The Fiscal Survey of States

June 2005

National Governors Association
National Association of State Budget Officers

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Preface

The *Fiscal Survey of States* is published twice annually by the National Association of State Budget Officers (NASBO) and the National Governors Association (NGA). The series was started in 1979. The survey presents aggregate and individual data on the states' general fund receipts, expenditures and balances. Although not the totality of state spending, these funds are used to finance most broad-based state services and are the most important elements in determining the fiscal health of the states. A separate survey that includes total state spending also is conducted annually.

The field survey on which this report is based was conducted by NASBO in January through June 2005. The surveys were completed by Governors' state budget officers in the 50 states.

Fiscal 2004 data represent actual figures, fiscal 2005 figures are estimated, and fiscal 2006 data reflect recommended budgets.

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

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

Executive Summary

While the extreme revenue shortfalls states experienced recently have subsided, most states still face tough budget challenges. In fiscal 2005, resurgent revenue growth was tempered by a backlog of expenditure demands, the after effects of the federal fiscal relief package, and general spending increases in nearly all major program areas, Medicaid being the most costly. Much of the same is expected in fiscal 2006: states see revenues performing above estimates, less profound expenditure growth, and a decline in total balances.

This edition of *The Fiscal Survey of States* reflects actual fiscal 2004, estimated fiscal 2005, and recommended fiscal 2006 figures. Data were collected during spring 2005 and show stable fiscal conditions in many states. While some governors made modifications later, for consistency, the data in this report represent the original budget recommendations they submitted to state legislatures.

State Spending

In fiscal 2005, aggregate state spending was more in line with historical state spending trends—growing at 6.6 percent above prior year levels (the 27-year average is 6.5 percent). This amount is somewhat misleading since it reflects increased spending as a result of a one-time revenue surge of federal fiscal assistance and substantial pent-up demand stemming from the dismal fiscal conditions of recent years and the resulting budget cuts. Based on governors' fiscal 2006 budget recommendations, that spending is nearly cut in half, with growth of 3.8 percent. Expenditures include one-time spending from surplus funds, transfers into budget stabilization funds and other reserve funds, and payments to local governments to reduce property taxes. Other findings include the following:

Five states reduced fiscal 2005 enacted budgets by $634.6 million—a significant improvement from recent years. In fiscal 2003, 37 states made reductions to already passed budgets.

Medicaid continues to squeeze state budgets. The growth rate in state funds is 3 percent in fiscal 2004 and is estimated to be 16.7 percent in fiscal 2005. The 16.7 percent figure must be analyzed with caution however, since the large discrepancy between fiscal 2004 and fiscal 2005 figures results from the temporary Federal Medical Assistance Percentage increase that was part of the 2003 federal fiscal relief package. Additionally, 20 states experienced Medicaid shortfalls in fiscal 2004 and 24 states had shortfalls in fiscal 2005.

Five states experienced negative expenditure growth in fiscal 2005 and governors of 10 states expect negative growth in fiscal 2006. This is a dramatic improvement over fiscal 2003 when 21 states enacted negative growth budgets.

States continue to provide supportive services for families to achieve self-sufficiency: five states proposed to increase their Temporary Assistance for Needy Families (TANF) cash assistance benefit levels, ranging from 1.4 percent to 10 percent in fiscal 2006. Two states proposed decreases.

State Revenue Actions

The state revenue picture for most states improved dramatically in fiscal 2005, a situation that is expected to continue in fiscal 2006. For fiscal 2006, the governors of 18 states proposed net tax and fee increases totaling $2.4 billion with the largest a $982.7 million increase in cigarette and tobacco taxes. Governors also proposed a net decrease of $366.3 million in personal income taxes. Other findings include the following:

In fiscal 2005, revenues exceeded original budget projections in 42 states. Revenues were on target in three states and below budget projections in five states.

Revenue collections in fiscal 2005 were 2.1 percent higher than the amounts reflected in originally enacted budgets. Corporate income tax collections were 8.8 percent above original projections. Sales taxes were 1.1 percent higher than original projections.

Fiscal 2006 proposed budgets anticipate revenue that is 5.2 percent higher than fiscal 2005.

Year-End Balances

Total year-end balances—consisting of both ending balances and balances in the budget stabilization fund—are fluctuating from year to year. These balances are used by states to provide flexibility and are critical to states during tight fiscal times. Over the three years covered in the report, total balances are declining. Balances totaled $27 billion or 5.5 percent of expenditures in fiscal 2004; $24.2 billion or 4.6 percent expenditures in 2005; and $20.7 billion or 3.8 percent of expenditures in fiscal 2006. By comparison, total balances peaked in fiscal 2000 at $48.8 billion, or 10.4 percent of expenditures.

State Expenditure Developments

CHAPTER ONE

Budget Management in Fiscal 2005

States continue to recover from the fallout of the recent fiscal downturn and face significant pressure in several areas. The most persistent include Medicaid, elementary and secondary education, accounting changes related to other post employment benefits, and pension systems. Additionally, states are still trying to meet substantial pent-up demand stemming from prior fiscal years when funding for all major expenditure categories was reduced.

Budget cuts made after the budget has passed serves as a subtle gauge of state fiscal conditions. In fiscal 2005, five states were forced to make across-the-board or targeted cuts to programs totaling $634.6 million. This pales in comparison to fiscal 2002, when a record 37 states cut their budgets by nearly $12.6 billion. In fiscal 2003 and 2004 respectively, 37 states cut their enacted budgets by a record high $14.5 billion and 18 states made cuts totaling $4.8 billion. Several states continue to exempt priority programs such as K-12 education and Medicaid from budget cuts.

Across-the-board and targeted cuts are only two methods used to resolve budget imbalances. States employ a variety of other strategies to bring budgets back into alignment with revenue growth. Down significantly from prior years, four states used targeted cuts and the same number of states used across-the-board cuts to resolve budget imbalances. Additionally, two states reduced aid to local governments, two states increased fees, three states used a portion of their rainy day funds, and seven states used an assortment of other strategies to balance their budgets. Other strategies include fund shifts, loans, transfers, allotment rescissions, debt service restructuring, closing tax loopholes, delaying a scheduled personal income tax rate reduction, and hiring freezes (see Appendix Table A-5).

State Spending for Fiscal 2006

This report captures only state general fund spending, the primarily discretionary expenditure of revenues derived from general sources not earmarked for specific items. According to the most recent edition of NASBO's *State Expenditure Report*, estimated fiscal 2004 state spending from all sources is nearly $1.2 trillion, with the general fund representing 43.5 percent of the total. The components of total state spending are: elementary and secondary education, 21.5 percent; Medicaid, 21.9 percent; higher education, 10.5 percent; transportation, 7.9 percent; corrections, 3.4 percent; public assistance, 2.1 percent; and all other expenditures, 32.6 percent.

Components of state spending within the general fund specifically are elementary and secondary education, 35.2 percent; Medicaid, 16.5 percent; higher

TABLE 1

Budget Cuts Made After the Fiscal 2005 Budget Passed

State	*Size of Cuts ($ in Millions)*	*Programs or Expenditures Exempted from Cuts*
Indiana	$ 70.0	General fund tuition support for K-12 education; property tax relief.
Michigan	380.0	Medicaid eligibility; benefits for needy families and disabled adults; payment rates for foster care and child caring agencies; veterans' services; environmental protection programs; revenue sharing to cities, villages, and townships; special education funding; and welfare-to-work programs.
Missouri	48.5	No programs will be cut in fiscal 2005 other than state facility maintenance and repair activities.
New Jersey*	—	Appropriations to Institutions, Debt Service, State Aid
Ohio	116.3	Debt service, including lease rental contracts and all state office building rent, pension payments made by the Treasurer of State, property tax rollback, homestead exemption and tangible personal property tax exemptions as well as the state's primary job-creation programs; basic aid to primary and secondary education; higher education basic aid and student financial aid; and, the PASSPORT program, which provides in-home care for seniors, and other selected programs.
Rhode Island*	19.8	—
Total	**$634.6**	—

SOURCE: National Association of State Budget Officers.

education, 11.5 percent; corrections, 7 percent; public assistance, 2.3 percent; transportation, 0.7 percent; and all other expenditures, 26.8 percent. Elementary and secondary education had dominated total state spending from fiscal 1993 until fiscal 2004, when it was surpassed by Medicaid, which had been the second largest, and remains the fastest growing, component of state spending. Medicaid now is the largest and fastest growing category of state spending and continues to drag heavily on state budgets.

In fiscal 2005, state general fund expenditures are estimated to be $526 billion, an increase of 6.6 percent from the previous year. The 27 year average rate is 6.5 percent. Among factors contributing to the increase are a higher than projected gain in revenues during this period, rising expenditures to meet pent-up demand, general program expenditure increases, and a one-time boost in revenues from the federal fiscal assistance package, which in many states is reflected in fiscal 2005 budgets.

Governors' fiscal 2006 budget proposals reflected a slower expenditure growth rate of 3.8 percent. This represents states' continued efforts to take a more conservative track when making expenditure growth predictions (see Table 2 and Figure 1).

While the fiscal picture is brighter in most states, it still is flickering in some. Five states experienced negative expenditure growth in fiscal 2005 and governors' proposed budgets in 10 states reflect the same in fiscal 2006. Additionally, 13 states have experienced expenditure growth of less than 5 percent in fiscal 2005 and 21 states expect the same in 2006. By comparison, conditions have improved greatly since fiscal 2003, when 21 states reported negative expenditure growth, the highest number of states to report a negative nominal percentage expenditure change since the first edition of this report (see Table 3 and Appendix Table A-4).

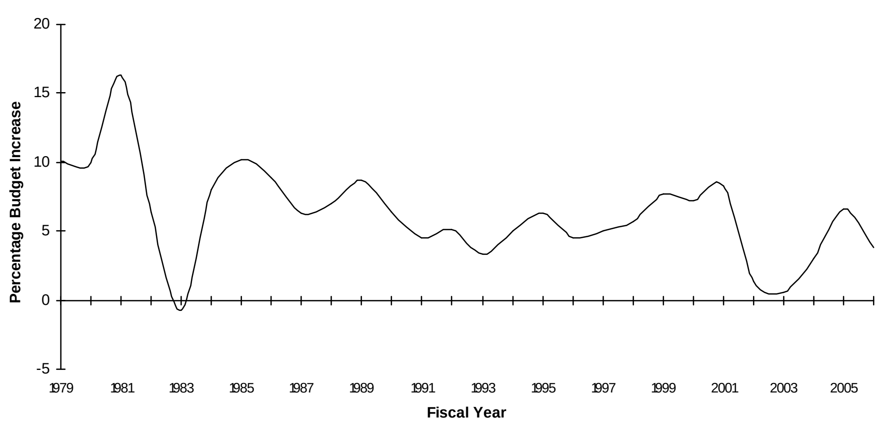
State Cash Assistance Increased Under the Temporary Assistance for Needy Families Program

Since welfare reform was passed in 1996, states have focused on providing supportive services for families to achieve self-sufficiency rather than cash assistance. For governors' recommended fiscal 2006 budgets, 42 states maintain the same cash assistance benefit levels that were in effect in fiscal 2005. Five states propose to increase cash assistance benefit levels—ranging from 1.4 percent to 10 percent—and two states would decrease cash assistance benefit levels (see Table 4 and Notes to Table 4).

The Temporary Assistance for Needy Families (TANF) program had an original expiration date of September 30, 2002. The program has been extended since the authorization expired. The current extension continues the TANF program through September 30, 2005 at fiscal 2002 levels until the program is reauthorized.

FIGURE 1

Annual Percentage Budget Increases, Fiscal 1979 to Fiscal 2006



SOURCE: National Association of State Budget Officers.

TABLE 2

State Nominal and Real Annual Budget Increases, Fiscal 1979 to Fiscal 2006

	State General Fund	
Fiscal Year	*Nominal Increase*	*Real Increase*
2006*	3.8%	0.5%
2005*	6.6	3.3
2004	3.0	-0.3
2003	0.6	-2.5
2002	1.3	-1.4
2001	8.3	4.0
2000	7.2	4.0
1999	7.7	5.2
1998	5.7	3.9
1997	5.0	2.3
1996	4.5	1.6
1995	6.3	3.2
1994	5.0	2.3
1993	3.3	0.6
1992	5.1	1.9
1991	4.5	0.7
1990	6.4	2.1
1989	8.7	4.3
1988	7.0	2.9
1987	6.3	2.6
1986	8.9	3.7
1985	10.2	4.6
1984	8.0	3.3
1983	-0.7	-6.3
1982	6.4	-1.1
1981	16.3	6.1
1980	10.0	-0.6
1979	10.1	1.5
1979--2006 average	**6.5%**	**1.9%**

NOTE: *The state and local government implicit price deflator, Table 1.1.9 (Implicit Price Deflators for Gross Domestic Product) as cited by the Bureau of Economic Analysis in April 2005, is used for state expenditures in determining real changes. Fiscal 2005 figures are based on the change from fiscal 2004 actuals to fiscal 2005 estimated. Fiscal 2006 figures are based on the change from fiscal 2005 estimated to fiscal 2006 recommended.

SOURCE: National Association of State Budget Officers.

Medicaid

Medicaid is a means-tested entitlement program financed by the states and the federal government that provides comprehensive and long-term medical care for more than 53 million low-income individuals. Medicaid, estimated to spend $329 billion in total state and federal funds in 2005, is the largest health program in the nation. Medicaid expenditures are approximately 22 percent of all state spending while spending on all of health care constitutes approximately 32 percent of state spending.

TABLE 3

Annual State General Fund Expenditure Increases, Fiscal 2005 and Fiscal 2006

	Number of States	
Spending Growth	*Fiscal 2005 (Estimated)*	*Fiscal 2006 (Recommended)*
Negative growth	5	10
0.0% to 4.9%	13	21
5.0% to 9.9%	19	15
10% or more	13	3

NOTE: Average spending growth for fiscal 2005 (estimated) is 6.6 percent; average spending growth for fiscal 2006 (recommended) is 3.8 percent. For fiscal 2006, the number of states does not add to 50: data were unavailable for Texas.

SOURCE: National Association of State Budget Officers.

Although approximately 25 percent of all Medicaid beneficiaries are elderly and disabled and 75 percent are children and non-disabled adults, the costs are not similarly distributed. Approximately 70 percent of Medicaid costs are for the elderly and the disabled and 30 percent are for children and non-disabled adults.

Medicaid growth rates. Medicaid continues to exert pressure on state budgets. As shown in Table 5, the overall growth in the program is estimated to be 8.6 percent in fiscal 2004 and 8.4 percent in fiscal 2005. The percentage increases for state and federal funds differ significantly in fiscal 2004 and fiscal 2005. This is due to the impact of the state fiscal relief package that was part of the Jobs and Growth Tax Relief Reconciliation Act of 2003 which increased the Federal Medical Assistance Percentage (FMAP) by 2.95 percent from April 2003 through June 2004. State funds increased by 3.2 percent in fiscal 2004 and are estimated to increase by 16.8 percent in fiscal 2005, while federal funds increased by 12 percent in fiscal 2004 and are estimated to increase by 4.8 percent in fiscal 2005.

Medicaid is estimated to increase by 5 percent in governors' recommended budgets for fiscal 2006, with state funds increasing by 7.1 percent and federal funds increasing by 3.7 percent. State funds are estimated to increase about double the federal share in fiscal 2006. Among the reasons for the higher growth rates of state funds versus federal funds is a change in the amount of federal funds individual states will

TABLE 4

Proposed Cost-of-Living Changes for Cash Assistance Benefit Levels Under the Temporary Assistance For Needy Families Block Grant, Fiscal 2006

State	*Percent Change*
California*	-6.5%
Florida	2.8
Louisiana	-5.3
Maryland	1.5
Montana	9.0
Nebraska*	—
New York*	—
Ohio*	10.0
South Dakota	1.4

*See Notes to Table 4.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 4

California	California is proposing to eliminate the statutory requirement to provide a cost-of-living adjustment, which would otherwise increase grants 4.6 percent in fiscal 2005-2006. In addition, the state proposes to decrease its income disregard, which would result in an additional grant reduction to working families depending on their level of income.
Nebraska	No increase in the maximum grant an individual may receive has been enacted for fiscal 2006. Nebraska is planning to increase the maximum "standard of need" for TANF cash assistance from $611 to $649 per month (family of three). This increase is based on a 1.9 percent consumer price index increase in current year 2003 and 3.3 percent consumer price index increase in current year 2004.
New York	Although the State is not proposing public assistance benefit cuts, two initiatives have been proposed that, if enacted, will affect Public Assistance recipients directly. The Full Family Sanction initiative withholds the entire welfare grant in cases where the head of household is out of compliance with work requirements. The Earned Income Disregard initiative reduces the amount of earnings an individual may retain if they have been on welfare more than five years, the initiative also increase this amount for recipients on welfare less than five years.
Ohio	The TANF increase is roughly an inflationary increase since the last increase was in fiscal 2000.

receive as part of the FMAP formula in current law and phasing out of special financing.

Medicaid Shortfalls. Even with extensive cost containment and fiscal relief, Medicaid expenditures have exceeded the amounts originally budgeted for the program. Twenty-two states report Medicaid shortfalls in fiscal 2004 and 26 states experienced them in fiscal 2005 (see Table 6). The shortfalls as a percentage of the total Medicaid program in fiscal 2004 ranged from 0.2 percent to 11 percent of the program costs, averaging 4 percent. The combined amount of the shortfalls in fiscal 2004 and fiscal 2005 totals more than $5.9 billion. States have taken a variety of measures to cover the shortfalls, including supplemental funding as well as implementing additional cost containment measures.

Medicaid Enrollment. Enrollment increases have played a major role in the increase in Medicaid spending, with enrollment increases of 4.2 percent in fiscal 2004, 4.1 percent estimated in fiscal 2005, and 3.8 percent estimated for fiscal 2006, as shown on Table 7. While children and families are the group contributing most to the enrollment change during this period of time, the elderly and disabled are the group contributing most to the increased costs from enrollment changes. The average cost per recipient varies greatly in Medicaid, with the elderly and the disabled costing about seven times the amount per recipient as children and adults.

Federal Budget and Medicaid. The fiscal 2006 congressional budget resolution includes reductions in the growth of entitlement programs, including Medicaid. In Congress, Medicaid is under the jurisdiction of the Senate Finance Committee and the House Energy and Commerce Committee. The budget resolution assumes $10 billion of reductions from the Senate Finance Committee and $14.7 billion of reductions for programs under the jurisdiction of the House Energy and Commerce Committee from fiscal 2006 through fiscal 2010. The conference agreement specifies that no savings are assumed from Medicaid for fiscal 2006. The authorizing committees must report their savings to the Budget Committees by September 16, 2005. Although the specific cuts to the Medicaid program have not been determined, the program would be reduced in order to comply with the budget targets set forth by Congress.

New Medicare Prescription Drug Benefit. The enactment of a new prescription drug benefit under the Medicare Prescription, Drug, Improvement, and Modernization Act of 2003 (MMA) will impact the Medicaid program significantly. The biggest change for states is that those individuals who are dually eligible for both Medicare and Medicaid, and who are currently receiving all of their prescription drugs through Medicaid, will receive their prescription drugs under the new Medicare Part D program beginning in 2006. Although they represent less than 7 million of the 53 million Medicaid beneficiaries, they

TABLE 5

Annual Percentage Medicaid Growth Rate

	Fiscal 2004 (Actual)			*Fiscal 2005 (Estimated)*			*Fiscal 2006 (Recommended)*		
Region and State	*State Funds*	*Federal Funds*	*Total Funds*	*State Funds*	*Federal Funds*	*Total Funds*	State Funds	Federal Funds	Total Funds
NEW ENGLAND									
Connecticut*	4.0%	4.3%	*NA*	4.0%	4.9%	*NA*	6.7%	3.8%	*NA*
Maine*	8.0	19.5	19.1%	14.1	12.2	16.7%	3.8	-6.4	-3.1%
Massachusetts	7.6	7.6	7.6	9.7	9.7	9.7	5.5	5.5	5.5
New Hampshire	10.3	16.8	13.6	16.6	7.6	11.8	9.9	6.2	8.1
Rhode Island	3.0	18.6	11.5	14.3	1.8	7.1	9.3	5.7	7.3
Vermont	7.1	12.6	10.6	21.6	2.0	8.9	3.6	3.0	3.2
MID-ATLANTIC									
Delaware	4.3	14.0	10.3	19.4	8.2	13.4	6.5	4.4	5.5
Maryland	7.3	15.5	11.5	17.5	4.4	10.5	6.5	5.1	5.8
New Jersey	-8.6	-1.4	-4.9	7.6	4.0	5.7	13.1	-2.2	5.1
New York*	2.0	11.2	6.7	14.4	4.9	9.3	1.6	-1.6	-0.1
Pennsylvania	2.7	10.6	7.0	21.2	4.9	12.1	3.6	0.6	2.0
GREAT LAKES									
Illinois									
Indiana	6.3	24.8	19.0	11.8	-6.6	-3.8	5.0	5.0	4.6
Michigan*	10.4	3.7	6.0	15.8	0.1	5.9	6.1	3.7	4.7
Ohio	11.0	14.0	12.0	5.0	9.0	7.0	-3.0	-1.0	3.0
Wisconsin	1.9	10.1	7.0	14.9	-1.4	4.3	7.2	-2.9	1.1
PLAINS									
Iowa	1.1	2.5	0.5	18.0	5.8	4.1	6.9	-6.2	-5.7
Kansas	-9.4	1.8	-2.6	29.0	10.7	17.5	7.9	7.9	7.9
Minnesota	0.7	11.1	4.8	9.8	-0.1	5.4	8.5	8.5	8.5
Missouri	-4.0	5.1	1.7	20.4	6.2	11.3	-5.3	-2.4	-3.6
Nebraska	2.2	9.8	7.3	21.4	2.0	8.0	5.9	3.3	4.3
North Dakota	5.3	17.1	13.6	-7.5	-9.4	-8.8	38.3	5.7	15.0
South Dakota	-0.5	13.1	8.7	15.5	4.7	7.9	4.0	2.1	2.7
SOUTHEAST									
Alabama	-1.1	3.3	2.0	6.8	1.1	2.6	13.1	3.0	5.9
Arkansas	-2.9	13.6	9.4	36.0	13.0	18.2	9.0	9.0	9.0
Florida	5.8	16.9	12.5	18.4	4.4	9.6	5.8	1.4	3.2
Georgia	4.6	15.6	11.2	14.3	3.6	7.6	8.3	9.8	9.2
Kentucky	-3.1	9.4	5.7	17.1	0.3	4.9	-0.1	-4.1	-2.9
Louisiana	9.5	16.0	14.2	6.3	4.6	5.1	6.5	-5.0	-2.27
Mississippi									
North Carolina	-9.3	27.2	11.8	17.9	6.7	10.5	12.0	12.4	12.24
South Carolina	9.7	11.8	9.1	32.0	3.3	6.2	6.8	4.0	5.6
Tennessee	2.5	8.3	11.2	26.8	9.0	13.9	-5.4	-7.3	-7.8
Virginia	4.6	12.1	7.4	13.2	2.6	6.9	8.9	6.7	7.8
West Virginia	5.0	17.6	14.6	18.5	-1.0	3.3	7.8	-4.1	-1.2
SOUTHWEST									
Arizona	14.5	18.1	17.3	35.4	16.2	20.2	13.1	24.8	22.0
New Mexico	4.1	19.7	15.9	17.8	0.7	4.5	17.5	2.1	5.9
Oklahoma*	8.0	12.7	11.3	7.0	-3.8	2.4	17.5	33.4	28.0
Texas	15.0	18.0	17.0	1.0	11.0	7.0	NA	NA	NA
ROCKY MOUNTAIN									
Colorado*	11.4	19.9	15.7	13.2	-1.1	5.8	2.9	6.4	4.6
Idaho	1.5	15.6	11.5	27.3	7.5	11.6	12.0	8.7	9.2
Montana	5.6	6.3	6.1	19.3	3.2	7.4	8.1	3.2	4.5
Utah	-3.5	19.7	15.8	30.5	10.0	13.0	16.0	4.8	7.4
Wyoming	NA	NA	NA	35.2	-1.2	10.9	0.0	0.0	0.0
FAR WEST									
Alaska	16.0	18.0	17.0	13.0	11.0	11.6	10.0	10.0	10.0
California*	-5.3	-3.0	-4.0	23.7	15.7	19.0	5.1	7.7	6.6
Hawaii									
Nevada	-6.2	12.6	3.7	17.8	11.3	14.1	6.0	6.4	6.2
Oregon	-6.3	-0.6	-2.8	20.8	11.4	14.9	1.6	-2.3	-0.8
Washington	2.0	4.4	1.3	11.4	3.4	7.1	-1.0	-2.5	-1.8
Average**	**3.3%**	**12.0%**	**8.6%**	**16.8%**	**4.8%**	**8.4%**	**7.1%**	**3.7%**	**5.0%**

NOTES: *See Notes to Table 5. **Average percent changes are not weighted averages, as are other percentage changes in this report.

SOURCE: National Association of State Budget Officers

NOTE TO TABLE 5

California	State Funds includes General Fund only. For state funds Medi-Cal changed from an accrual budgeting basis to a cash basis in fiscal 2003-2004, resulting in one-time savings during that year and an increase due to the timing of payments in fiscal 2004-05.
Colorado	State Funds' include General Fund, cash funds and cash funds exempt. Fiscal 2004 federal funds are inflated by the enhanced FMAP-CO received a 52.95 percent match instead of the normal 50 percent federal match. Fiscal 2005 funds are an estimate of total expenditures provided by the Department of Health Care Policy and Financing on Nov. 1, 2004. The estimate of total spending does not equal the appropriated funds. Fiscal 2006 funds represent the Executive request as submitted to the legislature on November, 1 2004. The fiscal 2006 appropriation will not be set until April 2005.
Connecticut	For total funds in fiscal 2004, 2005 & 2006, the state gross appropriates Medicaid expenditures.
Maine	State funds include state General Fund appropriations as well as allocations of Other Special Revenue Funds from sources including the hospital excise tax, nursing facilities tax, service provider tax on private non-medical institutions and prescription drug rebates. Fiscal 2006 data reflects the Governor's proposed current services budget. If actions proposed by the Legislature are enacted, these percentages will become: fiscal 2006 State Funds: 5.92 percent; fiscal 2006 Federal Funds: -5.3 percent; fiscal 2006 Total Funds: -1.76 percent.
Michigan	The increase in state funds in fiscal 2005 is needed to accommodate increases in Medicaid spending and results from discontinued federal fiscal relief and elimination of certain special financing payments that occurred in fiscal 2004.
New York	State Funds data include the local share of Medicaid costs and costs incurred by state-operated facilities that were excluded in previous surveys. Fiscal 2006 reflects the Governor's proposed 2005-06 budget submitted in January 2005 and amended in February 2005, which included proposed savings actions totaling nearly $2 billion. In addition, fiscal 2004 reflects the temporary enhanced FMAP that was discontinued in fiscal year 2005.
Oklahoma	Changes in percentage of state dollars vs. federal dollars are because of: 1) Loss of enhanced FMAP and 2) A decrease in the federal matching rate for Oklahoma of 2.7% which cost the state approximately $90 million state dollars just to replace lost federal dollars and keep the program the same size for fiscal year 2006.

account for approximately 50 percent of all Medicaid drug spending.

While this would normallly create significant savings for Medicaid, there is a provision in the law that will minimize these savings. The phased-down state contribution or "clawback" is a mechanism by which states will continue to finance the vast majority of the costs of drugs for the dual eligibles, despite the fact that it will be the Medicare plans that provide the drugs to those individuals. The factor set for the state contribution is 90 percent of baseline costs in 2006, declining to 75 percent for 2015 and thereafter.

As determined by the statute, the baseline for the clawback payments will be based on per-beneficiary cost of coverage for Medicare covered drugs in 2003. The costs are multiplied by the number of dual eligibles in the state to create a baseline that will then be inflated by a series of national growth factors.

States are in the process of assessing the financial impact of the clawback formula and how it will affect overall state budgets. Early indications are that, because of the base year and the application of national growth factors, many states assume that the clawback payments will be a net cost to them. There is, however, a great deal of uncertainty about the financial impact of the MMA on states.

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

Other costs are evident, too: CMS notes that states will have new administrative costs and that the new coverage and outreach are expected to increase Medicaid enrollment.

The first phase-down contribution to the Centers for Medicare and Medicaid (CMS) is due by February 25, 2006.

Significant health issues. The challenges in funding health care are among the greatest concerns states face even as revenue recovers. States are concerned about a range of issues in providing health care as described in Table A-11. With long-range projections of Medicaid between 8 and 9 percent, states indicated concern that health care cost increases exceed state revenue growth. States are also concerned about the rising number of the uninsured and the impact on public programs such as Medicaid. Demographic pressures and the costs of providing long term care are also cited as significant issues facing states.

Uncertainty and concern about the impact of the new Medicare Part D benefit on Medicaid programs, federal reductions in Medicaid, and the waiver process under Medicaid are also cited as significant issues by many states. States also noted concerns about employee health insurance, unfunded liabilities in state retiree benefit programs, staff shortages in medical personnel, enrollment increases, and costs and access of mental health services.

TABLE 6

Medicaid Expenditures Exceeding Budgeted Amounts

Region and State	*Exceeded Fiscal 2004 Budgeted Amounts by ($ Millions)*	*Percentage of Fiscal 2004 Medicaid Budget*	*Exceeding Fiscal 2005 Budgeted Amounts by ($ Million)*	*Actions Taken to Cover Shortfall*
NEW ENGLAND				
Connecticut	$42.0	1.5%	$8.9	Deficiency Appropriation
Maine*				
New Hampshire	15.0	5.9	43.0	Pharmacy Benefits Manager, Prescription Reimbursement, Disease Management Program, Prior Auth.-Radiology.
Rhode Island	62.6	4.5	36.4	Increase appropriations to cover shortfall.
Vermont	57.0	8.0	20.0	Additional Revenue.
MID-ATLANTIC				
Delaware			11.3	Transfer funds from elsewhere in the state budget.
Maryland	70.0	1.8	46.0	Deficiency appropriation ($46 million)
Pennsylvania	757.0	6.9	57.0	Supplemental funding is requested. In addition the expansion of home and community based services as an alternative to nursing home care is slowed.
GREAT LAKES				
Indiana			121.0	Using the surplus from fiscal 2004 to cover fiscal 2005.
Michigan*	12.9	0.2	40.0	The fiscal 2005 shortfall is covered by a general fund supplemental appropriation.
Ohio	24.5	0.2		
Wisconsin	175.2	4.2	241.7	Implement preferred drug list, expand prior authorization for prescription drugs, expand managed care, seek supplemental funding through legislative actions.
PLAINS				
Iowa			70.0	Supplemental appropriations were recommended by the Governor and are being considered by the Legislature.
Kansas	50.2	3.0	37.7	The Governor recommended additional funding.
Missouri	208.0	3.5	180.0	Supplemental appropriations have been granted.
North Dakota	14.0	4.0		
South Dakota	15.0	2.5	14.5	Savings in non-Medicaid areas of department's budget, reductions in reimbursement to out of state hospitals, prescription drugs initiatives
SOUTHEAST				
Florida			372.1	Supplemental appropriation provided in fiscal 2004 for fiscal 2002, 2003 and 2004 deficits.
Georgia	63.5	1.2		
Louisiana	144.6	3.0	14.6	Private providers services will be cut such as pharmaceutical products and services, physician services, rural health clinics and other private provider services.
Tennessee	507.0	7.1	644.0	TennCare will have to rely on reserves to close the projected fiscal 2005 budget shortfall.
Virginia			204.0	Amounts have been requested, and have been proposed in the Governor's Introduced Budget, that would cover this shortfall. At this point, it is not law yet, so we are not including those amounts here.
SOUTHWEST				
Arizona	7.9	0.2	269.1	Additional General Fund appropriation, use of additional collection of tobacco taxes.
Oklahoma	54.0	2.0		
Texas			530.9	The Texas Legislature will pass a supplemental appropriations bill for fiscal 2005.

TABLE 6 (continued)

Medicaid Expenditures Exceeding Budgeted Amounts

Region and State	*Exceeded Fiscal 2004 Budgeted Amounts by ($ Millions)*	*Percentage of Fiscal 2004 Medicaid Budget*	*Exceeding Fiscal 2005 Budgeted Amounts by ($ Million)*	*Actions Taken to Cover Shortfall*
ROCKY MOUNTAIN				
Colorado*	70.5	2.5	59.8	Supplemental appropriation by the General Assembly.
Idaho			65.7	A supplemental appropriation has been submitted to the Governor and the Legislature. The Governor supports the request and has included it in his Executive Budget.
Wyoming	33.0	8.0	95.0	Supplemental Budget request. Hold pricing steady. Increase cost containment efforts.
FAR WEST				
Alaska	100.6	11.0	108.0	Supplemental appropriation and continued cost containment efforts.
Nevada	68.0	7.2	125.0	Request work program for additional authority.
Oregon	NA	NA	NA	NA
Washington			34.2	
Total/Average %**	**$2,552.5**	**4.0%**	**$3,449.9**	

*See Notes to Table 6. **Average percent changes are not weighted averages as are other percentage changes in this report.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 6

Colorado	The Medicaid budget is adjusted several times. These figures represent the difference between the original fiscal 2004 appropriation, which was set in the April 2003 budget bill, and the actual 2004 Medicaid expenditures. The final fiscal 2004 appropriation adjustment occurred in March 2004. From the final budget adjustment, expenditures exceeded the appropriation (budget) by $13.7 million or 0.5 percent. Fiscal 2005 Medicaid costs in excess of the appropriation are based on the Executive supplemental request that was submitted to the legislature on February 15, 2005. Fiscal 2005 cost estimates are impacted by the implementation of the Colorado Benefits Management System (CBMS) which has prevented the natural attrition of Medicaid clients from the caseload and has also impacted data retrieval and analysis.
Maine	Maine has a balanced budget requirement. However, many cost savings proposals were implemented in fiscal 2004 to stay within budgeted amounts and supplemental appropriations exceeding $55 million were provided. The Maine Legislature recently enacted a fiscal 2005 supplemental budget that provided net General Fund appropriations of $12.3 million to cover projected shortfalls. This amount is in addition to supplemental appropriations provided in previous laws totaling over $110 million and numerous savings initiatives continued in and undertaken in fiscal 2005.
Michigan	Medicaid expenditures exceeded the amount originally appropriated and supplemental appropriations of $450 million were enacted during fiscal 2004 to meet the anticipated need. Despite the additional funding, at fiscal year-end bookclosing, Medicaid expenditures exceeded the amount budgeted by $12.9 million.

SOURCE: National Association of State Budget Officers.

TABLE 7

Percent Change in State Medicaid Enrollment

Region and State	*FY 2004 Actual*	*FY 2005 Estimated*	*FY 2006* Recommended	*Group Contributed Most to Enrollment Change*	*Group Contributed Most to Medicaid Expenditures*
NEW ENGLAND					
Connecticut	7.6%	3.4%	4.0%	TFA Population & Families and HOMES Care Waiver Clients	Disabled and Elderly
Maine	9.6	4.3		Childless adult waiver and SCHIP Medicaid expansion/Medicaid expansion parents	Childless adult waiver and Behavioral health
Massachusetts	-3.5	1.5	2.9	Long Term Unemployed due to FY04 changes in eligibility	Long-Term Nursing Home Institutionalized
New Hampshire	5.8	4.8	4.8	Children in families with income greater than 133 percent of the Federal poverty level and poverty level.	Children in families with income less than 133 percent of the Federal poverty level and poverty level.
Rhode Island	NA	NA	NA	NA	Managed Care - Children and their parents and Elderly - pharmaceuticals
Vermont	4.7	0.0	2.2	Aged, Blind & Disabled and Families	Aged, Blind & Disabled and Long-Term Care
MID-ATLANTIC					
Delaware	6.6	5.3	4.1	Uninsured adults below 100% of the FPL and QMBs/SLMBs	Blind/Disabled and Elderly
Maryland	4.5	2.5	4.5	Disabled and Temporary Cash Assistance (TCA)	Disabled and Aged
New Jersey	3.6	2.0	2.0	Aid to Families with Dependent Children (AFDC) and SSI	AFDC and SSI
New York	2.6	6.3	3.5	TANF children.	SSI Blind and Disabled.
Pennsylvania	5.8	8.1	5.5	TANF/Healthy Beginnings and Elderly	Elderly and SSI/Disabled
GREAT LAKES					
Indiana	5.3	5.4	4.6	CHIP II and Partials - DAB Dual	Developmental Disabled and Elderly
Michigan	6.0	4.7	4.4	Children (ages 0-19) and low-income families	Aged, blind, disabled population and low-income families, children, and pregnant women.
Ohio	5.7	4.6	3.2	CFC and ABD	ABD and CFC
Wisconsin*	7.2	6.2	2.7	Low-income families and disabled	Low-income families and disabled
PLAINS					
Iowa	6.4	6.0	4.9	Children and Disabled	Disabled and Elderly
Kansas	7.3	4.6	4.0	TAF and Poverty Level Eligibles	SSI Disabled and Medically Needy Disabled
Minnesota	5.0	4.6	5.1	Children, parent and disabled	Disabled, children and parents
Missouri	5.5	2.1	-9.7	Disabled and Children	Disabled and Elderly
Nebraska	-2.2	4.1	4.1	Children and ADC Adults	Blind/Disabled and Children
North Dakota	0.2	-0.9	0.9	Children and Adults	Disabled and Elderly
South Dakota	4.0	3.4	2.2	Low income children and non-disabled, non-elderly adults	Disabled and Elderly
SOUTHEAST					
Alabama	4.7	4.7	4.7	SOBRA children and Plan First	Disabled and Aged
Arkansas	6.7	5.4	5.0	SOBRA-Poverty Level Children (13.85%) and ARKids B - SCHIP (12.63%)	N/A
Florida	0.7	3.2	5.6	Temporary Assistance for Needy Families (TANF) and Supplemental Security Income (SSI)	Supplemental Security Income (SSI) and Temporary Assistance for Needy Families (TANF)
Georgia	6.0	6.0	4.0	Low income adults and children - 100% FPL and Pregnant women and children - Up to 185% FPL	Disabled adults and Children
Kentucky	2.8	5.4	3.3	TANF Adult and SOBRA Adult	TANF Adult and SOBRA Adult
Louisiana*	7.6	4.4	1.1	Children and Disabled	Disabled (47% of Medicaid payments in SFY2004) and Elderly (21% of Medicaid payments in SFY2004)

TABLE 7 (continued)

Percent Change in State Medicaid Enrollment

Region and State	*FY 2004 Actual*	*FY 2005 Estimated*	FY 2006 Recommended	*Group Contributed Most to Enrollment Change*	*Group Contributed Most to Medicaid Expenditures*
North Carolina	4.6	2.1	4.0	SOBRA Children and Disabled	Disabled and SOBRA Children
South Carolina*	2.8	0.0	0.0	Pregnant Women and Infants and Aged, Blind, Disabled	Pregnant Women and Infants and Aged, Blind, Disabled
Tennessee	-1.9	4.2	23.5	TennCare reforms proposes disenrollment of Waivers adults and TANF population growth	Dual eligibles
Virginia	9.1	7.1	3.8	children and non disabled adults	disabled and non disabled adults
West Virginia	-1.0	2.0	2.0	Children and Blind & Disabled	Blind & Disabled and Children
SOUTHWEST					
Arizona	1.7	10.9	2.5	SOBRA children.	SOBRA children.
New Mexico	6.4	1.5	0.1	Disabled, blind and elderly and Family planning/Pregnant women	Medicare recipients (QML, SLMB, & QI-1, (Dual Eligibles) and Institutional recipients (nursing homes) long-term care
Oklahoma	4.2	3.1	3.5	Children aged 18 and under	Aged, Blind and Disabled
Texas	7.8	7.5	NA	Children and Elderly	Elderly in long-term care and aged and disabled receiving acute care only
ROCKY MOUNTAIN					
Colorado*	10.7	11.7	4.8	Adults and Children	Baby Care Adults and Foster Children
Idaho	6.5	5.6	4.2	PWC Adults and Blind and Disabled Children	PWC Children and PWC Adults
Montana	3.5	1.5	1.5	Disabled and Children	Disabled and Seniors
Utah	10.0	4.0	4.0	Parents with children and Disabled	Disabled and Parents with Children
Wyoming	10.1	10.2	10.3	Aged, Blind and Disabled and AFDC Child	Aged, Blind and Disabled and AFDC Child
FAR WEST					
Alaska	1.0	4.0	4.0	Disabled and Adults	Disabled and Elderly
California	2.9	1.1	2.6	Medically needy aged and disabled and Medically needy families	Public assistance aged and disabled and Medically needy aged and disabled
Hawaii	5.0	7.0	7.0	Children	Adults and Children
Nevada	4.9	5.4	15.1	TANF/CHAP and MAABD	MAABD and TANF/CHAP
Oregon	-11.4	-6.0	-5.1	06 to 05 - Temporary Assistance to Needy Families and 06 to 05 - Old Age Assistance.	06 to 05 - Temporary Assistance to Needy Families and 06 to 05 - Aid to the Blind & Disabled
Washington	0.1	1.5	2.3	Categorically Needy Other Kids and Categorically Needy TANF	Categorically Needy Other Kids and Categorically Needy TANF
Total	4.2%	4.1%	3.8%		

*See Notes to Table 7.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 7

Colorado	As stated in number three, fiscal 2005 enrollment figures are impacted by the implementation of CBMS which currently does not allow for natural attrition from the Medicaid caseload.
Louisiana	Official forecasting for enrollment is limited to Children Under Age 19. As such, the percentage change in Medicaid enrollment provided here applies to that eligibility group only. Fiscal 2006 Proposed" assumes no budget cuts that affect eligibility staff. However, if the currently proposed budget is enacted, the associated cuts to eligibility staff could actually create up to an 8.09 percent decrease in enrollment from the "fiscal 2005 Estimated." This potential decrease would result from the estimated 15 percent increase in procedural closures at renewal—a side effect of the dramatic increase in workload for the remaining eligibility staff.
South Carolina	There is no additional growth expected in fiscal 2005 or fiscal 2006.
Wisconsin	Figures do not include enrollment in the state’s family planning waiver.

State Revenue Developments

CHAPTER TWO

Overview

Reflecting recent economic conditions, state revenues rebounded notably in fiscal 2005, although looming expenditure requirements may tighten the budgetary slack they currently provide. Collections of sales, personal income and corporate income taxes exceeded budgeted amounts in nearly every state near the end of the fiscal year. However, the difference between original expectations and actual collections is not overwhelming, especially considering the extent to which states have cut their budgets recently.

Governors proposed $2.4 billion of net tax and fee increases for fiscal 2006, as well as $2.5 billion of other measures that enhance general fund revenue but that do not affect taxpayer liability.

Collections in Fiscal 2005

For fiscal 2005, collections of sales, personal income and corporate income taxes surpassed originally budgeted projections in 42 states, were on target in five states, and were below estimates in three states. By comparison, 42 states reported less revenue than budgeted in fiscal 2002. Overall fiscal 2005 revenue collections were 2.1 percent higher than the amounts reflected in originally enacted budgets. Specifically, sales taxes were 1.1 percent higher, personal income taxes were 2.1 percent higher, and corporate income tax collections were 8.8 percent above original estimates (see Table A-6).

Projected Collection in Fiscal 2006

Based on governors' recommended fiscal 2006 budgets, states anticipate that revenues will continue to perform vigorously, exceeding fiscal 2005 amounts by 5.2 percent (see Table A-7).

Proposed Fiscal 2006 Revenue Changes

In their fiscal 2006 budget proposals, governors recommended net tax and fee changes of $2.4 billion. Governors in 18 states proposed net tax increases, while those in 10 states recommended net tax decreases. The largest recommended net tax increase is in cigarette and tobacco taxes ($982.7 million). A net decrease was recommended for personal income taxes (-$366.3 million). Governors also recommend net increases in fees ($754.1 million) and other taxes ($609.2 million).

The Fiscal Survey distinguishes between tax and fee increases or decreases (detailed in Table 11 and Table A-8) and revenue measures (listed in Table A-9). Tax and fee changes are revisions in current law that affect taxpayer liability and that in some instances reflect one-time actions such as sales tax holidays. Revenue measures refer to actions that do not affect taxpayer liability, such as the deferral of a tax increase or decrease or the extension of a tax credit that occurs each year.

TABLE 8

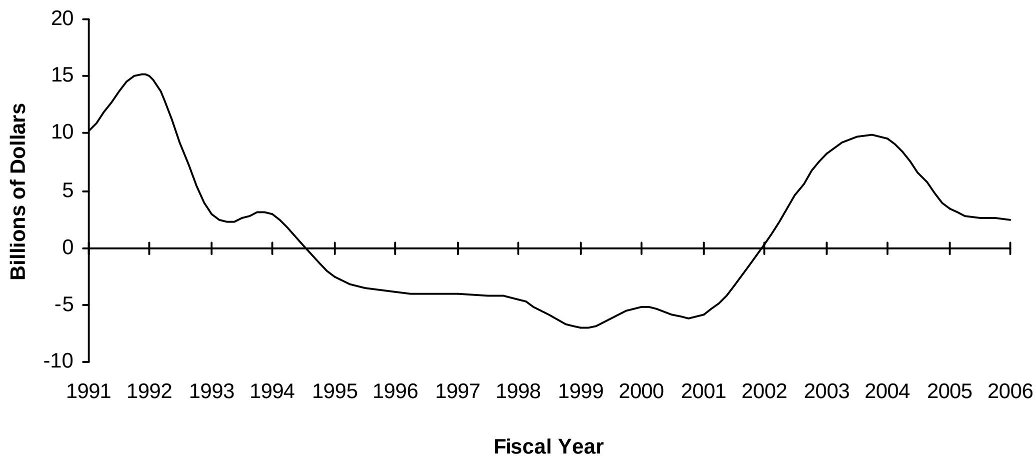
Enacted State Revenue Changes, Fiscal 1979 to Fiscal 2005; and Proposed State Revenue, Fiscal 2006

Fiscal Year	*Revenue Change (Billions)*
2006	$2.4
2005	3.5
2004	9.6
2003	8.3
2002	0.3
2001	-5.8
2000	-5.2
1999	-7.0
1998	-4.6
1997	-4.1
1996	-3.8
1995	-2.6
1994	3.0
1993	3.0
1992	15.0
1991	10.3
1990	4.9
1989	0.8
1988	6.0
1987	0.6
1986	-1.1
1985	0.9
1984	10.1
1983	3.5
1982	3.8
1981	0.4
1980	-2.0
1979	-2.3

SOURCES: Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism*, 1985-86 edition, page 77, based on data from the Tax Foundation and the National Conference of State Legislatures. Fiscal 1988--2006 data provided by the National Association of State Budget Officers.

FIGURE 2

Enacted State Revenue Changes, Fiscal 1991 to Fiscal 2005, and Proposed State Revenue Change, Fiscal 2006



SOURCE: National Association of State Budget Officers.

Sales Taxes. Governors in nine states proposed sales tax increases in their fiscal 2006 budget recommendation, and eight others proposed decreases, reflecting a net proposed sales tax increase of $119.4 million. Among the proposals, New Jersey would create a "streamlined" sales tax structure and treat similar products more equitably, a $365 million increase. Ohio would eliminate its temporary penny sales tax increase, a decrease of $1.4 billion.

Personal Income Taxes. Governors' fiscal 2006 personal income tax proposals would result in a $366.3 million net decrease. Governors in five states recommended net personal income tax increases; those in eight states proposed net decreases. An Indiana proposal would create a temporary 1 percent surcharge for taxpayers with income more than $100,000, a $290 million increase. Massachusetts would decrease its personal income tax rate from 5.3 percent to 5 percent, a $225 million decrease.

Corporate Income Taxes. Eleven states recommended changes to corporate income taxes that would amount to a $154.7 million net increase. Iowa would require corporations to file combined reports, a $25 million increase. Pennsylvania would continue to phase-out its capital stock and franchise tax, a $132.8 million decrease.

Cigarette, Tobacco and Alcohol Taxes. As in several of the previous years, cigarette and tobacco taxes are the focus of many revenue-raising proposals. Governors in six states recommended changes to these taxes that would amount to a net $982.7 million increase in fiscal 2006. Connecticut would make several changes to its cigarette and tobacco taxes that would result in a net $112.9 million increase. North Carolina would increase its cigarette tax from 5 cents to 40 cents per pack, a $171.4 million increase. Several governors also proposed changes to alcohol taxes. New York would increase the wine tax by 28 cents per liter, a $37.7 million increase. Florida would eliminate its beverage surtax, a $32.4 million decrease.

Other Taxes and Fees. Governors in 15 states proposed changes in other taxes for fiscal 2006, totaling a net $609.2 million increase. Fee change recommendations in nine states amount to a $754.1 million increase. Revenue from other taxes, such as personal property taxes, provider taxes and levies on hotels and rental cars usually cover the costs for license and regulation enforcement, promote environmental conservation, and generate revenues for health care. Fees frequently are associated with motor vehicle and other types of licensing.

TABLE 9

Proposed Fiscal 2006 Revenue Actions by Type of Revenue and Net Increase or Decrease* (Millions)

State	*Sales*	*Personal Income*	*Corporate Income*	*Cigarettes/ Tobacco*	*Motor Fuels*	*Alcohol*	*Other Taxes*	*Fees*	*Total*
Alabama									$0.0
Alaska									0.0
Arizona									0.0
Arkansas		-$48.2	-$5.6						-53.8
California									0.0
Colorado									0.0
Connecticut	$7.5	3.0	74.5	$112.9		$7.4	$139.2		344.5
Delaware									0.0
Florida	-92.6					-32.4	-235.0		-360.0
Georgia									0.0
Hawaii									0.0
Idaho	-170.0								-170.0
Illinois	65.0		18.0	155.0			74.0		312.0
Indiana	-22.5	290.0							267.5
Iowa			25.0	129.9					154.9
Kansas									0.0
Kentucky									0.0
Louisiana									0.0
Maine	3.0							$2.0	5.0
Maryland								12.5	12.5
Massachusetts		-225.0							-225.0
Michigan*	84.8	5.0					98.4	13.0	201.2
Minnesota	1.6	-3.3	-1.0				-0.3	234.8	231.8
Mississippi									0.0
Missouri									0.0
Montana							-2.5		-2.5
Nebraska									0.0
Nevada									0.0
New Hampshire				43.5					43.5
New Jersey	365.0	130.0	50.0				200.0		745.0
New Mexico	-6.7	-9.4							-16.1
New York	452.7	-192.5	11.0			37.7	68.0	373.1	750.0
North Carolina	106.2			171.4			30.7		308.3
North Dakota								9.8	9.8
Ohio	-719.0	-306.0	123.0	370.0		50.0	200.0		-282.0
Oklahoma									0.0
Oregon									0.0
Pennsylvania	-2.8		-132.8				-10.0		-145.6
Puerto Rico									0.0
Rhode Island							4.6	5.8	10.4
South Carolina		-7.0							-7.0
South Dakota									0.0
Tennessee									0.0
Texas									0.0
Utah									0.0
Vermont							25.2	1.7	26.9
Virginia	-99.1		-9.4						-108.5
Washington	148.1					95.1	10.9		254.1
West Virginia		2.0	2.0				6.0		10.0
Wisconsin	-1.8	-4.9						101.4	94.7
Wyoming									0.0
Total	**$119.4**	**-$366.3**	**$154.7**	**$982.7**	**$0.0**	**$157.8**	**$609.2**	**$754.1**	**$2,411.6**

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

SOURCE: National Association of State Budget Officers.

Total Balances

CHAPTER THREE

Although state revenue collections have improved, as spending pressures continue to increase, total balances are in unsteady condition. Total balances include both ending balances and the amounts in states' budget stabilization funds; they reflect the funds states may use to respond to unforeseen circumstances after budget obligations have been met. Playing an essential role in helping states during the recent fiscal downturn, total balances peaked in fiscal 2000 at $48.8 billion, or 10.4 percent of expenditures. Just two years later, total balances had fallen by nearly two-thirds, to $18.3 billion, or 3.7 percent of expenditures (see Table 10). While states more recently have been able to maintain reserves at levels generally considered to provide an adequate fiscal cushion, total balances are declining. For fiscal 2004, total balances are $27 billion, or 5.5 percent of expenditures; in fiscal 2005 they are $24.2 billion, or 4.6 percent; and for proposed fiscal 2006 total balances are $20.7 billion, or 3.8 percent of expenditures (see Table 10 and Tables A-1, A-2, A-3, and A-10).

TABLE 10

Total Year-End Balances, Fiscal 1979 to Fiscal 2006

Fiscal Year	*Total Balance (Billions)*	*Total Balance (Percentage of Expenditures)*
2006*	$20.7	3.8%
2005*	24.2	4.6
2004	27.0	5.5
2003	16.4	3.2
2002	18.3	3.7
2001	44.1	9.1
2000	48.8	10.4
1999	39.3	8.4
1998	35.4	9.2
1997	30.7	7.9
1996	25.1	6.8
1995	20.6	5.8
1994	16.9	5.1
1993	13.0	4.2
1992	5.3	1.8
1991	3.1	1.1
1990	9.4	3.4
1989	12.5	4.8
1988	9.8	4.2
1987	6.7	3.1
1986	7.2	3.5
1985	9.7	5.2
1984	6.4	3.8
1983	2.3	1.5
1982	4.5	2.9
1981	6.5	4.4
1980	11.8	9.0
1979	11.2	8.7

NOTE: Figures for fiscal 2005 are estimates; figures for fiscal 2006 are based on recommendations.
Figures do not reflect Texas.

SOURCE: National Association of State Budget Officers.

After the recession of the early 1990s, states worked hard to build their rainy day fund balances and ending balances to safeguard against disruption of services should economic growth slow. The fiscal downturn during those years and during a similar period in the early 1980s caused state balances to fall rapidly. During the one-year period from 1980 to 1981, for example, balances plunged from 9 percent of expenditures to 4.4 percent, forcing states to cut budgets and raise taxes. During the early 1990s, states found themselves lacking balances adequate to manage a fiscal slowdown once again. Before the economy slowed in 1989, state balances equaled 4.8 percent of expenditures. Within two years, balances hit bottom, totaling only 1.1 percent of expenditures in 1991. In fiscal 1992, 35 states were forced to cut current-year budgets. The following year, 23 states were obliged to take that action again, causing uncertainty both for citizens receiving necessary services and for the governments delivering them. To stem these losses, states raised $25 billion in new revenues during the same two-year period. Remembering how swiftly that economic decline transpired, states prepared them-

TABLE 11

Total Year-End Balances as a Percentage of Expenditures, Fiscal 2004 to Fiscal 2006

	Number of States		
Percentage of Expenditures	*Fiscal 2004 (Actual)*	*Fiscal 2005 (Estimated)*	*Fiscal 2006 (Recommended)*
Less than 1.0%	4	6	9
1.0% to 2.9%	10	7	12
3.0% to 4.9%	10	13	10
5.0% or more	26	24	18

NOTE: The average for fiscal 2004 (actual) was 5.5 percent; the average for fiscal 2005 (estimated) is 4.6 percent; and the average for fiscal 2006 (recommended) is 3.8 percent. For fiscal 2006, the number of states does not add to 50: data were unavailable for Texas.

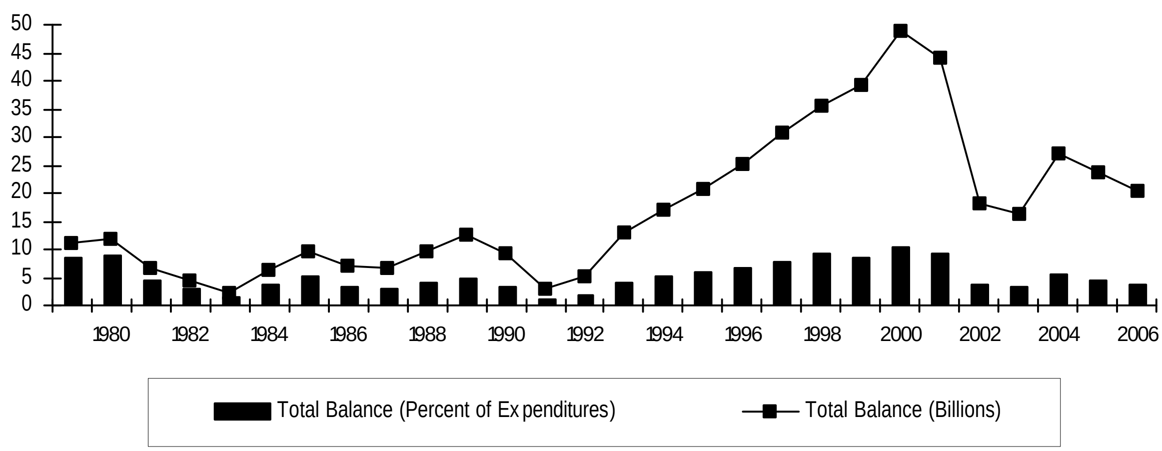
SOURCE: National Association of State Budget Officers.

selves cautiously to handle the next slowdown, and indeed, would be even more hamstringed to deal with the current fiscal situation had they not done so.

Forty-seven states have budget stabilization funds, which may be budget reserve funds, revenue-shortfall accounts or cash-flow accounts (or a combination of the three). About three-fifths of the states have limits on the size of their budget reserve funds, ranging from 3 percent to 10 percent of appropriations. Ordinarily, funds above those limits remain in a state's ending balance.

FIGURE 3

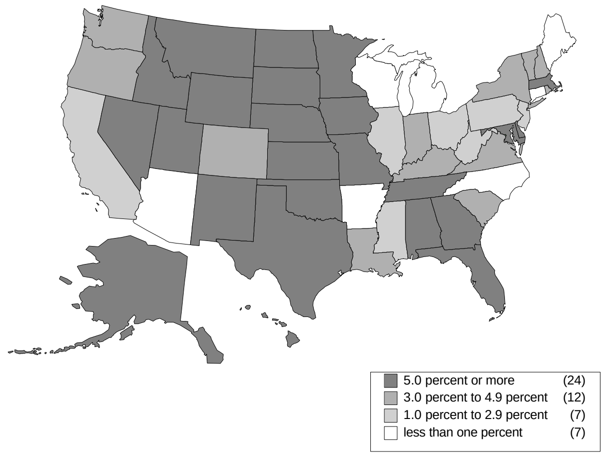
Total Year-End Balances and Total Year-End Balances as a Percentage of Expenditures, Fiscal 1979 to Fiscal 2006



SOURCE: National Association of State Budget Officers.

FIGURE 4

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



SOURCE: National Association of State Budget Officers.

Appendix

TABLE A-1

Fiscal 2004 State General Fund, Actual (Millions)

Region and State	*Beginning Balance*	*Revenues*	*Adjustments*	*Total Resources*	*Expenditures*	*Adjustments*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND								
Connecticut	$ 0	$13,124	$ 0	$13,124	$12,822	$ 0	$ 302	$ 302
Maine**	29	2,684	-55	2,658	2,643	0	15	0
Massachusetts*	753	23,988	0	24,741	22,848	0	1,893	1,137
New Hampshire	0	1,321	0	1,321	1,305	0	15	17
Rhode Island**	50	2,795	-57	2,789	2,729	0	59	85
Vermont**	0	922	51	972	915	57	0	45
MID-ATLANTIC								
Delaware*	464	2,736	0	3,200	2,554	0	646	137
Maryland**	123	10,204	376	10,703	10,250	0	453	497
New Jersey* **	373	24,776	49	25,198	24,364	0	834	282
New York* **	815	42,327	-1,900	41,242	42,065	-1,900	1,077	794
Pennsylvania**	209	21,813	129	22,152	21,885	190	77	260
GREAT LAKES								
Illinois**	317	22,992	3,831	27,140	22,630	4,328	182	276
Indiana**	137	10,699	409	11,244	11,244	0	0	242
Michigan**	174	7,993	584	8,751	8,751	0	0	81
Ohio**	52	24,031	0	24,083	23,839	87	158	181
Wisconsin* **	-276	10,980	236	10,940	10,661	175	105	0
PLAINS								
Iowa**	0	4,683	0	4,683	4,517	0	166	163
Kansas**	123	4,519	2	4,644	4,317	0	327	0
Minnesota* **	369	14,499	0	14,868	13,600	0	1,269	404
Missouri**	216	6,346	589	7,151	6,662	0	489	444
Nebraska**	3	2,720	30	2,752	2,576	0	177	87
North Dakota**	15	900	57	972	894	0	78	0
South Dakota**	0	852	40	892	889	3	0	158
SOUTHEAST								
Alabama**	113	5,635	119	5,866	5,483	36	347	104
Arkansas	0	3,526	0	3,526	3,526	0	0	0
Florida	682	23,202	0	23,884	21,427	0	2,457	966
Georgia*	1,344	16,073	0	17,417	16,352	0	1,065	52
Kentucky* **	163	7,156	302	7,620	7,294	77	250	51
Louisiana**	0	6,765	62	6,827	6,745	39	44	239
Mississippi**	20	3,583	20	3,623	3,452	167	3	38
North Carolina**	251	14,691	246	15,187	14,704	194	289	267
South Carolina*	46	5,116	0	5,162	5,082	0	80	25
Tennessee**	64	8,865	-19	8,910	8,175	190	545	217
Virginia	86	12,574	0	12,660	12,387	0	274	340
West Virginia**	196	3,083	40	3,319	3,019	10	291	54
SOUTHWEST								
Arizona* **	192	6,463	414	6,876	6,516	0	360	14
New Mexico*	245	4,612	133	4,989	4,383	159	447	0
Oklahoma**	34	5,124	-229	4,929	4,699	0	230	0
Texas**	88	30,828	529	31,444	29,390	607	1,448	366
ROCKY MOUNTAIN								
Colorado* **	217	6,045	-227	6,035	5,689	0	346	122
Idaho**	16	2,097	-26	2,087	1,987	0	100	0
Montana	43	1,376	0	1,419	1,287	-1	133	0
Utah* **	16	3,685	-72	3,628	3,574	0	54	67
Wyoming**	74	389	0	463	453	0	10	247
FAR WEST								
Alaska	0	2,346	0	2,346	2,319	0	27	2,155
California* **	5,060	74,762	0	79,822	76,333	0	3,489	2,847
Hawaii	117	3,908	0	4,025	3,840	0	185	54
Nevada	108	2,503	0	2,610	2,389	0	221	72
Oregon**	114	4,922	0	5,035	5,540	0	-504	0
Washington**	405	11,323	224	11,952	11,452	0	500	0
Total* **	**$13,549**	**$497,724**	**-**	**$516,438**	**$493,066**	**-**	**$19,563**	**$13,523**

NOTES: N/A indicates data are not available. *In these states, the ending balance includes the balance in the budget stabilization fund. **See Notes to Table A-1. ***To make comparisons across years more accurate, totals exclude Texas, which was unable to provide fiscal 2006 expenditure data.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-1

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

Alabama	Revenue adjustments include $19.7 million in SWAP agreements, $75.6 million in Federal Fiscal Relief Funds, and $23.6 million of unrealized capital gains. Expenditure adjustments reflect a $36 million transfer to the Education Trust Fund Rainy Day Fund.
Arizona	Revenue adjustments represent fund transfers, federal cash assistance, a judicial collections program, a tax amnesty program and settlement monies from a lawsuit.
California	Economic Recovery Bond proceeds and transfers to the Deficit Recovery Fund are not shown in the 2003-2004 fiscal year. They are reflected in the 2004-2005 fiscal year separately to provide better comparability between years. It was budgeted as a reduction in expenditures in the 2004 Budget Act.
Colorado	Revenue adjustments include diversions to the Older Coloradan's Program and State Education Fund. The ending balance includes $122.3 million above the 4 percent statutory reserve requirement. Per Colorado statute, these monies will be allocated for transportation and capital construction needs. The tax Payer Bill of Rights (TABOR), Article X, Section 20 of the Colorado Constitution, limits the state's revenue growth to the sum of inflation plus population growth in the previous calendar year. Any revenue collected above the TABOR limit must be refunded to taxpayers. The State of Colorado cannot increase taxes or amend TABOR without a vote of the people. Potential ballot initiatives and referenda to do so are currently being discussed.
Idaho	Revenue adjustments include $0.4 million in transfers from other funds and $26.2 million in transfers to other funds.
Illinois	Revenue adjustments include $2,342 million of transfers into the General Fund and $1,489 million of pension obligation reimbursement transfers-in. Expenditure adjustments include a paydown of accounts payable of $819 million and $1,416 million to repay short-term borrowing that came due in fiscal 2004, and transfers-out of 2,093 million.
Indiana	Revenue adjustments represent one-time transfers from dedicated funds and the federal Jobs & Growth Tax Relief Reconciliation Act of 2003. In addition to the Ending and Rainy Day Fund Balances noted, Indiana reserves a portion of the General Fund for tuition support payments for K-12 education. In fiscal 2004, this amount was $290.5 million. The ending General Fund balance does not reflect this amount.
Iowa	Rainy Day funds include the Cash Reserve Fund ($159.7 million) and Economic Emergency Fund ($3.3 million).
Kansas	Revenues are adjusted for released encumbrances.
Kentucky	Revenue includes $110 million in Tobacco Settlement funds and $69 million from Federal Fiscal Relief. Revenue adjustments includes Fund transfers ($200 million), and Reserve for Continuing Appropriations ($102 million). Expenditure adjustments includes funds reserved for Continued Appropriations.
Louisiana	Revenue adjustments reflect carry forwards of $20.9 million, the bond premium fund balance of $29.8 million, other fund balances of $7.6 million, and non-recurring payments for capital outlay of $4 million. Expenditure adjustments include carry-forwards of $25.5 million and capital outlay of $13.4 million.
Maine	Revenue adjustments reflect -$54.6 million in legislative and statutory authorized transfers. That amount includes $11.3 million of unbudgeted lapsed balances, -$61.9 million of statutory year-end transfers from the unappropriated surplus, and -$4 million of prior period and other accounting adjustments.
Maryland	Revenue adjustments reflect transfers from other funds.
Michigan	Fiscal 2004 revenue adjustments include federal and state tax law changes ($49.2 million); unrestricted federal aid ($169 million); a revenue sharing freeze ($275.9 million); cancellation of prior year work projects ($35.1 million); deposits from state restricted revenues ($75 million); and other revenue adjustments (-$20.1 million).
Minnesota	The ending balance includes a budget reserve of $403.7 million.
Mississippi	Revenue adjustment includes $20M transfer from Working Cash to General Fund. Expenditure adjustments include $147.8M transfer from General Fund to Budget Contingency Fund and $19.2M transfer from General Fund to Working Cash Stabilization Fund.
Missouri	Revenues and expenditures exclude refunds of $1,075.3 million. Adjustments include $229.8 million in transfers to general revenue; $274.1 million federal fiscal relief pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003; and $84.6 million from revenue bond proceeds for capital improvement projects.
Nebraska	Revenue adjustments are transfers between the General Fund and other funds.
New Jersey	Revenue adjustments represent resources transferred to the General Fund.
New York	The ending balance includes $794 million in the tax stabilization reserve fund (rainy day fund), $262 million in the Community Projects Fund and $21 million in reserve funds for litigation risks. Revenue and expenditure adjustments reflect $1.9 billion in deferred spending from 2002-03 to 2003-04 as a result of deferred tobacco securitization proceeds and payment delays.

NOTES TO TABLE A-1 (continued)

North Carolina	Revenue adjustments reflect $136.9 million of federal fiscal relief and $108.8 million of transfer to general fund availability from the Hurricane Floyd Reserve. Expenditure adjustments include a $116.7 million transfer to the Rainy day Reserve and a $76.8 million transfer to the replacement and refurbishment reserve.
North Dakota	Revenue adjustments reflect federal fiscal relief payments deposited in General Fund.
Ohio	Federal reimbursements for Medicaid and other human services programs are included in the general revenue fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balances would be higher by the amount reserved for encumbrances and designated transfers from the general revenue fund. Expenditures for fiscal 2004 do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements for the general revenue fund. Expenditure adjustments reflect miscellaneous transfers-out of $55.3 million. These transfers-out are adjusted for an anticipated net change in encumbrances from fiscal 2003 levels of $31.4 million.
Oklahoma	Rainy day fund deposit of $217.5 million and increase to GRF cash-flow reserve of $11.9 million.
Oregon	Oregon budgets on a biennial basis. Revenues and expenditures must only be balanced at the end of odd-year fiscal years.
Pennsylvania	Revenue adjustments include $142.5 million in prior year lapses and -$13.1 million in adjustments to the beginning balance. Expenditure adjustment reflects a statutory transfer of $190 million to the budget stabilization reserve (rainy day) fund.
Rhode Island	Revenue adjustments include contributions to Budget Stabilization Fund. Changes to budget reserves reflect preliminary audit reporting. Data include preliminary closing information from the State Controller as of February 1, 2005.
South Dakota	Revenue adjustments include $16 million from the Property Tax Reduction Fund to cover the budget shortfall, $22.8 million from one-time receipts, and $1.4 million from obligated cash carried forward from fiscal 2003. Expenditure adjustments include a $1.4 million transfer to the Budget Reserve Fund from the prior year's obligated cash, and $1.2 million in cash obligated to the Budget Reserve Fund.
Tennessee	Revenue adjustments reflect a $28 million transfer from the debt service fund reserve, a $25.5 million transfer from debt service fund unexpended appropriations, a -$39 million transfer to the Rainy Day Fund, and -$33.6 million reserved for dedicated revenue appropriations. Expenditure adjustments reflect a $25.7 million transfer to the Transportation Equity Fund, a $27.5 million transfer to the capital outlay projects fund, a $130.5 million transfer to the TennCare reserve, and a $6.1 million transfer to dedicated revenue appropriations.
Texas	Revenue information is from the Comptroller's January 2005 biennial revenue estimate and October 2003 certification estimate. Total expenditures are 2004 expended, as reported by the Governor's Office. Expenditure adjustments include $594.5 million reserved for transfer to the Rainy Day Fund and other adjustments to reconcile the actual ending balance reported by the Comptroller.
Utah	Revenue adjustments include a $35.6 million reserve from the prior fiscal year, $14 million of lapsing balances from agencies, $10.2 million of transfers from various restricted accounts, a $9.8 million transfer from tobacco settlement funds, a $5.2 million industrial assistance fund reserve from the previous fiscal year, $5.3 million from other miscellaneous revenue sources, a -$1.6 million surplus designated for debt service, a -$4.4 million industrial assistance fund reserve for the following fiscal year, a -$39.3 million transfer to the rainy day fund, and -$107.2 million reserved for following fiscal year.
Vermont	Revenue adjustments reflect $28.9 million from the 2003 Act 68 sales tax implementation, -$1.3 million from the Vermont Economic Development Authority debt forgiveness, $17.3 million from direct applications and transfers-in, and $5.9 million from additional property transfer tax to the general fund. Expenditure adjustments reflect $1.3 million to the human services caseload reserve, $4.5 million to the transportation fund, $1.7 million to the general bond fund, $2 million to the health access trust fund, $10 million to the internal service funds, $1 million to miscellaneous other funds, $20.9 million to the budget stabilization reserve, and $15.6 million to the general fund surplus reserve.
Washington	Revenue adjustments reflect $224 million of transfers from other accounts to the general fund.
West Virginia	The beginning balance reflects $146.4 million of reappropriations, $8.3 million in surplus appropriations, and a $41.3 million unappropriated surplus balance. Revenue adjustments reflect a $39.8 million transfer from special revenue and $0.1 million in prior year redeposits. Expenditures reflect $2,899.8 million of regular appropriations, $74 million of reappropriations, $14.7 million in surplus appropriations, and $20 million of 31-day (prior year) expenditures. Expenditure adjustments reflect a $9.8 million transfer to the rainy day fund.
Wisconsin	Revenue adjustments include Indian Gaming ($48 million), inter-fund transfers ($181.6 million, including a $100 million transfer from the Transportation Fund), and designated balances carried forward ($6.4 million). Expenditure adjustments include a designation for continuing balances ($51.2 million) and a transfer to the Medical Assistance Trust Fund ($123.5 million).
Wyoming	The state budgets on a biennial basis. To complete the survey using annual figures, certain assumptions and estimates were required. Caution is advised when drawing conclusions or making projections using this information.

TABLE A-2

Fiscal 2005 State General Fund, Estimated (Millions)

Region and State	*Beginning Balance*	*Revenues*	*Adjustments*	*Resources*	*Expenditures*	*Adjustments*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND								
Connecticut	$ 0	$13,657	$ 0	$13,657	$13,616	$ 0	$ 42	$ 344
Maine**	15	2,721	80	2,816	2,760	49	7	0
Massachusetts*	1,893	23,280	0	25,173	23,887	0	1,286	1,167
New Hampshire	15	1,347	0	1,363	1,342	0	20	38
Rhode Island**	59	2,977	-60	2,976	2,938	26	12	91
Vermont**	0	981	42	1,023	989	34	0	46
MID-ATLANTIC								
Delaware* **	646	2,816	0	3,462	2,819	0	643	148
Maryland**	453	11,023	475	11,950	11,270	0	680	521
New Jersey* **	834	26,743	0	27,578	27,177	1	400	288
New York* **	1,077	43,866	0	44,943	43,412	0	1,531	864
Pennsylvania**	77	23,097	76	23,250	23,031	17	201	329
GREAT LAKES								
Illinois**	182	23,663	2,296	26,141	22,540	3,419	182	276
Indiana**	0	11,366	244	11,611	11,709	-230	132	246
Michigan**	0	8,178	442	8,620	8,612	0	8	0
Ohio**	158	25,015	0	25,173	25,029	24	120	181
Wisconsin* **	133	11,599	0	11,732	11,553	163	17	0
PLAINS								
Iowa**	0	4,746	34	4,781	4,452	268	61	226
Kansas	328	4,633	0	4,960	4,680	0	280	0
Minnesota**	1,269	14,180	0	15,448	14,445	0	1,003	1,003
Missouri**	489	6,588	217	7,294	7,183	0	111	463
Nebraska**	177	2,866	-84	2,958	2,752	79	127	177
North Dakota	78	957	0	1,035	908	0	127	0
South Dakota**	0	955	31	987	985	1	0	136
SOUTHEAST								
Alabama**	347	6,029	86	6,461	6,005	36	421	140
Arkansas	0	3,630	0	3,630	3,630	0	0	0
Florida	2,457	24,200	0	26,657	24,669	0	1,988	999
Georgia*	1,065	16,568	0	17,632	16,568	0	1,065	0
Kentucky**	250	7,559	204	8,012	7,744	78	191	50
Louisiana**	0	6,972	42	7,013	6,850	163	0	253
Mississippi**	3	3,881	0	3,885	3,836	27	22	62
North Carolina**	289	15,645	0	15,935	15,918	16	0	114
South Carolina*	80	5,331	0	5,411	5,173	0	239	75
Tennessee**	545	9,126	-16	9,656	9,343	88	225	275
Virginia	274	13,904	0	14,178	13,972	0	206	340
West Virginia**	291	3,072	6	3,368	3,337	32	0	79
SOUTHWEST								
Arizona* **	360	7,325	155	7,841	7,697	0	144	179
New Mexico*	447	4,705	6	5,158	4,708	38	412	0
Oklahoma**	230	5,375	-445	5,160	4,716	0	444	461
Texas**	1,448	31,320	-105	32,663	29,015	1,303	2,345	715
ROCKY MOUNTAIN								
Colorado* **	224	6,202	-247	6,179	5,941	0	238	0
Idaho**	100	2,158	-23	2,235	2,119	0	116	21
Montana	133	1,398	3	1,533	1,374	0	159	0
Utah**	54	3,873	74	4,001	3,911	0	90	118
Wyoming**	10	1,197	0	1,207	1,202	0	5	70
FAR WEST								
Alaska	0	2,947	0	2,947	2,721	0	226	2,082
California* **	3,489	78,219	2,012	83,720	82,295	0	1,425	784
Hawaii	185	4,284	0	4,469	4,166	0	303	53
Nevada	221	2,880	0	3,102	2,971	0	130	124
Oregon**	-504	5,373	0	4,869	4,687	0	182	0
Washington**	500	11,850	105	12,454	11,935	0	519	0
Total* **	**$18,930**	**$520,957**	**-**	**$545,640**	**$525,572**	**-**	**$15,741**	**$12,821**

NOTES: N/A indicates data are not available. *In these states, the ending balance includes the balance in the budget stabilization fund. **See Notes to Table A-2. ***To make comparisons across years more accurate, totals exclude Texas, which was unable to provide fiscal 2006 expenditure data.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-2

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

Alabama	Revenue adjustments include a $17 million transfer from the Education Trust Fund Rainy Day Fund, a $20.4 million excess in debt service accounts, an $18 million Supersedeas Bond, a $9.5 million surplus in board and commission accounts, and $21.4 million of unrealized capital gains. Expenditure adjustments reflect a $36 million transfer to the Education Trust Fund Rainy Day Fund.
Arizona	Revenue adjustments represent fund transfers, a withholding adjustment to compensate for federal withholding changes, and a judicial collections program.
California	Economic Recovery Bond proceeds and transfers to the Deficit Recovery Fund are not shown in the 2003-2004 fiscal year. They are reflected in the 2004-2005 fiscal year separately to provide better comparability between years. It was budgeted as a reduction in expenditures in the fiscal 2004 Budget Act.
Colorado	Revenue adjustments include diversions to the Older Coloradan’s Program and State Education Fund. The ending balance includes $5.4 million above the 4 percent reserve requirement. The Taxpayers’ Bill of Rights (TABOR), Article X, Section 20 of the Colorado Constitution, limits the state’s revenue growth to the sum of inflation plus population growth in the previous calendar year. Any revenue collected above the TABOR limit must be refunded to taxpayers. The State of Colorado cannot increase taxes or amend TABOR without a vote of the people. Potential ballot initiatives and referenda to do so are currently being discussed.
Delaware	Figures represent the governor’s recommended fiscal 2006 appropriations, updated to reflect the March 2005 estimates of the Delaware Economic and Financial Advisory Council.
Idaho	Revenue adjustments reflect transfers to other funds, $21 million of which is to the Budget Stabilization Fund.
Illinois	Revenue adjustments include $2,296 million of transfers into the general fund. Expenditure adjustments include a paydown of accounts payable of $26 million, $364 million to repay pension obligation bond debt services, an $859 million repayment of short-term borrowing, and transfers-out from the general fund of $2,710 million.
Indiana	Revenue adjustments represent one-time transfers from dedicated funds. Expenditure adjustments represent one-time capital reversions from prior biennia. In addition to the Ending and Rainy Day Fund Balances noted, Indiana reserves a portion of the General Fund for tuition support payments for K-12 education. In fiscal 2005, this amount was $290.5 million. The ending General Fund balance does not reflect this amount.
Iowa	Revenue estimates are from the December 14, 2005 Revenue Estimating Committee meeting. Revenue adjustments are based on the Governor’s recommendation of a cigarette tax increase starting April 1, 2005. Expenditure adjustments include enacted supplemental appropriations and changes in appropriations of $54.8 million, and the Governor’s recommended supplemental appropriations of $212.8 million. Rainy Day funds include the Cash Reserve Fund ($222.3 million) and the Economic Emergency Fund ($3.3 million).
Kentucky	Revenue includes $109 million in Tobacco Settlement funds. Revenue adjustments include Fund transfers ($159 million), and Reserve for Continuing Appropriations ($120 million). Expenditures adjustments include funds reserved for Continued Appropriations.
Louisiana	Revenue adjustments reflect carry forwards of $21.5 million, fund balances of $2.7 million, and non-recurring payments for capital outlay of $17.2 million. Expenditures adjustments include the carry-forward of excess revenue into statutory dedication for use in fiscal 2006.
Maine	Revenue adjustments reflect $80 million in legislative and statutory authorized transfers. This amount includes a $40 million transfer from the Retiree Health Insurance Fund to the General Fund by converting back to pay-as-you-go basis, $14 million transferred from the Highway Fund, $3 million from lapsed funds, $3 million from hospital rate adjustments and various adjustments netting to $20 million. Expenditure adjustments reflect $48.5 million of legislative and statutory authorized transfers. This amount includes $16.4 million for the expansion of the Maine Residents Property Tax program, repayment of $10 million to the Retiree Health Insurance Fund, $5 million to the Highway Fund, $3 million for payment of health insurance savings from hospital rate adjustments, $2.4 million for the Maine Clean Election Fund and various adjustments of $11.7 million.
Maryland	Revenue adjustments reflect a $91 million transfer from the Rainy Day Fund and $383.5 million of transfers from other funds. Figures include appropriations to the Rainy Day Fund of $103.7 million.
Michigan	Fiscal 2005 revenue adjustments include federal and state tax law changes (-$263 million); a revenue sharing freeze ($322.2 million); suspension of county revenue sharing payments ($182.3 million); escheats enforcement revenue ($2.5 million); a freeze on interfund borrowing rates ($20 million); deposits from state restricted funds ($33.4 million); several pending actions including the sale of properties ($61.5 million) and a Rainy Day Fund withdrawal ($82.9 million). Estimated ending balance will likely be expended by the close of the fiscal year.
Minnesota	The ending balance includes a budget reserve of $653 million and a cash flow account of $350 million.
Mississippi	Expenditure adjustments include $1M projected lapse and $27.4M transfer from General Fund to Working Cash Stabilization Fund.
Missouri	Revenues and expenditures exclude refunds of $1,119.7 million. Adjustments include $171.8 million transfers in to general revenue, and $45 million from revenue bond proceeds for capital improvement projects.
Nebraska	Revenue adjustments are transfers between the General Fund and other funds. Per Nebraska law, they also include a transfer to the Cash Reserve Fund (Rainy Day Fund) of the amount the prior year’s net General Fund receipts exceeded the official forecast. Expenditure adjustments are carryover appropriations from the prior fiscal year.
New Jersey	Expenditure adjustments represent transfers to other funds that are not part of the General Fund.

NOTES TO TABLE A-2 (continued)

New York	The ending balance includes $864 million in the tax stabilization reserve fund (rainy day fund), $352 million in the fiscal stability reserve fund, $294 million in the Community Projects Fund and $21 million in reserve funds for litigation risks.
North Carolina	Expenditure adjustments reflect $16.1 million from the budgeted unreserved credit balance for fiscal 2004-2005 that has been redirected to disaster relief.
Ohio	Federal reimbursements for Medicaid and other human services programs are included in the general revenue fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balances would be higher by the amount reserved for encumbrances and designated transfers from the general revenue fund. Expenditures for fiscal 2005 do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements for the general revenue fund. Expenditure adjustments reflect miscellaneous transfers-out of $23.9 million.
Oklahoma	Projected rainy day fund deposit of $243.8 million, projected surplus revenue deposit to other funds of $187.3 million and increase to GRF cash-flow reserve of $14.2 million.
Oregon	Oregon budgets on a biennial basis. Revenues and expenditures must only be balanced at the end of odd-year fiscal years.
Pennsylvania	Revenue adjustments include $75 million in prior year lapses and $0.8 million in adjustments to the beginning balance. Total expenditures reflect the total amount appropriated plus supplemental appropriations. Expenditure adjustments reflect potential lapses and the transfer of 25 percent of the ending balance to the budget stabilization reserve (rainy day) fund.
Rhode Island	Revenue adjustments include contributions to budget stabilization fund. The opening surplus reflects preliminary audit reporting. Expenditure adjustments include $10.1 million in reappropriations and $15.54 million in additional supplemental appropriations. Amendments to the recommendation requested in February and March are also included. Data reflect expenditure amendments to the Governor’s recommendation as published.
South Dakota	Revenue adjustments include $7.6 million in one-time receipts, $1.2 million in obligated cash carried forward from fiscal 2004, and $22.5 million from the property tax reduction fund to cover the budget shortfall. Expenditure adjustments include $1.2 million transferred to the Budget Reserve Fund from the prior year’s obligated cash.
Tennessee	Revenue adjustments reflect a $42.7 million transfer from debt service fund unexpended appropriations, and a -$58.4 transfer to the Rainy Day Fund. Expenditure adjustments reflect a $21.6 million transfer to the Transportation Equity fund, a $58.9 million transfer to the capital outlay projects fund, and $7 million for dedicated revenue appropriations.
Texas	Revenue information is from the Comptroller’s January 2005 biennial revenue estimate. Revenue adjustments reflect dedicated account balances. Total expenditures are 2005 budgeted, as reported by the Governor’s office, and exclude $1.3 billion in supplemental appropriations estimated by the Legislative Budget Board that may be authorized by the legislature before May 2005. Expenditure adjustments include an estimated $746.2 million reserved for transfer to the rainy day fund and other adjustments to reconcile the estimated ending balance reported by the Comptroller.
Utah	Revenue adjustments include a $107.2 million reserve from the prior fiscal year, $6.5 million of transfers from miscellaneous restricted accounts, $4.8 million from miscellaneous revenue sources, a $4.5 million industrial assistance fund reserve from the prior fiscal year, a $1.6 million fiscal 2004 surplus set aside for debt service, and a -$51 million recommended transfer to the rainy day fund.
Vermont	Revenue adjustments reflect -$2 million from the Vermont Economic Development Authority debt forgiveness, $15.3 million from direct applications and transfers-in, $12.8 million from increase in property transfer tax revenue estimate, and $15.6 million from the general revenue surplus reserve. Expenditure adjustments reflect $1.6 million to the transportation fund, -$1.7 million from the general bond fund, $20 million to the health access trust fund, $6.3 million to internal service funds, $4 million to capital funds for Fiscal 2006, $2.4 million to miscellaneous other funds, and $1.3 million to the budget stabilization reserve.
Washington	Revenue adjustments reflect $105 million of transfers from other accounts to the General Fund.
West Virginia	The beginning balance reflects $203.3 million in reappropriations, $21.2 million of surplus appropriations, and a $66 million unappropriated surplus balance. Revenue adjustments reflect a $6 million transfer from special revenue and $0.1 million of prior year redeposits. Expenditures include $3,071.8 million of regular appropriations, $203.3 million of reappropriations, $37.8 million in surplus appropriations, and $23.8 million in 31-day (prior year) expenditures. Expenditure adjustments reflect a $31.7 million transfer to the rainy day fund.
Wisconsin	Data reflect the final published budget schedule. Expenditure adjustments include Compensation Reserves ($163 million).
Wyoming	The state budgets on a biennial basis. To complete the survey using annual figures, certain assumptions and estimates were required. Caution is advised when drawing conclusions or making projections using this information.

TABLE A-3

Fiscal 2006 State General Fund, Recommended (Millions)

Region and State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Budget Stabilization Fund
NEW ENGLAND								
Connecticut	$ 0	$14,125	$ 0	$14,125	$14,124	$ 0	$ 0	$ 345
Maine**	7	2,675	-11	2,671	2,668	0	4	0
Massachusetts*	1,286	23,332	0	24,618	23,218	0	1,400	1,276
New Hampshire	0	1,322	0	1,322	1,341	0	-19	38
Rhode Island**	12	3,120	-63	3,069	3,069	0	0	94
Vermont**	0	1,015	-7	1,007	1,003	5	0	50
MID-ATLANTIC								
Delaware* **	643	2,898	0	3,541	3,081	0	460	156
Maryland**	680	11,374	163	12,218	12,200	0	17	796
New Jersey*	400	26,855	0	27,255	26,855	0	400	288
New York* **	1,531	45,313	0	46,844	45,070	0	1,774	864
Pennsylvania**	201	23,649	0	23,851	23,846	1	4	335
GREAT LAKES								
Illinois**	182	24,492	2,179	26,853	23,854	2,817	182	276
Indiana**	132	11,774	290	12,196	11,995	0	201	254
Michigan**	0	8,368	474	8,843	8,875	0	-33	0
Ohio**	120	25,458	0	25,578	25,364	9	205	181
Wisconsin* **	2	12,554	0	12,556	12,398	90	67	0
PLAINS								
Iowa**	0	4,903	201	5,104	4,959	0	145	286
Kansas	280	4,767	0	5,047	4,841	0	206	0
Minnesota* **	1,003	14,712	0	15,716	14,647	0	1,069	1,003
Missouri**	111	6,794	207	7,111	7,111	0	0	476
Nebraska**	127	2,962	-13	3,076	2,912	5	159	68
North Dakota	127	907	0	1,034	963	0	71	0
South Dakota**	0	1,000	17	1,017	1,017	0	0	118
SOUTHEAST								
Alabama**	421	6,223	0	6,644	6,527	108	9	248
Arkansas	0	3,790	0	3,790	3,790	0	0	0
Florida	1,988	24,851	0	26,839	26,448	0	391	1,181
Georgia*	1,065	17,415	0	18,480	17,415	0	1,065	0
Kentucky**	193	7,813	246	8,252	8,187	65	0	50
Louisiana	0	7,104	0	7,104	7,104	0	0	253
Mississippi**	22	4,014	0	4,037	3,810	227	0	15
North Carolina	0	16,897	0	16,897	16,897	0	0	152
South Carolina*	239	5,429	0	5,668	5,277	0	391	154
Tennessee**	225	9,392	-39	9,578	9,465	112	0	315
Virginia	206	14,312	0	14,518	14,512	0	6	427
West Virginia**	0	3,263	0	3,263	3,263	0	0	79
SOUTHWEST								
Arizona* **	144	7,661	39	7,844	7,837	0	7	179
New Mexico*	412	4,723	6	5,141	4,710	12	419	0
Oklahoma**	444	5,584	-54	5,974	5,357	0	617	461
Texas**	2,345	31,143	0	33,488	N/A	450	N/A	TBD
ROCKY MOUNTAIN								
Colorado* **	233	6,490	-271	6,451	6,213	0	238	0
Idaho**	116	2,088	17	2,221	2,217	0	4	21
Montana	159	1,421	0	1,580	1,474	0	106	0
Utah**	90	4,054	1	4,145	4,145	0	0	118
Wyoming**	5	1,202	0	1,207	1,197	0	10	70
FAR WEST								
Alaska	0	2,664	1	2,665	2,215	0	450	2,244
California* **	1,425	83,772	1,683	86,879	85,738	0	1,142	500
Hawaii	303	4,428	0	4,731	4,573	0	158	63
Nevada	130	2,841	0	2,971	2,832	0	139	130
Oregon**	182	5,441	0	5,623	6,043	0	-420	0
Washington**	519	12,367	278	13,164	12,819	0	345	0
Total* **	**$15,365**	**$539,605**	**-**	**$560,316**	**$545,473**	**-**	**$11,392**	**$13,561**

NOTES: N/A indicates data are not available. *In these states, the ending balance includes the balance in the budget stabilization fund. **See Notes to Table A-3. ***To make comparisons across years more accurate, totals exclude Texas, which was unable to provide fiscal 2006 expenditure data.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-3

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

Alabama	Expenditure adjustments reflect a $108 million transfer to the Education Trust Fund Rainy Day Fund.
Arizona	Revenue adjustments represent fund transfers, a change in the lottery distribution and increased revenue enforcement.
California	Revenue adjustments reflects Economic Recovery Bonds (treated budgetarily as a revenue increase).
Colorado	Revenue adjustments include diversions to the Older Coloradan's Program and State Education Fund. The ending balance of $238.4 million is the exact amount necessary to meet the 4 percent statutory reserve requirement. The Taxpayers' Bill of Rights (TABOR), Article X, Section 20 of the Colorado Constitution, limits the state's revenue growth to the sum of inflation plus population growth in the previous calendar year. Any revenue collected above the TABOR limit must be refunded to taxpayers. The State of Colorado cannot increase taxes or amend TABOR without a vote of the people. Potential ballot initiatives and referenda to do so are currently being discussed.
Delaware	Figures represent the governor's recommended fiscal 2006 appropriations, updated to reflect the March 2005 estimates of the Delaware Economic and Financial Advisory Council.
Idaho	Revenue adjustments reflect the transfer-in of $21.2 million from the Economic Recovery Reserve Fund and the transfer-out of $4.6 million to two Endowment Funds.
Illinois	Revenue adjustments include $2,179 million of transfers into the general fund. Expenditure adjustments include a paydown of accounts payable of $11 million, $431 million to repay pension obligation bond debt service, and transfers-out from the general fund of $2,375 million.
Indiana	Revenue adjustments reflect a one-time 1 percent surcharge on taxpayers with incomes over $100,000, which expires December 31, 2005. In addition to the Ending and Rainy Day Fund Balances noted, Indiana reserves a portion of the General Fund for tuition support payments for K-12 education. In fiscal 2006, this amount is $290.5 million. The ending General Fund balance does not reflect this amount.
Iowa	Revenue estimates are from the December 14, 2005 Revenue Estimating Committee meeting. Revenue adjustments are based on the Governor's recommendation of a cigarette tax increase starting April 1, 2005. Also included in the revenue adjustments are miscellaneous items and a $35 million transfer from the Endowment for Healthy Iowans to the General Fund. Rainy Day funds include an estimated $283.1 million in the Cash Reserve Fund and $3.3 million in the Economic Emergency Fund.
Kentucky	Revenue includes $109 million in Tobacco Settlement funds. Revenue adjustments include Fund transfers ($184 million), and Reserve for Continuing Appropriations ($47 million). Expenditure adjustments include funds reserved for Continued Appropriations.
Maine	Revenue adjustments reflect -$11.3 million in legislative and statutory authorized transfers.
Maryland	Revenue adjustments reflect transfers from other funds. Figures include appropriations to the Rainy Day Fund of $249.7 million.
Michigan	Fiscal 2006 revenue adjustments include federal and state tax law changes (-$233.2 million); a revenue sharing freeze ($381 million); suspension of county revenue sharing payments ($182.3 million); escheats enforcement revenue ($10 million); a freeze on interfund borrowing rates ($20 million); deposits from state restricted funds ($21.1 million); and several pending actions including the sale of properties ($10 million); elimination of select tax subsidies ($64 million); and deposits of restricted revenue sources to the general fund ($19.1 million). Solutions to address the GF/GP shortfall will be identified before the enactment of fiscal 2006 budget bills.
Minnesota	The ending balance includes a budget reserve of $653 million and a cash flow account of $350 million.
Mississippi	Revenue adjustment includes $.2M estimated reappropriations lapse and expenditure adjustments include $126.7M transfer from General Fund to Budget Contingency Fund and $100.0M transfer from General Fund to various special funds (PERS, MDA, DPS, UMC).
Missouri	Revenues and expenditures exclude refunds of $1,179.2 million. Adjustments include $206.9 million in transfers to general revenue.
Nebraska	Revenue adjustments are transfers between the General Fund and other funds. Per Nebraska law, they also include a transfer to the Cash Reserve Fund (Rainy Day Fund) of the amount the prior year's net General Fund receipts are estimated to exceed the official forecast. Expenditure adjustments are carryover appropriations from the prior fiscal year and a small amount reserved for supplemental/deficit appropriations.

NOTES TO TABLE A-3 (continued)

New York	The ending balance includes $864 million in the tax stabilization reserve fund (rainy day fund), $572 million in the fiscal stability reserve fund, $317 million in the Community Projects Fund and $21 million in reserve funds for litigation risks.
Ohio	Federal reimbursements for Medicaid and other human services programs are included in the general revenue fund. Beginning balances are undesignated, unreserved fund balances. The actual cash balances would be higher by the amount reserved for encumbrances and designated transfers from the general revenue fund.
Oklahoma	Projected decrease in GRF cash-flow reserve of $53.5 million.
Oregon	Oregon budgets on a biennial basis. Revenues and expenditures must only be balanced at the end of odd-year fiscal years. Expenditures are estimated using the governor's recommended general fund budget and applying the same percentage of biennial expenditures as fiscal 2004.
Pennsylvania	Expenditure adjustment reflects the transfer of 25 percent of the ending balance to the budget stabilization reserve (rainy day) fund.
Rhode Island	Revenue adjustments include contributions to Budget Stabilization Fund. Amendments to the recommendation requested in February and March are also included. Data reflect expenditure amendments to the Governor's Recommendation as published.
South Dakota	Revenue adjustments include $17.1 million from the Property Tax Reduction Fund to cover the budget shortfall.
Tennessee	Revenue adjustments reflect a -$39.3 million transfer to the Rainy Day Fund. Expenditure adjustments reflect a $23.5 million transfer to the Transportation Equity Fund, a $51.9 million transfer to the capital outlay projects fund, a $10 million transfer to the Highway Fund, a $20 million transfer to the local government fund (state-shared taxes), and a $7 million transfer to dedicated revenue appropriations.
Texas	Revenue information is from the Comptroller's January 2005 Biennial Revenue Estimate. Total fiscal 2006 expenditures are unknown as of March 2005 because the fiscal 2006-2007 budget is under development. An expenditure adjustment of $449.7 million is the estimated reserve for transfer to the rainy day fund.
Utah	Revenue adjustments reflect a $1.3 million revenue source from mineral lease revenue available for state use.
Vermont	Revenue adjustments reflect -$2 million from health care tax proposals, $7.6 million from direct applications and transfers-in, $9.5 million from increase in property transfer tax revenue estimate, and -$22.2 from the property transfer tax to health access trust fund. Expenditure adjustments reflect $1.2 million to the transportation fund and $3.7 million to the budget stabilization reserve.
Washington	Revenue adjustments reflect $278.1 million of transfers from other accounts to the General Fund.
West Virginia	Expenditures reflect $3,262.6 million of regular appropriations.
Wisconsin	Data reflect the Governor's budget bill introduced in 2005. The opening balance differs from the fiscal 2005 ending balance due to current law reestimates. Expenditure adjustments include Compensation Reserves ($90.1 million).
Wyoming	The state budgets on a biennial basis. To complete the survey using annual figures, certain assumptions and estimates were required. Caution is advised when drawing conclusions or making projections using this information.

TABLE A-4

General Fund Nominal Percentage Expenditure Change, Fiscal 2005 and Fiscal 2006*

Region and State	*Fiscal 2005*	*Fiscal 2006*
NEW ENGLAND		
Connecticut	7.3%	3.9%
Maine	4.4	-3.3
Massachusetts	4.5	-2.8
New Hampshire	2.8	-0.1
Rhode Island	7.6	4.5
Vermont	8.1	1.4
MID-ATLANTIC		
Delaware	10.4	9.3
Maryland	9.9	8.3
New Jersey	11.5	-1.2
New York	3.2	3.8
Pennsylvania	5.2	3.5
GREAT LAKES		
Illinois	-0.4	5.8
Indiana	4.1	2.4
Michigan	-1.6	3.1
Ohio	5.0	1.3
Wisconsin	8.4	7.3
PLAINS		
Iowa	-1.4	11.4
Kansas	8.4	3.4
Minnesota	6.2	1.4
Missouri	7.8	-1.0
Nebraska	6.9	5.8
North Dakota	1.6	6.1
South Dakota	10.8	3.2
SOUTHEAST		
Alabama	9.5	8.7
Arkansas	2.9	4.4
Florida	15.1	7.2
Georgia	1.3	5.1
Kentucky	6.2	5.7
Louisiana	1.6	3.7
Mississippi	11.1	-0.7
North Carolina	8.3	6.2
South Carolina	1.8	2.0
Tennessee	14.3	1.3
Virginia	12.8	3.9
West Virginia	10.5	-2.2
SOUTHWEST		
Arizona	18.1	1.8
New Mexico	7.4	0.0
Oklahoma	0.4	13.6
Texas	-1.3	N/A
ROCKY MOUNTAIN		
Colorado	4.4	4.6
Idaho	6.6	4.6
Montana	6.7	7.3
Utah	9.4	6.0
Wyoming	165.3	-0.4
FAR WEST		
Alaska	17.3	-18.6
California	7.8	4.2
Hawaii	8.5	9.8
Nevada	24.4	-4.7
Oregon	-15.4	28.9
Washington	4.2	7.4
Average	**6.6%**	**3.8%**

NOTES: *Fiscal 2005 reflects changes from fiscal 2004 expenditures (actual) to fiscal 2005 expenditures (estimated). Fiscal 2006 reflects changes from fiscal 2005 expenditures (estimated) to fiscal 2006 expenditures (recommended). **To make comparisons across years more accurate, totals exclude Texas, which was unable to provide fiscal 2006 expenditure data.

TABLE A-5

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2005

Region and State	*Fees*	*Layoffs*	*Furloughs*	*Early Retirement*	*Across-the Board Percentage Cuts*	*Targeted Cuts*	*Reduce Local Aid*	*Programs Reorganized*	*Privatization*	*Rainy Day Fund*	*Other*
NEW ENGLAND											
Connecticut											
Maine											
Massachusetts											
New Hampshire*											x
Rhode Island*	x				x	x	x				
Vermont											
MID-ATLANTIC											
Delaware											
Maryland											
New Jersey											
New York*											x
Pennsylvania											
GREAT LAKES											
Illinois		x		x	x			x			x
Indiana*					x	x	x				x
Michigan*	x				x	x				x	x
Ohio*											x
Wisconsin											
PLAINS											
Iowa											
Kansas											
Minnesota											
Missouri						x					
Nebraska											
North Dakota											
South Dakota										x	
SOUTHEAST											
Alabama											
Arkansas											
Florida											
Georgia											
Kentucky											
Louisiana											
Mississippi											
North Carolina											
South Carolina											
Tennessee											
Virginia											
West Virginia											
SOUTHWEST											
Arizona											
New Mexico											
Oklahoma											
Texas*										x	x
ROCKY MOUNTAIN											
Colorado											
Idaho											
Montana											
Utah											
Wyoming											
FAR WEST											
Alaska											
California											
Hawaii											
Nevada											
Oregon											
Washington											
Total	**2**	**1**	**0**	**1**	**4**	**4**	**2**	**1**	**0**	**3**	7

NOTES: *See Notes to Table A-5.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-5

Indiana	Administrative transfer of dedicated funds.
Michigan	Other strategies to address the fiscal 2005 budget gap include: a 4 percent reduction in Medicaid Provider rates, a 4 percent reduction in graduate medical education payments to hospitals, a 6 percent Medicaid Provider tax on specialty prepaid health plans, a coverage waiting period for new day care cases; closure of Corrections camps, higher education reductions, private lease cancellations, information technology reductions, contract reductions, and state agency lapses.
New Hampshire	Hiring Freeze ($10 million).
New York	The State was able to close the fiscal 2005 gap primarily through recent positive revenue experience.
Ohio	Selective cuts with different rates applying to different agencies based on state priorities, draw down on he ending fund balance, larger lapses than originally projected, and relied on federal revenue which was greater than expected.
Rhode Island	Projected Gap, prior to recommendation.
Texas	Plan to use surplus revenue from fiscal 2005.

TABLE A-6

Fiscal 2005 Tax Collections Compared with Projections Used in Adopting Fiscal 2005 Budgets (Millions)**

	Sales Tax		*Personal Income Tax*		*Corporate Income Tax*		*Total*
Region and State	*Original Estimate*	*Current Estimate*	*Original Estimate*	*Current Estimate*	*Original Estimate*	*Current Estimate*	*Revenue Collection****
NEW ENGLAND							
Connecticut	$3,320	$3,279	$5,131	$5,370	$ 502	$ 570	H
Maine	896	915	1,166	1,196	104	123	H
Massachusetts	3,803	3,939	8,572	8,847	1,067	1,087	H
New Hampshire	N/A	N/A	N/A	N/A	193	195	H
Rhode Island	859	864	926	950	91	86	H
Vermont	195	204	448	468	41	50	H
MID-ATLANTIC							
Delaware	N/A	N/A	824	852	96	90	H
Maryland	2,971	3,109	5,351	5,416	385	451	T
New Jersey	6,600	6,520	8,855	9,055	2,632	2,247	T
New York*	10,492	10,583	26,738	27,757	1,751	1,774	H
Pennsylvania	7,951	8,001	8,522	8,595	1,816	1,951	H
GREAT LAKES							
Illinois	6,431	6,505	7,565	7,954	858	1,121	H
Indiana	5,122	4,957	4,033	4,102	578	812	L
Michigan*	6,801	6,637	6,022	5,970	1,918	1,846	T
Ohio*	7,866	7,880	8,103	8,153	900	820	H
Wisconsin	4,095	4,025	5,560	5,630	630	735	H
PLAINS							
Iowa	1,767	1,767	2,620	2,717	259	231	H
Kansas	1,895	1,883	1,900	1,960	130	152	H
Minnesota	4,231	4,226	5,930	6,176	740	829	H
Missouri*	1,922	1,914	4,016	3,987	261	335	L
Nebraska	1,173	1,220	1,263	1,348	149	183	H
North Dakota	418	446	223	223	46	41	H
South Dakota	534	536	N/A	N/A	N/A	N/A	T
SOUTHEAST							
Alabama	1,745	1,796	2,100	2,306	250	300	T
Arkansas	1,886	1,911	1,726	1,814	180	194	H
Florida	16,491	17,250	N/A	N/A	1,435	1,446	H
Georgia	5,310	5,250	7,187	7,242	533	537	H
Kentucky	2,577	2,577	2,947	2,947	398	398	H
Louisiana	2,461	2,496	2,307	2,338	206	278	H
Mississippi	1,544	1,580	1,100	1,120	321	357	H
North Carolina	4,359	4,480	8,106	8,053	881	988	H
South Carolina	2,250	2,267	1,979	2,054	120	146	H
Tennessee*	6,097	6,032	142	146	1,146	1,207	H
Virginia	2,852	2,938	7,774	7,868	408	479	H
West Virginia	952	955	1,099	1,138	175	228	H
SOUTHWEST							
Arizona	3,501	3,616	2,456	2,720	525	720	H
New Mexico	1,470	1,495	1,010	1,010	123	200	H
Oklahoma	1,561	1,560	2,290	2,436	134	182	H
Texas	15,432	15,990	N/A	N/A	N/A	N/A	H
ROCKY MOUNTAIN							
Colorado	1,862	1,846	3,553	3,484	251	313	H
Idaho	903	933	954	974	116	121	H
Montana	11	13	578	615	69	66.3.	H
Utah	1,497	1,590	1,713	1,830	184	190	H
Wyoming	351	351	N/A	N/A	N/A	N/A	H
FAR WEST							
Alaska	N/A	N/A	N/A	N/A	250	436	H
California	25,146	25,168	38,974	39,527	7,573	8,678	H
Hawaii	1,950	2,028	1,233	1,329	35	63	H
Nevada	763	873	N/A	N/A	N/A	N/A	H
Oregon	N/A	N/A	4,906	4,624	292	282	H
Washington	6,577	6,487	N/A	N/A	N/A	N/A	L
Total	**$188,887**	**$190,890**	**$207,902**	**$212,301**	**$30,752**	**$33,470**	**-**

NOTES: N/A indicates data are not available because, in most cases, these states do not have this type of tax.
* See Notes to Table A-6.
**Unless otherwise noted, original estimates reflect the figures used when the fiscal 2005 budget was adopted, and current estimates reflect the most recent figures.
***KEY: L=Revenues lower than estimates. H=Revenues higher than estimates. T=Revenues on target.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-6

Michigan	The revenue estimates used for enactment of the fiscal 2005 budget are higher than current revenue estimates. The current revenue estimates are coming in on target for fiscal 2005.
New York	Reported personal income tax collections include personal income tax receipts that flow through the revenue bond tax fund to the General Fund. Reported sales tax collections include sales tax receipts that flow through the Local Government Assistance Corporation to the General Fund.
Ohio	Revenue estimates for Fiscal 2005 were revised in July 2004. Ohio operates on a biennial budget cycle. The current budget was enacted in July 2003.
Tennessee	The corporate income tax includes the excise tax and franchise tax. The sales, personal income, and corporate income taxes are shared with local governments.

TABLE A-7

Fiscal 2005 Tax Collections Compared with Projections Used in Adopting Fiscal 2006 Budgets (Millions)*

	Sales Tax		*Personal Income Tax*		*Corporate Income Tax*	
Region and State	*Fiscal 2005*	*Fiscal 2006*	*Fiscal 2005*	*Fiscal 2006*	*Fiscal 2005*	*Fiscal 2006*
NEW ENGLAND						
Connecticut	$3,279	$3,455	$5,370	$5,769	$ 570	$ 613
Maine	915	955	1,196	1,246	123	113
Massachusetts	3,939	4,083	8,847	9,718	1,087	1,160
New Hampshire	N/A	N/A	N/A	N/A	195	216
Rhode Island	864	904	950	999	86	91
Vermont	204	211	468	491	50	46
MID-ATLANTIC						
Delaware	N/A	N/A	852	905	90	109
Maryland	3,109	3,253	5,416	5,758	451	488
New Jersey	6,520	7,175	9,055	9,650	2,247	2,240
New York	10,583	10,587	27,757	29,732	1,774	1,869
Pennsylvania	8,001	8,267	8,595	8,968	1,951	2,082
GREAT LAKES						
Illinois	6,505	6,873	7,954	8,235	1,121	1,266
Indiana	4,957	5,187	4,102	4,309	812	755
Michigan	6,637	6,915	5,970	6,151	1,846	1,884
Ohio	7,880	7,604	8,153	8,291	820	954
Wisconsin	4,025	4,180	5,630	6,000	735	675
PLAINS						
Iowa	1,767	1,802	2,717	2,767	231	267
Kansas	1,883	1,940	1,960	2,063	152	155
Minnesota	4,226	4,396	6,176	6,528	829	736
Missouri	1,914	1,946	3,987	4,179	335	342
Nebraska	1,220	1,261	1,348	1,420	183	186
North Dakota	446	431	223	224	41	40
South Dakota	536	568	N/A	N/A	N/A	N/A
SOUTHEAST						
Alabama	1,796	1,873	2,306	2,405	300	314
Arkansas	1,911	1,994	1,814	1,844	194	201
Florida	17,250	18,206	N/A	N/A	1,446	1,780
Georgia	5,250	5,638	7,242	7,748	537	564
Kentucky	2,577	2,717	2,947	3,089	398	331
Louisiana	2,496	2,526	2,338	2,418	278	313
Mississippi	1,580	1,622	1,120	1,197	357	371
North Carolina	4,480	4,810	8,053	8,499	988	975
South Carolina	2,267	2,354	2,054	2,113	146	142
Tennessee	6,032	6,303	146	153	1,207	1,212
Virginia	2,938	3,021	7,868	8,319	479	497
West Virginia	955	972	1,138	1,153	228	245
SOUTHWEST						
Arizona	3,616	3,925	2,720	2,900	720	744
New Mexico	1,495	1,562	1,010	990	200	210
Oklahoma	1,560	1,624	2,436	2,466	182	183
Texas	15,990	16,558	N/A	N/A	N/A	N/A
ROCKY MOUNTAIN						
Colorado	1,846	1,952	3,484	3,674	313	316
Idaho	933	791	974	1,044	121	135
Montana	13	13	615	607	66.3.	81
Utah	1,590	1,675	1,830	1,940	190	210
Wyoming	351	353	N/A	N/A	N/A	N/A
FAR WEST						
Alaska	N/A	N/A	N/A	N/A	436	329
California	25,168	26,947	39,527	42,895	8,678	9,015
Hawaii	2,028	2,144	1,329	1,400	63	71
Nevada	873	926	N/A	N/A	N/A	N/A
Oregon	N/A	N/A	4,624	4,867	282	251
Washington	6,487	6,766	N/A	N/A	N/A	N/A
Total***	**$190,890**	**$199,267**	**$212,301**	**$225,123**	**$33,470**	**$34,775**

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

*Unless otherwise noted, fiscal 2005 figures reflect preliminary actual tax collection estimates as shown in Table A-6, and fiscal 2006 figures reflect the estimates used in recommended budgets.

SOURCE: National Association of State Budget Officers.

TABLE A-8

Proposed Revenue Changes by Type of Revenue, Fiscal 2006

State	*Tax Change Description*	*Effective Date*	*Fiscal 2006 Revenue Changes ($ in Millions)*
	SALES TAXES		
Connecticut	Increases the sales tax on cigarettes.	7/05	6.8
	Imposes the sales tax on aviation services.	7/05	0.2
	Increases the sales tax on alcohol.	7/05	0.5
Florida	Reflects the Community Contribution Tax Credit.	7/05	-7.5
	Reflects a sales tax holiday on clothing, school supplies and books.	7/05	-29.7
	Reflects the communications services tax treatment of substitute communications.	7/05	-0.6
	Exempts machinery and equipment for expanding manufacturers.	7/05	-26.8
	Exempts machinery and equipment for research and development.	7/05	-25.9
	Reflects hydrogen initiatives.	7/05	-2.1
Idaho	Reflects the expiration of a two year temporary 6 percent rate. The rate returns to 5 percent in July 2005.	7/05	-170
Illinois	Subjects prewritten software purchases to the sales tax.	7/05	65
Indiana	Reflects a sales tax exemption for research and development equipment.	7/05	-22.5
Maine	Subjects casual rentals of living quarters to the sales tax.	1/06	3.0
Michigan	Eliminates select tax subsidies.	1/06	84.8
Minnesota	Amends current law to clarify that a gas pipeline company that primarily transports gas is not engaged in industrial production and, therefore, does not qualify for capital equipment refunds or the industrial production exemption.	1/06	1.6
New Jersey	Modifies the sales tax for a more equitable treatment of similar products and to recognize erosion of the sales tax base due to the impact of technology and a movement to a service economy.	7/05	275
	Establishes a simplified, streamlined sales tax structure.	7/05	40
	Changes provisions affecting the sales tax within Urban Enterprise Zones.	7/05	50
New Mexico	Creates a sales tax holiday.	7/05	-2.1
	Reflects the small business research development tax credit.	7/05	-1.5
	Reflects pyramiding od the tax on services.	7/05	-3.1
New York	Replaces the permanent clothing exemption with two $250 weeks and offers a local option.	6/05	455.9
	Taxes direct wine shipments.	6/05	2.0
	Offers a tax free week on certain energy-related consumer products.	6/05	-5.2
North Carolina	Streamlines and modernizes the sales tax.	9/05	106.2
Ohio	Eliminates the temporary penny sales tax.	7/05	-1438
	Retains 0.5 percent of the temporary penny sales tax.	7/05	719
Pennsylvania	Reflects a green sales tax holiday.	7/05	-2.8
Virginia	Completes the planned reduction in the sales tax on food.	7/05	-99.1
Washington	Taxes the sale of packaged carbonated beverages at the wholesale level at 5 cents per 12 ounces.	7/05	148.1
Wisconsin	Reflects sales and use tax on electronic versions of certain property.		1.3
	Reflects the Streamlined Sales Tax.	10/05	-3.1
Total Revenue Changes—Sales Taxes			**$119.4**

TABLE A-8 (continued)

Proposed Revenue Changes by Type of Revenue, Fiscal 2006

State	*Tax Change Description*	*Effective Date*	*Fiscal 2006 Revenue Changes ($ in Millions)*
	PERSONAL INCOME TAXES		
Arkansas	Repeals the 3 percent surcharge on income tax liability.	1/05	-48.2
Connecticut	Taxes nonresident gambling winnings.	1/05	6.0
	Exempts veterans' pension income by 50 percent.	1/05	-3.0
Indiana	Reflects a one-time 1 percent surcharge for taxpayers with incomes over $100,000. The surcharge expires December 31, 2005.	1/05	290.0
Massachusetts	Reduces the personal income tax rate from 5.3 percent to 5 percent.		-225.0
Michigan	Eliminates select tax subsidies.	1/06	5.0
Minnesota	Reflects a new contractors withholding requirement.	7/05	2.0
	Reflects federal conformity.	7/05	-5.3
New Jersey	Eliminates the property tax exemption for incomes greater than $200,000.	7/05	85.0
	Phases-out the pension deduction for incomes greater than $100,000.	7/05	45.0
New Mexico	Reflects low and middle income tax exemptions.	1/05	-8.3
	Reflects head of household bracket changes	1/05	-1.1
New York	Changes the computation of the long-term care insurance credit for nonresidents.	1/05	1.5
	Accelerates the income tax phase-out.	1/05	-190.0
	Implements an earned income tax credit for "strengthening families through stronger fathers."	1/05	-4.0
Ohio	Cuts all personal income tax rates by 21 percent over five years, with the cuts evenly phased in at 4.2 percent per year. The change not only would reduce the current top rate from 7.5 percent to 5.925 percent but cut all tax rates in the same proportion. Also, a new low-income credit will reduce income tax liability to zero for taxpayers whose Ohio Txable Income is below $10,000.	7/05	-325.0
	Makes the trust tax permanent.	7/05	19.0
South Carolina	Reduces the top 7 percent marginal rate by 0.225 percent per year until a top marginal rate of 4.75 percent is achieved.	1/06	-7.0
West Virginia	Reflects elimination of new capital company tax credits.	7/05	2
Wisconsin	Increases the deduction for tuition expenses.		-4.9
Total Revenue Changes—Personal Income Taxes			**-$366.3**

TABLE A-8 (continued)

Proposed Revenue Changes by Type of Revenue, Fiscal 2006

State	*Tax Change Description*	*Effective Date*	*Fiscal 2006 Revenue Changes ($ in Millions)*
	CORPORATE INCOME TAXES		
Arkansas	Repeals the 3 percent surcharge on income tax liability.	1/05	-5.6
Connecticut	Imposes 15 percent surcharge on corporate entities for income year 2005.	1/05	67.1
	Reduces the net operating loss carry forward period from 20 years to 5 years.	1/2005	7.4
Illinois	Enhances audting enforcement.	7/05	18.0
Iowa	Requires corporations to file combined reports.	1/05	25.0
Minnesota	Caps the bioscience zone tax benefit.	7/05	-1.0
New Jersey	Reflects a 2 percent gross receipts tax on the cable television industry.	7/05	50.0
New York	Adopts various tax shelter provisions.	1/05	25.0
	Increases the capital base cap from $350,000 to $1 million.	1/05	26.0
	Offers initiatives for technology and economic development.	1/05	-35.0
	Implements a small business rate reduction.	1/05	-5.0
Ohio	Eliminates the corporate franchise tax over five years - except for the special net worth tax paid by financial institutions - phasing it down by 20 percent per year over a five year period, beginning with tax year 2006 and ending with tax year 2010.	7/05	-142.0
	Proposes a commercial activity tax (CAT) that would tax the gross revenues of all business entities, whatever their form of organization (C-corporation, S-corporation, LLC, partnership, sole proprietorship), at a single low rate of 0.26 percent. The tax would be imposed on the gross revenues of the company, based on its books and records, on a quarterly basis. Financial institutions will not be subject to the CAT. They will continue to pay the corporate franchise tax.	7/05	265.0
Pennsylvania	Continues the phase-out of the capital stock and franchise tax.	7/05	-132.8
Virginia	Reflects conformity with the federal tax code.	7/05	-9.4
West Virginia	Reflects elimination of new capital company tax credits.	7/05	2
Total Revenue Changes—Corporate Income Taxes			**$154.7**
	CIGARETTE AND TOBACCO TAXES		
Connecticut	Increases the tax from $1.51 per pack to $2.25 per pack.	7/05	98.1
	Raises the excise tax on the wholesale price of non-cigarette tobacco from 20 percent to 90 percent.	7/05	11.5
	Increases the tax on tobacco products sold by the ounce from 40 cents to $1.80 per ounce	7/05	3.3
Illinois	Increases the tax per pack from 98 cents to $1.73, and increases the tax on other tobacco products from 18 percent to 30 percent.	7/05	155
Iowa	Increases the cigarette tax by 80 cents per pack.	4/05	129.9
New Hampshire	Increases the cigarette tax by 28 cents per pack.	7/05	$43.5
North Carolina	Increases the cigarette tax rate from 5 cents per pack to 40 cents per pack.	9/05	171.4
Ohio	The cigarette tax would increase by $0.45 per pack to $1.00 per pack, a floor tax of $0.45 per pack would be imposed and the tax on other tobacco products would increase from 17 percent to 30 percent of their wholesale value.	7/05	370
Total Revenue Changes—Cigarette and Tobacco Taxes			**$982.7**
	ALCOHOLIC BEVERAGES		
Connecticut	Increases all alcohol tax rates by 15 percent.	7/05	7.4
Florida	Eliminates the beverage surtax.	7/05	-32.4
New York	Raises the wine tax by 28 cents per liter.	1/05	37.7
Ohio	Doubles the tax on alcoholic beverages, other than spirituous liquor.	7/05	50
Washington	Doubles the rate of the beer excise tax to $16.16 per barrel.	7/05	30.4
	Doubles the excise tax on wine.	7/05	17.5
	Increases the liquor sales tax rate by 5 percent.	7/05	17.7
	Increase liquor liter tax from $2.44 to $3.44.	7/05	29.5
Total Revenue Changes—Alcoholic Beverages			**$157.8**

TABLE A-8 (continued)

Proposed Revenue Changes by Type of Revenue, Fiscal 2006

State	*Tax Change Description*	*Effective Date*	*Fiscal 2006 Revenue Changes ($ in Millions)*
	OTHER TAXES		
Connecticut	Imposes a gross receipts tax on nursing homes.	7/05	139.2
Florida	Phases-out the Intangibles Tax over one year.	7/05	-235.0
Illinois	Closes a loop hole exempting Illinois refineries and pipe line terminals from storage tank fees.	7/05	57.0
	Reflects reform of the retail rate rgarding solid waste energy facillity repayment fees.	7/05	17.0
Michigan	Eliminates the tax subsidy for oil and gas severance and property taxes.	1/06	23.4
	Imposes a 1 percent physician tax rate.	1/06	40.0
	Imposes a 6 percent specialty prepaid health tax rate.	1/06	35.0
Minnesota	Clarifies that premiums related to stop-loss coverage are subject to the insurance premiums tax.	1/06	1.4
	Exempts TRICARE payments from the MinnesotaCare tax.	7/05	-1.7
Montana	Reduces business equipment subject to property tax.		-2.5
New Jersey	Reflects video lottery terminals in the Meadowlands	7/05	150.0
	Makes changes to the estate tax.	7/05	25.0
	Increases the realty transfer tax rate structure.	7/05	25.0
New York	Closes various loopholes.	1/05	50.0
	Removes tax exclusions on certain companies.	1/05	18.0
North Carolina	Increases the estate tax exemption from $1.5 million to $2 million.	1/06	30.7
Ohio	The portion of the Ohio estate tax that under former federal law allowed Ohio to obtain some additional estate tax revenue from high-value estates at the expense of the federal government would be eliminated. The change will result in a $40 million annual reduction in revenue, with $8 million of the loss falling on the state and $32 million falling on townships, cities and villages. The fiscal 2006 revenue amount is due to timing.	7/05	-2.0
	A 1 mill state real property transfer tax, in addition to the existing county transfer taxes (which vary from 1 mill to 4 mills) would be imposed.	7/05	40.0
	Increases all kilowatt-hour tax rates by 30 percent.	7/05	162.0
North Carolina			
Pennsylvania	Reflects a film production tax credit.	7/05	-10.0
Rhode Island	Repeals certain insurance company exemptions.	7/05	3.1
	Increases motor vehicle registration and operator license fees.	7/05	1.5
Vermont	Reflects the Health Care Provider Tax.	7/05	22.7
	Caps the Common Level of Appraisal (CLA), resulting in a reduction in property tax for communities most affected by changes in CLA.	7/05	-1.6
	Reflects income sensitivity cap: increases tax liability for owners of high value property.	7/05	4.1
Washington	Calculates the existing High Tech B&O Tax Credit based on the taxable amount rather than the taxable income, resulting in an increase in revenue to the state.	7/05	10.9
West Virginia	Reflects elimination of new capital company tax credits.	7/05	6.0
Total Revenue Changes—Other Taxes			**$609.2**

TABLE A-8 (continued)

Proposed Revenue Changes by Type of Revenue, Fiscal 2006

State	*Tax Change Description*	*Effective Date*	*Fiscal 2006 Revenue Changes ($ in Millions)*
	FEES		
Maine	Increases various fishing and hunting fees charged by the Department of Inland Fisheries and Wildlife.	1/05	2.0
Maryland	Reflects Drinker/Driver Monitoring Program Fees.		8.3
	Reflects Law Enforcement Training Center fees.		4.2
Michigan	Increases liquor license fees.	1/06	13.0
Minnesota	Reflects lottery gaming options.	7/05	200.0
	Reflects state operated services and forensics services.	7/05	1.8
	Increases the motor vehicle transfer fee.	7/05	4.7
	Increases driver's license record fees.	7/05	1.5
	Increases criminal and traffic surcharges.	7/05	4.9
	Reflects statewide food, beverage, lodging fees (SGSR fund).	7/05	1.3
	Increases vital records fees (SGSR fund).	7/05	1.4
	Increases the 911 emergency services telecommunications fee (SGSR fund).	7/05	17.2
	Reflects public/private enhancement of tourism (Special Revenue fund).	7/05	2.0
New York	Increases all-terrain vehicle registration fees.	4/05	5.8
	Increases agent license fees.	4/05	2.5
	Increases process service fees.	4/05	1.4
	Increases Title V operational permit fees.	4/05	3.6
	Reestablishes the 0.7 percent assessment on hospital receipts.	4/05	194.3
	Increases the nursing home reimbursable assessment to 6 percent.	4/05	69.2
	Increases new racing fees and new annual registration fees.	4/05	3.9
	Reflects automated work zone speed enforcement.	10/05	18.0
	Increases dealer-issued temporary registration fees.	10/05	1.2
	Increases data search fees.	1/06	6.0
	Increases photo image fees.	1/06	3.8
	Expands the insurance buyback program.	1/06	2.8
	Increases motor vehicle title fees.	1/06	31.3
	Increases motor vehicle registration fees.	1/06	29.3
North Dakota	Reflects a $15 per vehicle increase in registration fees.	7/05	9.8
Rhode Island	Increases the hospital license fee to 3.45 percent.	7/05	5.8
Vermont	Reflects fees for banking, securities, workers' comp administration, criminal justice academy training, hazardous chemical storage, application fees for construction plans (fire prevention), explosives handlers' license, police alarm fees, agriculture feeds and pesticide registration fees.	7/05	1.7
Wisconsin	Reflects the Justice Information System surcharge.		1
	Increases the foreign corporation filing fee.		1.5
	Reflects HMO assessments.		29
	Reflects the nursing home bed assessment.		25.6
	Increases the hunting and fishing license fee.		6.1
	Reflects public library system aid.		2.1
	Increases vehicle registration fees.		23.2
	Increases vehicle title fees.		11.3
	Increases vehicle rental fees.		1.6
Total Revenue Changes—Fees			**$754.1**

SOURCE: National Association of State Budget Officers.

TABLE A-9

Recommended Revenue Measures, Fiscal 2006

State	*Description*	*Effective Date*	*Fiscal 2006 Recommended Changes (Millions)*
California	Keeps a portion of the sales tax on gas in the general fund.	7/05	$215.8
	Reflects abusive personal income tax shelter audits and reduces a tax gap.	7/05	50.0
	Reflects abusive corporate income tax shelter audits and reduces a tax gap.	7/05	27.0
	Directs tidelands oil revenues to the General Fund.	7/05	120.6
Connecticut	Delays restoration of the $500 property tax credit.	1/05	105.0
	Delays an increase in the singles exemption.	1/05	7.0
	Defers the phase-down in the succession tax.	1/05	11.0
	Transfers the petroleum gross receipts tax to the emergency spill response account.	7/05	-12.0
	Reflects escheat unclaimed bottle deposits to the state.	7/05	20.0
	Reflects transfers to and from the general fund.	7/05	77.9
Florida	Reflects distributions for fiscally constrained counties under the Rural Counties Initiative.	7/05	-15.0
	Redirects Beverage Tax revenues from trust funds to general revenue.	7/05	30.0
	Redirects Documentary Stamp Tax revenues from trust funds to general revenue.	7/05	438.6
Hawaii	Reflects a general excise tax exemption for developers of affordable housing projects.	7/05	-2.0
Iowa	Reflects interest on reserve funds, increased fines from speeding, and interest on anticipated short term borrowing.		10.7
Louisiana	Reflects provider fees on non-state, non-rural hospitals.	7/05	75.0
Maine	Extends non-conformity for standard deduction marriage penalty.	7/05	3.0
	Delays the education attainment credit for two years.	7/05	1.0
	Continues the 5.1 percent distribution for municipal revenue sharing.	7/05	2.0
Massachusetts	Closes various sales tax loopholes.		67.0
	Closes various personal income tax loopholes.		8.0
	Closes various corporate income tax loopholes.		75.0
	Closes loopholes in the deeds excise tax.		20.0
Minnesota	Reflects enhanced compliance with sales, personal income, and corporate income taxes.	7/05	26.2
	Requires up-front payment of sales tax on leased motor vehicles.	7/05	27.1
	Reflects cigarette sales tax collection.	7/05	8.1
	Repeals the sunset on the car rental tax.	1/06	4.7
	Moves the solid waste tax from the general fund to the environmental fund.	7/05	-12.1
	Reflects quarterly withholding for non-resident partnerships and S-corporations.	7/05	14.2
	Replaces alcoholic beverage excess sales tax with a gross receipts tax.	1/06	24.8
	Moves forest management revenues from the general fund to the forest management account in the natural resources fund.	7/05	-3.5
	Reflects the sale of unclaimed securities.	7/05	25.0
Montana	Reflects additional corporate income tax compliance auditors.		1.1
New Jersey	Reflects the sale or transfer of assets to private entities.		500.0
	Amnesty program for delinquent fines, fees, and assessments that are owed to State Departments.		15.0
New York	Extends higher fees.	1/05	22.0
	Reflects wireless communications service surcharge clarifications.	9/05	3.5
North Carolina	Maintains the current sales tax rate of 4.5 percent, which was suppose to sunset June 30, 2005.	7/05	413.4

TABLE A-9 (continued)

Recommended Revenue Measures, Fiscal 2006

State	*Description*	*Effective Date*	*Fiscal 2006 Recommended Changes (Millions)*
Oklahoma	Increases the retirement exemption to $10,000 of income.	1/05	-5.1
	Exempts Oklahoma sourced capital gains.	1/05	-2.0
Rhode Island	Reflects prepayment of the sales tax on cigarettes.	7/05	1.9
	Reflects recovery of retained earnings from the Underground Storage Tank financing board and from the Rhode Island Resource Recovery Corporation (solid waste entity).	7/05	6.5
	Reflects reinstitution of the hospital license fee.	7/05	58.6
	Enhances collections of judiciary receivables.	7/05	7.7
	Increases the indirect costs recovery rate.	7/05	2.0
West Virginia	Reflects transfers to the old Workers Compensation Fund, and decoupling from federal personal income tax treatment of the deduction for domestic manufacturing income.		-29.5
	Reflects transfers to the old Workers Compensation Fund, and decoupling from federal corporate income tax treatment of the deduction for domestic manufacturing income.		9.5
Wisconsin	Reflects the Streamlined Sales Tax.		15.3
	Requires personal income tax withholding by pass-through entities.	1/05	7.5
	Reflects Internal Revenue Code adjustments regarding the personal income tax.	1/05	2.3
	Reflects Internal Revenue Code adjustments regarding the corporate income tax.	1/05	-1.7
	Continues the land recordation fee.		4.3
	Makes permanent the vehicle environmental impact fee.		6.8
Total			$2,489.2

SOURCE: National Association of State Budget Officers.

TABLE A-10

Total Balances and Balances as a Percentage of Expenditures, Fiscal 2004 to Fiscal 2006*

	*Total Balances (Millions)***			*Balances as a Percentage of Expenditures*		
Region and State	*Fiscal 2004*	*Fiscal 2005*	*Fiscal 2006*	*Fiscal 2004*	*Fiscal 2005*	*Fiscal 2006*
NEW ENGLAND						
Connecticut	$ 302	$ 344	$ 345	2.4%	2.5%	2.4%
Maine	15	7	4	0.6	0.3	0.1
Massachusetts	1,893	1,286	1,400	8.3	5.4	6.0
New Hampshire	33	58	19	2.5	4.3	1.4
Rhode Island	144	103	94	5.3	3.5	3.1
Vermont	45	46	50	4.9	4.6	4.9
MID-ATLANTIC						
Delaware	646	643	460	25.3	22.8	14.9
Maryland	949	1,201	813	9.3	10.7	6.7
New Jersey	834	400	400	3.4	1.5	1.5
New York	1,077	1,531	1,774	2.6	3.5	3.9
Pennsylvania	337	530	339	1.5	2.3	1.4
GREAT LAKES						
Illinois	458	458	458	2.0	2.0	1.9
Indiana	242	378	455	2.2	3.2	3.8
Michigan	81	8	-33	0.9	0.1	-0.4
Ohio	339	301	386	1.4	1.2	1.5
Wisconsin	105	17	67	1.0	0.1	0.5
PLAINS						
Iowa	329	286	431	7.3	6.4	8.7
Kansas	327	280	206	7.6	6.0	4.3
Minnesota	1,269	1,003	1,069	9.3	6.9	7.3
Missouri	933	574	476	14.0	8.0	6.7
Nebraska	264	304	226	10.2	11.1	7.8
North Dakota	78	127	71	8.7	14.0	7.4
South Dakota	158	136	118	17.8	13.8	11.6
SOUTHEAST						
Alabama	451	561	257	8.2	9.3	3.9
Arkansas	0	0	0	0.0	0.0	0.0
Florida	3,424	2,987	1,572	16.0	12.1	5.9
Georgia	1,065	1,065	1,065	6.5	6.4	6.1
Kentucky	300	241	50	4.1	3.1	0.6
Louisiana	283	253	253	4.2	3.7	3.6
Mississippi	41	84	15	1.2	2.2	0.4
North Carolina	556	114	152	3.8	0.7	0.9
South Carolina	80	239	391	1.6	4.6	7.4
Tennessee	762	501	315	9.3	5.4	3.3
Virginia	614	546	433	5.0	3.9	3.0
West Virginia	344	79	79	11.4	2.4	2.4
SOUTHWEST						
Arizona	374	322	186	5.7	4.2	2.4
New Mexico	447	412	419	10.2	8.8	8.9
Oklahoma	230	905	1,078	4.9	19.2	20.1
Texas	1,813	3,059	0	6.2	10.5	N/A
ROCKY MOUNTAIN						
Colorado	346	238	238	6.1	4.0	3.8
Idaho	100	137	25	5.0	6.5	1.1
Montana	133	159	106	10.3	11.6	7.2
Utah	121	208	118	3.4	5.3	2.9
Wyoming	257	75	80	56.7	6.3	6.7
FAR WEST						
Alaska	2,182	2,309	2,695	94.1	84.9	121.7
California	3,489	1,425	1,142	4.6	1.7	1.3
Hawaii	239	356	221	6.2	8.5	4.8
Nevada	293	254	269	12.3	8.5	9.5
Oregon	-504	182	-420	-9.1	3.9	-7.0
Washington	500	519	345	4.4	4.3	2.7
Total* **	**$26,984**	**$24,191**	**$20,712**	**5.5%**	**4.6%**	**3.8%**

NOTES: *Fiscal 2004 are actual figures, fiscal 2005 are estimated figures, and fiscal 2006 are recommended figures.
**Total balances include both the ending balance and balances in budget stabilization funds.
***To make comparisons across years more accurate, totals exclude Texas, which was unable to provide fiscal 2006 expenditure data.

SOURCE: National Association of State Budget Officers.

TABLE A-11

Most Significant Health Care Issues Currently Facing the States

Region and State	
NEW ENGLAND	
Connecticut	Medicaid growth and Medicare Part D.
Maine	Maine’s high cost of health care, Maine has the highest rate of uninsured in New England.
New Hampshire	Growth in medical and long-term care expenditures for Medicaid population.
Rhode Island	Most significant issues include the unfunded liability in the state’s retiree health program and, uncertainty of the Medicare Modernization Act and the state’s fiscal 2006 Medicaid budget.
Vermont	Growth as percent of economy.
MID-ATLANTIC	
Delaware	Cancer and infant mortality.
Maryland	Uninsured, federal Medicaid reform, funding.
New Jersey	State only cost of GA medical and drug costs.
New York	Rising pharmacy costs, reforming long term care system, coordinating/implementing Medicare Part D, Medicaid burden on local governments, number of uninsured in New York State.
Pennsylvania	Fiscal - Health care costs are rising faster than state revenues; Demographic - the elderly population is growing as a percent of population and is the fastest growing group on Medical Assistance; Economic - loss of industry results in an increased population of unemployed people in need of health care and increased numbers of employed persons whose employers offer little or no health care coverage.
GREAT LAKES	
Indiana	Medicaid waivers.
Michigan	Rising healthcare costs; Federal actuarial soundness requirements for managed care organizations, including Michigan’s Medicaid HMOs; loss of private-sector, employer-sponsored insurance coverage; economic recovery lag in Michigan; a larger portion of state funds consumed by Medicaid; state costs resulting from federal efforts to discontinue certain state Medicaid financing mechanisms.
Ohio	Nursing home costs, pharmacy costs, and aging population.
Wisconsin	For MA: growth in costs and enrollment; growth in prescription drug costs. For State: growth in medical costs.
PLAINS	
Iowa	Federal reductions in funding and increased enrollments.
Kansas	Medicaid cost and caseload growth.
Minnesota	The growing number of uninsured in the private sector and the impact it will eventually have on public health care programs. Despite relatively low unemployed and a strong economy, the state’s Medicaid enrollment is projected to increase approximately 5 percent annually. The growth of long-term care home and community based services waivers as the population gets increasingly older.
Missouri	Medicaid growth.
Nebraska	Medicaid program growth relative to state revenue growth.
North Dakota	The long term care continuum.
South Dakota	Financing health care and Medicaid reform.
SOUTHEAST	
Arkansas	As are almost all states, Arkansas is faced with increasing costs based on both demand (increasing eligibles) and inflation by increased costs. Federal rules and court decisions regarding access place increasing pressures on our state that is virtually barred from any competitive managed care by a federal court decree in which the state medical society, dental association and various other provider groups must consent to any changes in the fee structure that apply to them. For institutional care, 75 percent of the nursing home beds are financed by our Medicaid program, though there are non-institutional options those facilities costs continue to increase for the recipients they serve. In essence there is no shelter from the rising cost of publicly funded health care as there is none for privately insured, the exception is that for the vast majority covered under Medicaid both by regulation and lack of the recipients own resources there is no way to “share” the increase in these costs.
Florida	Rapidly escalating Medicaid and state employee health insurance costs.
Georgia	Expenditure and enrollment control and utilization.

TABLE A-11 (continued)

Most Significant Health Care Issues Currently Facing the States

Region and State	
Kentucky	The increasing cost of health care/insurance as it relates to employer sponsored health care for public employees and retirees, Medicaid, as well as private business-sponsored health insurance (particularly small businesses) and the chilling effect those increasing costs have on efforts to reduce the level of uninsured and/or maintain coverage for persons currently insured. The high incidence of chronic diseases (diabetes, cardiovascular disease, pulmonary disease) which are the direct result of conditions stemming from lifestyle choices: obesity, smoking, and lack of exercise.
Louisiana	Funding Shortage - A goal of the Louisiana Medicaid program is to “improve health outcomes by emphasizing primary and preventative care.” Accomplishing this goal in the face of the potential reduction of Medicaid expenditure authority is one of the greatest challenges to the program. Continuing to provide health care at the same level of service in FY2006 will be difficult in light of the shortage of state funds, the increase in required state match due to the change in the FMAP rate, and the President’s proposed budget for FY2006. Health Care for the Uninsured - Approximately 20% of the recipients covered by the Medicaid program’s appropriated budget are uninsured. This equates to almost 900,000 individuals. While Louisiana has a large statewide “charity” hospital system, we are in need of an effective system which provides access to primary care to these individuals. Shortage of Medical Professionals - Many areas of Louisiana are primarily rural, and there is a shortage of medical professionals in these rural areas. Due to this shortage, the challenge is to maintain the current number of medical professionals in the state and to increase their participation in the Medicaid Program.
North Carolina	Controlling the rising cost of the Medicaid program.
South Carolina	Health care market forces, such as rising pharmacy costs, technology costs, and staff shortages in the medical fields, are the most significant issues facing the state.
Tennessee	Growth in the pharmacy program & potential loss of federal funds.
Virginia	The growth in expenditures for individuals in need of long term care services.
West Virginia	Funding to match caseload growth and medical inflation; Decrease of federal funds (FMAP); Increased subsidies for Medicare-Medicaid population: alternatives to long-term care.
SOUTHWEST	
Arizona	Demand for health care for low-income individuals continues to grow. More than one million Arizonans—roughly 18 percent of the state’s population receive Medicaid benefits. As the number of people depending on the state for their health care needs grow, Arizona must address its competing responsibilities of providing adequate services while containing costs.
New Mexico	State budget constraints and high uninsured rate.
Oklahoma	Expanding health care coverage for the uninsured, prescription drug costs and coverage, and specialty hospitals versus cummunity hospitals.
Texas	Rate of uninsurance and rising cost of health care services.
ROCKY MOUNTAIN	
Colorado*	Caseload growth, Medicaid reimbursement rates.
Idaho	Rising costs of mental health services.
Montana	Uninsured.
Utah	Rising insurance premiums and health care costs.
Wyoming	Pregnancy/childbirth, prescription drugs, developmental disabilities expenditures, and mental health expenditures.
FAR WEST	
Alaska	Reduction in federal match participation (FMAP), access to health care for the uninsured, and long term care.
California	Medicare Part D and continually increasing costs for the aged and disabled.
Nevada	Access to mental health services, escalating health care costs and caseload increases.
Oregon	State revenue shortfalls; rising medical costs; aging population; and increasing caseloads.
Washington	Providing Medicaid coverage to increasing numbers of aged, disabled and children, within limited resources and maintaining an adequate provider base for the clients we serve.

SOURCE: National Association of State Budget Officers.

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