
South Carolina	533	682	280	10.5	11.9	4.4
Tennessee	738	553	382	8.1	5.6	3.8
Virginia	1,039	1,751	1,106	7.5	11.5	6.3
West Virginia	440	124	124	12.9	3.2	3.4
<b>SOUTHWEST</b>						
Arizona	804	1,212	369	10.7	14.7	3.7
New Mexico	706	511	524	15.0	9.5	10.1
Oklahoma	471	613	288	9.5	11.1	4.7
Texas	3,746	3,517	2,078	12.6	10.9	6.5
<b>ROCKY MOUNTAIN</b>						
Colorado	336	370	267	5.5	5.7	3.8
Idaho	230	155	106	10.9	7.0	4.6
Montana	290	222	210	21.2	13.8	13.0
Utah	252	195	212	6.3	4.4	4.5
Wyoming	451	902	462	34.7	72.6	31.9
<b>FAR WEST</b>						
Alaska	2,283	2,308	2,233	74.9	59.2	60.5
California	9,634	7,031	674	12.1	7.8	0.7
Hawaii	486	574	152	11.6	12.3	2.9
Nevada	161	183	198	5.2	6.3	6.4
Oregon	309	491	808	6.5	8.6	14.0
Washington	870	1,310	1,577	7.1	10.3	12.0
<b>Total***</b>	<b>\$48,038</b>	<b>\$47,259</b>	<b>\$32,542</b>	<b>8.7%</b>	<b>7.9%</b>	<b>5.3%</b>

NOTES: NA indicates data not available.

\*Fiscal 2005 are actual figures, fiscal 2006 are estimated figures, and fiscal 2007 are recommended figures.

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

SOURCE: National Association of State Budget Officers.

