The Fiscal Survey of States

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National Governors Association
National Association of State Budget Officers

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Preface

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

The field survey on which this report is based was conducted by NASBO in February through April 2002. The surveys were completed by Governors' state budget officers in the 50 states.

Each edition of *The Fiscal Survey of States* features a state policy or budget issue. This edition features states' information technology appropriations.

Fiscal 2001 data represent actual figures, fiscal 2002 figures are estimates and fiscal 2003 data reflect recommended budgets.

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

NASBO staff members Greg Von Behren and Nick Samuels compiled the data and prepared the text for the report. Dotty Esher of State Services Organization provided typesetting services.

Executive Summary

Recent economic data suggest the economy is recovering, but states still are experiencing dismal budget situations. Revenue growth is anemic, spending pressures continue to rise, and states are facing massive budget shortfalls. Since fiscal 2002 budgets were enacted last spring, 40 states have had to battle budget shortfalls that total nearly $40 billion. Because state revenue growth generally lags the end of a recession by as much as 12 to 18 months, state fiscal woes are expected to continue in fiscal 2003.

This edition of *The Fiscal Survey of States* reflects actual fiscal 2001, estimated fiscal 2002, and recommended fiscal 2003 figures. The data show increasingly tight fiscal conditions in the states during this time period. Data were collected during winter 2002 and reflect the fiscal aftermath of the September 11 terrorist attacks.

State Spending

While estimated fiscal 2002 budget figures reflect general fund spending increases of 2 percent, governors' proposals for fiscal 2003 reflect only 1.4 percent growth. This includes one-time spending from surplus funds, transfers into budget stabilization funds and other reserve funds, and payments to local governments to reduce property taxes. Highlights include:

- Thirty-nine states reduced fiscal 2002 enacted budgets by approximately $15 billion after they were passed—20 states more than the previous year.
- Of the states where revenues and expenditures were at an imbalance in fiscal 2002, 26 tried to close that budget gap through a strategy of across-the-board cuts, 22 states used their rainy day funds, 11 states laid off employees, three states used early retirement, 10 states reorganized programs, and 33 states used a variety of other methods.
- Two-thirds of the states reported expenditure growth of less than 5 percent in both fiscal 2002 and 2003. Based on governors' proposed budgets, 16 states are expected to experience negative growth during fiscal 2003.
- State Medicaid spending in fiscal 2002 is increasing 13.4 percent over fiscal 2001 levels, when expenditures rose by nearly 11 percent. In fiscal 2002, 28 states expect shortfalls in their Medicaid budgets; 31 states had such shortfalls in fiscal 2001.
- States continued to provide supportive services for families to achieve self-sufficiency. Nine states increased cash assistance benefit levels in the Temporary Assistance for Needy Families (TANF) program in fiscal 2002.

State Revenue Actions

The weak economy of the past year led to notably diluted tax collections in many states. Governors' proposed net tax and fee changes would increase fiscal 2003 revenues by $2.4 billion—representing the largest net state tax increase since 1994. States composed their fiscal 2002 revenue projections optimistically, reflecting better economic times. As the national economic recession took hold, revenues were unable to support budgeted amounts. Additionally, the economic shock that followed the events of September 11 could not have been foreseen nor accounted for in revenue estimates.

Most of the recommended fiscal 2003 tax and fee increases boost the cigarette and motor fuels taxes, and fees. Concurrently, governors propose decreases in their sales, corporate income, and other taxes. Findings include:

- Current estimates of fiscal 2002 tax collections are lower than the estimates originally used in adopting budgets in 38 states.
- The projections used in adopting fiscal 2003 budgets show states expect revenues next fiscal year to exceed current collections by 5 percent.

Year-End Balances

Year-end balances in fiscal 2001, fiscal 2002, and fiscal 2003 are $39.5 billion, $24.5 billion, and $18.3 billion, respectively. The fiscal woes caused by the recent recession have forced states to draw heavily on budget stabilization funds. Based on recommended fiscal 2003 budgets, total state balances are nearly two-thirds smaller than they were in fiscal 2000, the peak of state balances.

Recent Fiscal Conditions

CHAPTER ONE

Weak Economy Leads to Dismal Budget Situation in the States: Shortfalls Reach $40 Billion

The 12 months since governors last proposed budgets have been difficult ones. At this time last year, state budgets were beginning to be pinched by a slowing economy. Since then, the state fiscal situation has become dramatically worse. A national recession underscored by the economic fallout of the September 11 tragedy pushed state budgets to their lowest point ever. The budgets states passed for fiscal 2002 largely were based on revenue forecasts crafted during the healthier economic times of the previous year. However, the economic tide turned, creating stark fiscal conditions for states: since enacting their fiscal 2002 budgets, at least 40 states have had to confront revenues that fell short of what was needed for planned expenditures. Indeed, those states' combined budget gap totaled nearly $40 billion.

Recent news regarding the national economy points toward recovery, although its vigor and duration still is unclear, amidst lingering concerns about inflation, interest rates and oil prices. Although national economic indicators may be brightening, the prospects for state budgets will remain cloudy for the near future.

States Face 12-18 Month Lag Before Budgets Recover

While the social, political and economic shock of September 11 helped hurt state budgets, they already were feeling the consequences of an economic slowdown that had begun months earlier. Indeed, that slowdown did not overtake many state budgets until the end of calendar year 2001. Similarly, a lag will exist between national economic recovery and when growth is strong enough to be reflected in healthier state budgets. Based on an examination of state budget shortfalls and total state revenues during the early 1990s recession, that lag is between 12 and 18 months.

In 1991 state budget shortfalls were 6.2 percent of total state general fund revenues, forcing 28 states to make cuts to enacted budgets. Although that year was the official end of the recession, state fiscal woes grew worse: in 1992 shortfalls were 6.5 percent of revenues, and 35 states cut their budgets. Fiscal 2002 state budget shortfalls currently are estimated to be as much as $40 billion, or 7.8 percent of the total general fund revenues that states estimated they would have based on the December 2001 *Fiscal Survey of States*.

State Expenditure Developments

CHAPTER TWO

Budget Management in Fiscal 2002

Balancing budgets in fiscal 2002 has challenged nearly every state. Since it is difficult to increase taxes midway through a fiscal year, states have utilized an assortment of short-term solutions to bring their budgets back into balance. The most relied on strategy is cutting enacted budgets. Thirty-nine states were forced to reduce their fiscal 2002 enacted budgets by a total of approximately $15 billion (see Table 1). This is the highest number of states to have made midyear budget cuts. The only other time so many states made similar adjustments was in fiscal 1992 when 35 states cut their budgets by a combined $4.5 billion.

States exempted certain programs or expenditures from budget midyear cuts, including K-12 education, higher education, debt service, Medicaid, public safety, and aid to towns and cities. Typically the only programs exempt from cuts are entitlement programs (e.g., Medicaid); programs most governors consider high priority; or those set by predetermined formulas, such as school aid. However, the economic slowdown has forced many states to make cuts to these programs and it is not expected that this will end anytime soon.

Aside from budget cuts, states have an arsenal of other tools at their disposal for closing budget gaps. In fiscal 2002, 26 states used across-the-board cuts, 22 states used rainy day funds, 11 states laid off employees, three states offered early retirement, 10 state reorganized programs, and 33 states implemented a variety of other methods (see Appendix Table A-5). Other budget alignment methods include putting capital projects on hold, hiring freezes, tobacco settlement securitization, targeted reductions, transferring funds, adjusting expenditure estimates, and using available reserves (see Notes to Appendix Table A-5).

State Spending for Fiscal 2003

Please note that this report captures only state general fund spending. General fund spending is primarily discretionary spending of revenues derived from general sources and not earmarked for a specific item. According to the 2001 edition of NASBO's *State Expenditure Report*, estimated fiscal 2001 (the most recent year data were available when the report was written) state spending from all sources is estimated to be just more than $1 trillion, with the general fund representing 48.1 percent of the total. The components of total state spending are: elementary and secondary education, 22.5 percent; Medicaid, 19.5 percent; higher education, 10.9 percent; transportation, 8.8 percent; corrections, 3.8 percent; public assistance, 2.4 percent; and all other expenditures, 32.1 percent (numbers may not add due to rounding).

Components of state spending within the general fund specifically are elementary and secondary education, 35.7 percent; Medicaid, 14.4 percent; higher education, 12.2 percent; corrections, 7.0 percent; public assistance, 2.5 percent; transportation, 0.9 percent; and all other expenditures, 27.3 percent (numbers may not add due to rounding). Elementary and secondary education has dominated state spending since fiscal 1993, while Medicaid has been the second largest component of state spending—both from state general funds and from all spending sources.

Based on governors' proposed budgets, increases in states' general fund spending for fiscal 2003 are only 1.4 percent above fiscal 2002 levels, the smallest increase in state general fund spending since 1983. State spending in fiscal 2002 is a dismal 2 percent above fiscal 2001. Since 1983, state spending has increased at an average of about 6 percent (see Table 2 and Figure 1).

Two-thirds of the states reported expenditure growth of less than 5 percent in fiscal 2002. Only West Virginia reported expenditure growth of 10 percent or more, while 14 states reported negative growth during this time period. This trend continues in fiscal 2003 with approximately two-thirds of the states reporting recommended increases of less than 5 percent. A remarkable 16 states experienced negative growth during the same period (see Table 3 and Appendix Table A-4).

Cash Assistance Under the Temporary Assistance for Needy Families Program

Since welfare reform was passed in 1996, states have focused on providing supportive services for families to achieve self-sufficiency rather than cash assistance. However, cash assistance benefit levels provide an indication of how states aid those most in need. Based

TABLE 1

Budget Cuts Made After the Fiscal 2002 Budget Passed

State	*Size of Cut (Millions)*	*Programs or Expenditures Exempted from Cuts*
Alabama	$ 19.9	No exemptions.
Arizona	231.8	The Department of Education, Title 19 matching funds, School for the Deaf and the Blind, and Rangers Pension were completely exempted, and the Department of Corrections was partially exempted. Most agencies funded by other funds were also exempted from the reductions.
Arkansas	142.0	No exemptions. Reductions made to all agencies receiving general revenue under the Revenue Stabilization Law.
California	2,449.0	No exemptions.
Colorado	575.0	Medicaid and K-12 total program.
Connecticut	92.9	----
Delaware	23.8	Debt service and non-cabinet agencies.
Florida	1,022.5	No exemptions.
Georgia	743.0	Funding for K-12 school systems were largely exempt. All other state agencies included in reductions.
Hawaii	16.5	Debt service, employees' retirement system and health insurance, unemployment insurance, workers' compensation, public welfare payments, and children and adult mental health.
Idaho	55.4	No exemptions.
Illinois	390.0	General state aid (Illinois State Board of Education). Additional programs cut to keep health care costs within budgeted levels.
Indiana	665.8	No exemptions.
Iowa	251.2	Medicaid, public safety, public defense, veterans' home.
Kentucky	393.4	----
Maine	30.2	General purpose aid to local schools, Retirement Allowance Fund, tax reimbursements and teacher retirement.
Maryland	285.0	Public safety and security.
Massachusetts	131.5	Local Aid and non-executive branch programs (i.e. Judiciary, legislature).
Michigan	511.1	Higher education, school aid, and TANF maintenance of effort.
Minnesota	410.0	No exemptions.
Mississippi	166.7	No exemptions. All agencies were cut; however, one agency was restored.
Missouri	536.0	Foundation formula for local schools, mandatory Medicaid services.
Nebraska	74.6	State operated facilities for mentally ill, veterans, developmentally disabled, and juvenile offenders; Child Protective Services; Community-based aid for mental health/substance abuse, developmentally disabled, aging services; bioterrorism preparedness and response; National Guard; emergency management.
Nevada*	----	No exemptions
New Hampshire	6.0	Local aids and direct care personnel.
New Jersey	1,700.0	Municipal aid, institutional staff, and shore protection.
New York	578.0	Restructured building aid payments to school districts; hiring freeze and non-personal service cuts; TANF maximization and lottery enhancements.
North Carolina	540.6	Medicaid is exempt and education (public schools, community colleges, and university system) are not being required to reduce their budgets to the level as other state agencies.
Ohio	269.9	The Department of Education, the Ohio Schools for the Blind and the Deaf, the School Facilities Commission, the SchoolNet Commission, judicial branch agencies, the Adjutant General the Ohio Veterans' Home, veterans' organizations, the Department of Mental Health, state student financial aid appropriations, TANF, Day Care, CHIP, Medicaid, Adoption Assistance, Disability Assistance, child support appropriations, property tax allocation appropriations, tangible tax exemption appropriations, appropriations for debt service, including lease rental payments, building and office rent appropriations, and pension system payments made by the Treasurer of State.
Oklahoma	69.9	No exemptions. Constitution requires that all allocations of appropriated funds be decreased proportionally to amount of shortfall.
Oregon	801.4	No programs were exempt from consideration, but not all programs were actually reduced.
Pennsylvania	309.9	Attorney General, Auditor General and Treasurer (which are independently elected); the legislature and judiciary; and also the State System of Higher Education and the Pennsylvania Higher Education Assistance Agency.
Rhode Island	38.0	----
South Carolina	204.7	Debt service, Capital Reserve Fund.

TABLE 1 (continued)

State	*Size of Cut (Millions)*	*Programs or Expenditures Exempted from Cuts*
Utah	76.6	Minimum School Program (state funding for local school districts). Before adjourning on March 6, 2002 deadline, the Utah State Legislature increased the cuts to $124.4 million, transferred $45.9 million from restricted accounts to the general fund, allocated $45.3 million from the rainy day fund, utilized $37.7 million in surplus and reserves, and identified $3.6 million in other sources to address a $256.9 million revenue shortfall for FY 2002. Before adjourning on March 6, 2002 deadline, the Utah State Legislature did reduce the Minimum School Program by 0.7 percent.
Vermont	28.8	Debt service.
Virginia	1,195.0	In fiscal 2002 only direct public safety, and preparedness staff, police officers and corrections security staff, direct care staff in the Commonwealth's mental health and aging facilities. Some aid-to-localities programs, debt service, revenue generating activities at the Department of Taxation, direct aid for K-12, student financial aid in the institutions of higher education, funding for indigent care. Direct community health services in local health departments, excluding administration and 'set-out' pass through dollars, state welfare and support enforcement funding. For the most part these were the kid of exemptions granted in the fiscal 2002 across-the-board agency reductions.
Washington	----	Basic K-12 education, bond debt retirement, and retirement contributions to law enforcement, fire fighters, and Judges are constitutionally protected from cuts.
Wisconsin*	58.3	Public safety, K-12 school aids, and health related programs (including prescription drugs for the elderly).
Total	**$15,094.4**	---

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 1

Nevada	Dollar amount of fiscal 2002 budget cut not yet released as of April 9, 2002.
Wisconsin	The dollar amount represents only the actual state appropriation cuts recommended by the Governor.

FIGURE 1

Annual Percentage Budget Increases, Fiscal 1979 to Fiscal 2003

SOURCE: National Association of State Budget Officers.

TABLE 2

State Nominal and Real Annual Budget Increases, Fiscal 1979 to Fiscal 2003

	State General Fund	
Fiscal Year	*Nominal Increase*	*Real Increase*
2003*	1.4%	0.6%
2002*	2.0	0.9
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
1979–2002 average	**6.5%**	**2.2%**

NOTE: The state and local government implicit price deflator, as cited by the Bureau of Economic Analysis on March 2002, is used for state expenditures in determining real changes. Fiscal 2002 figures are based on the change from fiscal 2001 actuals to fiscal 2002 estimated. Fiscal 2003 figures are based on the change from fiscal 2002 estimated to fiscal 2003 recommended.

SOURCE: National Association of State Budget Officers.

on governors' proposed budgets, 41 states would maintain the same cash assistance benefit levels for fiscal 2003 that were in effect in fiscal 2002. Nine states are proposing changes to cash assistance benefit levels that would increase benefits from between 2.5 percent and 14.5 percent (see Table 4).

The Temporary Assistance for Needy Families (TANF) program is due to expire at the end of September 2002 and legislative activity is underway to reauthorize the program.

TABLE 3

Annual State General Fund Expenditure Increases, Fiscal 2002 and Fiscal 2003

	Number of States	
Spending Growth	*Fiscal 2002 (Estimated)*	*Fiscal 2003 (Recommended)*
Negative growth	14	16
0.0% to 4.9%	23	24
5.0% to 9.9%	12	8
10% or more	1	2

NOTE: Average spending growth for fiscal 2002 (estimated) is 2 percent; average spending growth for fiscal 2003 (recommended) is 1.4 percent.

SOURCE: National Association of State Budget Officers.

TABLE 4

Proposed Cost-of-Living Changes for Cash Assistance Benefit Levels Under the Temporary Assistance For Needy Families Block Grant, Fiscal 2003

State	*Percent Change*
Florida	14.5%
Ilinois	10.0
Kentucky	3.0
Louisiana	5.6
Maine	5.0
Maryland	7.5
Montana*	2.5
South Dakota	3.0
Texas	6.0

*See Note to Table 4.

SOURCE: National Association of State Budget Officers.

NOTE TO TABLE 4

Montana	Temporary assistance to needy families (TANF) benefit levels are indexed to the federal poverty level.

The impact of the weakened economy has reversed the decline in TANF caseloads in some states. Although the number of families receiving assistance under TANF nationally was 3.2 percent lower from October 2000 through September 2001 (federal fiscal year 2001), 20 states had a higher number of families receiving assistance during this same time frame. Since unemployment figures continue to rise even when a recession ends, the caseload numbers will most likely continue to increase throughout fiscal 2002. The deterioration in state finances and the additional requirements for people needing assistance under TANF will be another challenge for states with limited resources.

Medicaid Trends

Medicaid expenditure growth continues to exceed budgeted amounts. Medicaid is a means-tested entitlement program financed by the states and the federal government that provides medical care for about 40 million low-income individuals. Medicaid spending accounts for about 20 percent of all state spending. Medicaid spending has escalated in recent years and combined with the dramatic revenue slowdown in states is the most significant cost issue affecting state budgets.

Based on estimates to date, Medicaid expenditures in fiscal 2002 are increasing 13.4 percent over the fiscal 2001 level. This follows an increase of about 11 percent in fiscal 2001. This rate of growth—at about 25 percent over two years—compares to about 5 percent revenue growth over the fiscal 2000 to fiscal 2002 period. After growth rates of nearly 11 percent in fiscal 2001 and 14 percent in fiscal 2002, the percentage growth in the state share is estimated to be 6 percent in governors' proposed budgets (see Table 5). For greater detail of these and other state health care issues, see NASBO's companion report, *Medicaid and Other State Healthcare Issues: The Current Situation*.

The reasons for the spike in costs in recent years stems from both increased caseloads due to the downturn in the economy as well as price increases, especially in pharmaceutical costs. Spending on outpatient prescription drugs, which increased an average of 18 percent annually over the past three years, continues to be a significant component in rising Medicaid costs. According to a recently released study by the National Institute for Health Care Management, prescription drugs spending overall climbed by 17 percent in 2001. The study found that the average cost of a prescription rose by 10 percent during this time period.

According to the Office of Management and Budget, prescription drug spending, nursing home, community-based long-term care costs and payments to health plans have been significant contributors to the recent expenditure growth and are expected to continue to do so in the future. As the costs have increased, states have experienced Medicaid expenditures exceeding the amount that had been originally budgeted for the program. Thirty-one states experienced Medicaid shortfalls in fiscal 2001 and 28 states are anticipating shortfalls in the current fiscal year (see Table 6).

TABLE 5

Annual Percentage Medicaid Growth Rate (Excluding Federal Share)

Region/State	*Fiscal 2001 (Actual)*	*Fiscal 2002 (Estimated)*	*Fiscal 2003* (Recommended)
NEW ENGLAND			
Connecticut	7.0%	5.3%	5.2%
Maine	7.9	7.9	8.9
Massachusetts	8.0	15.0	10.0
New Hampshire	7.4	8.1	4.1
Rhode Island	14.3	9.6	1.4
Vermont			
MID-ATLANTIC			
Delaware	13.8	14.2	9.8
Maryland	17.5	6.7	14.0
New Jersey	1.0	0.0	13.0
New York	3.6	6.8	10.9
Pennsylvania*	8.0	4.0	1.0
GREAT LAKES			
Illinois*	8.5	9.5	9.3
Indiana	9.9	11.7	4.2
Michigan	7.5	2.4	2.6
Ohio*	14.8	21.7	8.0
Wisconsin	4.9	21.0	7.1
PLAINS			
Iowa	5.9	10.4	-0.8
Kansas	3.9	20.0	11.0
Minnesota	10.9	19.0	10.7
Missouri*	14.9	24.2	-20.6
Nebraska	16.5	9.3	6.9
North Dakota	5.1	9.5	8.6
South Dakota	8.5	15.6	8.8
SOUTHEAST			
Alabama	9.0	0.2	4.0
Arkansas	13.5	18.9	10.8
Florida	11.5	10.3	8.5
Georgia	3.8	0.0	15.0
Kentucky	8.6	9.4	11.3
Louisiana	8.7	10.9	11.1
Mississippi	8.0	37.0	9.0
North Carolina*	14.0	28.0	18.0
South Carolina	9.8	5.0	5.0
Tennessee*	22.3	8.6	1.1
Virginia	11.0	6.0	7.0
West Virginia	4.9	7.8	6.5
SOUTHWEST			
Arizona	16.5	49.2	7.6
New Mexico	28.0	38.0	3.0
Oklahoma	11.9	13.1	-1.0
Texas	11.0	22.0	-5.0
ROCKY MOUNTAIN			
Colorado	9.7	6.5	8.8
Idaho	23.2	7.5	5.3
Montana	7.4	7.8	10.4
Utah	14.0	5.0	6.0
Wyoming*			
FAR WEST			
Alaska			
California	8.7	6.3	2.7
Hawaii	1.0	15.0	4.0
Nevada			
Oregon	12.8	17.2	5.3
Washington	25.0	38.0	-8.0
Average**	10.6%	**13.4%**	**6.0%**

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

Illinois	The growth percentages used are prior to cost control actions in fiscal 2002 and fiscal 2003. If the cost controls are assumed, the growth percentages are; fiscal 2001 8.5 percent, fiscal 2002 6.4 percent, fiscal 2003 3.2 percent.
Missouri	The above percentage changes for fiscal 2002 and fiscal 2003 include one-time revenue from the intergovernmental transfer funds, including cash flow spending. Excluding these funds changes the percentages to 8.3 percent in fiscal 2002 and -5.4 percent in fiscal 2003.
North Carolina	Estimated state share.
Ohio	The 21.7 percent increase in fiscal 2002 is somewhat overstated due to the new line item that was established to improve accounting for the state's receipts of prescription drug manufacturer rebates. Appropriations of $232 million and $268 million in fiscal 2002 and 2003, respectively reflect rebate estimates based on prior and current year activity and do not represent new spending. In order to provide a more comparable estimate, the all funds Medicaid growth rate was 13.9 percent.
Pennsylvania	The use of proceeds from prior intergovernmental transfers limit the state growth in fiscal 2003.
Tennessee	For fiscal 2001 actual, capitation rates for the Managed Care Organizations (MCOs) were significantly increased in fiscal 2001 based on an actuarial review commissioned by the Comptroller of the Treasury. Also in fiscal 2001, the state provided $90 million (non-recurring) in supplemental payments to essential access providers. For fiscal 2003 recommended, the proposed changes to the TennCare Waiver are estimated to be in effect beginning Jan. 1, 2003.
Wyoming	Eight to 10 percent for all fiscal years.

TABLE 6

Medicaid Expenditures Exceeding Budgeted Amounts

Region/State	*Exceeded Fiscal 2001 Budgeted Amounts by ($ Millions)*	*Percentage of Fiscal 2001 Medicaid Budget*	*Exceeding Fiscal 2002 Budgeted Amounts by ($ Millions)*
NEW ENGLAND			
Connecticut	$99.0	4.4%	$45.0
Maine	28.0	6.2	4.0
Massachusetts	303.0	6.0	300.0
New Hampshire	49.0	5.7	33.0
Rhode Island	33.8	6.7	17.6
Vermont			
MID-ATLANTIC			
Delaware	14.3	6.6	2.4
Maryland*	73.0	5.4	140.0
New Jersey			
New York	20.0	0.4	63.0
Pennsylvania	293.0	2.6	79.0
GREAT LAKES			
Illinois*	71.4	1.3	134.1
Indiana	5.6	0.5	29.0
Michigan*			
Ohio	608.1	9.7	
Wisconsin	57.0	1.9	37.1
PLAINS			
Iowa	18.6		
Kansas*			
Minnesota*	19.0	1.1	
Missouri*			
Nebraska			
North Dakota	1.1	0.4	10.9
South Dakota			
SOUTHEAST			
Alabama	318.0	4.4	203.0
Arkansas			
Florida	546.2	6.6	238.3
Georgia	11.5	0.0	79.5
Kentucky	230.0	7.0	146.0
Louisiana			
Mississippi			
North Carolina*	100.0	5.5	108.0
South Carolina			
Tennessee*			
Virginia*			
West Virginia			1.8
SOUTHWEST			
Arizona	42.2	5.6	134.2
New Mexico*	68.0	28.0	33.0
Oklahoma*			
Texas	716.7	7.0	
ROCKY MOUNTAIN			
Colorado			
Idaho	43.8	22.5	2.7
Montana	24.0	5.0	13.0
Utah			
Wyoming	8.0	4.0	16.0
FAR WEST			
Alaska			
California	261.0	1.1	349.3
Hawaii			
Nevada	21.0		51.0
Oregon	70.6	6.1	76.0
Washington	232.6	23.0	408.2
Total/Average %**	$4,387.6	**6.2%**	**$2,760.0**

NOTES: *See Notes to Table 6. **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 6

Illinois	The $71.4 million by which Medicaid cost exceeded fiscal 2001 budgeted amounts is net of $102.5 million in cost controls taken during fiscal 2001. The $134.1 million by which Medicaid costs are expected to exceed fiscal 2002 budgeted amounts is prior to the application of cost control actions in fiscal 2002.
Kansas	Medicaid costs for fiscal 2002 will exceed the amount budgeted.
Maryland	The amount for fiscal 2001 is total funds. The amount for fiscal 2002 is general funds only.
Michigan	Medicaid expenditures for fiscal 2002 will exceed the amount budgeted by $50 million all funds ($21.8 million general fund). This is a current projection; expenditures continue to be closely monitored.
Minnesota	Medicaid expenditures for fiscal 2001 exceeded the amount budgeted compared to original appropriation in 1999 legislative session.
Missouri	Missouri appropriates supplemental funding for the Medicaid budget through the regular budget process. Medicaid spending did/will not exceed the amount budgeted when this supplemental funding is added.
Montana	All funds including federal and state.
New Mexico	Thirty six million dollars of the fiscal 2001 amount is considered recurring.
North Carolina	Estimated state share.
Oklahoma	Yes, before supplemental appropriation but no, after supplemental appropriation. Medicaid received a supplemental appropriation during fiscal 2001 of $21 million using a blended state FMAP for fiscal 2001 of 28.8 percent. This translates into a potential shortfall of approximately $72.7 million in state and federal. This was 3.6 percent of the Medicaid budget.
	The Medicaid budget was projected to be $53.1 million short in total dollars. However, the Governor signed a $15.6 million supplemental Feb. 21, 2002, which when added to the federal match and to cost cuts taken by the agency will cover the shortage.
Tennessee	The TennCare program's projected fiscal 2002 expenditures are not anticipated to exceed the funding available to the program through appropriations and reserve funds. It should be noted that pharmacy growth has significantly exceeded budgeted projections and is anticipated to result in the need to use reserve funds in order to close the current fiscal year.
Virginia	There was a budget impasse in Virginia in fiscal 2001. Therefore, funds had to be transferred from fiscal 2002 budget to cover expenditures in fiscal 2001.

State Revenue Developments

CHAPTER THREE

Overview

In tandem with budget cuts, fund transfers and other cost-saving measures, governors' fiscal 2003 budget proposals include net tax and fee increases of $2.4 billion. If enacted, these proposals would represent the largest net state tax increase since 1994 and reflect the difficult fiscal situation states continue to face (see Tables 7 and 8 and Figure 2).

The weak economy of the past year led to equally anemic tax collections. Proposed fiscal 2003 tax and fee increases indicate states' desires to avoid further service reductions by maintaining revenue collections. The proposals focus heavily on fees ($577.2 million), cigarettes and tobacco ($503 million), motor fuels ($210.6 million), and corporate income taxes ($26.7 million). Based on governors' proposals, the largest increase would be to personal income taxes ($2 billion). However, it should be noted that this amount is attributable largely to Tennessee, where the governor has proposed establishing a flat-rate personal income tax accompanied by various sales tax reductions.

Proposed net tax decreases would occur in sales ($830.2 million) and other taxes ($108.6 million).

Collections in Fiscal 2002

Fiscal 2002 tax collections illustrate clearly the current state budget dilemma: revenues have fallen far below what states expected them to be. The revenue projections states used to compose their fiscal 2002 budgets largely were formulated during brighter economic times. As the economy swung towards and then into recession, revenues have been unable to support original budget plans. Additionally, the economic shock that followed the events of September 11 could not have been foreseen nor accounted for in revenue estimates.

The result has been devastating to state budgets. Fiscal 2002 revenue collections compared to the projections used when adopting that year's budget are lower than expected in 37 states. Eight states report collections are on target, and only four say they are higher than anticipated originally. Overall, current state collections of sales, personal income, and corporate income taxes are 5.6 percent lower than the estimates used when budgets were adopted. Specifically, sales taxes are 3.1 percent lower than originally planned, personal income taxes are 6 percent lower, and corporate income taxes are 16.6 percent lower (see Appendix Table A-6).

FIGURE 2

Enacted State Revenue Changes, Fiscal 1991 to Fiscal 2002; and Proposed State Revenue Change, Fiscal 2003

SOURCE: National Association of State Budget Officers.

TABLE 7

Enacted State Revenue Changes, Fiscal 1979 to Fiscal 2002, and Proposed State Revenue Change, Fiscal 2003

Fiscal Year	*Revenue Change (Billions)*
2003	$ 2.4
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 1988–2003 data provided by the National Association of State Budget Officers.

Projected Collections for Fiscal 2003

Considering how much below expectations revenues fell in fiscal 2002, it may be unsurprising that fiscal 2003 budget proposals anticipate a rebound in tax collections. The projections used in adopting fiscal 2003 budgets show states expect revenues next fiscal year to exceed current collections by 5 percent (see Table A-7).

Revenue Changes for Fiscal 2003

Twenty-five states propose tax and fee changes for fiscal 2003, resulting in a revenue increase of $2.4 billion (see Table 8). Proposed fiscal 2003 revenue changes are described in Table A-8. In some instances, revenue changes reflect one-time actions, such as sales tax holidays. In other states they include phased-in multi-year tax cuts, such as Pennsylvania's phase-out of the capital stock tax.

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

Sales Taxes. Eleven states propose sales tax changes in fiscal 2003, leading to a net decrease of $830.2 million. Tennessee proposes a net decrease of slightly more than $1 billion by lowering the general sales tax rate, eliminating the sales tax on food and non-prescription drugs, and creating a hold-harmless provision for local governments. Washington proposes to increase the sales tax on motor vehicles, which would result in a $81.4 million revenue increase.

Personal Income Taxes. Eleven states propose changes to their personal income taxes, resulting in a revenue increase of just more than $2 billion. The most notable is Tennessee—which along with Alaska, Florida, Nevada, New Hampshire, South Dakota, Texas, Washington and Wyoming currently does not have a broad-based personal income tax—where the governor proposes establishing a flat tax on federal adjusted gross income, raising $2.5 billion in revenue in fiscal 2003. A previously enacted rate cut in Michigan would decrease personal income tax revenues by $191.7 million.

Corporate Income Taxes. Eight states propose modifications to their corporate income taxes. If enacted, the result would be a $26.7 million increase. Michigan's previously enacted cut in rates would decrease revenue by $123.6 million. Mail order apportionment and establishing minimum fees in Minnesota would lead to a net increase of $33.3 million.

Cigarette, Tobacco and Alcohol Taxes. Seven states propose raising taxes on cigarettes or other tobacco products, for a net increase of $503 million. New Jersey would increase its cigarette tax by 50 cents per pack, raising revenue by $200 million. Connecticut proposes to increase the tax per pack to $1.11, which would raise revenues by $122 million. Rhode Island would raise its tax per pack by 35 cents, for a revenue increase of $21 million.

Motor Fuels Taxes. Two states propose increasing motor fuels taxes, a $210.6 million revenue increase. Two states propose increasing motor fuels taxes, a $210.6 million revenue increase. Michigan would

TABLE 8

Proposed Fiscal 2003 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								$15.6	$ 15.6
Alaska									0.0
Arizona									0.0
Arkansas									0.0
California								77.2	77.2
Colorado									0.0
Connecticut	$15.0	$ 8.0		$122.0			$18.2		163.2
Delaware									0.0
Florida	-26.6								-26.6
Georgia									0.0
Hawaii		-16.9	$ -4.0				42.1		21.2
Idaho									0.0
Illinois									0.0
Indiana								4.0	4.0
Iowa								3.7	3.7
Kansas**									0.0
Kentucky									0.0
Louisiana									0.0
Maine									0.0
Maryland									0.0
Massachusetts									0.0
Michigan**		-222.4	-123.6		$46.3		-261.5		-561.2
Minnesota	21.0	31.6	33.3	97.9	164.3		-5.5	23.4	366.0
Mississippi									0.0
Missouri							31.5	50.0	81.5
Montana		-0.3					-0.7		-0.9
Nebraska				43.2					43.2
Nevada									0.0
New Hampshire									0.0
New Jersey	-26.0	24.0	11.0	200.0			79.0	312.0	600.0
New Mexico									0.0
New York	-8.0						-2.2	62.4	52.2
North Carolina									0.0
North Dakota	-4.8								-4.8
Ohio	185.1		41.0	5.1					231.2
Oklahoma**									0.0
Oregon**									0.0
Pennsylvania		-12.4					-91.0		-103.4
Puerto Rico									0.0
Rhode Island	1.5			21.0				6.1	28.6
South Carolina		-1.3							-1.3
South Dakota									0.0
Tennessee	-1,066.3	2,258.7	75.0						1,267.4
Texas									0.0
Utah				13.8					13.8
Vermont								14.7	14.7
Virginia									0.0
Washington	81.4						86.8		168.2
West Virginia	-2.5	-10.3					-5.3		-18.1
Wisconsin		-18.5	-6.0					8.1	-16.4
Wyoming									0.0
Total	**$-830.2**	**$2,049.8**	**$26.7**	**$503.0**	**$210.6**	**$0.0**	**$-108.6**	**$577.2**	**$2,419.0**

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

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 8

Kansas	The information provided is based on current Kansas law, which prohibits the Governor from building a budget on proposed tax increases. However, in addition to the budget required by law, the Governor recommended in his annual message to the Legislature a quarter cent sales tax increase, a 65 cent per pack cigarette tax increase, and a 1 cent motor fuel tax increase that would allow some budget cuts in education and other areas to be restored and would fund social service caseloads and other obligations.
Michigan	Does not have a Corporate Income Tax. Tax decrease reflects change for Michigan's Single Business Tax.
Oklahoma	Governor Keating has proposed a revenue-neutral tax reform package that includes repealing the individual income tax, repealing the sales tax on food, repealing the state franchise tax, becoming a "pick up" state for estate and generation skipping tax purposes, and implementing a 5.9 percent sales and use tax on a broad range of services. Those services include finance, insurance and real estate; transportation, communications, and public utilities; business, personal, professional, and general services; and construction services. Items currently subject to the current 4.5 percent sales and use tax would continue to be taxed at that level.
Oregon	Oregon budgets biennially. All tax and fee increases for fiscal 2003 were adopted by the legislature during its last session ending July 2001. No new proposals have been passed in the two special sessions that have followed.

increase the diesel fuel tax by four cents per gallon, a $46.3 million revenue increase, while Minnesota would increase its gas tax by five cents per gallon, a $164.3 million increase.

Other Taxes and Fees. Revenues generated from other taxes, including personal property taxes, motor vehicles and other types of licensing usually cover the costs for license and regulation enforcement, promote environmental conservation, and generate revenues for health care. Fees often are associated with motor vehicles and other types of licensing.

Missouri proposes an additional 2 percent tax on the adjusted gross receipts of riverboat gaming facilities; if enacted the proposal would create $31.5 million in new revenue. Washington would increase assorted gambling taxes and add use tax to shipping charges from out-of-state, for an $86.8 million increase.

Total Balances

CHAPTER FOUR

While the strong economic growth of the late 1990s allowed states to bolster their financial reserves, the fiscal woes caused by the recent recession have forced states to draw heavily on budget stabilization funds. States' ending balances peaked in fiscal 2000 at $48.8 billion, or 10.4 percent of expenditures. A declining economy has taken its toll on state budgets since then, and those balances currently illustrate starkly the fiscal trauma states face: based on recommended fiscal 2003 budgets, total state balances are approximately two-thirds smaller than they were in fiscal 2000.

Total balances reflect the funds states may use to respond to unforeseen circumstances after budget obligations have been met. Both ending balances and the amounts in budget stabilization funds are included in total balance figures (see Tables 9 and 10, and Appendix Tables A-1, A-2, A-3, and A-10).

Actual fiscal 2001 balances were $39.5 billion, or 7.8 percent of expenditures, a level of reserves considered healthy. Estimated fiscal 2002 balances fall notably, to $24.5 billion or 4.8 percent of expenditures. Recommended fiscal 2003 balances portray most clearly how hard the economy has hit states, forcing them to draw down reserves: balances fall to $18.3 billion or 3.5 percent of expenditures, an amount generally considered less than a healthy buffer. Nearly every state is seeing total balances shrink. While in fiscal 2001 14 states had total balances greater than 10 percent, based on estimated figures only six will end fiscal 2002 with balances that high, and in fiscal 2003 only three will, based on governors' recommendations.

With revenues falling far below budgeted estimates, states ending balances have shrunk remarkably between fiscal 2001 and fiscal 2003. Additionally, because of states' need to use available funds to plug budget holes caused by revenues far below their expectations, many states have drawn on their budget stabilization funds. This action can be viewed from two angles. Budget stabilization funds exist to allow states a cushion during times of fiscal stress such as the one they face now. With broad-based tax increases largely a political impossibility and to avoid the most dramatic service cuts, states have used budget reserves to help ease the adverse budgetary affects of the economic downturn. Simultaneously, total balances that have fallen to such low levels may not offer states enough protection in proceeding years should economic recovery falter or if other unforeseen circumstances arise.

Since the recession of the early 1990s, states have worked 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 have prepared themselves cautiously to handle the next slowdown.

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 9

Total Year-End Balances, Fiscal 1979 to Fiscal 2003

Fiscal Year	*Total Balance (Billions)*	*Total Balance (Percentage of Expenditures)*
2003*	$18.3	3.5%
2002*	24.5	4.8
2001	39.5	7.8
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 2002 are estimates; figures for fiscal 2003 are based on recommendations.

SOURCE: National Association of State Budget Officers.

TABLE 10

Total Year-End Balances as a Percentage of Expenditures, Fiscal 2001 to Fiscal 2003

	Number of States		
Percentage of Expenditures	*Fiscal 2001 (Actual)*	*Fiscal 2002 (Estimated)*	*Fiscal 2003 (Recommended)*
Less than 1.0%	3	5	9
1.0% to 2.9%	5	14	16
3.0% to 4.9%	6	14	12
5.0% or more	35	16	12

NOTE: The average for fiscal 2001 (actual) was 7.8 percent; the average for fiscal 2002 (estimated) is 4.8 percent; and the average for fiscal 2003 (recommended) is 3.5 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 2003

SOURCE: National Association of State Budget Officers.

FIGURE 4

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

SOURCE: National Association of State Budget Officers.

Appendix

TABLE A-1

Fiscal 2001 State General Fund, Actual (Millions)

Region and State	Beginning Balance	Revenues	Adjustments	Total Resources	Expenditures	Adjustments	Ending Balance	Budget Stabilization Fund
NEW ENGLAND								
Connecticut**	$ 0	$11,986	$ 0	$11,986	$11,955	$ 0	$ 31	$ 595
Maine**	301	2,358	25	2,684	2,645	0	39	144
Massachusetts	2,285	22,867	0	25,152	22,141	0	3,011	2,294
New Hampshire**	4	1,143	-84	1,063	1,063	0	0	55
Rhode Island	92	2,533	0	2,625	2,483	11	131	80
Vermont**	0	896	26	921	881	37	4	43
MID-ATLANTIC								
Delaware*	610	2,329	0	2,939	2,429	0	510	120
Maryland**	936	9,802	30	10,768	10,230	0	538	888
New Jersey*	1,284	20,985	0	22,269	20,811	169	1,290	720
New York* **	917	39,883	0	40,800	39,702	0	1,098	627
Pennsylvania**	611	19,443	144	20,197	19,862	0	335	1,127
GREAT LAKES								
Illinois	1,517	24,106	0	25,623	24,497	0	1,126	225
Indiana**	833	9,273	0	10,105	9,735	351	19	526
Michigan**	212	8,963	573	9,747	9,719	0	28	994
Ohio**	196	21,309	0	21,505	21,144	155	207	1,011
Wisconsin* **	836	10,290	169	11,295	11,078	10	208	0
PLAINS								
Iowa**	164	4,648	66	4,879	4,879	0	0	405
Kansas**	378	4,415	2	4,795	4,430	0	366	0
Minnesota* **	2,125	12,152	0	14,277	12,703	0	1,574	1,574
Missouri	170	7,669	0	7,839	7,730	0	109	151
Nebraska**	316	2,457	-59	2,714	2,478	0	236	170
North Dakota	60	824	0	884	822	0	62	0
South Dakota**	0	814	11	825	803	22	0	38
SOUTHEAST								
Alabama	101	5,179	0	5,280	5,213	0	67	8
Arkansas	0	3,259	0	3,259	3,259	0	0	0
Florida	490	19,755	0	20,245	20,049	0	195	1,187
Georgia*	2,509	15,406	0	17,914	15,313	0	2,602	734
Kentucky**	175	6,760	499	7,434	7,017	417	0	240
Louisiana**	0	6,530	19	6,549	6,280	199	70	197
Mississippi**	21	3,444	62	3,527	3,613	-107	21	179
North Carolina**	0	13,391	61	13,452	13,446	6	0	158
South Carolina*	573	5,080	0	5,654	5,520	0	134	61
Tennessee**	52	7,159	-83	7,128	7,015	81	31	178
Virginia	653	11,839	0	12,492	12,492	0	0	716
West Virginia**	148	2,718	8	2,874	2,707	6	161	79
SOUTHWEST								
Arizona	203	6,181	0	6,384	6,371	0	13	373
New Mexico	193	3,995	3	4,190	3,665	77	449	0
Oklahoma**	280	5,095	-296	5,080	4,819	0	261	340
Texas**	3,766	29,363	0	33,129	29,003	132	3,994	196
ROCKY MOUNTAIN								
Colorado* **	787	6,717	-365	7,139	6,670	0	469	256
Idaho**	182	1,985	-153	2,014	1,829	1	185	53
Montana	176	1,266	1	1,443	1,274	-4	173	0
Utah**	113	3,624	-14	3,724	3,711	0	12	120
Wyoming**	29	652	46	727	722	0	5	65
FAR WEST								
Alaska	---	---	---	---	---	---	---	---
California* **	9,367	71,428	41	80,836	78,053	0	2,783	1,310
Hawaii	272	3,442	0	3,714	3,365	0	349	21
Nevada	168	1,734	0	1,902	1,838	-62	126	136
Oregon**	373	5,238	0	5,611	5,249	0	363	0
Washington**	485	10,829	112	11,426	10,826	0	600	462
Total	**$34,962**	**$493,210**	**-**	**$529,017**	**$503,534**	**-**	**$23,982**	**$18,855**

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

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-1

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

California	Revenue adjustments reflect modifications to the beginning balance.
Colorado	Revenue adjustments reflect diversions to the Highway Users Tax Fund, the Older Coloradoans Program, and the State Education Fund.
Connecticut	Figures reflect federal reimbursements such as Medicaid.
Idaho	Revenue adjustments include the following transfers: $65.0 million to the Permanent Building Fund, $35.2 million to the Budget Stabilization Fund, $32.0 million to the Capitol Endowment Fund, $10.0 million to the School Safety and Health Revolving Loan Fund, $9.5 million to the Fire Suppression Fund, and $1.3 million to six other funds. Expenditure adjustments reflect a $1.0 million reversion delayed into fiscal 2002.
Indiana	Expenditure adjustments represent one-time expenditures for pension contributions, repair of local roads, and projects for state supported universities.
Iowa	Revenue adjustments reflect special transfers from the Economic Emergency Fund.
Kansas	Revenues are adjusted for released encumbrances. Kansas does not have a separate rainy day fund. However, state statute requires that the Governor’s recommended budget and the final approved budget maintain an ending balance of at least 7.5 percent of expenditures.
Kentucky	Revenues include $105.7 million in Tobacco Settlement funds. Revenue adjustments reflect $82.1 million in fund transfers, and $416.7 million for the Reserve for Continuing Appropriations, which includes the Rainy Day Fund. Expenditure adjustments include expenditures from the Continued Appropriation Reserve and the remainder of the Reserve for Continued Appropriations.
Louisiana	Revenue adjustments include a negative Consolidated Annual Financial Report (CAFR) balance of $80.6 million; carry-forwards of $22.56 million; a budget adjustment for double counting of tax refunds of $76.358 million; and a transfer of $962,000. Expenditure adjustments include carry-forwards of $14.1 million and a deposit into the Deficit Elimination Fund of $185 million. Louisiana does not utilize a beginning balance because expenditures from those funds are constitutionally restricted. Beginning with fiscal 2001, the ending balance will reflect revenues minus expenditures in accordance with Act 1092 of the 2001 Regular Session.
Maine	Revenue adjustments reflect $34.7 million transferred from the Fund for a Healthy Maine (Tobacco Settlement Payments) and ($20.2) million transferred from the general fund to the highway fund.
Maryland	Revenue adjustments reflect a transfer from the rainy day fund.
Michigan	Revenue adjustments include tax law changes for fiscal 2000 and prior ($27 million); a Rainy Day Fund withdrawal ($270 million); deposits from state restricted funds ($211.2 million); and lapses from prior year work project expenditures ($64.9 million).
Minnesota	The ending balance includes a cash flow account of $350 million, a budget reserve of $622 million, a tax relief account of $158.1 million, other reserves of $128.8 million and appropriations carried forward of $315.3 million.
Mississippi	Revenue adjustments reflect transfers from the rainy day fund and transfers from special funds (budget cuts). Expenditure adjustments reflect budget cuts.
Nebraska	Revenue adjustments reflect transfers between the general fund and other funds. Expenditure adjustments reflect carryovers from prior years.
Nevada	Expenditure adjustments include reversions and adjustments to fund balances.
New Hampshire	Revenue adjustments reflect a $35 million transfer to the rainy day fund and a $48 million transfer to the Education Trust Fund.
New York	The general fund closing balance excluded $1.2 billion held in the School Tax Relief Fund and $250 million in the Debt Reduction Reserve Fund.
North Carolina	Revenue adjustments reflect $60.5 million in transfers to General Fund Availability per Session Law 2000-67, House Bill 1840. Expenditure adjustments reflect the $6.3 million remaining fund balance that was transferred to the Disaster Relief Reserve.
Ohio	Federal reimbursements for Medicaid and other human services programs and Temporary Assistance for Needy Families federal block grant funds are included in the general revenue fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balances would be higher by the amount reserved for encumbrances and designated transfers from the general revenue fund, including transfers to the budget stabilization fund. Expenditures for fiscal 2001 do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements for the general revenue fund. Expenditure adjustments reflect a transfer to the budget stabilization fund of $13.1 million and miscellaneous transfers-out of $194.2 million. These transfers-out are adjusted for a net change in encumbrances from fiscal 2000 levels of $-52.7 million.
Oklahoma	Revenue adjustments reflect a $261.3 million transfer to the rainy day fund and a $34.7 million transfer to the General Revenue Cash Flow Reserve Fund.
Oregon	Medicaid upper payment limit (MUPL) funds have been removed from revenue totals. Oregon budgets biennially; expenditures are for the second fiscal year and reflect 52 percent of the biennium.
Pennsylvania	Revenues reflect the impact of a one-time Homeowners Property Tax Rebate. Revenue adjustments reflect lapses from prior-year appropriations. The year-end transfer to the budget stabilization (rainy day) fund was suspended for fiscal 2001.

NOTES TO TABLE A-1 (continued)

South Dakota	Revenue adjustments include transfers from the budget reserve fund and obligated cash carried forward. Expenditure adjustments include transfers to the budget reserve fund, property tax reduction fund, and other funds. Expenditures include future obligations against cash.
Tennessee	Revenue adjustments reflect $203 million tobacco reserved in prior years; $147.5 million reserved at June 30, 2000 for 2000-2001 appropriations; $39.2 million transfer from debt service fund unexpended appropriations; $-243.8 million reserved at June 30, 2001 for 2001-2002 appropriations; $-126.6 million reserved at June 30, 2001 for contingencies; $-102.4 million reserved at June 30, 2001 for dedicated revenue appropriations. Expenditure Adjustments include $26.8 million transfer to the Transportation Equity Fund; $34 million transfer to capital outlay projects fund; $7.5 million transfer to systems development fund; $12.9 million transfer to the Rainy Day Fund.
Texas	Total expenditures represent the “budgeted” fiscal 2001 amount as reported by the Legislative Budget Board. Expenditure adjustments reflect reconciliation of the ending balance with the certification estimate released by the Comptroller’s Office in October 2001.
Utah	Revenue adjustments include a $-41.7 million net budget carryforward, $25.5 million in lapsing balances, $6.7 million in transfers, a $-4.0 million transfer to the Rainy Day Fund, and $-0.4 million in other minor adjustments. Before adjourning on March 6, 2002 deadline, the Utah State Legislature allocated $45.3 million from the rainy day fund for fiscal 2002.
Vermont	Revenue adjustments reflect $9.9 million of direct applications and transfers in, $4 million from the tax refund reserve, and $11.6 million for appropriations from the prior year surplus reserve. Expenditure adjustments reflect $5.5 million to the Transportation Fund, $0.6 million to the Transportation Fund Stabilization Reserve, $1 million to the Housing and Conservation Trust Fund, $10 million to the Vermont Health Access Plan (VAHP) Trust Fund, $1.7 million to the Budget Stabilization Reserve, $1.5 million to the Health Services Caseload Reserve, $12 million reserved for transfers to debt service, and $4.3 million in the General Fund Surplus Reserve.
Washington	Revenue adjustments reflect the net of $121 million of transfers-in from other state funds, and a $9 million transfer out to the Rainy Day Fund.
Wisconsin	Revenue adjustments include $124.4 million from the tobacco settlement, a residual equity transfer of $8.0 million, and designated balances carried forward of $36.6 million. Expenditure adjustments include a designation for continuing balances of $9.9 million.
West Virginia	The beginning balance reflects reappropriations of $110.2 million, surplus appropriations of $4 million and an unappropriated surplus balance of $33.9 million. Revenue adjustments reflect $0.2 million in prior year redeposits and a $7.4 million transfer from special revenue. Expenditures reflect $2,619 million in regular appropriations, $51.3 million in reappropriations, $10.3 million in surplus appropriations, and $26.2 million in 31-day (prior year) expenditures. Expenditure adjustments reflect a $5.9 million transfer to the rainy day fund.
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 2002 State General Fund, Estimated (Millions)

Region and State	*Beginning Balance*	*Revenues*	*Adjustments*	*Resources*	*Expenditures*	*Adjustments*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND								
Connecticut**	$0	$11,427	$259	$11,686	$11,899	-$91	-$123	$472
Maine**	39	2,400	68	2,507	2,593	0	-86	123
Massachusetts	3,011	21,610	0	24,621	22,831	0	1,790	1,542
New Hampshire	0	1,138	0	1,138	1,150	0	-12	55
Rhode Island	131	2,511	0	2,642	2,625	0	17	81
Vermont**	4	867	27	894	872	21	0	44
MID-ATLANTIC								
Delaware*	510	2,334	0	2,844	2,524	0	320	126
Maryland**	538	9,753	842	11,132	10,677	0	456	548
New Jersey	1,290	20,440	0	21,730	21,207	23	500	0
New York*	1,098	42,434	0	43,532	41,455	0	2,077	710
Pennsylvania**	335	19,683	717	20,736	20,770	-334	300	569
GREAT LAKES								
Illinois	1,126	24,350	0	25,476	24,826	0	650	226
Indiana**	19	9,076	500	9,594	9,579	0	16	347
Michigan**	28	9,055	206	9,290	9,290	0	0	471
Ohio**	207	21,623	0	21,830	21,778	-101	153	748
Wisconsin**	208	10,446	606	11,259	11,074	34	151	0
PLAINS								
Iowa	0	4,603	0	4,603	4,600	0	3	360
Kansas**	366	4,336	0	4,702	4,528	0	174	0
Minnesota	1,574	12,568	0	14,142	12,755	0	1,387	508
Missouri	109	7,721	0	7,830	7,734	0	96	152
Nebraska**	236	2,493	92	2,821	2,593	107	121	88
North Dakota	62	825	0	887	847	0	40	0
South Dakota**	0	853	11	864	853	11	0	33
SOUTHEAST								
Alabama**	67	5,139	141	5,347	5,362	-40	25	13
Arkansas	0	3,250	0	3,250	3,250	0	0	0
Florida	195	19,541	0	19,736	19,267	0	469	1,237
Georgia**	2,602	14,698	0	17,300	16,074	0	1,226	735
Kentucky**	0	6,842	586	7,429	7,251	154	24	120
Louisiana**	0	6,464	13	6,476	6,426	1	50	232
Mississippi**	16	3,369	37	3,422	3,584	-167	5	0
North Carolina**	0	14,671	42	14,713	14,530	182	1	339
South Carolina	134	5,275	0	5,409	5,348	0	62	62
Tennessee**	31	7,020	559	7,610	7,568	42	0	178
Virginia	0	12,241	0	12,241	12,131	0	109	467
West Virginia**	161	2,800	33	2,994	2,976	16	2	63
SOUTHWEST								
Arizona	13	6,317	0	6,330	6,329	0	2	111
New Mexico	449	3,922	29	4,400	3,988	11	401	0
Oklahoma**	261	4,910	10	5,181	5,136	0	45	72
Texas**	3,994	28,516	0	32,510	30,572	517	1,421	916
ROCKY MOUNTAIN								
Colorado**	475	6,063	167	6,705	6,711	-6	57	0
Idaho**	185	1,824	-7	2,002	2,002	0	0	53
Montana	173	1,331	0	1,503	1,339	0	165	0
Utah**	12	3,616	176	3,805	3,805	0	0	125
Wyoming**	5	608	46	659	630	19	10	130
FAR WEST								
Alaska	---	---	---	---	---	---	---	---
California	2,783	77,083	0	79,865	78,380	0	1,486	12
Hawaii	349	3,485	0	3,834	3,624	0	210	52
Nevada**	126	1,820	0	1,946	1,847	-39	138	136
Oregon**	363	4,777	0	5,140	5,074	0	66	0
Washington**	600	10,428	200	11,228	11,217	0	10	410
Total	**$23,882**	**$498,557**	**-**	**$527,793**	**$513,479**	**-**	**$14,013**	**$12,667**

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

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-2

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

Alabama	Revenue measures and tax increases were passed in fiscal 2001 during the fourth special session of the legislature, that are adjustments to revenues of $140.5 million for fiscal 2002 and subsequent fiscal years. Expenditure adjustments reflect a reduction of $20 million to fiscal 2002 estimated expenditures by end of year general fund reversion, and a reduction of $19.9 million estimated expenditures due to a teachers' retirement rate change and appropriation reduction to public school and college authority.
Colorado	Revenue adjustments reflect transfers from various cash funds totaling $204 million to the general fund. They also include $244 million in revenue that was transferred to the general fund from the Controlled Maintenance Trust Fund to help mitigate revenue decline. In addition, a diversion of $281 million to the State Education Fund is included. Expenditure adjustments include the amount that needs to be cut from the current year's budget to maintain the required balanced budget.
Connecticut	Figures reflect federal reimbursements such as Medicaid.
Georgia	The rainy day fund balance is filled at 5 percent of revenues.
Idaho	Revenue adjustments include the following transfers: $5.3 million to the Fire Suppression Fund, $2.8 million to the Pest Eradication Fund, $0.3 million to the Permanent Building Fund, $0.3 million to four other funds, $1.2 million from the Code Commission Fund, and $0.4 million from the Hazardous Waste Emergency Fund.
Indiana	Revenue adjustments represent one-time transfers of dedicated revenue funds.
Kansas	Revenues are adjusted for released encumbrances. Kansas does not have a separate rainy day fund. However, state statute requires that the Governor's recommended budget and the final approved budget maintain an ending balance of at least 7.5 percent of expenditures.
Kentucky	Revenues includes $121.6 million in Tobacco Settlement funds. Revenue adjustments reflect $130.2 million in fund transfers, and $456.2 million for the Reserve for Continuing Appropriations, which includes the Rainy day Fund. Expenditure adjustments reflect expenditures from the Continued Appropriation Reserve and the remainder of the Reserve for Continued Appropriations.
Louisiana	Revenue adjustments include carry-forwards of $12.7 million. Expenditure adjustments reflect an anticipated contingency funding of $500,000.
Maine	Revenue adjustments reflect $20 million transferred from the Maine Learning Technology Endowment, $17.3 million from the Rainy Day Fund and $10 million from the Fund for a Healthy Maine (Tobacco Settlement Payments).
Maryland	Revenue adjustments reflect the transfer of $533 million from the rainy day fund and the transfer of $309 million from other funds.
Michigan	Revenue adjustments include tax law changes for fiscal 2000 and prior ($-281.6 million); a Rainy Day Fund withdrawal ($155.0 million); deposits from state restricted funds ($312.4 million); and lapses from prior year work project expenditures ($20.4 million). The Governor's budget recommends any remaining general fund balances be deposited to the Rainy Day Fund at the end of fiscal 2002.
Minnesota	The ending balance includes a cash flow account of $350 million and a tax relief account of $158.1 million.
Mississippi	Revenue adjustments reflect transfers from the rainy day fund. Expenditure adjustments reflect budget cuts and potential transfers from the rainy day fund.
Nebraska	Revenue adjustments reflect transfers between the general fund and other funds. Expenditure adjustments are carryovers from prior years.
Nevada	Expenditure adjustments include estimated reversions and adjustments to fund balances.
New York	The ending balance includes $1.13 billion in reserves for World Trade Center-related revenue losses, $710 million in the Tax Stabilization Reserve Fund, $81 million in reserve funds for litigation risks and $142 million in a Community Projects Fund.
North Carolina	Revenue adjustments reflect $42.4 million in transfers to General Fund Availability per Session Law 2001-424, Senate Bill 1005. Expenditure adjustments reflect $181.8 million in transfers to the Rainy Day Fund per Session Law 2001-424, senate Bill 1005.
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 2002 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 $15.5 million. These transfers-out are adjusted for an anticipated net change in encumbrances from fiscal 2001 levels of $-116.6 million. It should be noted that figures reported for fiscal 2002 reflect the enacted biennial budget as amended in December 2001. Ohio is currently projecting a further revenue shortfall for fiscal 2002. Discussions to address the shortfall are ongoing at this time between the Governor and the General Assembly.
Oklahoma	Revenue adjustments reflect a decrease of $9.8 million to the General Revenue Cash Flow Reserve Fund that will be credited to the fiscal 2002 General Revenue Fund. The state does not estimate any transfer to the rainy day fund.
Oregon	Expenditures include payment of 1999-2001 mandated "kicker" payment to taxpayers. Oregon budgets biennially; expenditures are for the first fiscal year and reflect 48 percent of the biennium.

NOTES TO TABLE A-2 (continued)

Pennsylvania	Revenue adjustments include a $1 million increase to the beginning balance, projected lapses of $100 million from prior-year appropriations, a proposed $66 million transfer of Tobacco Settlement Fund lapses to the General Fund and a proposed $550 million transfer from the budget stabilization (rainy day) fund to the General Fund. Total expenditures reflect the total amount appropriated plus proposed supplemental appropriations. Expenditure adjustments reflect projected current-year lapses.
South Dakota	Revenue adjustments include transfers from the budget reserve fund and obligated cash carried forward. Expenditure adjustments include transfers to the budget reserve fund, property tax reduction fund, and other funds. Expenditures include future obligations against cash.
Tennessee	Revenue adjustments reflect $243.8 million reserved at June 30, 2001 for 2001-2002 appropriations; $40 million transfers from debt service fund unexpended appropriations; $275 million other revenue and reserves required to balance budget. Expenditure adjustments include $20 million transfers to the Transportation Equity Fund; $16.1 million transfer to capital outlay projects fund; $6.2 million for dedicated revenue appropriations.
Texas	The revenues and ending balance data are from the Comptroller's certification estimate. Expenditure data are from the Legislative Budget Board. Expenditure adjustments reflect reconciliation of the ending balance with the certification estimate.
Utah	Revenue adjustments include a $99.6 million net budget carryforward, $47.7 million in highway construction savings, federal stimulus package effects, and/or transfers from the rainy day fund, $20.4 million in lapsing balances, $4.0 million from the sale of assets, $2.7 million in transfers, and $2.0 million of other minor adjustments. Before adjourning on March 6, 2002 deadline, the Utah State Legislature allocated $45.3 million from the rainy day fund for fiscal 2002.
Vermont	Revenue adjustments reflect $18.2 million in direct applications and transfers in, $0.5 million from the Campaign Finance Fund, $4.1 million in tax refund reserves from the prior year, and $4.3 million for appropriations from the prior year surplus reserve. Expenditure adjustments reflect $13.8 million to the Transportation Fund, $6.5 million to the Education Fund, and $1 million to the Budget Stabilization Reserve.
Washington	Revenue adjustments represent transfers into the general fund from other state funds.
West Virginia	The beginning balance reflects $104.7 million in reappropriations, surplus appropriations of $15.8 million, and an unappropriated surplus balance of $40.9 million. Revenue adjustments reflect a $32.8 million transfer from special revenue. Expenditures reflect $2,797.8 million in regular appropriations, $104.7 million in reappropriations, $48.5 million in surplus appropriations, and $25.2 million in 31-day (prior year) expenditures. Expenditure adjustments reflect a $15.8 million transfer to the rainy day fund.
Wisconsin	Revenue adjustments include $155.5 million from the tobacco settlement and $ 450 million from the securitization of future tobacco settlement amounts. Expenditure adjustments include a $6 million transfer to the Tobacco Control Fund and a $27.9 million transfer to Compensation Reserves.
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 2003 State General Fund, Recommended (Millions)

Region and State	*Beginning Balance*	*Revenues*	*Adjustments*	*Resources*	*Expenditures*	*Adjustments*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND								
Connecticut**	$0	$12,388	$0	$12,388	$12,388	$0	$0	$473
Maine**	0	2,501	51	2,552	2,710	0	-158	103
Massachusetts	1,542	22,562	0	24,104	23,548	0	556	0
New Hampshire	-12	1,163	0	1,151	1,200	0	-49	55
Rhode Island	17	2,651	0	2,668	2,668	0	0	82
Vermont**	0	883	8	891	891	0	0	44
MID-ATLANTIC								
Delaware	320	2,394	0	2,714	2,382	0	332	128
Maryland**	456	9,998	375	10,829	10,825	0	4	500
New Jersey	500	23,314	0	23,814	23,240	0	573	0
New York*	2,077	38,854	0	40,931	40,221	0	710	710
Pennsylvania**	300	20,586	12	20,899	20,888	1	10	601
GREAT LAKES								
Illinois	650	24,865	0	25,515	24,665	0	850	226
Indiana**	16	9,284	848	10,147	10,140	0	7	121
Michigan**	0	9,452	-338	9,114	9,114	0	0	256
Ohio**	153	22,709	0	22,862	22,752	0	110	613
Wisconsin* **	151	10,737	158	11,046	10,805	98	143	0
PLAINS								
Iowa**	0	4,612	146	4,758	4,691	0	67	0
Kansas**	174	4,443	0	4,617	4,295	0	322	0
Minnesota* **	1,387	13,425	0	14,812	14,301	0	511	508
Missouri	96	7,857	0	7,953	7,868	0	85	17
Nebraska**	121	2,635	68	2,824	2,692	5	127	23
North Dakota	40	867	0	907	900	0	7	0
South Dakota**	0	878	0	878	878	0	0	33
SOUTHEAST								
Alabama	25	5,262	165	5,453	5,453	0	0	18
Arkansas	0	3,383	0	3,383	3,383	0	0	0
Florida	469	19,986	0	20,454	19,891	0	564	1,109
Georgia* **	1,226	16,334	0	17,559	16,098	0	1,462	817
Kentucky**	24	7,096	299	7,419	7,220	141	59	120
Louisiana**	0	5,928	708	6,636	6,636	0	0	232
Mississippi**	2	3,457	0	3,459	3,387	0	72	0
North Carolina**	0	15,439	1	15,440	14,783	0	657	339
South Carolina*	62	5,372	0	5,434	5,232	0	202	100
Tennessee**	0	7,163	1,167	8,330	8,123	207	1	281
Virginia	109	12,253	0	12,362	12,151	0	211	467
West Virginia**	2	2,930	0	2,932	2,930	1	1	65
SOUTHWEST								
Arizona	2	6,239	0	6,241	6,238	0	2	8
New Mexico	401	3,868	0	4,270	3,868	5	397	0
Oklahoma**	45	5,132	-10	5,167	4,943	0	224	36
Texas**	1,421	29,519	-25	30,916	30,916	-8	8	1,206
ROCKY MOUNTAIN								
Colorado**	57	6,624	-314	6,305	6,185	18	120	0
Idaho**	0	1,944	37	1,981	1,981	0	0	26
Montana	165	1,347	0	1,512	1,396	0	116	0
Utah**	0	3,755	23	3,778	3,778	0	0	130
Wyoming**	10	614	71	695	692	0	3	59
FAR WEST								
Alaska	---	---	---	---	---	---	---	---
California*	1,486	79,305	0	80,790	78,806	0	1,984	511
Hawaii	210	3,861	0	4,071	3,903	0	168	64
Nevada	138	1,901	0	2,039	1,983	-81	137	136
Oregon**	66	5,464	0	5,530	5,497	0	33	0
Washington**	14	10,944	264	11,222	11,222	0	0	304
Total	**$13,921**	**$514,175**	**-**	**$531,748**	**$520,753**	**-**	**$10,627**	**$10,521**

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

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-3

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

Alabama	Revenue measures and tax increases were passed in the fiscal year 2001 fourth special session of the legislature that are adjustments to revenues of $165.4 million for fiscal 2002 and subsequent fiscal years.
Colorado	Revenue adjustments reflect diversions to the State Education Fund. Expenditure adjustments include the amount that needs to be cut from the current year's budget to maintain the required balanced budget.
Connecticut	Figures reflect federal reimbursements such as Medicaid.
Georgia	The proposed rainy day fund balance is filled at 5 percent of revenues.
Idaho	Revenue adjustments include the following transfers: $26.7 million from the Budget Stabilization Fund, $7.0 million from the Permanent Building Fund, $6.4 million from the Capitol Endowment Fund, and $3.4 million to the School Safety and Health Revolving Loan Fund.
Indiana	Revenue adjustments represent one-time transfers of dedicated revenue funds.
Iowa	Revenue adjustments reflect various fund transfers.
Kansas	Revenues are adjusted for released encumbrances. Kansas does not have a separate rainy day fund. However, state statute requires that the Governor's recommended budget and the final approved budget maintain an ending balance of at least 7.5 percent of expenditures.
Kentucky	Revenues include $109.1 million in Tobacco Settlement funds. Revenue adjustments reflect $145.4 million in fund transfers, and $153.8 million for the Reserve for Continuing Appropriations, which includes the Rainy Day Fund. Expenditure adjustments reflect expenditures from the Continued Appropriation Reserve and the remainder of the Reserve for Continued Appropriations.
Louisiana	Revenue adjustments include the renewal of $587.5 million in taxes that are scheduled to expire on June 30, 2002 and the use of non-recurring revenue from a tax amnesty program and general fund surplus from prior year.
Maine	Revenue adjustments reflect $18.2 million transferred from the Rainy Day Fund and $29.7 million from the Fund for a Healthy Maine (Tobacco Settlement Payments).
Maryland	Revenue adjustments reflect the transfer of $249 million from the rainy day fund and the transfer of $126 million from other funds.
Michigan	Revenue Adjustments include tax law changes for fiscal 2000 and prior ($-727.8 million) and fiscal 2003 proposed tax law changes ($3 million); Rainy Day Fund withdrawal ($207 million); and deposits from state restricted funds ($179.5 million). Expenditures include a $0.8 million expenditure/transfer to the Rainy Day Fund . The Governor's budget recommends any remaining general fund balances be deposited to the Rainy Day Fund at the end of fiscal 2003.
Minnesota	The ending balance includes a cash flow account of $350 million and a tax relief account of $158.1 million.
Mississippi	Appropriations cannot exceed 98 percent of available funds.
Nebraska	Revenue adjustments reflect transfers between the general fund and other funds. Expenditure adjustments reflect carryovers from prior years and a small estimate of deficit needs.
Nevada	Expenditure adjustments include estimated reversions. Revenues reflect the May 2001 Economic Forum, with legislatively approved adjustments. Other figures reflect those approved by the 2001 Legislature.
North Carolina	Revenue adjustments reflect $.5 million in transfers to General Fund Availability per Session Law 2001-424, Senate Bill 1005.
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. Revenue and expenditure amounts reflect the biennial budget as enacted in June 2001 and amended in December 2001. In December 2001, fiscal 2003 revenues were anticipated to be $750 million lower than estimated when the biennial budget was enacted. At that time the Governor and the General Assembly took action to address the projected shortfall. Recent revenue projections are indicating an additional shortfall in fiscal 2003 revenues. The Governor and the General Assembly are currently in negotiations to address the shortfall.
Oklahoma	Revenue adjustments reflect an estimated increase of $10 million to the Cash Flow Reserve Fund, which is subtracted from annual General Revenue Fund receipts. The state does not estimate any transfer to the rainy day fund.
Oregon	Oregon budgets biennially; expenditures are for the second fiscal year and represent 52 percent of the biennium.
Pennsylvania	Revenue adjustments include $103.4 million in proposed tax reductions and a proposed $115.8 million transfer of Tobacco Settlement Fund lapses to the General Fund. Expenditure adjustments reflect the projected year-end transfer (10 percent of the ending balance) to the budget stabilization (rainy day) fund.
South Dakota	Revenue adjustments include transfers from the budget reserve fund and obligated cash carried forward. Expenditure adjustments include transfers to the budget reserve fund, property tax reduction fund, and other funds. Expenditures include future obligations against cash.
Tennessee	Revenue adjustments reflect $1,167 million new tax revenue required to fund the budget. Expenditure adjustments include $21 million transfer to the Transportation Equity Fund; $51.7 million transfer to capital outlay projects fund; $25 million transfer to Agricultural and Health Reserve Accounts; $102.9 million transfer to the Rainy Day Fund.
Texas	The revenues and ending balance data are from the Comptroller's certification estimate. Expenditure data are from the Legislative Budget Board. Expenditure adjustments reflect reconciliation of the ending balance with the certification estimate. Revenue adjustments reflect dedicated account balances.

NOTES TO TABLE A-3 (continued)

Utah	Revenue adjustments include a $21.6 million shift of restricted sales taxes for roads and water to the General Fund, and $0.9 million in other minor adjustments.
Vermont	Revenue adjustments reflect $7.1 million in direct applications and transfers in and $0.5 million from the Campaign Finance Fund. Expenditure adjustments reflect $0.4 million from the Budget Stabilization Reserve.
Washington	Revenue adjustments represent transfers into the general fund from other state funds, including $79 million from the Rainy Day Fund.
West Virginia	Expenditure adjustments reflect a $1.3 million transfer to the rainy day fund.
Wisconsin	Revenue adjustments include $157.6 million from the Tobacco Settlement. Expenditure adjustments include a $15.3 million transfer to the Tobacco Control Fund and a $82.5 million transfer to Compensation Reserves.
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 2002 and Fiscal 2003*

Region and State	*Fiscal 2002*	*Fiscal 2003*
NEW ENGLAND		
Connecticut	4.3%	4.1%
Maine	-2.0	4.5
Massachusetts	3.1	3.1
New Hampshire	8.2	4.4
Rhode Island	5.7	1.6
Vermont	-0.9	2.1
MID-ATLANTIC		
Delaware	3.9	-5.6
Maryland	4.4	1.4
New Jersey	1.9	9.6
New York	4.4	-3.0
Pennsylvania	4.6	0.6
GREAT LAKES		
Illinois	1.3	-0.6
Indiana	-1.6	5.9
Michigan	-4.4	-1.9
Ohio	3.0	4.5
Wisconsin	0.0	-2.4
PLAINS		
Iowa	-5.7	2.0
Kansas	2.2	-5.2
Minnesota	0.4	12.1
Missouri	0.1	1.7
Nebraska	4.6	3.8
North Dakota	3.0	6.3
South Dakota	6.2	2.9
SOUTHEAST		
Alabama	2.9	1.7
Arkansas	-0.3	4.1
Florida	-3.9	3.2
Georgia	5.0	0.1
Kentucky	3.3	-0.4
Louisiana	2.3	3.3
Mississippi	-0.8	-5.5
North Carolina	8.1	1.7
South Carolina	-3.1	-2.2
Tennessee	7.9	7.3
Virginia	-2.9	0.2
West Virginia	10.0	-1.6
SOUTHWEST		
Arizona	-0.7	-1.4
New Mexico	8.8	-3.0
Oklahoma	6.6	-3.8
Texas	5.4	1.1
ROCKY MOUNTAIN		
Colorado	0.6	-7.8
Idaho	9.5	-1.0
Montana	5.1	4.2
Utah	2.5	-0.7
Wyoming	-12.8	9.8
FAR WEST		
Alaska	---	---
California	0.4	0.5
Hawaii	7.7	7.7
Nevada	0.5	7.4
Oregon	-3.3	8.3
Washington	3.6	0.0
Average	**2.0%**	**1.4%**

NOTES: *Fiscal 2002 reflects changes from fiscal 2001 expenditures (actual) to fiscal 2002 expenditures (estimated). Fiscal 2003 reflects changes from fiscal 2002 expenditures (estimated) to fiscal 2003 expenditures (recommended).

TABLE A-5

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2002

Region and State	*Fees*	*Layoffs*	*Furloughs*	*Early Retirement*	*Across-the-Board Percentage Cuts*	*Reduce Local Aid*	*Programs Reorganized*	*Privatization*	*Rainy Day Fund*	*Other*
NEW ENGLAND										
Connecticut*									x	x
Maine*									x	x
Massachusetts			x		x				x	
New Hampshire*					x					x
Rhode Island*	x					x				x
Vermont*					x					x
MID-ATLANTIC										
Delaware					x					
Maryland*					x					x
New Jersey*		x	x		x		x		x	x
New York*										x
Pennsylvania*									x	x
GREAT LAKES										
Illinois*		x	x		x			x		x
Indiana	x				x	x	x		x	
Michigan*	x	x		x	x	x	x		x	x
Ohio*		x		x	x				x	x
Wisconsin*		x			x					x
PLAINS										
Iowa		x	x	x	x				x	
Kansas*										x
Minnesota	x	x			x	x	x		x	
Missouri					x					x
Nebraska*		x			x	x	x		x	x
North Dakota										
South Dakota*									x	x
SOUTHEAST										
Alabama*										x
Arkansas*										x
Florida*										x
Georgia*					x		x			x
Kentucky*					x				x	x
Louisiana*										x
Mississippi*										
North Carolina*					x				x	x
South Carolina					x				x	
Tennessee*									x	x
Virginia*					x				x	x
West Virginia										
SOUTHWEST										
Arizona*					x				x	x
New Mexico*										
Oklahoma					x					
Texas										
ROCKY MOUNTAIN										
Colorado					x		x			
Idaho*	x	x			x		x		x	x
Montana*										x
Utah*	x	x			x	x	x		x	x
Wyoming										
FAR WEST										
Alaska										
California*									x	x
Hawaii					x					
Nevada*										x
Oregon*		x				x	x		x	x
Washington										
Total	**6**	**11**	**4**	**3**	**26**	**7**	**10**	**1**	**22**	**33**

NOTES: *See Notes to Table A-5.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-5

Alabama	Revenue measures and tax increases were passed in the fiscal 2001 fourth special session of the legislature.
Arizona	Fund balance transfers, shifting of expenditures between funds.
Arkansas	Reductions as specified in Revenue Stabilization Law.
California	Expenditure reductions, funding shifts, and transfers.
Connecticut	Allotment recisions, spend down of lapses, reallocation of a last year's surplus, and permanent and one-time revenue enhancements.
Florida	Legislature enacted budget reductions.
Georgia	Delay hiring, freeze positions and increase lapse. Substitute bond funding for some projects previously funded with cash. Reduce employer contribution for retirement based on actuary report.
Idaho	Taking money from select dedicated funds.
Illinois	Governor's Administrative Order restricting hiring, out-of-state travel, and equipment purchases. Universities are to contribute a portion of their employees' health insurance costs.
Kansas	Allow the ending balance to drop to 3.9 percent of expenditures.
Kentucky	The total fiscal 2001-2002 General Fund budget shortfall was $526.8 million. Kentucky managed this budget shortfall reductions in the following ways: $31 million in unexpended debt service, use of Budget Reserve Trust Fund (Rainy Day Fund) of $120 million, Fund Transfers of $97 million, $273.4 million in agency appropriation reductions, and a technical adjustment of $5.5 million.
Louisiana	Limited hiring freeze in fiscal 2001 and fiscal 2002 to help with the anticipated budget gap in fiscal 2002 and 2003.
Maine	A Governor's Executive Order curtailed allotment in targeted programs totaling 2 percent for selected expenditure categories, except for those including food, fuel, grants, rents and utilities. A hiring freeze was also implemented statewide. Additional reductions up to a maximum target of 4 percent were proposed in some departments/agencies based on priority and impact assessment. Lapsed balances and re-projections in programs such as Medicaid and Nursing Facilities were submitted. Additional balancing has been proposed by the transfer of balances from the rainy day fund and from the fund for a healthy Maine (Tobacco Settlement Funds).
Maryland	Fund transfers, prior year general fund capital projects cancelled, hiring freeze.
Michigan	Other measures for closing the budget gap include use of prior year surplus; canceling prior year spending; reducing restricted fund spending and lapsing these revenues to the general fund; and issuing Executive Order to cut fiscal 2002 general fund spending. The Governor's early retirement program was recently signed into law and takes effect in fiscal 2002. However, savings are expected in fiscal 2003 to help balance the budget. Governor Engler issued Executive Order 2002-1, creating the Bureau of Workers' and Unemployment Compensation within the Department of Consumer and Industry Services. This is an example of how government services may be restructured to provide services more efficiently given the recent 2002 early retirement announcement.
Mississippi	Two levels of across-the-board percentage cuts were used.
Montana	No shortfall in available funds but targeted adjustments were made in several programs to keep expenditures within appropriated levels.
Nebraska	Specific program reductions throughout State government.
Nevada	Hiring freeze, freeze one-time appropriations, selected required reversions, adjustments in non-tax income.
New Hampshire	Hiring freeze, equipment and out-of-state travel.
New Jersey	Lapses to general fund and pending constraints.
New Mexico	The Legislature is considering drawing down reserves.
New York	Building aid reforms, enhanced lottery receipts, debt reduction, and savings through the implementation of a hiring freeze and the elimination of non-essential spending.
North Carolina	Special Revenue and Trust Fund Cash Balance Transfers of $25 million, Local Government Reimbursement-Suspend Inventory Payments of $95 million and Franchise, Natural Gas, Alcohol, and Homestead of $114 million, Increase Highway Transfer to General Fund by $80 million, and potentially use up to $150 million of Disaster Relief Reserve.
Ohio	The General Assembly passed legislation allowing the Director of the Office of Budget and Management to transfer up to $248 million from the Budget Stabilization Fund to the General Revenue Fund and transfer up to $260 million from the Tobacco Master Settlement Agreement Fund to the General Revenue Fund in the fiscal 2002-2003 biennium. The General Assembly also approved several revenue enhancements to fund the shortfall.
Oregon	Shift to other funding sources such as Medicaid Upper Payment Limits funds, Federal funds, and trust/reserve funds. While the General Fund programs were reduced by over $800 million dollars, only about $450 million was actually eliminated. The rest was funded by other fund sources such as Medicaid Upper Payment Limit funds, new Federal Funds, and reserve/trust funds. The Legislature referred a ballot measure that would create a rainy day fund using a school reserve fund as the funding source. If that ballot measure passes, then the rainy day fund would be created and used in lieu of K-12 reductions.
Pennsylvania	The category other reflects the implementation of a spending freeze on current year funds that totals $309.9 million. In addition, it is proposed that $66 million in Tobacco Settlement Fund lapses be transferred to the General Fund and that the transfer of certain tax revenue to other funds be suspended.
Rhode Island	Includes deferral of capital projects, redistribution of video lottery revenues and program cuts.

NOTES TO TABLE A-5 (continued)

South Dakota	Transfers from other funds to the general fund and the de-authorization of prior year encumbrances.
Tennessee	Forced lapses. Dedicated reserve balances that require legislation.
Utah	Before adjourning on March 6, 2002 deadline, the Utah State Legislature allocated $45.3 million from the rainy day fund for fiscal 2002.
Vermont	Hiring freeze, reduce transfer from general fund to transportation fund, increase transfers to general fund from special funds.
Virginia	When the 2001 session of the General Assembly failed to enact amendments to the Commonwealth's 2000-2002 biennial budget the then Governor Gilmore issued Executive Order 74 (2001) to address the projected $421 million revenue shortfall. Outgoing Governor Gilmore in his amendments to the fiscal 2002 enacted budget included actions to address a further budgetary shortfall of $1,195 million consisting of a $928.8 million revenue shortfall plus $266.2 million in new spending needs for fiscal 2002. Actions taken to address these needs included but were not limited to the following: Administrative actions taken in EO74 (01) to reduce operating appropriations by $50.9 million and freeze $65.2 million in capital expenditures, $65.9 million in retirement system rate changes and ($9.2) million for natural disasters and forest fires; $788 million in additional resources included a $467 million withdrawl from the Rainy day fund, $62 million in capital outlay and other balances, and $259 million in intergovernmental transfers (Medicaid); $176.8 million in budget reductions, including $66.3 in across-the-board reductions, saving $46 million by freezing the car tax relief program at 70 percent, and $64.5 in other budget reductions; $130.6 million in savings from fund switches, $73.6 million by using FRANS for transportation and $57 million by using Literary Funds for teacher retirement. Finally, incoming Governor Warner introduced executive amendments in January 2002 designed to protect the commitment to education, reinforce the safety net, retain basic health benefits for state employees, strengthen Virginia's preparedness, and to address Virginia's long-term structural budget problem. His amendments reduced resources in fiscal 2002 by a net $101.4 million and offset these reductions by introducing a net $137.4 million in additional spending reductions. Most of the added savings resulted from $28.8 million in added across-the-board budget reductions, $53 million in increased use of the Literary Fund balances and $34 million from VRS unclaimed property balances.
Wisconsin	Other strategies for addressing the fiscal 2002 budget gap include a hiring freeze, travel restrictions, tobacco securitization, transfers from other funds, and intergovernmental funds transfer.

TABLE A-6

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

Region and State	Sales Tax Original Estimate	Sales Tax Current Estimate	Personal Income Tax Original Estimate	Personal Income Tax Current Estimate	Corporate Income Tax Original Estimate	Corporate Income Tax Current Estimate	Total Revenue Collection***
NEW ENGLAND							
Connecticut	$3,194	$3,090	$4,841	$4,652	$501	$431	L
Maine	860	813	1,212	1,181	118	97	L
Massachusetts	3,800	3,805	8,803	8,786	846	733	L
New Hampshire	N/A	N/A	N/A	N/A	276	248	L
Rhode Island	732	726	941	884	64	50	L
Vermont	230	208	456	435	49	45	L
MID-ATLANTIC							
Delaware	N/A	N/A	739	765	55	87	H
Maryland	2,776	2,636	5,233	5,114	341	245	L
New Jersey	6,137	5,951	8,545	7,291	1,921	1,179	L
New York	6,151	6,120	28,181	26,977	2,000	1,755	L
Pennsylvania	7,352	7,318	7,877	7,613	1,636	1,461	L
GREAT LAKES							
Illinois	6,400	6,200	8,350	8,100	1,055	900	T
Indiana	3,885	3,791	4,037	3,732	918	830	L
Michigan*	113	88	4,933	4,718	2,082	1,899	L
Ohio	6,243	5,984	8,215	7,890	1,007	960	L
Wisconsin	3,751	3,680	5,456	5,220	594	480	T
PLAINS							
Iowa	1,500	1,456	2,565	2,454	323	242	T
Kansas	1,726	1,730	2,082	2,055	220	195	L
Minnesota	4,076	3,728	6,289	5,961	788	566	L
Missouri	1,878	1,759	4,218	3,972	270	164	L
Nebraska	963	920	1,339	1,275	149	119	L
North Dakota	359	363	219	216	52	49	T
South Dakota	477	458	N/A	N/A	N/A	N/A	L
SOUTHEAST							
Alabama	1,316	1,311	2,118	2,064	152	165	L
Arkansas	1,496	1,470	1,880	1,853	259	193	L
Florida	14,777	14,162	N/A	N/A	1,475	1,136	T
Georgia*	4,920	4,614	N/A	N/A	N/A	N/A	L
Kentucky	2,441	2,306	2,996	2,787	330	264	L
Louisiana*	2,460	2,453	1,781	1,833	219	174	T
Mississippi	1,473	1,398	1,131	1,075	293	253	L
North Carolina	3,796	3,674	8,179	7,501	586	486	L
South Carolina	2,178	2,075	2,354	2,135	177	167	L
Tennessee	4,786	4,620	205	205	1,150	1,000	L
Virginia	2,465	2,445	7,981	7,215	470	358	L
West Virginia	878	875	1,049	1,057	115	111	H
SOUTHWEST							
Arizona	3,217	2,971	2,553	2,237	538	345	L
New Mexico	1,324	1,335	990	1,046	200	180	H
Oklahoma	1,482	1,493	2,343	2,356	193	187	L
Texas	15,039	15,030	N/A	N/A	N/A	N/A	T
ROCKY MOUNTAIN							
Colorado	1,901	1,789	4,314	3,585	320	171	L
Idaho	696	659	1,009	940	111	93	L
Montana	N/A	N/A	575	575	82	82	T
Utah	1,498	1,440	1,842	1,761	206	148	L
Wyoming	251	299	N/A	N/A	N/A	N/A	H
FAR WEST							
Alaska	---	---	---	---	---	---	---
California	21,949	21,165	42,144	38,455	5,938	5,261	L
Hawaii	1,727	1,658	1,224	1,126	81	64	L
Nevada*	668	647	N/A	N/A	N/A	N/A	L
Oregon	N/A	N/A	4,420	4,085	409	251	L
Washington	5,733	5,389	N/A	N/A	N/A	N/A	L
Total	**$161,071**	**$156,100**	**$205,618**	**$193,181**	**$28,567**	**$23,820**	-

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 2002 budget was adopted, and current estimates reflect the most recent figures.
***KEY: L=Revenues lower than estimates. H=Revenues higher than estimates. T=Revenues on target.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-6

Georgia	The state was not able to separate personal income tax from corporate income tax collections. The combined estimates used when adopting the fiscal 2002 budget were $7,625.2 million; current estimates for fiscal 2002 are $7,198.8 million; and revenue collections projected in fiscal 2003 are $7,667.8 million.
Louisiana	Sales tax projections reflect $466 million of temporary sales taxes scheduled to expire June 30, 2002. Personal income tax projections reflect $108 million of income taxes scheduled to expire June 30, 2002.
Michigan	The original budget has been modified for fiscal 2002 and is based on the January 2002 consensus revenue estimates and is net of all enacted tax changes. Tax estimates are for the general fund/general purpose portions of taxes only. Sales tax collections are for the Michigan sales tax only and do not include collections from Michigan use tax. Michigan does not have a corporate income tax. Estimates are for Michigan's Single Business Tax. The fiscal 2002 revenues are coming in on target with the January 2002 consensus revenue estimates but are lower than the estimates used when the fiscal 2002 budget was enacted.
Nevada	Fiscal 2003 sales tax projections were made in May 2001 and reflect those used in finalizing the fiscal 2003 budget.

TABLE A-7

Fiscal 2002 Tax Collections Compared with Projections Used in Recommended Fiscal 2003 Budgets (Millions)**

	Sales Tax		*Personal Income Tax*		*Corporate Income Tax*	
Region and State	*Fiscal 2002*	*Fiscal 2003*	*Fiscal 2002*	*Fiscal 2003*	*Fiscal 2002*	*Fiscal 2003*
NEW ENGLAND						
Connecticut	$3,090	$3,245	$4,652	$4,871	$431	$464
Maine	813	851	1,181	1,246	97	103
Massachusetts	3,805	3,942	8,786	8,654	733	907
New Hampshire	N/A	N/A	N/A	N/A	248	268
Rhode Island	726	749	884	892	50	60
Vermont	208	214	435	446	45	45
MID-ATLANTIC						
Delaware	N/A	N/A	765	734	87	40
Maryland	2,636	2,731	5,114	5,198	245	302
New Jersey	5,951	6,227	7,291	7,777	1,179	1,924
New York	6,120	6,285	26,977	23,292	1,755	1,761
Pennsylvania	7,318	7,630	7,613	7,884	1,461	1,454
GREAT LAKES						
Illinois	6,200	6,500	8,100	8,500	900	950
Indiana	3,791	4,065	3,732	4,290	830	941
Michigan	88	115	4,718	4,738	1,899	1,870
Ohio	5,984	6,395	7,890	8,420	960	940
Wisconsin	3,680	3,830	5,220	5,330	480	535
PLAINS						
Iowa	1,456	1,500	2,454	2,509	242	246
Kansas	1,730	1,785	2,055	2,150	195	195
Minnesota	3,728	3,754	5,961	6,230	566	636
Missouri	1,759	1,839	3,972	4,113	164	145
Nebraska	920	1,020	1,275	1,414	119	153
North Dakota	363	392	216	231	49	50
South Dakota	458	481	N/A	N/A	N/A	N/A
SOUTHEAST						
Alabama	1,311	1,346	2,064	2,124	165	107
Arkansas	1,470	1,537	1,853	1,913	193	215
Florida	14,162	14,962	N/A	N/A	1,136	1,181
Georgia*	4,614	4,845	N/A	N/A	N/A	N/A
Kentucky	2,306	2,380	2,787	2,930	264	284
Louisiana	2,453	2,079	1,833	1,789	174	190
Mississippi	1,398	1,437	1,075	1,150	253	269
North Carolina	3,674	3,999	7,501	8,516	486	583
South Carolina	2,075	2,168	2,135	2,291	167	1,675
Tennessee	4,620	4,781	205	215	1,000	1,025
Virginia	2,445	2,373	7,215	7,480	358	362
West Virginia	875	889	1,057	1,088	111	130
SOUTHWEST						
Arizona	2,971	3,133	2,237	2,327	345	380
New Mexico	1,335	1,356	1,046	1,037	180	175
Oklahoma	1,493	1,543	2,356	2,491	187	170
Texas	15,030	15,766	N/A	N/A	N/A	N/A
ROCKY MOUNTAIN						
Colorado	1,789	1,896	3,585	4,008	171	192
Idaho	659	686	940	1,023	93	112
Montana	N/A	N/A	575	593	82	83
Utah	1,440	1,487	1,761	1,850	148	153
Wyoming	299	292	N/A	N/A	N/A	N/A
FAR WEST						
Alaska	---	---	---	---	---	---
California	21,165	22,850	38,455	42,605	5,261	5,869
Hawaii	1,658	1,753	1,126	1,197	64	70
Nevada	647	707	N/A	N/A	N/A	N/A
Oregon	N/A	N/A	4,085	4,769	251	384
Washington	5,389	5,994	N/A	N/A	N/A	N/A
Total	**$156,100**	**$163,808**	**$193,181**	**$200,312**	**$23,820**	**$27,596**

NOTES: N/A indicates data are not available since, in most cases, these states do not have this type of tax.
*See Note to Table A-7.
**Unless otherwise noted, fiscal 2002 figures reflect preliminary actual tax collection estimates as shown in Table A-6, and fiscal 2003 figures reflect the estimates used in recommended budgets.

SOURCE: National Association of State Budget Officers.

NOTE TO TABLE A-7

Georgia	The state was not able to separate personal income tax from corporate income tax collections. The combined estimates used when adopting the fiscal 2002 budget were $7,625.2 million; current estimates for fiscal 2002 are $7,198.8 million; and revenue collections projected in fiscal 2003 are $7,667.8 million.

TABLE A-8

Recommended Revenue Changes by Type of Revenue, Fiscal 2003

State	*Tax Change Description*	*Effective Date*	*Fiscal 2003 Revenue Changes ($ in Millions)*
	SALES TAXES		
Connecticut	Defers the phase down of the exemption for computer/data processing services.	7/02	$9.70
	Reflects additional revenue due to the change in the cigarette tax.	7/02	7.3
	Exempts aviation services.	7/02	-2.0
Florida	Reflects a sales tax holiday for clothing and school supplies.	7/02	-26.6
Minnesota	Creates a sales tax on schools.	1/03	21.0
New Jersey	Reflects enterprise zone assistance designations.	1/02	-59
	Taxes complimentary rooms and meals.	7/02	33
New York	Increases alcoholic beverage control license fees to account for inflation.	4/02	-8.0
North Dakota	Eliminates the sales tax on used farm machinery.	7/02	-4.8
Ohio	Reflects calculation and collection of sales and use tax for leases on motor vehicles, watercraft, outboard motors, aircraft and certain business equipment at the time sales are consummated. Previously the sales and use tax was paid with each installment of the lease and collected during the life of the lease.	1/02	185.1
Rhode Island	Increases the cigarette tax by 35 cents per pack.	7/02	1.5
Tennessee	Reduces the state general sales tax rate from 6 percent to 5.25 percent.	1/03	-542.9
	Eliminates the sales tax on food and non-prescription drugs.	1/03	-404.6
	Creates a hold harmless provision for local governments.	1/03	-185.0
	Holds 6 percent rate steady for hotels, motels, amusements, tobacco and alcoholic beverages, and maintains combined rental car and sales tax rate for rental cars.	1/03	43.2
	Applies sales tax to coin operated amusements and vending machines.	1/03	23.0
Washington	Increases the motor vehicles sales tax.	7/02	81.4
West Virginia	Reflects a sales tax holiday for clothing and footwear under $100.	7/02	-1.1
	Reflects an exemption for direct use in research and development.	7/02	-1.4
Total Revenue Changes—Sales Taxes			**$-830.2**

TABLE A-8 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 2003

State	*Tax Change Description*	*Effective Date*	*Fiscal 2003 Revenue Changes ($ in Millions)*
	PERSONAL INCOME TAXES		
Connecticut	Defers an increase in the singles exemption for two years.	1/02	$8.0
Hawaii	Reflects conformity to federal laws.	1/02	-3.9
	Reflects reduction in the capital gains tax.	1/02	-3.5
	Extends the residential remodeling credit until December 2005.	1/02	-9.5
Michigan	Reflects a previously enacted cut in rates from 4.1 percent to 4 percent.	1/03	-191.7
	Reflects a previously enacted $100 increase in the personal exemption.	1/03	-30.7
Minnesota	Repeals Wisconsin reciprocity.	1/03	30.0
	Reflects tax deferred wage income.	1/02	1.6
Montana	Creates taxes on pass-through entities.		1.2
	Reflects farm and ranch risk management accounts.		-0.7
	Creates energy credits.		-0.8
New Jersey	Increases the earned income tax credit.	1/02	-14.0
	Abrogates the reciprocal taxation agreement with Pennsylvania.	7/02	38.0
Pennsylvania	Expands tax forgiveness by increasing the income limit.	1/02	-12.4
South Carolina	Creates a deduction for National Guard pay associated with Operation Enduring Freedom.	10/02	-1.3
Tennessee	Creates a flat tax of 3.2 percent on federal adjusted gross income; creates exemptions of $7,500 for single filers, $15,000 joint, and $2,500 additional dependents; and excludes 50 percent of long-term capital gains.	1/03	2530.9
	Creates a credit for the excise tax paid by pass-through entities (no double taxation).	1/03	-60.0
	Repeals the Hall Tax on dividends and interest and holds local governments harmless.	1/03	-212.2
West Virginia	Reflects the student loan interest credit.	1/02	-10.3
Wisconsin	Reflects conformity with the Internal Revenue Code.		-18.5
Total Revenue Changes—Personal Income Taxes			**$2,040.3**

TABLE A-8 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 2003

State	*Tax Change Description*	*Effective Date*	*Fiscal 2003 Revenue Changes ($ in Millions)*
	CORPORATE INCOME TAXES		
Hawaii	Includes software in the definition of capital goods for purposes of the capital goods credit.	1/02	-$4.0
Michigan	Reflects a previously enacted rate cut, from 1.9 percent to 1.8 percent.	1/03	-123.6
Minnesota	Reflects mail order apportionment.	1/02	2.8
	Increases minimum fees.	1/02	24.8
	Establishes a minimum fee of $50.	1/02	5.7
New Jersey	Creates a business tax credit for equipment used in the treatment of effluents for reuse in an industrial process.	1/02	-5.0
	Creates a Neighborhood Revitalization State Tax Credit.	1/02	-10.0
	Creates a manufacturing equipment and employment investment tax credit for electric energy and thermal energy production.	1/02	-10.0
	Delays the S corporation tax reduction.	7/02	36.0
Ohio	The taxing structure of the Dealers in Intangibles Tax has been amended and requirements have been tightened for certain financial institution subsidiaries to be eligible to be taxed as a dealer in intangibles. Revenue is increased by expanding the financial institutions tax base of the corporation franchise tax, while maintaining the current dealers in intangibles tax base and rate. The Dealers in Intangibles Tax is currently imposed on businesses (excluding financial institutions and insurance companies) that engage in lending money and in buying and selling or discounting mortgages, stocks and bonds.	7/02	41.0
Tennessee	Requires consolidated filing of tax returns under federal rules.	6/02	75.0
Wisconsin	Reflects conformity with the Internal Revenue Code.		-6
Total Revenue Changes—Corporate Income Taxes			**$26.7**

TABLE A-8 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 2003

State	*Tax Change Description*	*Effective Date*	*Fiscal 2003 Revenue Changes ($ in Millions)*
	CIGARETTE AND TOBACCO TAXES		
Connecticut	Increases the tax on cigarettes to $1.11 per pack.	4/02	$122.0
Minnesota	Increases the per pack tax to 77 cents from 48 cents.	3/02	91.9
	Increases the tobacco products tax from 35 to 49 percent of wholesale price.	3/02	6.0
Nebraska	Increases the cigarette tax by 50 cents.	7/02	43.2
New Jersey	Increases the cigarette tax by 50 cents per pack.	7/02	200.0
Ohio	Reduces the discount to wholesale dealers of cigarettes from 3.6 percent to 1.8 percent of their tax liability for affixing and canceling stamps or meter impressions on cigarette packs.	1/02	5.1
Rhode Island	Increases the cigarette tax by 35 cents per pack.	7/02	21.0
Utah	Increases the cigarette tax by 18 cents per pack. This increase was not recommended by the governor. It was initiated and passed by the legislature.	3/02	13.8
Total Revenue Changes—Cigarette and Tobacco Taxes			**$503.0**
	OTHER TAXES		
Connecticut	Converts the HMO tax credit to an appropriation.	1/02	$15.6
	Defers the gift tax phase down for two years.	1/02	2.6
Hawaii	Converts the state liquor tax from a gallonage tax to an ad valorem rate.	7/02	42.1
Michigan	Reflects a proposal to charge use tax on interstate truck fuel purchased out of state.	10/02	4.5
	Reflects a proposal to reduce the state education tax millage from six to five mills for fiscal 2003 only.	10/02	-266.0
Minnesota	Maintains the estate tax at its level under previous federal law.	1/02	-5.5
Missouri	Creates an additional 2 percent tax on adjusted gross receipts of riverboat gaming facilities.	7/02	31.5
Montana	Creates energy creation property tax incentives.		-0.3
	Reduces fees for heavy trucks.		-0.3
	Creates other energy incentives.		-0.2
New Jersey	Delinks the estate tax from federal provisions.	7/02	72.0
	Repeals a tax reduction on tobacco products.	7/02	7.0
New York	Implements corporate franchise tax incentives for brownfield redevelopment.	4/02	-2.2
Pennsylvania	Continues phase-out of the capital stock tax at modified rate.	1/02	-91.0
Washington	Increases the gambling tax for card rooms, pull tabs, and punch cards, and adds use tax to shipping charges from out-of-state.	7/02	86.8
West Virginia	Exempts payment of the privilege tax on automobiles previously titled in other states for individuals and businesses moving to West Virginia.	7/02	-5.3
Total Revenue Changes—Other Taxes			**$-108.6**

TABLE A-8 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 2003

State	*Tax Change Description*	*Effective Date*	*Fiscal 2003 Revenue Changes ($ in Millions)*
	FEES		
Alabama	Reflects increased court costs.	10/02	$8.8
	Reflects increases costs of specialty tags.	10/02	2.8
	Increases fees for motor vehicles records.	10/02	$4.0
California	Creates a 20 percent surcharge on criminal fines.	7/02	45.8
	Creates a 10 percent surcharge on civil filing fees.	7/02	15
	Reflects various water permit fees.	7/02	16.4
Indiana	Increases certain administrative fees.	7/03	4.0
Iowa	Reflects miscellaneous fee increases.		3.7
Minnesota	Eliminates the Consolidated Chemical Dependency Treatment Tier II Fund (CCDTF) and reduces reserves.	7/02	15.2
	Simplifies state operated services.	7/02	-2.3
	Increases county share of state operated services.	7/02	3.0
	Reflects Department of Human Services central office administrative expenses.	7/02	-3.8
	Increases federal match for medical education through the Prepaid medical Assistance Program (PMAP).	7/02	8.0
	Reflects Department of Corrections cost recovery for Red Wing Correctional Facility.	7/02	-3.9
	Increases the motor vehicles title fee by $2.	7/02	3.0
	Increases the 911 surcharge.	7/02	4.2
Missouri	Creates an additional $1 admission fee for patrons of riverboat gaming facilities.	7/02	50
New Jersey	Extends the Transitional Energy Facility Assessment.	1/02	226.0
	Reflects digitized drivers license fees.	1/03	11.0
	Reflects various fee increases related to motor vehicles and environmental programs.	1/02	75.0
New York	Increases various agricultural and market processing and registration fees.	4/02	1.9
	Increases various county clerk fees.	7/02	22.5
	Increases hunting and fishing license fees.	4/02	5.9
	Increases pesticide fees.	4/02	2.3
	Imposes a surcharge on the hazardous waste generator fee.	4/02	18.4
	Increases petroleum bulk storage registration fees.	4/02	1.0
	Doubles the boat registration fees and impose a surcharge.	9/02	1.9
	Increases snowmobile maintenance and development fees.	4/02	1.4
	Increases various state department regulatory fees.	4/02	2.6
	Revises and expands the heavyweight truck permit program.	4/02	1.5
	Increases the heavyweight truck fine schedule.	4/02	3.0
Rhode Island	Reflects a 911 surcharge.	7/02	1.9
	Reflects a water surcharge.	7/02	1.1
	Reflects miscellaneous surcharges.	7/02	3.1
Vermont	Reflects a nursing home provider tax and motor vehicle, environmental conservation, and other fees.	7/02	14.7
Wisconsin	Increases court filing fees.	7/03	8.1
Total Revenue Changes—Fees			**$577.2**

NOTE: N/A indicates data are not available.

SOURCE: National Association of State Budget Officers.

TABLE A-9

Recommended Revenue Measures, Fiscal 2003

State	*Description*	*Effective Date*	*Enacted Changes (Millions)*
California	Reflects Federal conformity.		$161.0
	Reflects corporate income tax conformity ($17 million) and decreases interest paid on overpayment ($25.2 million).		42.2
Connecticut	Reduces oil company tax transfers to various funds.	7/02	5.0
	Reflects escheat of unclaimed bottle deposits to the state.	7/02	15.0
	Reflects various minor fee modifications.	7/02	2.5
	Reflects transfer of funds from quasi-public agencies to the general fund.	7/02	100.0
	Reflects transfer of funds from the shares available from the demutalization of Anthem-Blue Cross to the general fund.	7/02	98.0
	Reflects transfer from the Tobacco and Health Trust Fund to the general fund.	7/02	37.0
	Reflects transfer of funds from the Biomedical Research Fund to the general fund.	7/02	4.0
Florida	Reflects Everglades Restoration & Land Preservation.	7/02	-17.5
Georgia	Reflects the state property tax homestead exemption.	7/00	-353.0
Illinois	Reflects an amnesty program.		35.0
Maine	Reflects increased sales tax compliance.		1.9
	Delays the indexing of individual income tax rates until 2004 and reflects increased tax compliance.		8.4
	Repeals the net operating loss carry-back and reflects increased corporate income tax compliance.		2.2
	Extends the real estate transfer tax to controlling interests, delays millage rate equalization for telecommunications companies and delays a 0.1 percent increase in municipal revenue sharing.		3.7
Maryland	Defers the final phase of 5-year income tax cut.	1/02	177.6
Michigan	Reflects a proposal to move the collection date of all education property taxes from December to July.	7/03	759.7
Minnesota	Reduces dedication to the highway user tax distribution fund from 32 percent to 6 percent.	3/02	-155.9
	Tobacco Prevention Endowment Earnings to general fund.	3/02	6.0
	Transfer Assigned Risk Plan surplus to general fund.	0/03	94.9
Missouri	Requires that sales tax refunds be directed to purchasers.	7/02	10.0
	Reduces the sales tax timely filing discount from 2 percent to 0.5 percent.	7/02	24.9
	Creates a tax amnesty.	7/02	15.0
	Eliminates the $500 loss limit on patrons of riverboat gaming facilities.	7/02	75.0
Mississippi	Reflects accelerated collections from three tax groups.		119.0
Nebraska	Reflects a business tax credit surcharge/timing.	4/02	21.2
New Jersey	Reflects securitization of tobacco settlement proceeds.	9/02	1,075.0
	Reflects the change in the dormancy period and covered property for escheats.	7/02	209.0
New York	Reflects increases in sales tax collections due to extension of electronic fund transfers.	4/02	32.5
	Reflects change in the pre-paid cigarette index.	4/02	5.8
	Reflects an increase in the cigarette tax.	4/02	11.3
	Reflects am extension of enforcement provisions.	4/02	1
	Reflects increasing personal income tax collections by extending electronic fund transfers.	4/02	25.0
	Reflects application of new technology.	4/02	130.0
Pennsylvania	Increases transfer of surplus from State (Liquor) Stores Fund.	7/02	105.0
	Suspends one-half of the transfer of realty transfer tax revenues to the Keystone Recreation, Park and Conservation Fund.	7/02	25.5
	Suspends one-half of credits available under the Job Creation Tax Credit.	7/02	10.0

TABLE A-9 (continued)

Recommended Revenue Measures, Fiscal 2003

State	*Description*	*Effective Date*	*Enacted Changes (Millions)*
Rhode Island	Reflects hospital licensing fees.	7/02	60.0
	Reflects child support enforcement parent distribution.	7/02	1.9
	Reflects pharmaceutical rebates.	7/02	1.0
	Reflects reallocation of video lottery net terminal income.	7/02	24.3
	Reflects resource recovery corporation transfer.	7/02	4
	Reflects transfer of bond capital interest earnings.	7/02	6.4
	Reflects reallocation of Depositors Economic Protection Corporation (DEPCO) proceeds.	7/02	4.0
	Reflects tobacco settlement securitization.	7/02	55.3
	Reflects postponement of gas tax transfer.	7/02	1.2
	Reflects miscellaneous changes.	7/02	1.3
Total			$3,082.3

SOURCE: National Association of State Budget Officers.

TABLE A-10

Total Balances and Balances as a Percentage of Expenditures, Fiscal 2001 to Fiscal 2003*

Region and State	Total Balances (Millions)** Fiscal 2001	Fiscal 2002	Fiscal 2003	Balances as a Percentage of Expenditures Fiscal 2001	Fiscal 2002	Fiscal 2003
NEW ENGLAND						
Connecticut***	$ 595	$ 472	$ 473	5.0%	3.4%	3.8%
Maine	183	38	-55	6.9	1.4	-2.0
Massachusetts	5,305	3,332	556	24.0	14.6	2.4
New Hampshire	55	43	6	5.2	3.8	0.5
Rhode Island	211	98	82	8.5	3.7	3.1
Vermont	47	44	44	5.3	5.1	4.9
MID-ATLANTIC						
Delaware	510	320	332	21.0	12.7	13.9
Maryland	1,426	1,004	504	13.9	9.4	4.7
New Jersey	2,010	500	573	9.7	2.4	2.5
New York****	2,548	2,077	710	6.4	5.0	1.8
Pennsylvania	1,462	870	611	7.4	4.2	2.9
GREAT LAKES						
Illinois	1,351	876	1076	5.5	3.5	4.4
Indiana	545	363	128	5.6	3.8	1.3
Michigan	1,022	471	256	10.5	5.1	2.8
Ohio	1,217	900	722	5.8	4.1	3.2
Wisconsin	208	151	143	1.9	1.4	1.3
PLAINS						
Iowa	405	363	67	8.3	7.9	1.4
Kansas	366	174	322	8.3	3.9	7.5
Minnesota	1,574	1,387	511	12.4	10.9	3.6
Missouri	260	248	102	3.4	3.2	1.3
Nebraska	406	208	150	16.4	8.0	5.6
North Dakota	62	40	7	7.5	4.7	0.8
South Dakota	38	33	33	4.8	3.9	3.8
SOUTHEAST						
Alabama	74	38	18	1.4	0.7	0.3
Arkansas	0	0	0	0.0	0.0	0.0
Florida	1,383	1,706	1,673	6.9	8.9	8.4
Georgia	2,602	1,226	1,462	17.0	7.6	9.1
Kentucky	240	144	179	3.4	2.0	2.5
Louisiana	267	282	232	4.2	4.4	3.5
Mississippi	200	5	72	5.5	0.1	2.1
North Carolina	158	340	996	1.2	2.3	6.7
South Carolina	134	62	202	2.4	1.2	3.9
Tennessee	209	178	282	3.0	2.4	3.5
Virginia	716	576	679	5.7	4.8	5.6
West Virginia	241	66	66	8.9	2.2	2.2
SOUTHWEST						
Arizona	387	113	10	6.1	1.8	0.2
New Mexico	449	401	397	12.3	10.1	10.3
Oklahoma	601	117	260	12.5	2.3	5.3
Texas	4,190	2,337	1,214	14.4	7.6	3.9
ROCKY MOUNTAIN						
Colorado	469	57	120	7.0	0.8	1.9
Idaho	238	53	26	13.0	2.7	1.3
Montana	173	165	116	13.6	12.3	8.3
Utah	133	125	130	3.6	3.3	3.4
Wyoming	5	10	3	0.7	1.6	0.4
FAR WEST						
Alaska	---	---	---	---	---	---
California	2,783	1,486	1,984	3.6	1.9	2.5
Hawaii	370	262	232	11.0	7.2	5.9
Nevada	262	274	273	14.3	14.9	13.8
Oregon	363	66	33	6.9	1.3	0.6
Washington	1,062	420	304	9.8	3.7	2.7
Total	**$39,511**	**$24,520**	**$18,314**	**7.8%**	**4.8%**	**3.5%**

NOTES: N/A indicates data are not available.
*Fiscal 2001 are actual figures, fiscal 2002 are estimated figures, and fiscal 2003 are recommended figures.
**Total balances include both the ending balance and balances in budget stabilization funds.
***Numbers are per Governors midterm budget.
****The total balance includes $1.2 billion in the School Tax Relief Fund and $250 million in the Debt Reduction Reserve Fund.

SOURCE: National Association of State Budget Officers.

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