The Fiscal Survey of States

April 1993

National Governors' Association
National Association of State Budget Officers

★ The
★ Fiscal
★ Survey
★ of
★ States

April 1993

National Governors' Association
National Association of State Budget Officers

THE NATIONAL GOVERNORS' ASSOCIATION

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

1992-93 Executive Committee

Governor Roy Romer, Colorado, Chair
Governor Carroll A. Campbell Jr., South Carolina, Vice Chair
Governor Zell Miller, Georgia
Governor John Waihee, Hawaii
Governor Terry E. Branstad, Iowa
Governor John Engler, Michigan
Governor George V. Voinovich, Ohio
Governor Ann W. Richards, Texas
Governor Tommy G. Thompson, Wisconsin

Raymond C. Scheppach, Executive Director

THE NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

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

1992-93 Executive Committee

Judy Matteucci, Nevada, President
Michael O'Keefe, Rhode Island, President-Elect
Dale Hatch, Utah, Past President
Stephen Richman, New York, Member-at-Large
Frank Sullivan Jr., Indiana, Member-at-Large
Rosemary Booth Gallogly, Rhode Island, Eastern Regional Director
Charles Rowe, Alabama, Southern Regional Director
Richard Chandler, Wisconsin, Midwestern Regional Director
George Delaney, Colorado, Western Regional Director
Peter Burns, Arizona, Health, Human Services, and Justice
Eileen Browne, Washington, Financial Management, Systems, and Data Reporting
Richard Weiss, Arkansas, Tax, Commerce, Physical Resources, and Transportation
Karen Washabau, Virginia, Training, Education, and Human Resources Management

Brian M. Roherty, Executive Director

ISSN 0198-6562
ISBN 1-55877-208-1

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

National Association of State Budget Officers
400 North Capitol Street
Suite 299
Washington, D.C. 20001-1511
(202) 624-5382

Price: $25.00

CONTENTS

CONTENTS

Figures

Appendix Tables

PREFACE

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

The field survey on which this report is based was conducted by the National Association of State Budget Officers in January through April 1993. The surveys were completed by Governors' state budget officers in the fifty states.

Fiscal 1992 data represent actual figures, fiscal 1993 figures are estimates, and fiscal 1994 data are figures contained in Governors' proposed budgets.

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

The Fiscal Survey of States is a cooperative effort of the National Association of State Budget Officers and the National Governors' Association. Stacey Mazer of NASBO compiled data for the report and prepared the text. Laura Shaw of NASBO produced the report using PageMaker, Ventura Publisher, and Excel. Editorial and production assistance was provided by Karen Glass of NGA's Office of Public Affairs.

EXECUTIVE SUMMARY

The recession that began in July 1990 officially ended in March 1991. Nevertheless, the modest growth prior to the slowdown, the recession, and the prospect of slower growth in the 1990s have made states extremely cautious in their budgets for both fiscal 1993 and fiscal 1994. Revenue and budget shortfalls are no longer the problem. However, this is not because revenue growth is expected to improve, but because states have dramatically lowered their revenue expectations and spending forecasts. Key findings of this survey include the following.

- State general fund budgets are expected to increase only 3.1 percent in fiscal 1993 and are proposed to increase only 3.0 percent for fiscal 1994. These increases are about one-third of the 8.0 percent average annual increase during the 1980s.
- Twenty-three states were forced to reduce their fiscal 1993 enacted budgets by a total of $2.3 billion. The number of states is down substantially from the thirty-five states that had to reduce their fiscal 1992 enacted budgets.
- Most state activity in Aid to Families with Dependent Children (AFDC) focuses on restructuring the program to provide greater incentives for recipients to get and keep a job, attend school or training, and obtain preventive health care. In the proposed budgets for fiscal 1994, only ten states are recommending changes in benefit levels, while forty states would maintain the levels in effect in fiscal 1993.
- Medicaid spending continues to grow at a rapid rate and continues to be a budget breaker in most states. Fiscal 1993 Medicaid expenditures are projected to grow 19 percent, after a 28 percent increase in fiscal 1991 and a 30 percent increase in fiscal 1992.
- States' general fund revenue growth is projected to be 3.7 percent in fiscal 1993 and 2.7 percent for fiscal 1994. State revenue projections for the sales tax, personal income tax, and corporate income tax for fiscal 1994 are only 2.9 percent above fiscal 1993 enacted budgets.
- Year-end balances for both fiscal 1993 and fiscal 1994 are precipitously low at 1.6 percent and 1.2 percent, respectively. These levels of reserves are among the lowest in the past ten years.
- Just as the recession had differential impacts on the nation, the economic recovery also is having an uneven effect on states. While California, in particular, continues to feel the brunt of defense cutbacks, other high-technology job losses, and immigration pressures, states in the Plains, Rocky Mountain, and Southeast regions are experiencing a more positive economic climate.

In response to recent budget pressures, many states are making fundamental changes in the way state government is organized and managed and in the way services are delivered to improve quality, increase efficiency, and reduce costs. Examples include the following.

- States are restructuring some major state functions, including human services, higher education financing, and environmental programs, in order to address overlapping jurisdictions, management inefficiencies, and costly administrative overhead. Other restructuring focuses on changes in service delivery.
- States are moving away from hierarchical organizational structures with multiple layers of management and diffused responsibility toward flatter, more horizontal structures in order to improve accountability and responsiveness in state government.
- States are changing budget procedures to implement performance-based budgeting, initiating new means of communicating budget information statewide, and establishing productivity incentives. As states face increasingly constrained resources and growing demands for services, the allocation of resources through the budget process is being examined. With the prospect of limited growth before the nation, states are analyzing which components to have in place to control spending and allocate resources.

Some significant shifts in state spending have occurred over the last few years because of extensive budget cutting. Specifically, Medicaid has increased to 17 percent of state spending in fiscal 1992 from 10 percent in fiscal 1987. Spending for elementary and secondary education has decreased to 21 percent in fiscal 1992 from 23 percent in fiscal 1987. Similarly, higher education spending has decreased slightly to 11.5 percent in fiscal 1992 from 12.0 percent in fiscal 1987; this is largely because of increases in tuition and fees. Essentially, these shifts confirm the Governors' concerns that the rising cost of health care is reducing the share of state spending going to education and other long-term investments. This is not a healthy long-run trend.

In summary, states have adjusted to the fiscal conditions of the last several years. Not only have they dramatically reduced their revenue and spending projections, but they are making major changes in long-run spending priorities and are restructuring state government. States now recognize that the slow growth of the 1990s will be quite different from the high growth of the 1980s and that major structural change is required.

ECONOMIC BACKGROUND

CHAPTER ONE

Although the recession that began in July 1990 officially ended in March 1991, the weakness of the "recovery" is the main concern across the nation. The positive news of productivity increases comes at the expense of the slow pace of hiring, reflecting employers' continued hesitancy to hire new workers. The growth in the economy has not been enough to create many jobs; along with the restructuring that is occurring, the lack of jobs has serious implications for the nation's economic well-being. While in the past, real economic growth adjusted for inflation above 2.5 percent would bring the unemployment rate down, firms have instead raised their output without adding workers, thus resulting in the increased productivity.

As the Congressional Budget Office noted in its January 1993 *Economic and Budget Outlook*, "The recession and subsequent recovery have been atypical in many respects, and the sluggish rate of expansion that is anticipated may make the normal fits and starts of the growth process seem more daunting than usual." High office and commercial vacancy rates, defense cutbacks, and restructuring and workforce reductions in the private sector continue to affect the economy. According to the Congressional Budget Office's January forecast, economic growth is estimated at 2.8 percent in fiscal 1993 and 3.0 percent for fiscal 1994. These figures correspond to the average forecasts of economic growth of 3.1 percent in 1993 and 3.3 percent for 1994 by economists surveyed in February 1993 by *Blue Chip Economic Indicators*. This recovery represents only about one-half to two-thirds of the 5 to 6 percent average growth after previous recessions.

Although there have been some positive signs in the economy in the past several months, such as growth in the sales of existing homes, the positive outlook of purchasing managers, and an increase in consumer confidence, the weak labor market continues to be the major obstacle to sustained economic growth. The unemployment rate of 7.0 percent in February is a marked improvement from the 7.7 percent jobless rate last June, but the loss of jobs continues to be a disturbing trend in the economy. Although the creation of new jobs in February was a positive sign indicating some improvement in the economy, some analysts indicated that many of the new jobs were part-time and/or low-paying jobs. Moreover, the well-publicized job losses at IBM, Sears, Boeing, and other major corporations lend uncertainty to the economic landscape. A survey by the American Management Association found that about one-fourth of the 800 participating firms plan to reduce their workforces by the middle of 1993. Even if the job losses are part of longer term structural changes that ultimately will help productivity, in the short run the lack of "good" jobs is a major concern.

State revenues, while exceeding state forecasts in many states, reflect the conservative estimates states used to develop their budgets. Because of concerns about the reliability of these forecasts for estimating purposes, states used modest growth assumptions for fiscal 1993. Federal budget and national health care reform decisions will further shape the economic outlook for states.

STATE EXPENDITURE DEVELOPMENTS

CHAPTER TWO

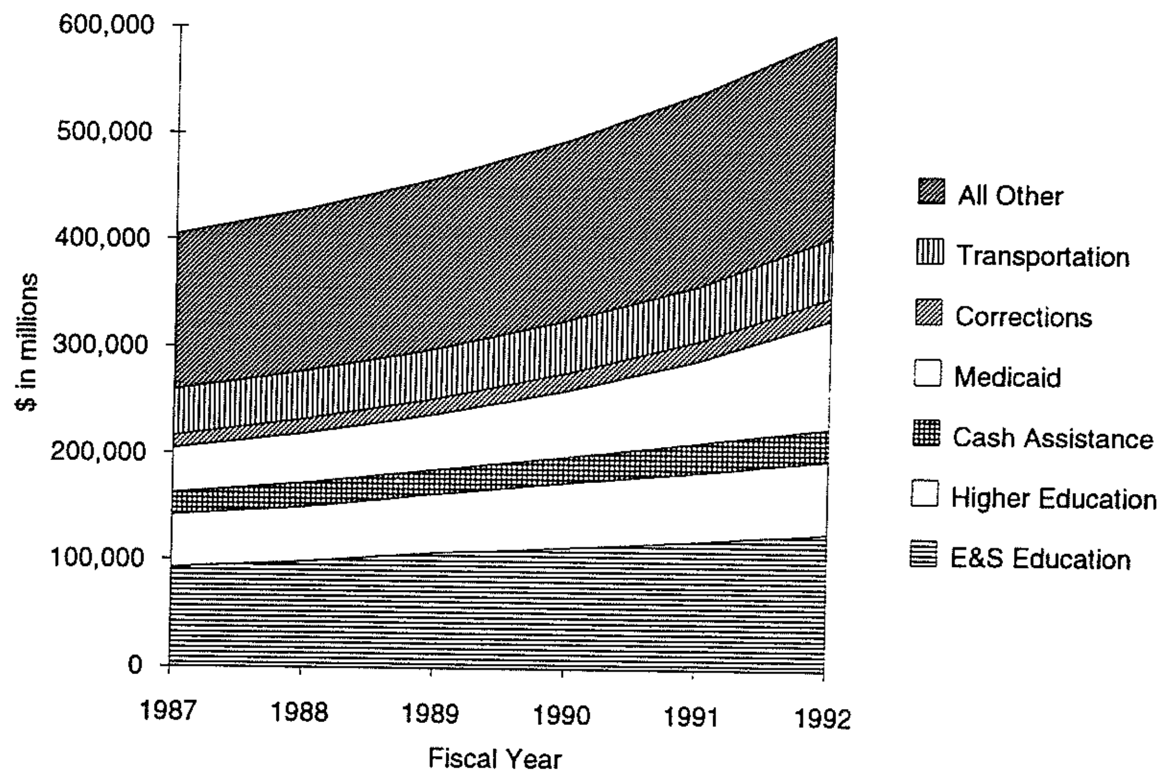
Total State Spending

Although this report focuses primarily on the general funds of states, analysis of total state spending from all funding sources provides a perspective on overall state operations. The National Association of State Budget Officers' *State Expenditure Report, 1992* illustrates the significant changes in the relative shares of spending for major state functions (see Figure 1). For example, Medicaid continues to absorb a larger share of state spending, increasing from 10 percent to 17 percent of total state spending from fiscal 1987 to fiscal 1992. In contrast, the share for elementary and secondary education decreased from 23 percent of total state spending in fiscal 1987 to 21 percent in fiscal 1992.

Higher education also has been affected by the shifts in state spending, dropping from the second largest function in state spending in fiscal 1989 to the third in fiscal 1992. Although expenditures for higher education remained relatively steady at 12 percent of state spending in fiscal 1987 to 11.5 percent in fiscal 1992, this is most likely attributable to tuition increases that are included in state spending figures in thirty-eight states. Tuition and fees for undergraduate residents of public four-year colleges and universities increased 13.6 percent in the 1991-92 school year and 10.4 percent in

Figure 1

Composition of Total State Expenditures, Fiscal 1987 to Fiscal 1992



SOURCE: National Association of State Budget Officers.

the 1992-93 school year, according to an annual survey conducted by the American Association of State Colleges and Universities. Twenty states have included proposed tuition increases in fiscal 1994 budgets, while other states indicate that tuition decisions are under the purview of boards of trustees.

These spending trends highlight the pressure states have been under because of the rapid rise of Medicaid costs and the less than stellar revenue growth.

Budget Management in Fiscal 1993

Twenty-three states were forced to reduce their fiscal 1993 enacted budgets by a total of $2.3 billion (see Table 1). Fewer states had to cut enacted budgets this year; however, this was the result of greater certainty in estimating revenues and expenditures, rather than because of greatly improved state finances. As the nation entered its fourth year of constrained fiscal conditions, states were less apt to have surprises in mid-year. Fiscal 1992, when thirty-five states reduced enacted budgets, represented the peak in mid-year budget adjustments. The fact that fewer states are having to react mid-year is attributable to the low expectations for revenue growth upon which they based their fiscal 1993 budgets.

Many of the states that have been forced to make mid-year adjustments have exempted certain programs from the budget cuts, including education, Aid to Families with Dependent Children (AFDC), Medicaid, local aid programs, public safety, constitutional mandates,

Table 1

Budget Cuts Made After the Fiscal 1993 Budget Passed

State	Size of Cut ($ in millions)	Programs or Expenditures Exempted from Cuts
Alabama	$24.3	Debt service.
California	474.0	Reductions were made to AFDC, Medicaid, and the Renters' Tax Credit; even with reductions, costs rose due to increased caseloads.
Connecticut	30.0	Grants to towns, Department of Children and Youth Services.
Georgia	12.3	Education.
Hawaii	91.4	K-12 education.
Idaho	6.0	Public schools, community colleges.
Indiana	84.2	Targeted reductions.
Kentucky	70.0	K-12 education.
Louisiana	92.0	Various programs.
Maine	28.5	Debt service.
Maryland	225.0	Constitutional mandates.
Michigan	373.7	Education, social and human services, revenue sharing.
Missouri	33.0	Schools, colleges, entitlements.
Montana	N/A	Public school equalization.
Nebraska	29.2	Local aid programs.
Nevada	120.9	No exemptions.
North Dakota	4.0	No general fund programs are exempt.
Ohio	330.0	Student aid for higher education, K-12 education, debt service, property tax rollbacks, Medicaid, and AFDC.
South Carolina	202.5	Debt service, general elections, state museum rent, capital reserve fund.
Vermont	17.7	No exemptions.
Virginia	31.0	Savings result from actions, such as delivering services more efficiently and reducing costs for jail inmate per diems by opening prisons earlier, and from the declining impact of inflation.
Washington	10.0	Determined on a case-by-case basis.
West Virginia	47.6	Debt service.
TOTAL	$2,337.3	-----

SOURCE: National Association of State Budget Officers and debt service. The exempted programs typically are entitlements, such as AFDC and Medicaid, or those set by predetermined formulas, such as school aid.

The states forced to reduce their enacted budgets represent all regions of the country. The largest percentage reductions occurred in Hawaii, Maryland, Michigan, Nevada, Ohio, and South Carolina, which all had budget cuts exceeding 3 percent of fiscal 1993 general fund expenditures. Several states, including Maryland, reacted quickly to the weak economy by reducing 1993 enacted budgets in the first half of the fiscal year.

The strategies some states are using to balance their fiscal 1993 budgets include eliminating programs and restructuring government functions (see Appendix Table A-5). Relative to the previous year, fewer states are eliminating or restructuring programs to address mid-year budget shortfalls. Instead, states incorporated changes in fiscal 1993 budgets or in proposed fiscal 1994 budgets to achieve longer term solutions to the imbalance between revenues and expenditures. Strategies include restructuring welfare programs and controlling the growth of entitlements.

General Fund Spending in Recent Years

Governors' proposed general fund budgets for fiscal 1994 are 3.0 percent above the previous fiscal year (see Table 2). This spending increase is well below the average of 8.0 percent during the 1980s (see Figure 2). The fiscal 1993 increase of 3.1 percent is slightly above the states' estimate of 2.4 percent reported in *The Fiscal Survey of States: October 1992.*

About one-fifth of all states are projected to have negative expenditure growth from fiscal 1992 to fiscal 1993 (see Table 3 and Appendix Table A-4). More than half of the states show expenditure growth below 5 percent in fiscal 1993. Proposed fiscal 1994 budgets range from negative growth to 5 percent growth in more than half the states. In twelve states, the average increase for both fiscal 1993 and fiscal 1994 is less than 2 percent, a decline of more than 1 percent each year when the impact of inflation is factored in. States are spending less even though pressures from Medicaid and other entitlements, school enrollment and finance, and corrections continue to mount.

Table 2

State Nominal and Real Annual Budget Increases, Fiscal 1979 to Fiscal 1994

	State General Fund	
Fiscal Year	Nominal Increase	Real Increase
1994	3.0% (est)	-0.5% (est)
1993	3.1 (est)	-0.4 (est)
1992	5.1	1.5
1991	4.5	-0.1
1990	6.4	1.7
1989	8.7	3.5
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
1979-1994 average	**7.1%**	**1.4%**
1980-1990 average	8.0%	1.9%

NOTE: The state and local government implicit price deflator was used for state expenditures in determining real changes.

SOURCE: National Association of State Budget Officers.

Proposed State Spending for Fiscal 1994

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

Aid to Families with Dependent Children. Most activity in AFDC focuses on restructuring the program to provide greater incentives for recipients to get and keep a job, attend school or training, and obtain preventive health care. In their proposed budgets for fiscal 1994, forty states would maintain the same AFDC benefit levels that were in effect in fiscal 1993. Ten states are proposing changes to benefit levels (see Table 4), while nine states are proposing changes to restrict eligibility for AFDC (see Appendix Table A-6).

California's change would decrease benefits for AFDC recipients who do not work, but would allow for more income for those who are employed by removing the time limit on the current "income disregard." Currently, AFDC recipients have an income disregard of $30 per month for the first year and one-third of the remaining earnings for four months. By removing the time limit on the income disregard, AFDC recipients would see their incomes rise. Connecticut also is proposing that employed AFDC recipients be allowed to retain a greater portion of their earned income.

Although most states are not changing benefit levels, they are continuing to plan and implement welfare reform initiatives. A common theme is to encourage self-sufficiency by linking benefits to school attendance and/or participation in a training program. In 1992, ten states were granted federal waivers to change their welfare programs. Innovations in these states include encouraging work by allowing families to receive some AFDC

Table 3

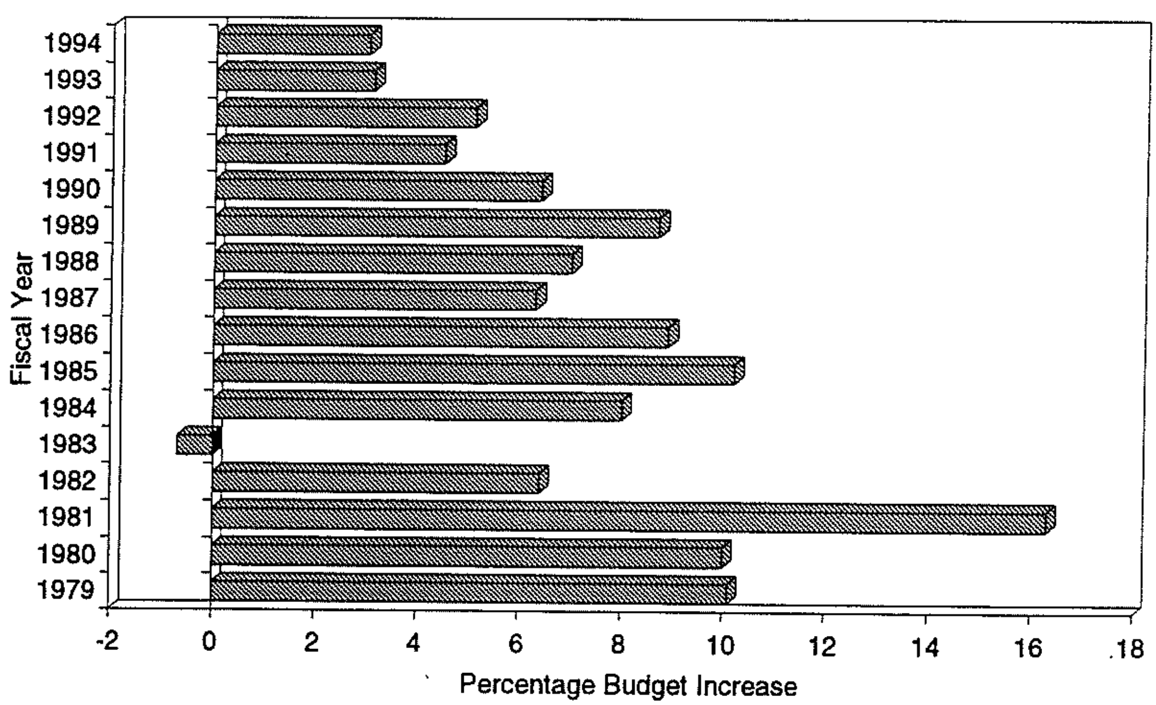
Annual State General Fund Expenditure Increases, Fiscal 1993 and Fiscal 1994

	Number of States	
Spending Growth	Fiscal 1993 (Estimated)	Fiscal 1994 (Proposed)
Negative Growth	8	7
0.0% to 4.9%	22	23
5.0% to 9.9%	12	17
10% or More	8	3
Average Growth Rate	**3.1%**	**3.0%**

SOURCE: National Association of State Budget Officers.

Figure 2

Annual General Fund Budget Increases, Fiscal 1979 to Fiscal 1994



SOURCE: National Association of State Budget Officers.

Table 4

Proposed Cost-of-Living Changes for Aid to Families with Dependent Children, Fiscal 1994

State	Proposed Change
Alaska	*
California	*
Connecticut	*
Illinois	*
Indiana	*
Maine	-8.0*
Maryland	2.0
Oregon	-5.0
Vermont	-1.5
Utah	3.0

NOTES:
Alaska proposes to suspend the automatic cost-of-living adjustment.
California's proposal would decrease benefits by 4.2 percent for the first 6 months on aid and an additional 15 percent reduction for any time on aid after 6 months. It also would increase the amount of income recipients could retain from earnings by removing the time limit on the current income disregard. Connecticut's change would allow employed AFDC recipients to retain a greater portion of their earned income.
Illinois' proposed increase is $25 per month, or 9.3 percent per two-person family and 6.8 percent per three-person family.
Indiana cannot be placed in the position of funding an ongoing and expanding public assistance system. The opportunity exists for public assistance recipients to gain skills for self-sufficiency, but at the same time Indiana demands responsibility by requiring that those who can work, do work. Indiana's proposal would limit the maximum benefit to $320 per month after one year of participating in AFDC (the current maximum for a three-person family) for AFDC recipients who are able to work. This is subject to state legislative and federal approval.
Maine's proposal includes eliminating special needs payments and changing the ratable reduction benefit calculation.
SOURCE: National Association of State Budget Officers.

benefits when a parent gets a job. Changes in Maryland, Missouri, and Virginia focus on encouraging school attendance. In Minnesota, a five-year demonstration program is replacing AFDC, general assistance, and food stamps with a simplified income support program to make "work pay."

Given the President's call for experimentation, federal approval of waivers to change welfare is likely to occur. Further efforts to reorient welfare programs are anticipated at both the federal and state levels.

Medicaid. Fifteen states have included Medicaid reductions in Governors' proposed fiscal 1994 budgets in the continuing quest to control program costs. Medicaid, the most rapidly growing state program, accounted for about 17 percent of all state spending in fiscal 1992 and is projected to account for 25 percent of state spending by fiscal 1995. According to a study of Medicaid costs by the Kaiser Commission, the major factors driving Medicaid costs are more recipients, medical cost inflation, and greater demand for services. In fiscal 1993, forty-three states reported using some type of cost containment measure to curb Medicaid costs. Strategies include using managed care or health maintenance organizations (HMOs), modifying provider payments, and eliminating or limiting services. States continue to use financing measures, such as a state tax on a percentage of a hospital's gross receipts, to generate additional resources for health care. In fiscal 1993, twenty-seven states were relying on provider-based taxes to generate additional resources for Medicaid. With the administration embarking on an overhaul of the health care system, states undoubtedly will be affected by these changes.

State Employment. The number of full-time positions supported by states' general funds are projected to decrease slightly by about 0.05 percent from fiscal 1993 to fiscal 1994 (see Appendix Table A-8). Nineteen states report that positions will decline between 1992 and 1994. Maine, Rhode Island, Massachusetts, New Jersey, and Oregon have the most significant declines of 13.9 percent, 8.0 percent, 7.2 percent, 6.5 percent, and 5.8 percent, respectively, from 1992 to 1994.

This relatively stable level in state positions continues a trend that began in 1990. The state hiring that is occurring tends to be for prison guards and health care workers. Other changes include changing the organizational structure by reducing the span of supervision, as in Iowa. Although state layoffs have not been numerous as a percent of payrolls, states have relied on early retirement and attrition to reduce state workforces. A number of states, including Maine, continue to use furloughs to reduce personnel costs. Furloughs do not affect the number of authorized positions but do affect payroll costs.

Employee Compensation. State employees continue to share in states' financial woes. An the states proposing pay raises, the increase averages 3.7 percent (see Appendix Table A-7). In states such as Florida and Wyoming, the proposed fiscal 1994 raise comes after a pay freeze of at least one year. Although California state employees are scheduled to receive a 5 percent raise in January 1994, the pay hike follows a salary reduction in fiscal 1993 and increased employee payments for health insurance premiums. Maine state employees with salaries above $50,000 had their pay reduced by 5 percent, and more salary reductions are proposed for fiscal 1994-95. Several states are basing pay increases on salary levels. In Kentucky, Maine, and Nebraska, employees above a certain salary level — usually $50,000 — would receive no increase, while employees below that level would receive increases. The assumption of automatic pay increases is waning in many states.

Employee Benefits. Similar to their counterparts in the private sector, employees of fourteen states will have to shoulder additional burdens for health and pension benefits (see Appendix Table A-6). Cost shifting is the most common strategy for holding down employer health benefit costs. Changes include increases in employee health care premiums and deductibles and decreases in employer pension contributions.

Employee benefit costs are rising faster than wages and are more difficult for employers to control. According to the Bureau of Labor Statistics, this trend began in 1987 primarily due to rapid increases in health insurance and workers' compensation. While wages for all workers have risen 3.6 percent annually from 1987 to 1992, benefit costs have grown 5.3 percent annually during this same time period.

Skyrocketing health care costs are exerting tremendous pressure on states as both purchasers and providers of health care. Based on the most recent survey of state employee benefit plans by the Segal Company, the average cost of the basic indemnity plan increased by about 9.5 percent in 1992 — the smallest increase since 1987. Although the rate of growth has slowed from previous years, the increase is still more than double states' revenue growth.

Aid to Local Governments. Twenty-five states are proposing changes in aid to local governments (see Table 5). Of these, six states are proposing to reduce funding to localities. For example, a change recommended in California would shift revenues from local governments to school districts. Some proposals involve a change in responsibilities, such as New Jersey's assumption of local court costs, which is estimated to provide local tax relief of between $200 million and $300 million by fiscal 1997. Recommended increases include establishing loan programs for solid waste and water and sewer facility construction in Georgia, sharing tax revenues from a proposed expansion of the state sales tax in Idaho, and creating a children's education fund by dedicating the state sales tax in Wisconsin.

Table 5

Proposed Changes in Aid to Local Governments, Fiscal 1994

Alaska	The Governor proposes a 25 percent reduction in the state pass-through amount for programs that help with local property tax relief.
California	The Governor's proposed budget includes a $2.6 billion shift in property tax revenues from cities, counties, special districts, and redevelopment agencies to school districts. The budget also proposes a $45.7 million reduction in support of trial courts.
Connecticut	Under an agreement between the state and the Mashantucket Pequot Indian tribe, revenues generated from tribal casino operations are distributed to municipalities. In fiscal 1994, this is expected to total $100 million.
Delaware	An additional $1.1 million has been recommended for statewide paramedics. A proposal has been made to share the costs of paramedic training with the county governments on a 60/40 basis, rather than the current 100 percent state funding.
Georgia	The Governor recommends a $5 million loan program for solid waste and recycling facilities and a $30 million loan program for construction of water and sewer facilities.
Idaho	Local governments would receive $10 million in additional revenues as their share of the Governor's recommendations to expand the sales tax to services, communications costs, and utility sales.
Illinois	The Governor's proposed extension of the income tax rate effectively increases the local governments' distribution of one-twelfth of the income tax and offsets the elimination of a one-time $40 million surcharge payment to local governments.
Kansas	The Governor recommends a local property tax lid, excluding school districts.
Maine	The Governor recommends the elimination of state funding for the general assistance program; local governments have the option of using revenue sharing dollars to aid people in need. The Governor also recommends reductions in the Maine Property Tax Relief program through changing eligibility requirements.
Maryland	The state will no longer contribute to the employer's share of social security payments for school teachers, librarians, and community college staff.
Michigan	The Governor recommends an additional $93.8 million in school aid funds for elementary and secondary education. In addition, the Governor is supporting a constitutional amendment to reduce school millage rates, cut property tax assessments and limit growth, establish a guaranteed per pupil expenditure base and growth factors, and replace revenues by an earmarked sales tax increase from 4 to 6 percent.
Minnesota	The Governor recommends $9 million in additional state property tax refunds and $65 million in additional Homestead/Agricultural Credit Aid. Also recommended is $12 million in early retirement incentives and $15 million for counties to finance the shift of criminals with sentences of less than twelve months from state prisons to county jails.
Nebraska	The Governor recommends a 1 percent reduction in selected programs in aid to local governments.
Nevada	The Governor's recommended budget includes various changes in aid to local governments, including increasing the commission charged to local governments to collect taxes and reducing health aid to counties. Additional assistance is provided for school health screening from federal Medicaid reimbursements and to counties for administrative costs through revenues generated from the hospital tax on Medicaid providers.
New Hampshire	The Governor's recommended budget includes an additional $10 million for local bridge aid.
New Jersey	During fiscal 1994, the state will begin to assume court costs now borne by counties. The estimated total cost to the state in local tax relief is $200 million to $300 million by fiscal 1997.

Table 5 (continued)

New York	Legislation is proposed that would authorize local governments, at their option, to raise additional revenues through the utility gross receipts tax, impact fees, and the real estate transfer tax. The Governor also proposed an alternative to the current regressive property tax — a local option personal income tax. In addition to local revenue proposals, the budget includes a proposal for controlling the growth in entitlement programs related to education and social services.
North Carolina	An increase of $21.7 million is recommended to increase shared taxes for local governments.
North Dakota	The proposed budget includes a 10 percent reduction from current levels in aid to local governments.
Ohio	Aid to local governments for fiscal 1994 will be limited to a moderate growth in the local government funds. The proposed budget provides for the calculation of new percentages of taxes to be contributed to the three local government funds, resulting in funds that are slightly lower than under current law.
Oklahoma	The Governor has proposed redirecting one-half of the unused cash in county road and county bridge state funds to school administration consolidations, technology enhancement funds, school-based clinics, before- and after-school care pilots, and fiber-optics enhancement.
Oregon	The requirement for state replacement of reduced school property taxes, enacted in 1990, continues to take a large share of the general fund. However, when combined with local revenues, total school resources dropped 9.7 percent.
Pennsylvania	Recommended is an increase from 90 percent to 95 percent in the state share of county child welfare costs and implementation of expanded needs-based budgeting for county child welfare, community mental retardation, and community mental health programs.
Rhode Island	The Governor recommends that the distribution of state education aid be modified in fiscal 1994 to include both special education aid funds and the state's contribution to teachers' retirement in the wealth equalization formula. Beginning in fiscal 1994, 1 percent of total state tax revenues would be earmarked for general state aid to cities and towns. These funds would be distributed based on a legislative formula encompassing per capita income and the taxes imposed by each city or town for public purposes, excluding amounts allocated to education expenses. This is estimated to be $12.6 million. The Governor also recommends a $10 million appropriation to the Rhode Island Solid Waste Management Program for solid waste and recycling programs.
Washington	Local governments will feel some impact from proposed major budget cuts in social services, natural resources, and general government. However, the state budget also provides additional flexibility in uses of state funds and also expands local governments authority to issue fees. Proposed new programs in transportation mobility, increases in gas tax revenues, extension of the sales tax to nursing homes, and the conversion to gasohol will more than offset estimated cutbacks in services and revenues for local governments.
Wisconsin	The Governor recommends creating a children's education fund by dedicating the state sales tax to fund all school aid and Department of Public Instruction operational costs. Other proposals include implementing a freeze on property tax levy rates and picking up 44 percent of county court costs currently funded by the property tax. This amounts to $15 million on an annual basis and would be funded through a $20 filing fee on most civil actions.

STATE REVENUE DEVELOPMENTS

CHAPTER THREE

Overview

New taxes and fees in Governors' proposed fiscal 1994 budgets total $3.7 billion, as shown in Table 6. This amount of new revenues represents about 1 percent of state general fund budgets. States raised taxes by record amounts in fiscal 1991 and fiscal 1992. After a combined total of $25 billion in new revenues in fiscal 1991 and fiscal 1992, fiscal 1993 budgets included $3 billion in new taxes and fees (see Figure 3).

Recommended tax and fee increases by type of revenue for fiscal 1994 are presented in Table 7. The dominant revenue category for change is the sales tax. Montana, currently one of five states without a sales tax, is proposing a sales tax. Idaho is proposing to eliminate some current sales tax exemptions, while Wyoming is proposing an increase in the rate. Higher education tuition or fees are excluded from the totals, though many states are relying on increased fees and even limits on enrollment to balance budgets. Although fee increases are numerous, the amounts that can be raised often are modest. These sources may provide only limited relief for state budgets.

Revenue Collections in Fiscal 1993

Revenue collections in the major revenue categories of sales tax, personal income tax, and corporate income tax together account for about 80 percent of states' general fund revenues. Anticipating the modest growth that is now occurring in fiscal 1993, thirty-eight states are reporting fiscal 1993 revenue collections that are on target with, or even above, the original projections (see Appendix Table A-9). Some of the higher-than-anticipated revenues may be attributable to the acceleration of tax payments in calendar year 1992, which was done in anticipation of higher federal taxes the following year. The difference between the original and the most recent revenue estimate for the current fiscal year is 0.5 percent. Although the revenue shortfalls of the past few years are less frequent, this reflects the conservative revenue estimates used for fiscal 1993 rather than any significant improvement in state fiscal conditions.

Table 6

Enacted State Revenue Increases, Fiscal 1979 to Fiscal 1993, Proposed Fiscal 1994

Fiscal Year	Revenue Increase ($ in billions)
1994	$3.7 (est)
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, 1989, 1990, 1991, 1992, 1993, and 1994 data provided by the National Association of State Budget Officers.

Revenue Collections Projected for Fiscal 1994

States' proposed fiscal 1994 budgets assume an increase of 3.4 percent over fiscal 1993 tax collections. Projected 1994 tax collections assume about a 3.7 percent increase for the sales tax, a 3.4 percent increase for the personal income tax, and a 2.1 percent increase for the corporate income tax (see Appendix Table A-10). In states such as Maine, Texas, and Vermont, projected fiscal 1994 revenues reflect the phasing out of scheduled tax decreases. These amounts also are understated for most states since they include decreases that California is assuming in sales tax and corporate income tax collections in fiscal 1993 and fiscal 1994. Excluding California from the totals results in projected revenue collection increases for fiscal 1994 of 5.3 percent, 4.0 percent, and 2.7 percent in the sales tax, personal income tax, and corporate income tax collections, respectively. These projected revenue increases are still relatively modest given the double-digit growth in Medicaid expenditures and other demands for state services.

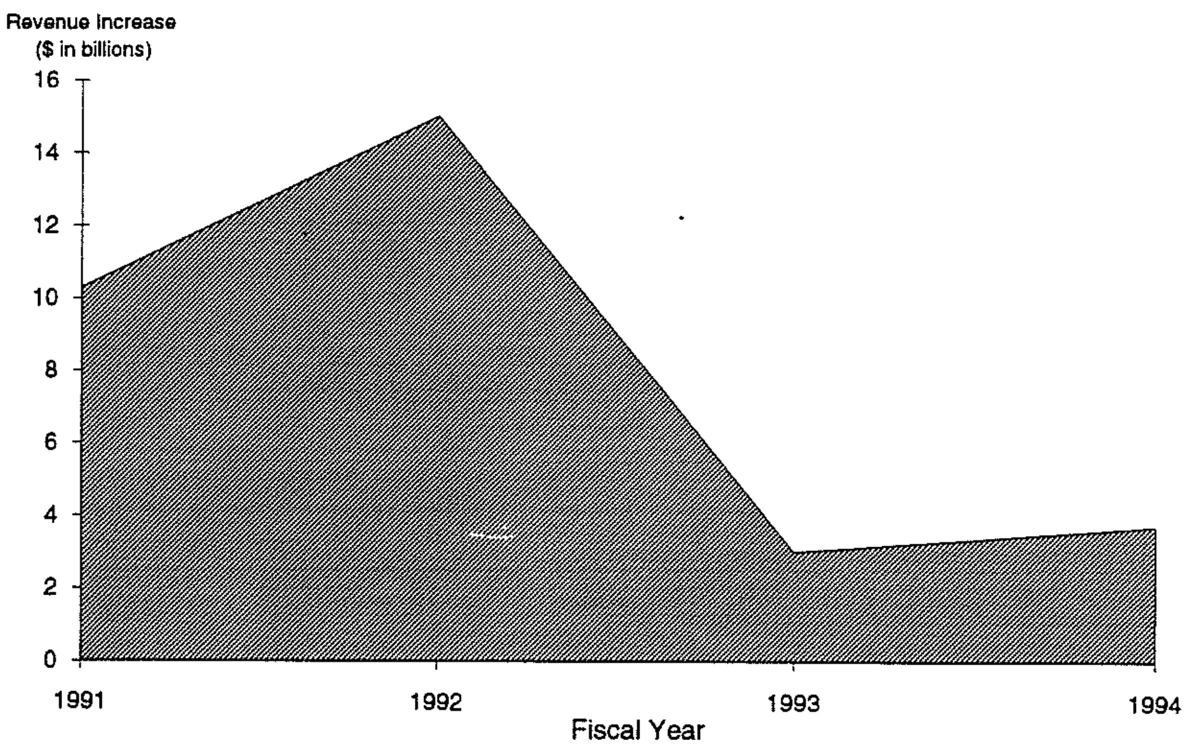
Proposed Revenue Changes for Fiscal 1994

Twenty-four states are proposing net revenue increases and three states are proposing net revenue decreases for fiscal 1994 (see Table 7). The proposed total change of $3.7 billion is about one-fourth of the $15 billion that was raised in fiscal 1992. Many of the changes are in other taxes and fees. Fiscal 1994 revenue changes are described in Appendix Table A-11. Some of the proposed federal tax changes, especially those related to energy and excise taxes, will have an impact on states.

Sales Taxes. Twelve states are proposing sales tax changes for fiscal 1994. For example, Arizona is proposing to phase out the tax on commercial leases. Idaho is proposing to broaden the sales tax base by including construction and remodeling services, communications services, and utility sales, services that most states now tax. Louisiana is proposing to repeal some exemptions. Maryland is proposing to institute several research and development tax credits as well as credits for small businesses. Minnesota is proposing a capital sales tax credit. Montana, currently one of five states without a sales tax, is recommending enactment of a 4 percent sales tax. Washington is

Figure 3

Enacted State Revenue Increases, Fiscal 1991 to Fiscal 1993, Proposed Fiscal 1994



SOURCE: National Association of State Budget Officers.

Table 7

Recommended Fiscal 1994 Revenue Increases by Type of Revenue and Net Increase or Decrease*
($ in millions)

State	Sales	Personal Income	Corporate Income	Cigarette/ Tobacco	Motor Fuels	Alcohol	Other Taxes	Fees	Total
Alabama									$0.0
Alaska								$3.0	3.0
Arizona	-$1.7	-$47.0							-48.7
Arkansas				$28.6			$41.3	21.8	91.7
California		120.0	$70.0						190.0
Colorado									0.0
Connecticut				23.0		$5.0	103.6	3.8	135.4
Delaware								5.3	5.3
Florida**									0.0
Georgia									0.0
Hawaii								0.9	0.9
Idaho	112.0	50.0					6.0		168.0
Illinois									0.0
Indiana									0.0
Iowa									0.0
Kansas									0.0
Kentucky									0.0
Louisiana	100.0		50.0		$200.0		130.0		480.0
Maine									0.0
Maryland	-2.8							18.5	15.8
Massachusetts				119.0			22.8	-37.5	104.3
Michigan	24.0					32.0	-10.0		46.0
Minnesota	-8.4	-5.0					15.2	2.3	4.1
Mississippi									0.0
Missouri									0.0
Montana	97.0	-18.0			51.0		-13.0		117.0
Nebraska								9.0	9.0
Nevada							3.3	3.5	6.8
New Hampshire							-4.0		-4.0
New Jersey									0.0
New Mexico				9.9			23.9		33.8
New York	18.0		56.0	180.0			83.0	88.0	425.0
North Carolina		-4.0							-4.0
North Dakota							23.4		23.4
Ohio	218.7	47.6	3.8	66.5	55.0	12.8	67.0		471.4
Oklahoma									0.0
Oregon			2.5	18.2		31.2		13.4	65.3
Pennsylvania							132.0		132.0
Rhode Island		-8.4	-6.0	4.5	4.1			5.8	0.0
South Carolina									0.0
South Dakota									0.0
Tennessee									0.0
Texas									0.0
Utah									0.0
Vermont									0.0
Virginia									0.0
Washington	636.6		-6.1	75.1	126.1	6.1	26.4	80.9	945.1
West Virginia	18.0	10.0	10.0		50.0		38.8		126.8
Wisconsin									0.0
Wyoming	66.4			4.0	37.6	2.4	19.0	2.7	132.1
TOTAL	$1,277.9	$145.2	$180.2	$528.8	$523.8	$89.5	$708.7	$221.4	$3,675.4

NOTE: *See Appendix Table A-11 for details on specific revenue changes.
**Florida's original budget proposal included $821 million in revenue increases, which the Governor later amended to zero.

SOURCE: National Association of State Budget Officers proposing to expand the sales tax to cover selected services and fuel. States are seeking to gradually expand their sales tax bases to include additional services. According to the Federation of Tax Administrators, since 1990, twenty-seven states added taxes on personal services such as health clubs, while twenty-eight states added taxes to business services such as janitorial services.

Personal Income Taxes. Nine states are proposing changes in the personal income tax. Reductions in the personal income tax are proposed in Arizona, Minnesota, Montana, North Carolina, and Rhode Island. Arizona is recommending a child and dependent care tax credit and a tax rate reduction for lower income families, while North Carolina is proposing a children's tax credit. Montana is proposing to reduce the rates. West Virginia is recommending a marginal rate increase for taxpayers making more than $100,000 a year. Nine states currently do not have broad-based personal income taxes (Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming).

Corporate Income Taxes. Eight states are proposing changes in corporate income taxes. For example, Louisiana is proposing to repeal the inventory tax credit, while Oregon is proposing to reduce and eliminate some current tax credits. Rhode Island is proposing to eliminate the corporate income surtax and double the investment tax credit.

Cigarette and Tobacco Taxes. Ten states are proposing increases in tobacco taxes. Proposed rate increases for cigarettes range from five cents per pack in Rhode Island to twenty-two cents per pack over two years in Arkansas. Oregon's proposed increase also would earmark the revenues to cover health-related expenditures. A voter referendum in Massachusetts increased the cigarette tax by twenty-five cents and dedicated the revenues to health care. Earmarking cigarette tax increases to generate revenues for health care programs also has been discussed at the federal level.

Motor Fuels Taxes. Seven states are proposing to increase gasoline taxes. Increases range from 1 cent per gallon in Rhode Island to ten cents per gallon in Louisiana and Montana.

Alcohol Taxes. Six states are proposing to increase alcohol taxes. Oregon's proposed increase would earmark the revenues for alcohol and drug abuse treatment. Alcohol taxes are being debated at the federal level as a funding source for health care.

Other Taxes and Fees. This category includes fees and taxes that states use to balance budgets and to charge those using state services. More changes are proposed in these taxes and fees than in any other category. Twenty-five states are proposing changes in this category, totaling $930 million in new revenues or about 25 percent of all proposed new revenues for fiscal 1994. Revenues generated from these taxes tend to be dedicated to environmental or health care efforts. Examples of environmental taxes are the proposed tax on beverage containers in Connecticut and the proposed solid waste disposal and hazardous waste taxes in Minnesota. Examples of health care taxes are a proposed tax on nursing homes in Connecticut and an expansion of health provider assessments in New York.

In some cases there is a thin line between a tax and fee. Examples of fee increases include drivers' licenses, tags and titles, occupational licenses, pollution penalties, and court fees. Growth in fees is occurring in environmental areas as states are attempting to assign the costs of pollution cleanup.

YEAR-END BALANCES

CHAPTER FOUR

Year-end balances refer to the funds states have in reserve that are available for unforeseen circumstances. Fiscal 1993 and proposed fiscal 1994 balances are precipitously low at 1.6 percent and 1.2 percent of expenditures, respectively. This is roughly equivalent to a family with an annual income of $50,000 having $700 in the bank — hardly enough for many emergencies. Collective balances in fiscal 1992 and fiscal 1993 are especially low because of California's 5.1 percent negative balance each year. Appendix Tables A-1 through A-3 display the beginning and ending balances for states in fiscal 1992 through fiscal 1994. As shown in these tables, total balances may appear in the ending balance column as well as in the budget stabilization or reserve fund column. Total balances and balances as a percent of expenditures have dipped dramatically (see Appendix Table A-12). In twenty states, balances are expected to improve over the fiscal 1992 to fiscal 1994 period.

Balances for fiscal 1994 are estimated at $3.9 billion, or 1.2 percent of expenditures (see Table 8). The balances in fiscal 1991 through fiscal 1994 are the lowest as a percent of expenditures in the last eight years. The last time balances were this low was during the depth of the 1982-83 recession. Sixteen states in fiscal 1993 and seventeen states in fiscal 1994 project balances at less than 1 percent of expenditures, as shown in Table 9. More than half of the states estimate balances as a percent of expenditures to be 2.9 percent or less in both fiscal 1993 and fiscal 1994.

Some states have more authority to retain appropriations by holding a set percentage in escrow. For these states, such as Arkansas, Indiana, and Missouri, the level of reserves may not be as significant. Factors affecting balances include the degree of uncertainty over revenues or spending or the controls in place to reduce appropriations. Nevertheless, balances in the 1 percent range are precarious in these difficult economic times.

Recently, several states have taken measures to build up their reserves. Maryland specifically earmarked revenues from a temporary personal income tax increase to build the reserves in the budget stabilization fund. After the tax rate increase expires at the end of calendar 1994, an established minimum amount of funds are to be appropriated to maintain the reserve. Florida, Kansas, New Jersey, and Rhode Island have all passed legislation or constitutional amendments requiring the creation of a "rainy day" reserve fund. North Carolina is establishing a "savings reserve" account in which 25 percent of the year-end general fund credit balance will be deposited until the account reaches 5 percent of the general fund operating budget.

Table 8

Total Year-End Balances, Fiscal 1979 to Fiscal 1994

Fiscal Year	Total Balance ($ in billions)	Total Balance (% of expenditures)
1994	$3.9 (est)	1.2% (est)
1993	5.0 (est)	1.6 (est)
1992	4.4	1.5
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

SOURCE: National Association of State Budget Officers.

Table 9

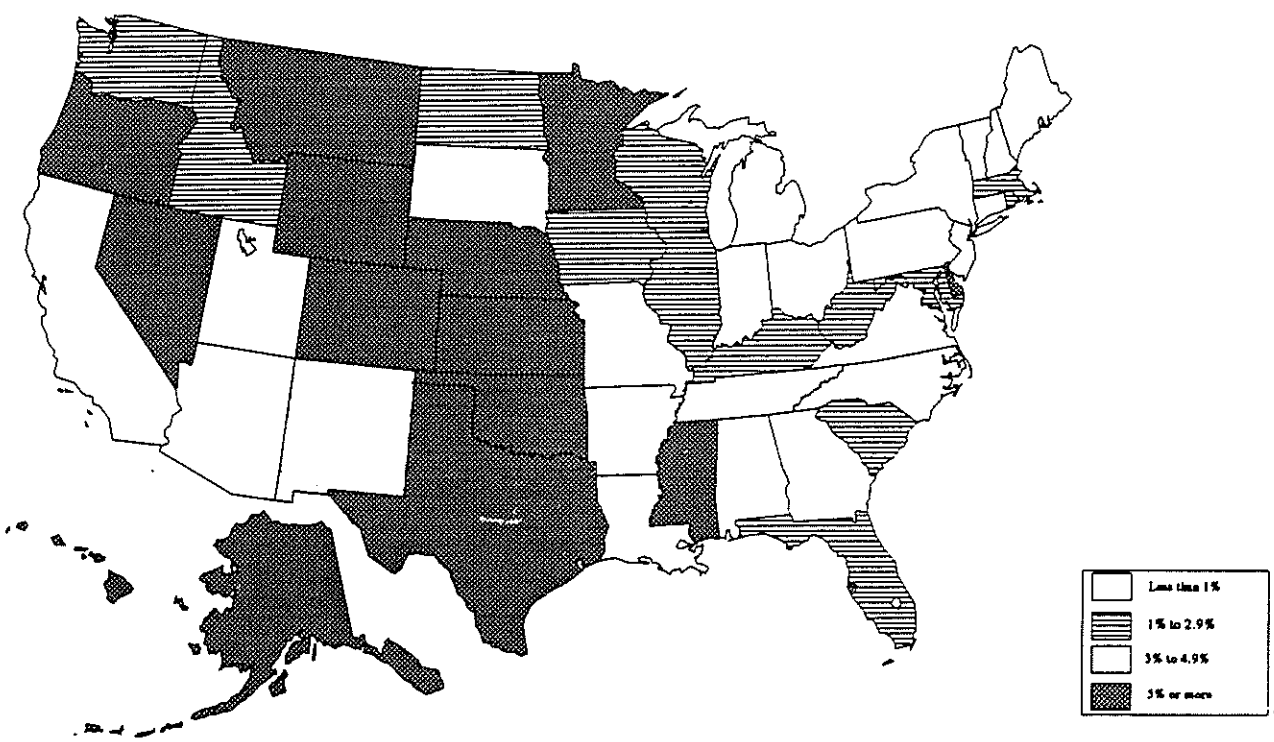
Total Year-End Balances as a Percent of Expenditures, Fiscal 1992 to Fiscal 1994

	Number of States		
Percentage	Fiscal 1992 (Actual)	Fiscal 1993 (Estimated)	Fiscal 1994 (Proposed)
Less than 1.0%	17	16	17
1.0% to 2.9%	10	13	15
3.0% to 4.9%	9	7	7
5% or More	14	14	11
Average Percent	**1.5%**	**1.6%**	**1.2%**

SOURCE: National Association of State Budget Officers.

Figure 4

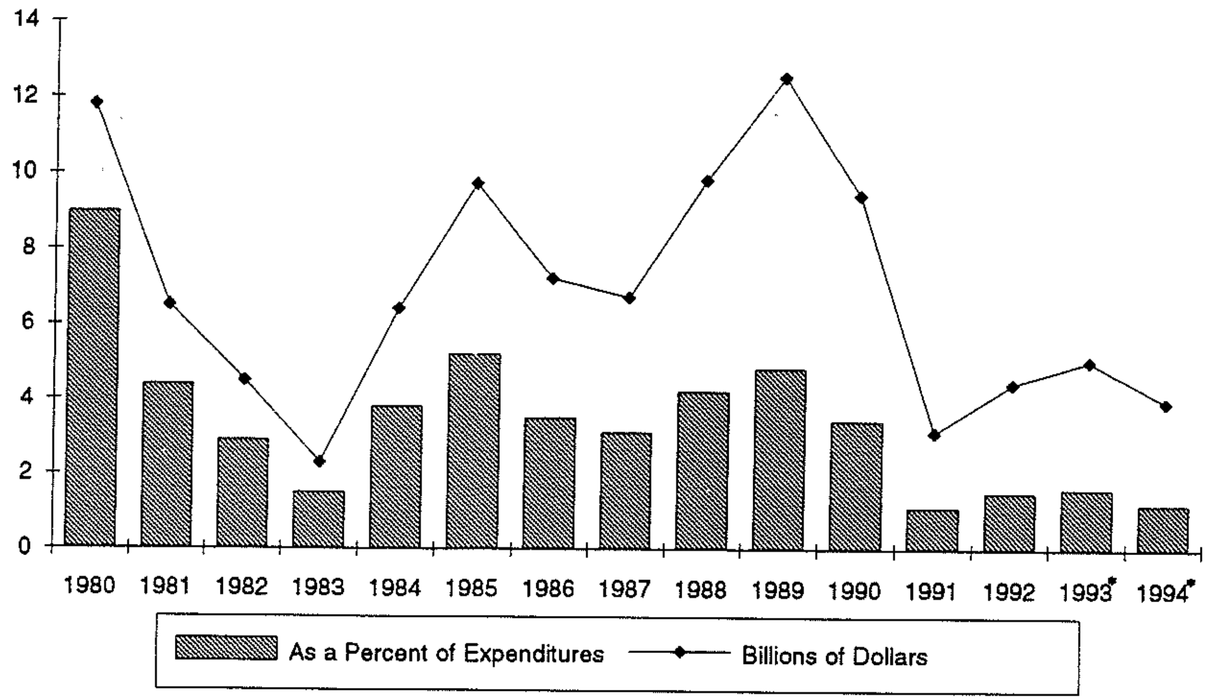
Total Year-End Balances as a Percent of Expenditures, Fiscal 1993



SOURCE: National Association of State Budget Officers.

Figure 5

Total Year-End Balances, Fiscal 1980 to Fiscal 1994



NOTE: *Data for these years are estimated.

SOURCE: National Association of State Budget Officers.

REGIONAL FISCAL OUTLOOK

CHAPTER FIVE

Overview

The slow economic growth nationwide is affecting regions differently (see Table 10). Just as the recession affected states in varying degrees, the recovery also is having an uneven impact on states. The recession in the early 1990s began in New England, moved down the Mid-Atlantic coast, and then in 1991 and 1992, hit states on the Pacific coast. California as well as the New England and Mid-Atlantic states continue to have the worst economic outlook, while states in the Rocky Mountain, Plains, and Southeast regions have the most favorable economic outlook. From December 1991 to December 1992, job losses exceeded 1 percent of nonfarm payrolls in California, Connecticut, Hawaii, Maryland, Massachusetts, New Jersey, Oklahoma, Pennsylvania, and Rhode Island.

State personal income levels in the first eighteen months of the recovery — defined as from the first quarter of 1991 to the third quarter of 1992 —illustrate some of the regional differences. Total state personal income rose 4.4 percent, which is a 1.2 percent gain over inflation. According to the Commerce Department's Bureau of Economic Analysis, the states with the largest increases in personal income were Montana at 7.3 percent. Idaho at 7.2 percent, Tennessee at 6.5 percent, and Utah at 6.3 percent. The states with the lowest gains were Florida at 2.0 percent, Connecticut at 3.2 percent, and Massachusetts at 3.4 percent. Hawaii experienced a 1.2 percent decrease in personal income growth. The figures for Florida and Hawaii reflect the impact of hurricanes Andrew and Iniki, respectively.

Defense cutbacks and military base closings have affected employment levels, and these retrenchments will continue to affect some states more than others. Defense-related jobs have fallen by 334,700 since 1986, according to the Bureau of

Table 10

Regional Budget and Economic Indicators

Region	Weighted Unemployment Rate [a]	Annual Percentage Change in Personal Income [b]	Annual Percentage Change in Population [c]	Fiscal 1993 Total Balances as a Percent of Expenditures	Recommended 1994 General Fund Budget Growth (%)	Number of States in Region
New England	7.9%	3.9%	0.4%	0.9%	0.7%	6
Mideast	7.7	4.2	0.7	1.4	3.6	5
Great Lakes	6.9	4.7	0.8	1.4	5.4	5
Plains	4.6	5.6	0.8	7.1	6.4	7
Southeast	6.6	4.6	1.4	1.9	6.5	12
Southwest	7.3	5.6	1.8	4.7	6.9	4
Rocky Mountain	5.7	6.5	2.5	4.4	3.6	5
Far West	9.1	3.6	1.8	-1.4	-5.3	6
Average	**7.3%**	**4.5%**	**1.2%**	**1.6%**	**3.0%**	**50**

SOURCES:

a. U.S. Department of Labor, Bureau of Labor Statistics, *State and Metropolitan Area Employment and Unemployment: December 1992*, USDL93-53.

b. U.S. Department of Commerce, Bureau of Economic Analysis, January 1993.

c. U.S. Department of Commerce, Bureau of the Census, 1992.

Labor Statistics. Base closings and readjustments planned for future years also will have a disproportionate impact on California and the New England states.

From March 1991 to November 1992, California and states in the New England and Mid-Atlantic regions all experienced declines in employment levels. As a percentage of payrolls, the steepest declines were recorded in Connecticut, Maryland, New Jersey, and Rhode Island. States reporting the largest job gains were those in the Rocky Mountain, Plains, and Southeast regions, including Arkansas, Nevada, South Dakota, and Utah. Unemployment rates in December 1992 follow the same pattern, with the highest rates found in California, Massachusetts, New York, and West Virginia and the lowest rates generally found among states in the Plains region.

Population trends also differ significantly across regions. Between 1991 and 1992, states in New England experienced the most sluggish population growth at .04 percent, followed by the Mid-Atlantic states at .7 percent. The Rocky Mountain region experienced the greatest influx of people, with an annual growth rate of 2.5 percent. The Great Lakes and the Plains regions were below the national average, while the Southeast and Far West regions exceeded the national average.

New England

This region has been in an economic slump for more than four years. Employment in the region peaked in 1989 and then declined steadily until it stabilized in 1992. The December 1992 unemployment rate of 7.9 percent is slightly better than the June 1992 rate of 8.1 percent, though it still exceeds the December national average of 7.3 percent. Massachusetts and Rhode Island had the highest unemployment rates in the region at 8.6 percent and 7.8 percent, respectively. New England states also are highly dependent upon defense spending, and they will continue to feel the impact of defense cutbacks. Connecticut, Maine, and Rhode Island are bearing a disproportionate share of the retrenchment. The duration of the economic decline has allowed for some adjustment in the region's economy. Although New England states benefit from a mix of education, medical research, and financial management industries, they are still recovering from an overbuilt real estate sector and the decline of the service sector. Personal income growth from September 1991 to September 1992 was 3.9 percent, well below the national average of 4.5 percent. Relative to other regions, New England's unemployment rates are among the highest, while population growth is the lowest.

Mideast

Next to New England, the Mid-Atlantic states were the region most affected by the recession. Even as the "recovery" began in 1992, employment continued to fall. Job losses as a percent of payrolls are the largest of all regions. From June 1990 to June 1992, these states lost 5.5 percent of their payrolls. This region also is particularly affected by the decline in the service sector that occurred in the recession. During the mid-to-late 1980s, the Mid-Atlantic states benefited from the growth of the service sector, and they have since felt the brunt of the decline in the overbuilt commercial real estate sector and the downsizing of banking services. New York and New Jersey led the region in unemployment rates at 8.5 percent and 8.3 percent, respectively, in December 1992. Annual personal income growth through September 1992 was 4.2 percent, with Maryland, New Jersey, and New York all below the national average and the remaining states at or above the national average.

Great Lakes

The outlook is mixed in this region. Michigan had the highest unemployment rate in the region at 8.0 percent in December 1992, while Wisconsin's rate was among the lowest in the nation at 4.5 percent. Wisconsin projects strong job gains in the retail, construction, and service sectors. Annual personal income growth through September 1992 was 4.7 percent, with Illinois the only state in the region showing growth below the national average. These states did not enjoy the 1980s boom that affected the East Coast states and California more dramatically. States in this region also had restructured their manufacturing industries after being hit hard in the recession of the early 1980s.

Plains

This region continues to outperform the national economy. In December 1992, all states in this region had unemployment rates well below the national average of 7.3 percent, ranging from a low of 3.1 percent in South Dakota to a high of 5.4 percent in Missouri. Kansas demonstrated strong performance in its service sector during 1992, and the growth in business services is likely to continue through the end of 1993. At 5.6 percent, annual personal income growth through September 1992 exceeded the national average in all states. Manufacturing in this region is strong.

Southeast

With twelve states, the Southeast is the largest region. Growth in most of the Southeast is projected to be above the national average, primarily because of comparative advantages in the household textiles, furniture, and lumber industries. Annual personal income growth through September 1992 was comparable to the national average of 4.5 percent, with Florida's below average 1.7 percent reflecting the impact of Hurricane Andrew. Except for Virginia at 4.2 percent and Louisiana at 4.4 percent, all states in this region had personal income growth rates above the national average. Regional unemployment rates in December 1992 were below the nation at 6.6 percent, though they range from a high of 10.5 percent in West Virginia to a low of 5.6 percent in both North Carolina and South Carolina. Housing, manufacturing, health services, and retail sales all have shown positive signs. Defense cutbacks will disproportionately affect Virginia as well as other states in the region.

Southwest

Based on an analysis by the Federal Reserve Bank in Dallas, the Southwest region is expected to outperform the nation during 1993. The major factors contributing to this growth are the increase in construction and growth in exports to Mexico. Weaknesses in the Southwest include defense-related cutbacks and the decline in the oil and gas industries. Unemployment rates in December 1992 compared favorably to the national jobless rate of 7.3 percent, ranging from a high of 7.7 percent in Texas to a low of 5.4 percent in Oklahoma.

Rocky Mountain

This region is among the strongest economically, with per capita personal income growth above the national average and unemployment rates below the national average. From June 1991 to June 1992, Utah and Idaho had the second and third highest job growth in the nation, respectively. The Rocky Mountain states also did not experience the growth of the East Coast states in the 1980s. Regional strengths include residential construction, high technology, in-migration from California, and health care. The region's December 1992 unemployment rate of 5.7 percent was well below the national average of 7.3 percent, though these states' jobless rates ranged from a low of 4.6 percent in Wyoming to a high of 6.7 percent in Idaho.

Far West

California dominates the Far West, accounting for more than two-thirds of this region's population. Unlike the other states, California's 9.8 percent unemployment rate in December 1992 was higher than its June 1992 rate of 9.5 percent. At 9.8 percent, the state's jobless rate is among the highest in the nation. Alaska, at 8.2 percent, and Washington, at 7.9 percent, also had unemployment rates above the national average. Personal income growth from the third quarter of 1991 to the third quarter of 1992 was 3.6 percent, about three-quarters of the 4.5 percent national average. With the impact of Hurricane Iniki, personal income growth was negative during this period in Hawaii. All other states, except for California, had personal income growth exceeding the national average during this time period. The slump in the oil industry is affecting Alaska, while the decline in the timber and defense industries is hurting the economies of Oregon and Washington, respectively.

STRATEGIC DIRECTIONS OF STATES

CHAPTER SIX

Limited revenue growth, greater demand for services, and citizen resistance to further tax increases are budget challenges confronting all levels of government. They are more difficult for state government because most states must operate with balanced budgets.

To successfully address these challenges will require strong public support and active public participation. Unfortunately, Americans are increasingly skeptical about government. The public is frustrated by a lack of responsiveness and accountability, by waste and inefficiency. The result of this frustration is lower voter turnout, citizen-initiated tax and spending limits, and an unwillingness to support new public programs.

In response to these demands and pressures, many states are making fundamental changes in the way state government is organized and managed and in the way services are delivered to improve quality, increase efficiency, and reduce costs. In the survey, states were asked whether a "strategic direction" had been agreed upon for the next three years and beyond with respect to government operations. A majority of states reported they do have a new strategy to carry them through the next several years.

To do more with less, states have eliminated programs and have launched initiatives to reorganize state government, consolidate agencies, evaluate privatization of services, and otherwise improve productivity. To focus on results and improve accountability, states are developing alternative systems for measuring and managing the performance of state government agencies and personnel.

Major reform already is underway in many states to ensure that limited resources are spent on efficient and effective programs that address critical priorities, that government is customer-driven, and that government is clearly accountable for results.

Eliminating government functions is a strategy some states are using to limit government obligations in times of tight budgets. Through reviews of state operations, some states have made the tough decisions to eliminate some programs. Nineteen states indicated that they had eliminated programs in response to budget shortfalls during fiscal 1992. Many states are relying on budget cutting during fiscal 1993, with states reducing enacted budgets by $12 billion over fiscal 1991 and fiscal 1992. Some recent examples include:

- eliminating the surplus property program in Florida;
- eliminating general assistance and emergency assistance and programs in inland fisheries and wildlife, conservation, and environmental protection in Maine; and
- eliminating optional Medicaid services in seven states.

Restructuring government functions is a widely used approach to address overlapping jurisdictions, management inefficiencies, and costly administrative overhead. Other restructuring focuses on changes in service delivery, such as in human services. Examples of restructuring include:

- merging human services agencies into a single agency and privatizing off-track betting facilities in Connecticut;
- transferring the responsibility for Medicaid to a new Department of Health Care Administration, merging environmental agencies, and merging business and professional regulation in Florida;
- reorganizing and consolidating numerous departments in Maine;
- privatizing state government functions, including public works and welfare eligibility determination in Massachusetts;
- restructuring state functions, such as job training, economic development, adult education, and school financing in Michigan;
- restructuring both the services of the Department of Children and Education and higher education financing in Minnesota;

- merging the Department of Personnel and the Department of Risk Management into a Department of Administration in Nebraska;
- consolidating forty-seven separate departments and agencies to twenty in Nevada;
- restructuring the Department of Human Services and Health Care and the Department of Energy in Oklahoma; and
- consolidating eight separate agencies and departments into a new Department of Public Safety and transferring the Registry of Motor Vehicles from the Department of Transportation to the Division of Taxation in Rhode Island.

States are highly dependent upon their workforces to deliver state services. Personnel costs also are a major part of state budgets. State reviews of workforce policies are being conducted for management levels, civil service provisions, automatic pay raises, and merit-based systems. The workforce in state government is an integral part of state operations, and an ethic of excellence and customer service is crucial. Issues for states include recruitment, hiring, career paths, training, and firing. Following the movement in the private sector, states are moving away from hierarchical organizational structures with multiple layers of management and diffused responsibility toward flatter, more horizontal structures. These changes should enhance accountability and responsiveness in state government.

Examples include:

- reforming civil service and forming a productivity enhancement fund in Florida;
- reducing the span of supervision in Iowa;
- initiating a pay for performance program in Massachusetts;
- instituting a defined contribution retirement plan for new public employees and reaching a gain sharing agreement on health care cost containment with employee unions in Michigan;
- initiating a productivity review commission to limit the growth in the state workforce in Missouri;
- establishing salaried employees' compliance with the Fair Labor Standards Act in Nevada; and
- decentralizing the personnel system to speed up personnel transactions in Rhode Island.

States also are changing budget processes or authority and are conducting statewide reviews of expenditures and revenues. As states face increasingly constrained resources and growing demands for services, the allocation of resources through the budget process is being examined. With the prospect of limited growth before the nation, states are analyzing which components to have in place to control spending and allocate resources. Some changes result from ballot initiatives, such as Amendment I, the spending and tax limit passed in Colorado.

Examples include:

- including all expenditures under the limit in accordance with the constitutional change in Colorado;
- imposing a statewide spending cap and switching to a biennial budget with a three-year forecast in Connecticut;
- implementing changes from a constitutional amendment that requires an improved budget process and budget presentation in Florida;
- undertaking a management efficiency review of government operations in Kansas;
- conducting performance/program budgeting for all state agencies with quarterly reports in Massachusetts;
- moving to a biennial budgeting process in Michigan;
- initiating baseline budgeting and performance budgeting in Minnesota;
- initiating several strategic budget and efficiency programs in Nebraska;
- initiating a significant change in the budget format in Nevada;
- reforming the state's long-term borrowing practices in New York;
- reviewing a statewide performance audit that could have a wide impact on state government in North Carolina;
- initiating a program to enable agencies to keep a portion of surplus funds at the end of the year and reduce the number of line items in Oklahoma and Rhode Island;

- requiring certification of all revenue enhancements by a board of economic advisors in South Carolina; and
- conducting a spring symposium to provide an outlook on the state budget for the larger community in Virginia.

With the prospect of slower growth in the 1990s coupled with greater demand for improved services, states are initiating structural changes to meet these challenges. States are actively reviewing overall operations and are changing institutions, programs, and processes to better serve the public.

APPENDIX

Table A-1
Fiscal 1992 State General Fund, Actual
($ in millions)

Region/State	Beginning Balance	Revenues	Resources	Expenditures	Ending Balance	Budget Stabilization Fund
NEW ENGLAND						
Connecticut*	$0	$7,022	$7,022	$6,912	$110	$0
Maine*	-1	1,578	1,577	1,563	13	1
Massachusetts*	151	11,009	11,160	10,723	437	*
New Hampshire	-25	748	724	705	19	0
Rhode Island	3	1,717	1,720	1,720	0	8
Vermont	-57	649	591	657	-65	0
MIDEAST						
Delaware*	114	1,269	1,383	1,230	153	*
Maryland	0	6,173	6,173	6,229	-56	0
New Jersey*	1	15,467	15,468	14,707	761	0
New York*	0	29,842	29,842	29,842	0	0
Pennsylvania	-454	14,220	13,766	13,757	9	2
GREAT LAKES						
Illinois*	100	11,797	11,897	11,766	131	0
Indiana*	109	5,785	5,894	5,755	139	329
Michigan*	-169	7,396	7,227	7,227	0	20
Ohio	327	10,108	10,434	10,344	91	0
Wisconsin	114	6,578	6,692	6,618	74	0
PLAINS						
Iowa*	11	3,170	3,181	3,179	2	*
Kansas	166	2,466	2,632	2,491	141	0
Minnesota*	555	7,065	7,620	7,171	449	*
Missouri	40	4,307	4,347	4,287	60	17
Nebraska*	251	1,495	1,746	1,606	141	27
North Dakota	105	522	627	542	85	23
South Dakota*	11	563	574	568	6	20
SOUTHEAST						
Alabama	1	3,432	3,433	3,407	26	0
Arkansas	0	1,935	1,935	1,935	0	0
Florida	142	11,049	11,191	11,069	123	62
Georgia	59	7,356	7,415	7,354	61	0
Kentucky	170	4,418	4,588	4,539	49	24
Louisiana	418	4,020	4,438	4,521	-83	0
Mississippi	12	1,969	1,981	1,945	36	47
North Carolina*	0	7,975	7,975	7,810	165	*
South Carolina	62	3,342	3,404	3,396	8	0
Tennessee*	7	4,088	4,095	3,936	159	*
Virginia	0	6,211	6,211	6,143	68	0
West Virginia	89	1,927	2,016	1,959	57	0
SOUTHWEST						
Arizona	45	3,561	3,606	3,601	5	0
New Mexico	0	2,078	2,078	2,055	0	116
Oklahoma*	179	3,148	3,327	3,160	167	135
Texas	729	13,222	13,950	13,596	354	163
ROCKY MOUNTAIN						
Colorado*	16	3,008	3,024	2,906	145	*
Idaho	34	957	991	991	0	30
Montana	59	491	550	525	25	0
Utah	62	1,795	1,857	1,852	5	0
Wyoming*	48	388	436	383	54	*
FAR WEST						
Alaska*	862	2,448	3,310	2,886	424	*
California*	-920	42,027	41,107	43,327	-2,220	*
Hawaii	347	2,669	3,016	2,642	374	0
Nevada*	64	986	1,050	1,016	34	0
Oregon	391	2,607	2,998	2,674	323	0
Washington	468	7,302	7,770	7,516	254	100
TOTAL	$4,694	$295,350	$300,044	$296,741	$3,309	$1,124

*See Notes to Table A-1.

Notes to Table A-1

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

Alaska	Excludes the Mental Health Trust Income Account balance. Ending balance includes budget stabilization fund of $334.0 million.
California	Ending balance includes budget stabilization fund of $-2,962.5 million.
Colorado	Ending balance includes budget stabilization fund of $145.1 million and transfers of $27.5 million.
Connecticut	Figures include federal reimbursements such as Medicaid. Fiscal 1992 figures exclude $367.3 million in reimbursements for psychiatric facilities that participate in the Medicaid program and serve a disproportionate share of low-income individuals.
Delaware	Ending balance includes budget stabilization fund of $67.7 million. Revenues include Medicaid reimbursements credited to the general fund.
Illinois	Revenues exclude $185 million in short-term borrowing.
Indiana	Figures include property tax replacement fund but do not include balance of the general fund tuition reserve, which was $155 million at the beginning of fiscal 1992; $165 million at the end of fiscal 1992, beginning of fiscal 1993, and end of fiscal 1993; and $165 million at the beginning of fiscal 1994 and end of fiscal 1994 (estimated).
Iowa	Ending balance includes budget stabilization fund of $1.8 million. Budget stabilization fund includes amounts required to retire the Generally Accepted Accounting Principles (GAAP) deficit.
Maine	The beginning balance reflects adjustments from prior-year transactions.
Massachusetts	Ending balance includes budget stabilization fund of $230.4 million, of which $170 million was transferred to the stabilization fund at the end of fiscal 1992.
Michigan	The budget stabilization fund, or rainy day fund, totaled $15.2 million at the end of fiscal 1992. When the final closing for fiscal 1992 occurred, an additional $4.9 million was deposited to the fund, bringing the total to $20.1 million at the end of fiscal 1992, or 0.26 percent of the general fund.
Minnesota	The general fund includes the Local Government Trust Fund. Ending balance includes budget stabilization fund of $400 million.
Nebraska	Expenditures include $60.4 million of obligations not expended but carried over to fiscal 1993.
Nevada	Revenues include $52 million in reversions due to budget reductions.
New Jersey	Reflects both the general fund and the Property Tax Relief Fund.
New York	Revenues reflect a $1,081 million reduction for impoundment of 1990-91 deficit notes and receipt of $531 million in proceeds from 1991-92 deficit notes.
North Carolina	Revenues and expenditures include $157.5 million in bond proceeds and $157.5 million in capital bond expenditures. Ending balance includes budget stabilization fund of $41.6 million.
Oklahoma	The budget stabilization fund balance decreased by $5 million due to deposit corrections.
South Dakota	The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.
Tennessee	Ending balance includes budget stabilization fund of $76.0 million.
Wyoming	The difference between the fiscal 1992 ending balance and the fiscal 1993 beginning balance reflects various accounting adjustments. Ending balance includes budget stabilization fund of $25.3 million.

Table A-2
Fiscal 1993 State General Fund, Estimated
($ in millions)

Region/State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND						
Connecticut*	$0	$7,347	$7,347	$7,345	$2	$0
Maine	1	1,562	1,563	1,563	0	0
Massachusetts*	267	11,593	11,860	11,860	0	198
New Hampshire	19	750	768	768	0	0
Rhode Island	0	1,568	1,568	1,564	4	23
Vermont*	-65	681	616	642	-26	15
MIDEAST						
Delaware*	153	1,273	1,426	1,272	153	*
Maryland	-56	6,483	6,427	6,410	17	50
New Jersey*	761	14,099	14,860	14,421	439	*
New York*	0	31,248	31,248	30,997	184	67
Pennsylvania	9	14,072	14,081	14,080	1	3
GREAT LAKES						
Illinois*	131	12,129	12,260	12,060	200	0
Indiana*	139	6,135	6,274	6,274	0	231
Michigan*	0	7,681	7,681	7,681	0	21
Ohio	91	10,341	10,431	10,361	70	0
Wisconsin	74	6,966	7,040	6,946	94	0
PLAINS						
Iowa*	0	3,493	3,493	3,403	90	*
Kansas	141	2,950	3,091	2,718	373	75
Minnesota*	449	7,653	8,102	7,448	654	*
Missouri	60	4,472	4,532	4,397	135	21
Nebraska	141	1,529	1,670	1,601	69	17
North Dakota*	85	552	637	652	8	0
South Dakota*	6	571	577	577	0	25
SOUTHEAST						
Alabama	26	3,507	3,533	3,501	32	0
Arkansas	0	2,055	2,055	2,055	0	0
Florida	123	11,781	11,904	11,904	0	186
Georgia	61	8,099	8,160	8,160	0	0
Kentucky	49	4,609	4,658	4,621	37	29
Louisiana	-83	4,252	4,169	4,169	0	0
Mississippi	13	2,087	2,100	1,993	107	121
North Carolina*	124	8,327	8,451	8,060	391	*
South Carolina*	8	3,567	3,575	3,527	48	*
Tennessee*	159	4,638	4,797	4,646	151	*
Virginia	68	6,374	6,442	6,426	16	0
West Virginia	57	2,014	2,071	2,041	30	0
SOUTHWEST						
Arizona	5	3,665	3,670	3,665	5	0
New Mexico*	0	2,163	2,163	2,179	0	100
Oklahoma	167	3,244	3,411	3,318	93	135
Texas	354	15,352	15,706	15,072	634	173
ROCKY MOUNTAIN						
Colorado*	145	3,320	3,465	3,320	230	*
Idaho	0	1,026	1,026	1,026	0	21
Montana	25	530	555	520	35	0
Utah	5	1,970	1,975	1,972	3	0
Wyoming*	53	405	458	428	30	*
FAR WEST						
Alaska*	444	2,719	3,163	2,711	452	*
California*	-2,220	40,942	38,722	40,822	-2,100	*
Hawaii	374	2,915	3,289	3,005	284	0
Nevada*	34	1,091	1,124	1,066	58	*
Oregon	323	2,794	3,117	2,840	277	0
Washington*	254	7,596	7,850	7,730	120	100
TOTAL	$2,969	$306,191	$309,160	$305,816	$3,400	$1,610

*See Notes to Table A-2.

Notes to Table A-2

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

Alaska	Beginning balance differs due to Division of Finance prior-period adjustments. Excludes the Mental Health Trust Income Account balance. Ending balance includes budget stabilization fund of $349.3 million. Revenues exclude $680 million in recent tax settlements. Expenditures exclude $40 million in requested supplementals.
California	Ending balance includes budget stabilization fund of $-2,510.7 million.
Colorado	Ending balance includes budget stabilization fund of $230.1 million and transfers of $85.0 million.
Connecticut	Figures include federal reimbursements such as Medicaid.
Delaware	Ending balance includes budget stabilization fund of $68.1 million. Revenues include Medicaid reimbursements credited to the general fund.
Illinois	Revenues exclude $300 million in short-term borrowing.
Indiana	Figures include property tax replacement fund but do not include balance of the general fund tuition reserve, which was $155 million at the beginning of fiscal 1992; $165 million at the end of fiscal 1992, beginning of fiscal 1993, and end of fiscal 1993; and $165 million at the beginning of fiscal 1994 and end of fiscal 1994 (estimated).
Iowa	Ending balance includes budget stabilization fund of $90.1 million. Budget stabilization fund includes amounts required to retire the Generally Accepted Accounting Principles (GAAP) deficit.
Massachusetts	Revenues include $56.6 million in interfund transfers.
Michigan	For fiscal 1993, the legislative/executive agreement to eliminate the deficit requires that any additional revenue growth beyond 4.1 percent be deposited to the budget stabilization fund. With revenues currently increasing by 6.1 percent, it is estimated that additional revenues will be deposited to the budget stabilization fund.
Minnesota	The general fund includes the Local Government Trust Fund. Ending balance includes budget stabilization fund of $240 million.
Nevada	Revenues include $116.2 million in reversions due to budget reductions. Ending balance includes budget stabilization fund of $50.0 million.
New Jersey	Reflects both the general fund and the Property Tax Relief Fund. Ending balance includes budget stabilization fund of $53.0 million.
New Mexico	Revenues include $1.5 million tax increase.
New York	Revenues reflect a $531 million reduction for impoundment of 1991-92 deficit notes. Expenditures do not reflect $67 million in repayment to the Tax Stabilization Reserve Fund for fiscal 1993.
North Carolina	Revenues include estimated federal Medicaid receipts of $157.4 million. Ending balance includes budget stabilization fund of $93.8 million.
North Dakota	The budget stabilization fund balance was transferred to the general fund in fiscal 1993.
South Carolina	Ending balance includes budget stabilization fund of $33.1 million.
South Dakota	The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.
Tennessee	Ending balance includes budget stabilization fund of $100.0 million.
Vermont	Budget stabilization amount of $14.6 million is for transportation.
Washington	Revenues include adjustments to reach available cash resources and use of the rainy day fund.
Wyoming	The difference between the fiscal 1992 ending balance and the fiscal 1993 beginning balance reflects various accounting adjustments. Revenues and expenditures include provision for prior biennium carryover and a general fund transfer to the budget reserve account. Ending balance includes budget stabilization fund of $30.4 million.

Table A-3
Fiscal 1994 State General Fund, Recommended
($ in millions)

Region/State	*Beginning Balance*	*Revenues*	*Resources*	*Expenditures*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND						
Connecticut*	$0	$7,656	$7,656	$7,656	$0	$0
Maine	0	1,471	1,471	1,471	0	0
Massachusetts	0	11,920	11,920	11,888	31	199
New Hampshire	0	763	763	763	-1	0
Rhode Island	4	1,461	1,465	1,464	1	41
Vermont*	-26	667	641	657	-16	20
MIDEAST						
Delaware*	153	1,299	1,452	1,341	111	*
Maryland*	17	6,580	6,597	6,586	11	98
New Jersey*	439	14,992	15,430	15,277	153	*
New York*	0	31,556	31,556	31,489	0	134
Pennsylvania	1	14,914	14,915	14,914	1	3
GREAT LAKES						
Illinois	200	12,791	12,991	12,791	200	0
Indiana*	0	6,438	6,438	6,438	0	85
Michigan*	0	7,924	7,924	7,924	0	22
Ohio	70	11,251	11,321	11,207	113	0
Wisconsin	94	7,293	7,387	7,312	75	0
PLAINS						
Iowa*	0	3,597	3,597	3,497	100	*
Kansas*	373	3,028	3,401	3,172	228	*
Minnesota*	654	7,884	8,538	7,954	584	*
Missouri	135	4,593	4,727	4,682	45	21
Nebraska	69	1,617	1,685	1,604	82	25
North Dakota*	8	648	656	633	23	0
South Dakota*	0	582	582	582	0	25
SOUTHEAST						
Alabama	32	3,665	3,698	3,698	0	0
Arkansas	0	2,224	2,224	2,224	0	0
Florida	0	12,977	12,977	12,977	0	265
Georgia	0	8,703	8,703	8,703	0	0
Kentucky	37	4,889	4,926	4,907	18	34
Louisiana	0	4,493	4,493	4,493	0	0
Mississippi	54	2,134	2,188	2,005	183	150
North Carolina*	293	8,839	9,132	8,819	313	*
South Carolina*	48	3,582	3,630	3,540	90	*
Tennessee*	151	4,752	4,903	4,803	100	*
Virginia*	16	6,772	6,788	6,753	35	*
West Virginia	30	2,128	2,158	2,157	1	0
SOUTHWEST						
Arizona	5	3,753	3,758	3,748	10	0
New Mexico*	0	2,272	2,272	2,272	0	101
Oklahoma	93	3,377	3,470	3,254	216	135
Texas*	634	13,991	14,625	16,633	-2,008	0
ROCKY MOUNTAIN						
Colorado*	230	3,347	3,577	3,347	234	*
Idaho	0	1,136	1,136	1,136	0	35
Montana	35	529	564	524	40	0
Utah	3	2,066	2,069	2,069	0	0
Wyoming*	30	420	450	448	2	0
FAR WEST						
Alaska*	452	2,447	2,899	2,712	188	*
California*	-2,100	39,875	37,774	37,333	441	*
Hawaii*	284	2,972	3,256	3,144	112	0
Nevada*	58	1,034	1,092	1,023	69	*
Oregon	277	2,952	3,229	2,915	315	0
Washington	120	8,064	8,184	7,962	222	144
TOTAL	$2,973	$314,311	$317,284	$314,899	$2,322	$1,536

*See Notes to Table A-3.

Notes to Table A-3

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

Alaska	Excludes the Mental Health Trust Income Account balance. Ending balance includes budget stabilization fund of $95.5 million.
California	Ending balance includes budget stabilization fund of $30.8 million.
Colorado	Ending balance includes budget stabilization fund of $234.4 million and transfers of $4.3 million.
Connecticut	Figures include federal reimbursements such as Medicaid.
Delaware	Ending balance includes budget stabilization fund of $71 million. Revenues include Medicaid reimbursements credited to the general fund.
Hawaii	Includes the transfer of $1.7 million in repealed special funds.
Indiana	Figures include property tax replacement fund but do not include balance of the general fund tuition reserve, which was $155 million at the beginning of fiscal 1992; $165 million at the end of fiscal 1992, beginning of fiscal 1993, and end of fiscal 1993; and $165 million at the beginning of fiscal 1994 and end of fiscal 1994 (estimated).
Iowa	Ending balance includes budget stabilization fund of $75.0 million. Budget stabilization fund includes amounts required to retire the Generally Accepted Accounting Principles (GAAP) deficit.
Kansas	The balance in the budget stabilization is recommended to be transferred to the School Finance Fund.
Maryland	A $48.1 million appropriation has been appropriated for fiscal 1994. This amount will be augmented by a $50 million deficiency in fiscal 1994.
Michigan	The Governor's budget recommends that the Michigan Accident Fund, which administers workers' compensation for the state, be privatized and that proceeds from the sale of its assets be deposited to the budget stabilization fund. Legislation to implement this recommendation currently is pending before the state senate.
Minnesota	Ending balance includes budget stabilization fund of $500 million. The general fund includes the Local Government Trust Fund.
Nevada	Ending balance includes budget stabilization fund of $50.0 million.
New Jersey	Reflects both the general fund and the Property Tax Relief Fund. Ending balance includes budget stabilization fund of $103.0 million.
New Mexico	Revenues include $33.8 million tax increase.
New York	Revenues reflect the $184 million margin available from fiscal 1993. Expenditures do not reflect $67 million in repayment to the Tax Stabilization Reserve Fund for fiscal 1994.
North Carolina	Revenues include estimated federal Medicaid payments of $207.4 million. Ending balance includes reserve for capital and nonrecurring expenditures and expansions.
North Dakota	Revenues reflect the Governor's recommendation to transfer $154 million in special funds to the general fund.
South Carolina	Ending balance includes budget stabilization fund of $66.5 million.
South Dakota	The beginning and ending balances represent the unobligated cash balance. Revenues include obligated cash carried forward from the prior year. Expenditures include obligations against cash and transfers out of the general fund.
Tennessee	Ending balance includes budget stabilization fund of $100.0 million.
Texas	Texas is on a biennial budget. The general fund balance will close with a positive near zero balance at the end of fiscal 1995 (the end of the fiscal 1994-95 biennium).

Notes to Table A-3 (continued)

Vermont	Budget stabilization amount of $20.0 million is for transportation.
Virginia	Ending balance includes budget stabilization fund of $30.0 million.
Wyoming	Revenues and expenditures do not include the estimated one-time general fund revenue recognized by a change to GAAP accounting and recommended one-time appropriations from this revenue. The change to GAAP currently is under consideration by the legislature.

Table A-4
Nominal Percentage Expenditure Change, Fiscal 1993 and Fiscal 1994

Region/State	Fiscal 1993	Fiscal 1994
NEW ENGLAND		
Connecticut	6.3 %	4.2 %
Maine	0.0	-5.9
Massachusetts	10.6	0.2
New Hampshire	8.9	-0.7
Rhode Island*	-9.0	-6.4
Vermont	-2.2	2.3
MIDEAST		
Delaware	3.4	5.4
Maryland	2.9	2.7
New Jersey	-1.9	5.9
New York	3.9	1.6
Pennsylvania	2.3	5.9
GREAT LAKES		
Illinois	2.5	6.1
Indiana*	9.0	2.6
Michigan	6.3	3.2
Ohio	0.2	8.2
Wisconsin	4.9	5.3
PLAINS		
Iowa	7.0	2.8
Kansas	9.1	16.7
Minnesota	3.9	6.8
Missouri	2.6	6.5
Nebraska	-0.3	0.2
North Dakota	20.3	-2.9
South Dakota	1.6	0.8
SOUTHEAST		
Alabama	2.8	5.6
Arkansas	6.2	8.2
Florida	7.5	9.0
Georgia	11.0	6.7
Kentucky	1.8	6.2
Louisiana	-7.8	7.8
Mississippi	2.5	0.6
North Carolina	3.2	9.4
South Carolina	3.8	0.4
Tennessee	18.0	3.4
Virginia	4.6	5.1
West Virginia	4.2	5.7
SOUTHWEST		
Arizona	1.8	2.3
New Mexico	6.0	4.2
Oklahoma	5.0	-1.9
Texas	10.9	10.4
ROCKY MOUNTAIN		
Colorado	14.2	0.8
Idaho	3.5	10.7
Montana	-1.0	0.8
Utah	6.5	4.9
Wyoming	11.8	4.7
FAR WEST		
Alaska	-6.1	0.0
California	-5.8	-8.5
Hawaii	13.7	4.6
Nevada	4.9	-4.1
Oregon	6.2	2.6
Washington	2.8	3.0
TOTAL CHANGE	3.1 %	3.0 %

*See Notes to Table A-4.

Notes to Table A-4

Indiana	As an aid to balancing the budget for fiscal 1992, the Indiana General Assembly delayed one payment to local schools in the amount of $155.5 million and a part of the state's distribution for local property tax relief in the amount of $131.8 million. This mechanism allowed the state to maintain adequate levels of support for schools and local property taxpayers, but it did result in an artificially low expenditure total for fiscal 1992. The ongoing level of expenditure growth in the state can best be measured by looking at the compound annual rate of growth from fiscal 1992 through fiscal 1994, which is 5.77 percent.
Rhode Island	Adjusting for payroll and education aid deferrals, disproportionate share and provider assessments, and the dedicated Intermodal Surface Transportation Fund yields adjusted change rates of 3.8 percent in fiscal 1993 and -1.4 percent for fiscal 1994.

Table A-5
Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 1993

Region/State	*Fees*	*Taxes*	*Eliminate Programs*	*Layoffs*	*Furloughs*	*Early Retirement*	*Reduce Local Aid*	*Reorganize Programs*	*Privatization*
NEW ENGLAND									
Connecticut									
Maine			X	X	X	X	X	X	X
Massachusetts									
New Hampshire									
Rhode Island									
Vermont									
MIDEAST									
Delaware									
Maryland			X	X			X	X	
New Jersey									
New York									
Pennsylvania									
GREAT LAKES									
Illinois									
Indiana									
Michigan	X								
Ohio	X	X	X			X	X		
Wisconsin									
PLAINS									
Iowa						X			X
Kansas									
Minnesota									
Missouri									
Nebraska			X					X	
North Dakota									
South Dakota									
SOUTHEAST									
Alabama									
Arkansas									
Florida									
Georgia									
Kentucky									
Louisiana									
Mississippi									
North Carolina									
South Carolina									
Tennessee									
Virginia									
West Virginia							X		
SOUTHWEST									
Arizona									
New Mexico									
Oklahoma									
Texas									
ROCKY MOUNTAIN									
Colorado									
Idaho	X								
Montana									
Utah									
Wyoming									
FAR WEST									
Alaska									
California			X	X			X	X	
Hawaii									
Nevada	X		X		X		X		
Oregon									
Washington									
TOTAL	4	1	6	3	2	3	6	4	2

Table A-6
Changes Contained in Fiscal 1994 Proposed Budgets

State	*Increase Higher Education Tuition*	*AFDC Eligibility Restrictions*	*Medicaid Reductions*	*Increased Employee Share: Health*	*Increased Employee Share: Pension*
Alabama				X	
Alaska	X				
Arizona			X		
Arkansas		X		X	
California	X	X	X	X	
Colorado					
Connecticut	X		X		
Delaware					
Florida					
Georgia		X			
Hawaii			X		
Idaho					
Illinois					
Indiana	X	X	X		
Iowa	X	X			
Kansas	X			X	
Kentucky					
Louisiana	X		X		
Maine		X	X	X	X
Maryland	X			X	
Massachusetts		X		X	
Michigan					
Minnesota	X				
Mississippi					
Missouri					
Montana		X			
Nebraska					
Nevada	X		X	X	
New Hampshire					
New Jersey	X				
New Mexico	X			X	
New York			X	X	
North Carolina	X				
North Dakota	X		X		
Ohio					
Oklahoma			X		
Oregon	X		X		
Pennsylvania			X		
Rhode Island	X		X		
South Carolina					
South Dakota	X			X	
Tennessee					
Texas				X	
Utah	X		X		
Vermont		X			X
Virginia				X	
Washington	X				
West Virginia					
Wisconsin	X				
Wyoming					
TOTAL	20	9	15	13	2

Table A-7
Proposed State Employment Compensation Changes, Fiscal 1994

Region/State	*Across-the-Board*	*Merit*	*Other*	*Notes (•)*
NEW ENGLAND				
Connecticut	---	---	---	The fiscal 1993 cost-of-living adjustment (COLA) has been deferred until May 1993. No COLAs have been negotiated for fiscal 1994. The majority of collective bargaining units have contracts extending through fiscal 1994; step increases have been negotiated for those units.
Maine	---	2.0%	---	Merit increases reflect the weighted average increase. Employees who have reached the top step in their range do not receive a merit increase.
Massachusetts	---	---	---	The issue has not been settled, but funding has been included in the Governor's fiscal 1994 budget recommendation in anticipation of a settlement.
New Hampshire	---	---	---	Still under negotiation.
Rhode Island	4.5%	---	---	The Governor's budget provides a 4.5 percent salary increase; most employees receive step or anniversary increases; most employees receive longevity increases.
Vermont	2.5%	---	1.9%	The "other" increase reflects step increases for eligible employees.
MIDEAST				
Delaware	---	---	---	The Governor has set aside $6.5 million to be used for salary increases should revenue estimates increase in the spring.
Maryland	---	1.25%	---	Eligible employees are those with merit increments or steps still to be completed. Increases range from 2 to 6 percent. Forty-eight percent of employees are estimated to be eligible.
New Jersey	5.0%	---	---	The across-the-board increase is for union employees only. The 5 percent increase on October 2, 1993 is 3.75 percent on an annual basis. Satisfactory employees receive increments that average 4 percent. Those at the top of their range, which is reached in nine years, receive no increments. Fiscal 1994 policy of salary increases to management and other nonunion employees has not been decided.
New York	4.0%	0.9%	---	The merit increase, or performance advance, reflects the cost of increases as a percentage of total payroll. Only certain eligible employees receive annual performance advances.
Pennsylvania	---	---	---	Collective bargaining is still in progress for unions representing the majority of state employees.
GREAT LAKES				
Illinois	3.525%	---	*	Union employees also receive a 3.6 percent step increase.
Indiana	---	---	---	Employee compensation changes currently are being negotiated for all state employees.

Table A-7 (continued)
Proposed State Employment Compensation Changes, Fiscal 1994

Region/State	*Across-the-Board*	*Merit*	*Other*	*Notes (*)*
Michigan	---	---	*	No wage increases are recommended for state classified compensation for fiscal 1994. State employees who have been employed at their current class and level for less than 5 years are eligible for merit increases in fiscal 1994. During fiscal 1994, cafeteria benefits will be introduced. Savings accruing to the state as a result of cafeteria benefits, up to 1 percent of classified service wages, will be provided as employee compensation in fiscal 1995.
Ohio	5.0%	---	2.5%	
Wisconsin	---	---	---	The data are not available at this time.
PLAINS				
Iowa	---	1.0%	*	A $600 bonus for state employees in addition to the 1 percent merit increase.
Kansas	1.5%	---	3.0%	The 3.0 percent increase for "other" consists of a 2.5 percent increase for step movements on the pay matrix and a 0.5 percent increase in net pay from a proposal to reduce employee contributions to the retirement system.
Minnesota	---	---	---	The Governor has recommended no increase for state and local government employee salaries in fiscal 1994.
Missouri	3.0%	---	---	All employees would receive 1 percent plus $400 for an average increase of 3 percent.
Nebraska	---	---	*	Employees with salaries below $45,000 will receive $300 on January 1, 1994. Employees with 10 years of service will receive $100 on their anniversary date.
North Dakota	2.0%	---	---	
South Dakota	3.0%	---	2.5%	The other is adjustment to the midpoint of the salary ranges.
SOUTHEAST				
Alabama	---	5.0%	*	Merit raises are based on employee performance and may range from 0 percent to 5 percent based on actual performance. Longevity increases range from $300 to $600 per employee annually based on years of state service.
Arkansas	---	2.5%	---	Under the proposed package being considered by the General Assembly, employees would be eligible for a 2.5 percent merit increase on their anniversary date.
Florida	3.0%	---	---	The across-the-board increase is effective October 1, 1993.
Georgia	---	2.5%	---	The Governor has proposed a one-time merit increase on an employee's anniversary date based on a satisfactory rating.
Kentucky	3.0%	----	---	Appropriations Act limits employees earning more than $50,000 to a 1 percent increment rather than 3 percent.
Louisiana	---	3.6%	---	Approximately 10 percent of the workforce is at the top of the pay scale and will not qualify for further merit increase. Therefore, the 4 percent merit increase will average 3.6 percent.

Table A-7 (continued)
Proposed State Employment Compensation Changes, Fiscal 1994

Region/State	*Across-the-Board*	*Merit*	*Other*	*Notes (*)*
Mississippi	---	---	*	Increases are for realignment/reallocation, or $1,500 per year, or 5 percent, whichever is greater.
North Carolina	2.0%	---	1.0%	The 2 percent increase reflects an across-the-board increase, while the 1 percent increase reflects bonuses that are not part of base salaries.
South Carolina	---	---	---	
Tennessee	---	---	4.0%	There is a contingency salary increase plan of up to 4 percent effective January 1, 1994.
Virginia	2.0%	---	---	A 2 percent across-the-board increase is effective December 1, 1993.
West Virginia	5.0%	---	---	An $1,008 across-the-board increase for state employees excluding higher education. Various alternatives are being considered for employees in higher education.
SOUTHWEST				
Arizona	---	---	*	Annualized funding for pay packages to be implemented April 1, 1993; all employees on the payroll as of September 1, 1992, receive a $1,000 increase.
New Mexico	1.5%	3.0%	---	The increase is 3 percent of the midpoint of the range on employee's anniversary date or promotion date.
Oklahoma	---	---	1.0%	The Governor has proposed a performance pay plan that would allow agency managers to reward performance that results in reduced operating costs. Pay would go to team members only and increases could be 5 percent. Maximum funding would be 1 percent of agency payroll, and costs would be absorbed by agencies.
Texas	---	---	---	The proposed budget includes no pay increase for state employees.
ROCKY MOUNTAIN				
Colorado	3.2%	1.5%	---	The merit increase is 5 percent for approximately one-third of the workforce.
Idaho	2.5%	---	0.5%	The "other" is to pay the employer's cost of an enhancement in retirement benefits. Because this is a shared cost program, 0.5 percent of the employees 2.5 percent cost-of-living adjustment will be needed to pay their retirement premium increase.
Montana	---	---	---	There is a $240 per year increase in state contribution to health insurance plans in each year of the fiscal 1994-95 biennium.
Utah	---	2.75%	---	Includes merit step increases of 2.75 percent plus health insurance premium increases of 10.05 percent and dental insurance premium increases of 4.63 percent.
Wyoming	3.0%	---	4.0%	Includes $20 increase for the employer's share of health insurance.

Table A-7 (continued)
Proposed State Employment Compensation Changes, Fiscal 1994

Region/State	Across-the-Board	Merit	Other	Notes (*)
FAR WEST				
Alaska	---	3.0%	---	Most contracts currently are being negotiated. The proposed fiscal 1994 budget includes merit increases for nearly all employees, but no cost-of-living increase.
California	5.0%*	---	---	The three-year collective bargaining agreement covered twenty of the state's twenty-two collective bargaining groups and is effective July 1, 1992 through June 30, 1995. Under the agreement, state employees had their salaries reduced 4.7 percent in fiscal 1993 and will receive a 5 percent increase January 1, 1994. Employees are participating in a personal leave program that reduces pay by one day per month and are paying a greater share of health, vision, and dental premium costs.
Hawaii	---	---	---	Currently under negotiation.
Nevada	---	2.5%	---	Merit increases are 5 percent, with an annual fiscal impact of 2.5 percent.
Oregon	---	4.75%	*	Merit increases average 4.75 percent for 70 percent of state employees eligible. Other increases are for flexible benefits (medical, dental).
Washington	---	---	---	Approximately 40 percent of state employees will receive step increases ranging from 2.5 percent to 5 percent in fiscal 1994.

Table A-8
Number of Authorized Full-Time Equivalent Positions in the General Fund, Fiscal 1992 to Fiscal 1994

State	*Fiscal 1992*	*Fiscal 1993*	*Fiscal 1994*	*% Change, 1992-1994*	*% Change, 1993-1994*	*Includes higher education faculty*	*State-administered welfare system*
Alabama	33,523	33,621	34,600	3.21 %	2.91 %		x
Alaska	11,688	10,946	11,108	-4.96	1.48	x	x
Arizona	31,538	31,869	32,393	2.71	1.64	x	x
Arkansas*	17,070	17,070	18,198	6.61	6.61		x
California	132,091	130,204	128,116	-3.01	-1.60	x	x
Colorado	42,722	43,229	43,650	2.17	0.97		x
Connecticut*	32,494	31,847	31,655	-2.58	-0.60		x
Delaware*	19,774	19,544	19,441	-1.68	-0.53	x	x
Florida	134,321	137,652	140,272	4.43	1.90	x	
Georgia*	81,882	82,458	84,589	3.31	2.58	x	x
Hawaii	30,664	32,371	32,639	6.44	0.83	x	x
Idaho	8,212	8,328	8,623	5.00	3.54	x	x
Illinois	67,035	67,000	67,500	0.69	0.75		x
Indiana	22,246	21,959	22,019	-1.02	0.27		x
Iowa	33,314	34,371	33,500	0.56	-2.53	x	x
Kansas*	42,289	42,907	42,865	1.36	-0.10	x	x
Kentucky*	35,850	37,423	37,553	4.75	0.35		x
Louisiana*	53,118	54,050	46,810	-11.88	-13.40		x
Maine	7,508	7,283	6,467	-13.87	-11.20		x
Maryland*	73,805	72,494	71,959	-2.50	-0.74	x	x
Massachusetts	66,519	63,860	61,758	-7.16	-3.29	x	x
Michigan*	60,189	59,048	N/A	N/A	N/A		x
Minnesota	16,629	16,786	16,316	-1.88	-2.80		
Mississippi	45,958	46,477	46,877	2.00	0.86	x	x
Missouri	27,726	28,603	28,784	3.82	0.63		x
Montana	N/A	N/A	N/A	N/A	N/A		
Nebraska	N/A	N/A	N/A	N/A	N/A		
Nevada	N/A	12,581	12,669	N/A	0.70		x
New Hampshire	N/A	N/A	N/A	N/A	N/A		x
New Jersey	67,344	66,200	63,000	-6.45	-4.83		
New Mexico*	20,581	20,906	21,514	4.53	2.91		x
New York*	193,800	189,200	184,500	-4.80	-2.48	x	
North Carolina	210,643	213,088	219,239	4.08	2.89	x	x
North Dakota*	12,141	12,141	11,954	-1.54	-1.54	x	
Ohio	59,695	59,200	59,200	-0.83	0.00		
Oklahoma	41,020	40,584	39,366	-4.03	-3.00		x
Oregon	46,999	47,076	44,272	-5.80	-5.96	x	x
Pennsylvania	82,307	83,329	86,108	4.62	3.33		x
Rhode Island	17,671	17,358	16,260	-7.98	-6.33	x	x
South Carolina	41,699	41,363	41,071	-1.51	-0.71	x	x
South Dakota*	N/A	N/A	N/A	N/A	N/A		x
Tennessee	38,300	37,800	37,500	-2.09	-0.79		x
Texas	135,000	N/A	N/A	N/A	N/A	x	x
Utah*	16,089	16,570	16,765	4.20	1.18		x
Vermont*	7,244	7,244	7,244	0.00	0.00		x
Virginia	52,733	50,036	51,181	-2.94	2.29	x	
Washington	41,533	42,605	39,974	-3.75	-6.18	x	x
West Virginia	16,179	16,203	15,508	-4.15	-4:29	x	x
Wisconsin	31,417	31,547	31,895	1.52	1.10	x	
Wyoming	10,520	10,865	10,904	3.65	0.36	x	x
TOTAL**	2,271,079	2,147,294	2,077,815	-0.11 %	-0.05 %		

NOTE: *See Notes to Table A-8.

**The figures on total percent change exclude states without comparable estimates for all three fiscal years.

Notes to Table A-8

Arkansas	The fiscal 1994 figures currently are being considered by the legislature.
Connecticut	The fiscal 1994 figures do not include 1,836 positions transferred from the general fund to other funds.
Delaware	Includes public school employees. The fiscal 1994 figures exclude 393 positions due to accounting changes.
Georgia	Reflects executive branch positions only.
Kansas	Reflects all budgetary funds.
Kentucky	Reflects full-time permanent positions from all funds.
Louisiana	The fiscal 1994 figures exclude Louisiana Health Care Authority positions.
Maryland	Reflects all budgetary funds.
Michigan	A statutorily established hiring freeze has been in effect for the last several years. Therefore, the number of budgeted positions in Michigan is not reflective of actual employment levels. As of the beginning of fiscal 1993, Michigan had 60,189 permanent filled positions. As of March 13, 1993, Michigan has 59,048 permanent filled positions. This number may increase slightly in fiscal 1994 as program adjustments occur.
New Mexico	Reflects all budgetary funds.
New York	Figures reflect end-of-year counts for annual and nonannual salaried full-time equivalent employees in the executive, legislative, and judicial branches. New York's July 1992 survey reflected employee counts taken near the beginning of the fiscal year using a different counting methodology. Therefore, the current fiscal 1992 figures are not consistent with the fiscal 1992 figures as reported in *The Fiscal Survey of States: October 1992.*
North Dakota	Reflects all budgetary funds.
South Dakota	The state does not differentiate between positions funded from the general fund and total positions.
Utah	Reflects all budgetary funds.
Vermont	Reflects executive branch positions only.

Table A-9
Fiscal 1993 Tax Collections Compared With Projections Used in Adopting Fiscal 1993 Budgets
($ in millions)

	Sales Tax		*Personal Income Tax*		*Corporate Income Tax*		*Total*
Region/State	*Original Estimate*	*Current Estimate*	*Original Estimate*	*Current Estimate*	*Original Estimate*	*Current Estimate*	*Revenue Collection*
NEW ENGLAND							
Connecticut	$2,023	$2,034	$2,263	$2,236	$542	$630	T
Maine	600	599	661	567	49	59	T
Massachusetts	2,160	2,171	5,048	5,132	630	640	H
New Hampshire	N/A	N/A	N/A	N/A	89	110	T
Rhode Island*	562	571	517	513	214	271	H
Vermont	171	166	298	292	28	35	T
MIDEAST							
Delaware*	N/A	N/A	488	501	47	39	H
Maryland	1,794	1,720	3,295	3,063	163	124	L
New Jersey	3,647	3,647	4,250	4,355	1,022	1,035	H
New York*	5,960	6,000	15,284	15,698	1,723	1,718	H
Pennsylvania	4,799	4,799	4,841	4,831	1,532	1,511	T
GREAT LAKES							
Illinois	4,089	4,089	4,647	4,737	599	599	T
Indiana	2,396	2,383	2,335	2,402	710	710	L
Michigan*	1,214	1,164	3,883	3,655	1,549	1,503	T
Ohio	3,858	3,819	4,311	4,177	904	826	L
Wisconsin	2,242	2,280	3,410	3,375	453	490	T
PLAINS							
Iowa	844	1,012	1,657	1,700	254	230	H
Kansas	1,151	1,156	1,112	1,135	183	190	H
Minnesota	2,337	2,408	3,030	3,390	427	496	H
Missouri	1,339	1,330	2,313	2,299	269	260	T
Nebraska	608	609	688	690	105	106	T
North Dakota	238	239	129	113	44	41	L
South Dakota	277	278	N/A	N/A	N/A	N/A	T
SOUTHEAST							
Alabama	875	908	1,232	1,248	148	150	T
Arkansas	1,079	1,110	1,039	1,024	158	160	H
Florida*	9,066	9,331	N/A	N/A	835	803	H
Georgia	2,909	2,970	3,317	3,334	479	432	T
Kentucky	1,413	1,413	2,087	2,087	289	289	L
Louisiana	1,523	1,517	940	910	235	235	L
Mississippi	861	890	513	555	185	180	H
North Carolina	2,326	2,336	3,797	3,864	443	450	H
South Carolina	1,251	1,207	1,568	1,470	146	140	T
Tennessee*	2,742	2,830	102	88	285	330	H
Virginia	1,434	1,434	3,488	3,528	300	301	H
West Virginia	636	636	640	640	132	132	T
SOUTHWEST							
Arizona	1,606	1,616	1,329	1,310	205	210	T
New Mexico	886	965	441	454	78	82	H
Oklahoma	971	962	1,342	1,281	165	139	L
Texas	9,236	8,916	N/A	N/A	1,248	1,255	H
ROCKY MOUNTAIN							
Colorado	859	917	1,707	1,795	116	125	H
Idaho	387	398	491	493	61	58	H
Montana	N/A	N/A	340	352	57	70	L
Utah	860	866	840	840	88	85	H
Wyoming	119	126	N/A	N/A	N/A	N/A	T
FAR WEST							
Alaska	N/A	N/A	N/A	N/A	158	158	T
California	16,145	15,110	17,745	16,760	5,210	4,850	L
Hawaii	1,357	1,304	1,021	880	104	42	L
Nevada	337	313	N/A	N/A	N/A	N/A	L
Oregon	N/A	N/A	2,328	2,371	192	184	H
Washington*	3,600	3,928	N/A	N/A	1,260	1,255	L
TOTAL	$104,786	$104,476	$110,767	$110,142	$24,113	$23,737	-

NOTE: *See Notes to Table A-9.

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

Notes to Table A-9

Delaware	Figures represent collections net of refunds.
Florida	Includes $215.3 million because of Hurricane Andrew in fiscal 1993 and $358 million for fiscal 1994.
Michigan	Revenues currently are lower than at the initial budget passage, but they are on target with the revised January 1993 consensus estimates. The budget adjustment package assumed the January 1993 revenue estimates.
New York	Sales tax collections are before the deposit to the Local Government Assistance Tax Fund.
Rhode Island	Corporate income tax collections include Health Care Provider Assessment: fiscal 1992 - $30.7 million, fiscal 1993 - $87.1 million, and fiscal 1994 - $14.8 million.
Tennessee	Sales tax collections include services tax on nonmedical services.
Washington	Corporate income tax figures are for the corporate business and occupations tax.

Table A-10
Fiscal 1993 Tax Collections Compared With Projections Used in Proposed Fiscal 1994 Budgets
($ in millions)

	Sales Tax		Personal Income Tax		Corporate Income Tax	
Region/State	Fiscal 1993	Fiscal 1994	Fiscal 1993	Fiscal 1994	Fiscal 1993	Fiscal 1994
NEW ENGLAND						
Connecticut	$2,034	$2,159	$2,236	$2,380	$630	$625
Maine	599	539	567	564	59	53
Massachusetts	2,171	2,287	5,132	5,456	640	645
New Hampshire	N/A	N/A	N/A	N/A	110	128
Rhode Island*	571	594	513	535	271	211
Vermont*	166	145	292	296	35	38
MIDEAST						
Delaware*	N/A	N/A	501	513	39	48
Maryland	1,720	1,795	3,063	3,173	124	147
New Jersey	3,647	3,956	4,355	4,723	1,035	1,143
New York*	6,000	6,092	15,698	15,130	1,718	1,692
Pennsylvania	4,799	5,011	4,831	4,980	1,511	1,616
GREAT LAKES						
Illinois	4,089	4,323	4,737	4,932	599	634
Indiana	2,383	2,484	2,402	2,519	710	731
Michigan	1,164	1,222	3,655	3,819	1,503	1,616
Ohio	3,819	4,149	4,177	4,518	826	929
Wisconsin	2,280	2,400	3,375	3,590	490	525
PLAINS						
Iowa	1,012	1,062	1,700	1,785	230	234
Kansas	1,156	1,204	1,135	1,170	190	204
Minnesota	2,408	2,558	3,390	3,443	496	553
Missouri	1,330	1,380	2,299	2,440	260	269
Nebraska	609	641	690	734	106	100
North Dakota	239	241	113	120	41	46
South Dakota	278	298	N/A	N/A	N/A	N/A
SOUTHEAST						
Alabama	908	952	1,248	1,308	150	157
Arkansas	1,110	1,169	1,024	1,091	160	160
Florida*	9,331	10,288	N/A	N/A	803	880
Georgia	2,970	3,191	3,334	3,624	432	480
Kentucky	1,413	1,486	2,087	2,232	289	316
Louisiana	1,517	1,569	910	971	235	247
Mississippi	890	920	555	577	180	187
North Carolina*	2,336	2,469	3,864	4,104	450	475
South Carolina	1,207	1,249	1,470	1,544	140	140
Tennessee*	2,830	2,972	88	83	330	356
Virginia	1,434	1,521	3,528	3,779	301	307
West Virginia	636	668	640	657	132	115
SOUTHWEST						
Arizona	1,616	1,700	1,310	1,400	210	205
New Mexico	965	1,011	454	491	82	82
Oklahoma	962	1,006	1,281	1,370	139	147
Texas*	8,916	9,217	N/A	N/A	1,255	898
ROCKY MOUNTAIN						
Colorado	917	960	1,795	1,887	125	131
Idaho	398	421	493	532	58	61
Montana*	N/A	*	352	329	70	59
Utah	866	909	840	905	85	92
Wyoming	126	130	N/A	N/A	N/A	N/A
FAR WEST						
Alaska	N/A	N/A	N/A	N/A	158	168
California	15,110	14,256	16,760	16,850	4,850	4,830
Hawaii	1,304	1,376	880	892	42	42
Nevada	313	327	N/A	N/A	N/A	N/A
Oregon	N/A	N/A	2,371	2,494	184	198
Washington*	3,928	4,036	N/A	N/A	1,255	1,314
TOTAL	$104,476	$108,342	$110,142	$113,937	$23,736	$24,233

NOTE: *See Notes to Table A-10. The fiscal 1993 figures reflect the latest tax collection estimates as shown in Table A-9. The total percentage change from fiscal 1993 to fiscal 1994 for all sources is 3.42 percent.

Notes to Table A-10

Delaware	Figures represent collections net of refunds.
Florida	Includes $215.3 million because of Hurricane Andrew in fiscal 1993 and $358 million for fiscal 1994.
Montana	Under the Governor's proposal for a sales tax, net revenue would be $97 million for fiscal 1994.
New York	Sales tax collections are before the deposit to the Local Government Assistance Tax Fund.
North Carolina	Personal income tax collections include $4 million that will not be realized if the Governor's proposed tax credit for child care is enacted by the 1993 session of the North Carolina General Assembly.
Rhode Island	Corporate income tax collections include Health Care Provider Assessment: fiscal 1992-$30.7 million, fiscal 1993-$87.1 million, and fiscal 1994-$14.8 million.
Tennessee	Sales tax collections include services tax on nonmedical services.
Texas	Corporate income tax collections for fiscal 1994 reflect the decrease from the credit for previous sales tax paid on manufacturing equipment. Sales tax collections in fiscal 1994 reflect the phase out of the tax on manufacturing equipment.
Vermont	Fiscal 1994 revenues reflect the decrease in revenues as a result of the expiration of temporary tax increases passed in 1991. The sales tax decreases from 5 percent to 4 percent and the meals and rooms tax decreases from 8 percent to 7 percent on July 1, 1993. The personal income tax decreases from a base of 28 percent with 3 tiers to a flat 25 percent effective January 1, 1994.
Washington	Corporate income tax figures are for the corporate business and occupations tax. Total balances include both the ending balance and balances in budget stabilization funds.

Table A-11
Proposed Revenue Changes By Type of Revenue, Fiscal 1994

State	*Tax Change Description*	*Effective Date*	*Fiscal 1994 Revenue Change ($ in millions)*
	SALES TAX		
Arizona	Phase out sales tax on commercial leases.	1/94	-1.7
Idaho	Extends 5 percent tax to services closely tied to tangible personal property.	1/94	33.0
	Extends 5 percent tax to communications, including cable television.	1/94	17.0
	Extends 5 percent tax to utilities to reduce property taxes.	1/94	38.0
	Modifies the production exemption; $7 million is for property tax reductions and $17 million is to double the grocery tax credit on the income tax.	1/94	24.0
Louisiana	Repeal exemptions on 1 percent of sales tax on numerous goods, e.g., food and utilities.	7/93	100.0
Maryland	Research and development tax credit.	7/93	-2.8
Michigan	User tax for auto leases.	10/93	24.0
Minnesota	Capital sales tax credit.	7/93	-8.4
Montana	Enact a 4 percent sales tax.		97.0
New York	Improve sales tax compliance and reform industrial development agency exemption.	various	18.0
Ohio	Reduce exemptions and expand base to cover more services and cap contributions to Local Government Fund.	1/93	218.7
Washington	Sales tax on fuel.	7/93	224.2
	Sales tax on selected services.	7/93	368.4
	Sales tax on nursing homes.	7/93	44.0
West Virginia	Eliminate CST indirect use exemption for businesses subject to B&O, telecommunications, and severance tax.	6/93	10.0
	Eliminate exemption for purchases by the State Department of Highways.	6/93	8.0
Wyoming	A 1 percent increase.	7/93	66.4
	PERSONAL INCOME TAX		
Arizona	Child and Dependent Care Tax Credit at 5 percent of federal level.	1/93	-2.0
	Reduced tax rates for lower income individuals at $25,000 and families at $50,000.	1/93	-30.0
	Reduced individual income withholding.	7/93	-15.0
California	Do not implement the small employer health care tax credit.	1/94	120.0
Idaho	Quarterly income tax payments.	7/93	50.0
Illinois	Extend the rate and eliminate the one-time local payment.	7/93	447.0 (gross)
Minnesota	Labor contract tax loss.	7/93	-5.0
Montana	Reduction in rates.		-18.0
Nebraska	Reduction of taxes for low and middle incomes offset with a corresponding increase for high incomes.	1/93	0.0

Table A-11 (continued)
Proposed Revenue Changes By Type of Revenue, Fiscal 1994

State	*Tax Change Description*	*Effective Date*	*Fiscal 1994 Revenue Change ($ in millions)*
North Carolina	Increase tax credit for child care for income levels below $50,000.	7/93	-4.0
Ohio	Add new tax bracket for incomes over $200,000. Cap contributions to Local Government Fund.	1/93	47.6
Rhode Island	Elimination of surtax on higher income tax payers.	12/93	-8.4
West Virginia	Increase marginal tax rate to 7.5 percent for taxpayers making over $100,000 per year (married filing jointly, single, head of household); and $50,000 for married filing separately.	1/93	10.0
	CORPORATE TAXES		
California	Do not implement small employer health care tax credit.	1/94	70.0
Illinois	Extend the rate and eliminate the one-time local payment.	7/93	50.0 (gross)
Louisiana	Repeal inventory tax credit.	7/93	50.0
New York	Estimated payment rule changes; credit restrictions and bank and insurance deduction limitations.	1/93	56.0
Ohio	Tax railroads under the corporate tax.	1/93	3.8
Oregon	Reduce business energy tax credit.	7/93	0.3
	Eliminate pollution control tax credit.	7/93	2.2
Rhode Island	Elimination of 11 percent corporate surtax.	1/94	-4.0
	Increase existing investment credit from 2 percent to 4 percent.	1/94	-2.0
Washington	Replace business and occupation tax on prepayments received by HMOs.	7/93	26.4
	Allow business and occupation tax deduction based on volume.	7/93	-32.5
West Virginia	Eliminate net operating loss 3 year carryback.	1/93	4.0
	Eliminate double-weighted sales factor used for the apportionment of multistate income.	1/93	6.0
	CIGARETTE AND TOBACCO TAXES		
Arkansas	Increase of 12.5 cents per pack in fiscal 1993 and 9.5 cents per pack in fiscal 1994. Increase tax on tobacco products by 9 percent in fiscal 1993 and 7 percent in fiscal 1994.	various	28.6
Connecticut	Increase tax from 45 cents to 55 cents per pack.	7/93	23.0
Massachusetts	Increase of 25 cents per pack was approved by voter referendum.	1/93	119.0
New Mexico	Increase tax from 15 cents to 25 cents per pack.	7/93	9.9
New York	Increase tax from 39 cents to 60 cents per pack and tax other tobacco products from 15 percent to 25 percent of wholesale price.	6/93	180.0
Ohio	Increase of 6 cents per pack and tax other tobacco products.	1/93 & 2/93	66.5
Oregon	Increase of 10 cents per pack with revenues dedicated to health-related expenditures.	10/93	18.2
Rhode Island	Increase of 5 cents per pack.	7/93	4.5

Table A-11 (continued)
Proposed Revenue Changes By Type of Revenue,
Fiscal 1994

State	*Tax Change Description*	*Effective Date*	*Fiscal 1994 Revenue Change ($ in millions)*
Washington	Increase of 20 cents per pack and additional surtax of 85 percent on tobacco products.	7/93	75.1
Wyoming	Increase of 8 cents per pack.	7/93	4.0
	MOTOR FUEL TAXES		
Louisiana	Increase of 10 cents per gallon on fuels.	7/93	200.0
Montana	Increase of 10 cents per gallon in gasoline and diesel.	N/A	51.0
Ohio	Increase gasoline tax.	7/93	55.0
Rhode Island	Increase of 1 cent per gallon dedicated to elderly transportation.	7/93	4.1
West Virginia	Increase of 5 cents per gallon for gasoline tax.	7/93	50.0
Washington	Increase of 5 cents per gallon for gasoline tax; repeal gasohol tax exemption.	7/93	126.1
Wyoming	Increase of 8 cents per gallon.	7/93	37.6
	ALCOHOLIC BEVERAGES		
Connecticut	Increase taxes by 10 percent.	7/93	5.0
Michigan	Increase liquor price mark-up.	5/93	32.0
Ohio	Increase tax on alcoholic beverages and liquor.	1/93	12.8
Oregon	Increase of 5 cents per drink with revenues dedicated to treating alcohol and drug abuse.	7/93	31.2
Washington	Increase retail taxes by 1.33 percent and increase class H licenses by 88 percent plus .1614 per liter.	7/93	6.1
Wyoming	Increase of $1.30 per gallon of liquor and 14 cents per gallon on beer.	7/93	2.4
	OTHER TAXES		
Arkansas	1 percent gross receipts tax in fiscal 1993, 2.8 percent and 4.78 percent in fiscal 1994 on home services and intermediate care facilities.	2/93	14.0
	4.5 percent gross receipts tax on luxury services previously exempted.	3/93	6.9
	2 cents per 12 ounce excise tax on soft drinks.	3/93	15.0
	Limits the discount retailers receive for collecting sales taxes at 2 percent of gross receipts or $1,000 a month, whichever is less.	2/93	5.4
Connecticut	Tax on nursing homes at 3 percent.	7/93	40.6
	Impose a 5 cent tax on beverage containers.	7/93	63.0
Idaho	Extends insurance premium tax.	1/93 & 1/94	6.0
Louisiana	Suspend insurance premium tax credit.	7/93	60.0
	Levy 5.75M state property tax.	7/93	70.0
Massachusetts	Investment tax credit increased from 19 percent to 39 percent.	1/93	-2.0
	Estate tax exemption raised from $200,000 to $600,000 over a four -year period, 1993 to 1997.	1/93	24.8
Michigan	Inheritance tax phase-in to federal pick-up tax.	N/A	-10.0
Minnesota	Solid waste disposal tax.	7/93	13.2
	Hazardous waste tax.	1/94	2.0

Table A-11 (continued)
Proposed Revenue Changes By Type of Revenue, Fiscal 1994

State	Tax Change Description	Effective Date	Fiscal 1994 Revenue Change ($ in millions)
Montana	Property tax relief.		-13.0
	Payroll tax to fund workers' compensation unfunded liability.	N/A	N/A
	Amount needed to pay bonds saved to fund "old fund" commitments ($24-$50 million).	N/A	N/A
Nevada	Slot route operators tax.	N/A	3.3
New Hampshire	Decrease communications tax from 6 percent to 5.5 percent; decrease real estate transfer tax from $5.25 to $5.00 per $1,000; add business enterprise tax; and decrease business profits tax from 8 percent to 7 percent.	N/A	-4.0
New Mexico	Increase natural gas severance tax from 3.15 percent to 4.15 percent.	7/93	23.9
New York	Liberalize real property gains tax provisions.	N/A	-25.0
	Expand health provider assessments.		108.0
North Dakota	Medicaid provider tax.	7/93	19.0
	Highway contractor tax.	7/93	4.4
Ohio	Excise tax on soft drinks and nonalcoholic beverages.		67.0
Pennsylvania	Correction to prior oversight to gross receipts tax for electric utilities.	1/93	105.0
	Technical change to law to counteract court ruling that invalidated a Department of Revenue regulation.	1/93	27.0
Washington	Estate tax and other miscellaneous taxes.	7/93	26.4
West Virginia	Raise minimum tax rate from $0.50 per ton to $1.25 per ton above 120,000 tons.	6/93	32.0
	Eliminate bank shares tax (property tax) credit.	1/93	4.8
	Eliminate double-weighted sales apportionment factor.	1/93	2.0
Wyoming	Increase of 1.5 percent on coal and trona.	1/93	19.0
	FEES		
Alaska	Fees for services, occupational licenses.	various	3.0
Arkansas	Various user fees to replace agency general revenues.	N/A	21.8
Connecticut	Various fee increases.	7/93	3.8
Delaware	Increase in certain Justice of the Peace Court costs.	N/A	1.8
	Increase in stationary source pollution penalty fees due to Clean Air Act Amendments.	N/A	3.5
Hawaii	A-Plus After School program fee increase.	7/93	0.9
Maryland	Various fees.	7/93	18.5
Massachusetts	Reduce drivers' license and registration fees by $10.	7/93	-37.5
Minnesota	Various fees.	various	2.3
Nebraska	Increase in selected motor vehicle user fees such as drivers' licenses.	7/93	9.0
Nevada	Increase commission for local tax collections.	N/A	3.5

Table A-11 (continued)
Proposed Revenue Changes By Type of Revenue, Fiscal 1994

State	*Tax Change Description*	*Effective Date*	*Fiscal 1994 Revenue Change ($ in millions)*
New York	Various fees.	various	88.0
Oregon	Various fees.	7/93	13.4
Rhode Island	Includes various general revenues and restricted fee increases.	7/93	5.8
Washington	Combined license fees on trucks.	7/93	15.4
	Various fees.	7/93	38.0
	Tuition fee increase.	7/93	27.5
Wyoming	Increase of $10 per license and other various fees.	4/93 & 7/93	2.7

Table A-12
Total Balances and Balances as a Percent of Expenditures, Fiscal 1992 to Fiscal 1994

	Total Balances ($ in millions)			Balances as a Percent of Expenditures		
Region/State	*Fiscal 1992*	*Fiscal 1993*	*Fiscal 1994*	*Fiscal 1992*	*Fiscal 1993*	*Fiscal 1994*
NEW ENGLAND						
Connecticut	$110	$2	$0	1.6 %	0.0 %	0.0 %
Maine	14	0	0	0.9	0.0	0.0
Massachusetts	437	198	230	4.1	1.7	1.9
New Hampshire	19	0	-1	2.6	0.0	-0.1
Rhode Island	9	27	42	0.5	1.7	2.9
Vermont	-65	-12	4	-9.9	-1.8	0.6
MIDEAST						
Delaware	153	153	111	12.4	12.0	8.3
Maryland	-56	67	109	-0.9	1.0	1.7
New Jersey	761	439	153	5.2	3.0	1.0
New York	0	251	134	0.0	0.8	0.4
Pennsylvania	11	4	4	0.1	0.0	0.0
GREAT LAKES						
Illinois	131	200	200	1.1	1.7	1.6
Indiana*	468	231	85	8.1	3.7	1.3
Michigan	20	21	22	0.3	0.3	0.3
Ohio	91	70	113	0.9	0.7	1.0
Wisconsin	74	94	75	1.1	1.4	1.0
PLAINS						
Iowa	2	90	100	0.1	2.6	2.9
Kansas	141	448	228	5.7	16.5	7.2
Minnesota	449	654	584	6.3	8.8	7.3
Missouri	77	155	66	1.8	3.5	1.4
Nebraska	168	86	107	10.4	5.4	6.6
North Dakota	108	8	23	19.9	1.2	3.6
South Dakota	26	25	25	4.6	4.3	4.3
SOUTHEAST						
Alabama	26	32	0	0.8	0.9	0.0
Arkansas	0	0	0	0.0	0.0	0.0
Florida	185	186	265	1.7	1.6	2.0
Georgia	61	0	0	0.8	0.0	0.0
Kentucky	72	65	52	1.6	1.4	1.1
Louisiana	-83	0	0	-1.8	0.0	0.0
Mississippi	83	228	333	4.3	11.4	16.6
North Carolina*	165	391	313	2.1	4.9	3.6
South Carolina	8	48	90	0.2	1.4	2.5
Tennessee	159	151	100	4.0	3.3	2.1
Virginia	68	16	35	1.1	0.3	0.5
West Virginia	57	30	1	2.9	1.5	0.0
SOUTHWEST						
Arizona	5	5	10	0.1	0.1	0.3
New Mexico	116	100	101	5.6	4.6	4.4
Oklahoma	302	228	351	9.6	6.9	10.8
Texas	518	807	-2,008	3.8	5.4	-12.1
ROCKY MOUNTAIN						
Colorado	145	230	234	5.0	6.9	7.0
Idaho	30	21	35	3.0	2.0	3.1
Montana	25	35	40	4.8	6.7	7.6
Utah	5	3	0	0.3	0.2	0.0
Wyoming	54	30	2	14.0	7.1	0.4
FAR WEST						
Alaska	424	452	188	14.7	16.7	6.9
California	-2,220	-2,100	441	-5.1	-5.1	1.2
Hawaii	374	284	112	14.2	9.5	3.6
Nevada	34	58	69	3.3	5.5	6.7
Oregon	323	277	315	12.1	9.8	10.8
Washington	354	220	366	4.7	2.8	4.6
TOTAL	$4,433	$5,011	$3,859	1.5 %	1.6 %	1.2 %

*See Notes to Table A-12.

Notes to Table A-12

Indiana	Figures include property tax replacement fund but do not include balance of the general fund tuition reserve, which was $155 million at the beginning of fiscal 1992; $165 million at the end of fiscal 1992, beginning of fiscal 1993, and end of fiscal 1993; and $165 million at the beginning of fiscal 1994 and end of fiscal 1994 (estimated). When combined, the total reserves equal 10 percent of expenditures at the end of fiscal 1992, 6.3 percent of expenditures at the end of fiscal 1993, and 3.9 percent of expenditures at the end of fiscal 1994 (estimated).
North Carolina	Ending balance includes reserve for capital and nonrecurring expenditures and expansions in fiscal 1993 and fiscal 1994.