



The Fiscal Survey of States



December 2007

**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 from July through November 2007. The surveys were completed by Governors' state budget officers in all 50 states.

Fiscal 2006 data represent actual figures, fiscal 2007 figures are preliminary actual, and fiscal 2008 data reflect enacted budgets.

Forty-six states begin their fiscal years in July and end them in June. The exceptions are Alabama and Michigan, with October to September fiscal years; 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 member Jordan Head compiled the data and prepared the text for the report. Nelle Sandridge of State Services Organization provided typesetting services.

Executive Summary

Executive Summary

State fiscal conditions remained strong for most states in fiscal 2007, but overall growth slowed slightly from the robust conditions of fiscal 2006. Revenues were generally stable and only one state was forced to make mid-year budget cuts. Conditions across the states varied widely, with some states cutting taxes and increasing funding for programs, and others relying on budget stabilization funds and spending cuts to address lower-than-anticipated revenues. While revenue growth was generally strong in fiscal 2007, fiscal 2008 enacted budgets reflect more modest growth, and some states have already reported budget shortfalls. Expenditure pressures continue as demands for increased funding of programs such as Medicaid persists and states face looming long-term issues such as funding pensions, demographic shifts, and maintenance and repair of infrastructure. This edition of *The Fiscal Survey of States* reflects actual fiscal 2006, preliminary actual fiscal 2007, and appropriated fiscal 2008 figures. The data were collected during fall 2007.

State Spending

State general fund spending grew by 9.3 percent in fiscal 2007, significantly higher than the 30-year average of 6.4 percent. This high rate of growth is the result of states using surpluses realized in recent years to provide tax cuts and bolster spending on programs that experienced significant budget cuts in the last fiscal downturn. For fiscal 2008, state spending is budgeted to grow by a more modest 4.7 percent, below the historical average rate. Expenditures typically include one-time spending from surplus funds, transfers into reserve funds, and payments to local governments to reduce property taxes.

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

- Overall, state spending growth is slowing but for most states, expenditures continue to grow.
- In fiscal 2007, only one state reduced its enacted budget, by \$11.1 million. So far, one state has cut their enacted fiscal 2008 budget by \$116.5 million.
- Only one state reported negative budget growth for fiscal 2007, while seven states enacted negative growth budgets for fiscal 2008.
- Seven states enacted changes to their fiscal 2008 cash assistance levels under the Temporary Assistance for Needy Families (TANF) program, ranging from 1.1 percent to 13.5 percent. One state enacted a decrease of 4.6 percent in cash assistance under the TANF program.

State Revenue Actions

In the aggregate, tax cuts are becoming less prevalent. States enacted net tax and fee decreases of \$115.5 million in fiscal 2008. In comparison, states enacted net tax and fee decreases of \$2.1 billion in fiscal 2007. In fiscal 2008, twenty-four states adopted net decreases while eighteen states enacted net increases. Continuing the trend of recent years, the largest enacted decrease was in personal income taxes (\$1 billion). The largest enacted increase was in cigarette and tobacco taxes (\$761.8 million). Additionally:

- In fiscal 2007, most states' revenue collections exceeded expectations. Revenues from all sources¹ exceeded expectations in thirty-eight states, were on target in four states, and were below expectations in eight states.
- Fiscal 2007 tax collections of sales, personal income, and corporate income taxes were 5.6 percent higher than fiscal 2006 collections. Specifically, sales tax collections were 3.0 percent higher, personal income tax collections were 7.2 percent higher, and corporate income tax collections were 9.0 percent higher.
- States budgeted for more moderate revenue growth in their fiscal 2008 budgets. Compared to fiscal 2007 collections, enacted fiscal 2008 budgets reflect 3.4 percent more in sales tax revenue, 3.4 percent more in personal income tax

revenue, and 1.4 percent less in corporate income tax revenue, a 2.9 percent overall increase from fiscal 2007.

Year-End Balances

Total balances—ending balances and the amounts in budget stabilization funds—are a crucial tool that states rely on heavily during fiscal downturns and budget shortfalls.

- Total balances were \$69 billion, or 11.5 percent of expenditures, in fiscal 2006; \$63 billion, or 9.6 percent of expenditures, in fiscal 2007; and based on fiscal 2008 enacted budgets are \$46 billion, or 6.7 percent of expenditures. Fiscal 2006 ending balances as a percentage of expenditures represent a thirty-year high.

¹ "All Sources" includes revenues from sales, personal income, corporate income and gaming taxes, and all other taxes and fees.

State Expenditure Developments

CHAPTER ONE

Overview

State finances were generally steady in fiscal 2007, although they slowed slightly from the peak conditions of fiscal 2006. Some states faced tightening fiscal conditions in fiscal 2007, and many states continued to face spending challenges due to Medicaid cost pressures and under-funded employee pension systems, among other pressures. Strong expenditure growth continued in fiscal 2007 but is expected to slow in fiscal 2008, and some states are already reporting shortfalls for fiscal 2008.

Only one state was forced to make a mid-year budget cut totaling \$11.1 million in fiscal 2007. So far in fiscal 2008, one state has had to make cuts to its enacted budget totaling \$116.5 million. In contrast, at the

depths of the most recent state fiscal crisis in fiscal 2002 and fiscal 2003, thirty-seven states in each year were forced to make mid-year budget cuts that totaled nearly \$15 billion and \$11.8 billion, respectively. In fiscal 2007, states used Rainy Day Funds, carry-over balances, across-the-board cuts, and other methods to reduce or eliminate budget gaps (see Table 1 and Appendix Table A-5).

State Spending for Fiscal 2007

This report captures only state general fund spending, which represents the primary component of discretionary expenditures of revenue derived from general sources which has not been earmarked for specific items. According to the most recent edition of NASBO's *State Expenditure Report*, estimated

TABLE 1

Budget Cuts Made After the Fiscal 2007 Budget Passed

State	FY 2007 Size of Cuts (\$ in Millions)	FY 2008 Size of Cuts (\$ in Millions)	Programs or Expenditures Exempted from Cuts
New Jersey*	--	--	State Aid, Debt Service, Appropriations to State Institutions
Rhode Island*	--	TBD	None
Wisconsin*	\$11.1	\$116.5	Fiscal 2007 exemptions include Legislative and small agencies, Public Defender, Military Affairs, Veterans' Affairs, District Attorney, and Court. Fiscal 2008 exempted programs TBD.
Total	\$11.1	\$116.5	--

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 1

New Jersey	While there were no cuts to the enacted budget for fiscal 2007, there was a final lapse of \$604 million to the General Fund.
Rhode Island	Cuts to the enacted budget involve restraining personnel.
Wisconsin	Cuts to all funds. Fiscal 2008 includes a \$100 million lapse, \$12.5 million from the University of Wisconsin, \$0.5 from Wisconsin Technical Colleges, and \$3.5 from the Legislature.

fiscal 2007 spending from all sources (general funds, federal funds, other state funds, and bonds) was approximately \$1.46 trillion, with the general fund representing 44.7 percent of the total. The components of total state spending for estimated fiscal 2007 are: Medicaid, 21.5 percent; elementary and secondary education, 21.4 percent; higher education, 10.4 percent; transportation, 8.1 percent; corrections, 3.4 percent; public assistance, 1.8 percent; and all other expenditures, 33.4 percent.

Components of state spending within the general fund specifically are: elementary and secondary education, 34.8 percent; Medicaid, 16.8 percent; higher education, 11.3 percent; corrections, 6.8 percent; transportation, 0.8 percent; public assistance, 2.0 percent; and all other expenditures, 27.4 percent.

State general fund expenditures were \$655 billion in fiscal 2007 (preliminary actual), a 9.3 percent increase compared to the previous year. The 30-year historical average rate of growth is 6.4 percent. Contributing to the higher-than-average growth rate in fiscal 2007 were budget surpluses in fiscal 2006 which have allowed for increased spending on programs that were cut during the most recent economic downturn, as well as general program expenditure increases (especially within Medicaid). Enacted fiscal 2008 budgets reflect general fund spending that is 4.7 percent higher than the fiscal 2007 level (see Table 2, Figure 1, Appendix Table A-2, and Appendix Table A-4).

Expenditures continued to grow in almost all states, with only one state reporting negative expenditure growth for fiscal 2007, thirty-one states reporting expenditure growth to be positive but less than 10 percent, and eighteen states reporting expenditure growth of 10 percent or more. In contrast, for fiscal 2008, seven states enacted negative growth budgets, thirty-one states have budgeted expenditure growth to be positive but below 10 percent, and twelve states have budgeted growth of 10 percent or more. (see Table 3 and Appendix Table A-4).

TABLE 2

State Nominal and Real Annual Budget Increases, Fiscal 1979 to Fiscal 2008

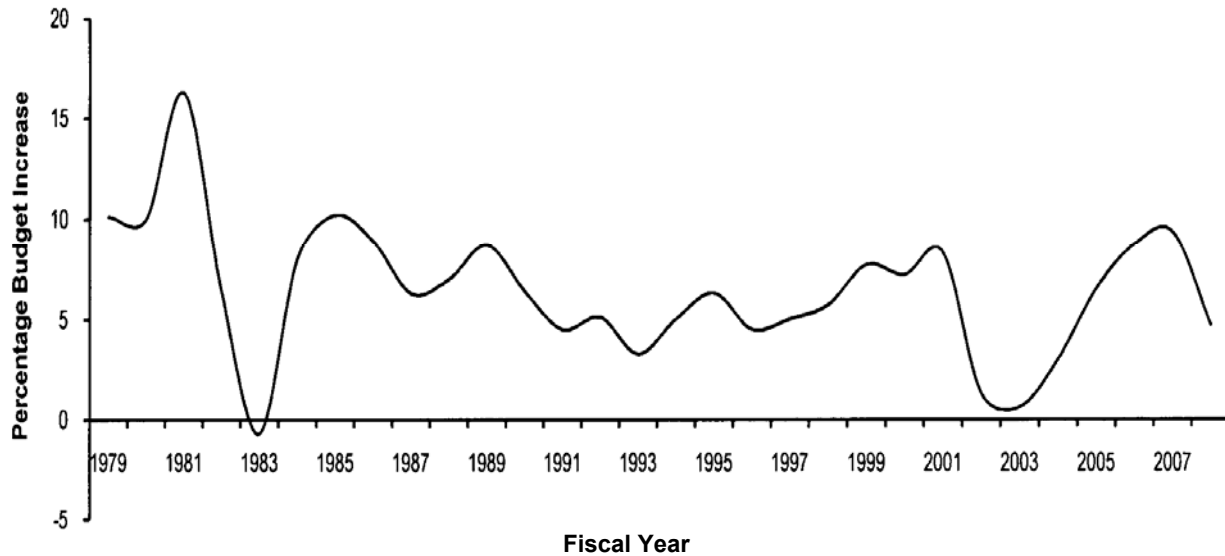
Fiscal Year	State General Fund	
	Nominal Change	Real Change
2008*	4.7%	1.7%
2007*	9.3	6.0
2006	8.7	5.4
2005	6.5	3.2
2004	3.0	-0.4
2003	0.6	-3.1
2002	1.3	-1.4
2001	8.3	4.0
2000	7.2	4.0
1999	7.7	5.2
1998	5.7	3.9
1997	5.0	2.3
1996	4.5	1.6
1995	6.3	3.2
1994	5.0	2.3
1993	3.3	0.6
1992	5.1	1.9
1991	4.5	0.7
1990	6.4	2.1
1989	8.7	4.3
1988	7.0	2.9
1987	6.3	2.6
1986	8.9	3.7
1985	10.2	4.6
1984	8.0	3.3
1983	-0.7	-6.3
1982	6.4	-1.1
1981	16.3	6.1
1980	10.0	-0.6
1979	10.1	1.5
1979-2008 average	6.4%	2.0%

NOTE: *The state and local government implicit price deflator, 3.0 (as cited by the Bureau of Economic Analysis in November 2007) is used for state expenditures in determining real changes in fiscal 2008. Fiscal 2007 figures are based on the change from fiscal 2006 actual expenditures to fiscal 2007 preliminary actual expenditures. Fiscal 2008 figures are based on the change from fiscal 2007 preliminary actual expenditures to fiscal 2008 appropriated expenditures.

SOURCE: National Association of State Budget Officers.

FIGURE 1

Annual Percentage Budget Increases, Fiscal 1979 to Fiscal 2008



SOURCE: National Association of State Budget Officers.

TABLE 3

Annual State General Fund Expenditure Changes, Fiscal 2007 and Fiscal 2008

Spending Growth	Number of States	
	Fiscal 2007 (Preliminary Actual)	Fiscal 2008 (Appropriated)
Negative growth	1	7
0.0% to 4.9%	14	13
5.0% to 9.9%	17	18
10% or more	18	12

NOTE: Average spending growth for fiscal 2007 (preliminary actual) is 9.3 percent; average spending growth for fiscal 2008 (appropriated) is 4.7 percent. See Appendix Table A-4 for state-by-state data.

SOURCE: National Association of State Budget Officers.

State Cash Assistance Under the Temporary Assistance for Needy Families Program

The Temporary Assistance for Needy Families (TANF) program was reauthorized under the Deficit Reduction Act in February 2006. The TANF block grant is funded at \$16.6 billion each year through 2010. Although the program retains the work participation rates of 50 percent for all families and 90 percent for two-parent families, adjusting the base year for the caseload reduction credit effectively increases the work requirements from the prior levels. The reauthorized program also includes specific definitions of work, work verification requirements, and penalties if states do not meet the requirements. As a result of these changes, most states have to significantly increase work participation rates.

Since welfare reform was initially passed in 1996, states have focused on providing supportive services for families to achieve self-sufficiency rather than cash assistance. This report contains information only on the changes in the cash assistance benefit levels within the program which represent approximately 36 percent of total program costs. For fiscal 2008, forty-two states maintained the same cash assistance benefit levels that were in effect in fiscal 2007. Seven states enacted increases in cash assistance benefit levels, ranging from 1.1 percent to 13.5 percent, and one state enacted a decrease in cash assistance benefits of 4.6 percent (see Table 4 and Notes to Table 4).

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 58 million low-income individuals. Medicaid spending is now approximately 22 percent of total state spending while all health care accounts for about one-third of total state spending and is the single largest portion of total state spending.

TABLE 4

Enacted Cost-of-Living Changes for Cash Assistance Benefit Levels Under the Temporary Assistance for Needy Families Block Grant, Fiscal 2008

<i>State</i>	<i>Percent Change</i>
Connecticut	3.2%
Florida	-4.6
Hawaii	8.9
Illinois*	--
Maryland	13.5
Minnesota*	--
Montana	6.8
Nebraska*	--
Ohio	10.0
Oregon	3.1
Texas	1.1

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 4

Illinois	All cash assistance is General Revenue Fund appropriated.
Minnesota	\$75 cash assistance bonus for up to 24 months for clients exiting DWP or the cash portion of MFIP if they meet certain work requirements (effective February 2009).
Nebraska	No increase in the maximum grant an individual may receive has been enacted for fiscal 2008. Effective July 1, 2007, Nebraska has increased the maximum "standard of need" for TANF cash assistance from \$643 to \$675 per month (family of three). This increase is based on a 3.4 percent Consumer Price Index increase in Calendar Year 2005 and 2.5 percent Consumer Price Index increase in Calendar Year 2006.

Medicaid growth rates. With its dominance in state spending, Medicaid continues to be a major budget issue for states. Medicaid spending from all funds is estimated to increase by 7.3 percent in fiscal 2007, based on NASBO's 2006 *State Expenditure Report*. This follows a growth rate of 1.7 percent in fiscal 2006. A significant factor affecting Medicaid growth rates and historical comparisons is the change in the financing of prescription drug benefits for the dual eligibles, those who are eligible for both Medicaid and Medicare. Beginning in January 2006, the prescription drug costs for the dual eligibles were no longer part of the Medicaid program. Instead these costs are now part of Medicare Part D.

States finance these prescription drug benefits by providing a payment to the federal Medicare Trust Fund. The amount that will be paid by states to the federal government represents about 5 percent of state Medicaid expenditures. At the federal level, lower Medicaid spending will be offset by an increase in Medicare spending for the dual eligibles. Other costs for the dual eligibles, such as for long-term care, remain within the Medicaid program.

Significant health challenges facing states. States face a number of challenges in funding and providing health care both within the Medicaid pro-

gram and throughout state government. Among the issues of greatest concern for states are expanding access to health care for the uninsured; health care cost increases and greater utilization of services; the aging population and the impact on long-term care financing; funding reductions at the federal level for health care programs including public health programs; inmate health care; medical workforce shortages; pressure to raise physician rates in order to maintain participation in the Medicaid program; State Children's Health Insurance Program (SCHIP) funding; mental health funding and access; changes at the federal level affecting Medicaid such as regulations affecting government health care providers; and the overall pressure to maintain health care spending that on average consumes a greater share of state budgets over time.

Even with moderating growth rates in health care spending from the height of the last recession, projections over the next decade remain at an average annual rate of about 8 percent from fiscal 2008 through fiscal 2017, according to the most recent estimates by the Congressional Budget Office (CBO). With Medicaid comprising 22 percent of state budgets, these long-term growth rates will continue to strain state budgets.

TABLE 5

Enacted Changes in Aid to Local Governments, Fiscal 2008

Alaska	Appropriated \$48.7 million for revenue-sharing which had previously been eliminated from the budget. Alaska made a one-time \$307.5 million payment into retirement systems for municipalities and school districts to offset increases: 22 percent employer rate for the Public Employee Retirement System and 12.56 percent employer rate for the Teacher Retirement System.
Arizona	Continuation of the three-year county equalization tax suspension as passed in fiscal 2007. Impact in fiscal 2007: \$215 million; impact in fiscal 2008: \$226 million.
California	The Department of Finance anticipates the 2007-08 Budget Act will not contain any major policy changes that will impact state aid to local governments in 2007-08. No mandate reimbursement funding was provided for costs incurred during the 2007-08 fiscal year; however, annual costs are approximately \$125 million for local agencies and approximately \$220 million for schools. Mandates reimbursement has been moved from March to August of each year.
Colorado	Conservation Trust Fund: The fund distributes lottery proceeds to local entities on a formula basis for parks and open space. The appropriation is projected to increase by \$5.5 million in Conservation Trust Fund disbursements based on projected lottery revenues deposited in the Fund. Local Government Mineral and Energy Impact Grants: The Fund is a portion of state severance tax and federal mineral royalties distributed to local governments affected by mineral extraction. Total revenues are projected to increase by approximately \$21.6 million. Mill Levy: Changes the method for calculating school district property taxes that support the School Finance Act in two ways. First, imposes a cap of 27 mills on school finance levies. This change is anticipated to reduce property tax revenues in 34 districts by a total of \$12.1 million. Second, requires districts that have received voter approval to retain and spend revenues in excess of their TABOR property tax revenue limit to impose the mill levy for fiscal 2006-07 in fiscal 2007-08 and future fiscal years (unless the levy exceeds 27 mills). This change is anticipated to increase property tax revenues in 106 districts by a total of \$61.9 million.
Connecticut	In fiscal 2006-07, the State of Connecticut provided a total of \$2,460,028,682 in state aid to local governments for programs that depend on statutory formulas. The estimated fiscal 2007-08 total for these programs is \$2,718,474,327. The increase is \$258,445,645, or 10.51 percent over the fiscal 2006-07 total amount. The large percentage change is primarily attributed to increased funding in the Education Cost Sharing Grant to Connecticut municipalities which assists localities with elementary and secondary education costs. Legislation was passed that prohibits the taking of property by eminent domain for the primary purpose of increasing local tax revenues, requires a public hearing on the plan for the taking, requires approval by two-thirds vote of the town's legislative body, and imposes a 10-year deadline for completing the taking. Another bill requires municipalities to conduct a public hearing whenever it plans to sell, lease, or transfer any municipally-owned state property.
Florida	HB 1B imposes statutory limits on the millage rates local governments may levy for the collection of ad valorem taxes beginning with fiscal 2007-2008. The estimated reduction in property taxes statewide in fiscal 2007-2008 is \$2.2 billion and increases to \$4.2 billion in fiscal 2010-2011.
Indiana	Property tax replacement and homestead credits appropriation up to \$2,554,477,622 in fiscal 2008 from fiscal 2007's \$2,258,591,150. Of that amount, \$123.2 million in fiscal 2007 and \$105.5 million in fiscal 2008 goes toward reversing payment delays to local governments. Property tax refunds approved with a mandate by the Indiana General Assembly that they be administered by the counties. Approximately \$300 million in property tax refunds will be sent to all 92 Indiana counties in November, and counties will be able to receive interest earnings on these funds to offset the administrative costs of preparing and distributing rebate checks. Temporary mandate- fiscal 2008 only. Circuit breaker of 2 percent passed on all levies except school operations, revenue loss may not be replaced by local units. Enacted fiscal 2008 changes in aid to local governments include a property tax buy-back of \$295.9 million, an increase of 13.1 percent.
Iowa	The state property tax credits are paid in fiscal 2008 from a fund in which part of the fiscal 2007 ending balance was deposited along with a General Fund appropriation.
Massachusetts	In fiscal 2008, Chapter 70 state aid to school districts increased by \$220,151,288 for a total distribution of \$3,725,671,328 (6.28 percent increase). Chapter 70 aid was disbursed based on a formula model that was updated in fiscal 2007. The fiscal 2008 aid amount represents the second year of the phase-in of the updated model which is based on a five-year scale. Local aid received through the Massachusetts State Lottery increased by \$15,000,000 to \$935,028,283, which represents an increase of approximately 1.63 percent.
Michigan	Fiscal 2008 is the last year of a ten year phase-in of a new formula to distribute aid to local governments. Funding is shifted from formulas primarily based upon local millages to formulas based primarily upon taxable value. The new formula was suspended beginning in fiscal 2003 to ensure funding reductions to local governments are uniformly distributed. For fiscal 2008, the enacted budget maintains the fiscal 2007 spending level for revenue sharing payments to cities, villages, and townships. The fiscal 2008 budget also continues to suspend revenue sharing to counties under tax law changes effective for fiscal 2005 and subsequent fiscal years. Counties expend the equivalent of revenue-sharing payments from individual revenue-sharing reserve funds established with early collection of county-allocated property taxes. Suspending county revenue sharing payments reduces state spending by over \$180 million annually. It is estimated a similar savings will occur each year through 2008; thereafter, savings will begin to decline as county revenue sharing reserve funds are depleted and state payments are resumed.
Minnesota	The entire tax bill was vetoed by the Governor. Therefore, there were no changes to local government aid.

TABLE 5 (continued)

Missouri	All of the following actions became effective July 1, 2007. The rate of reimbursement to local governments for the cost of housing state prisoners was increased from \$20 per day to \$21.25 per day at a cost of \$1.9 million. The state increased funding for county prosecutors working on child support enforcement by \$2.4 million. State aid to local libraries increased \$1.8 million. Community Colleges received an operating budget increase of \$6.1 million, and capital improvement funds of \$30 million. State aid to local schools was increased \$170.4 million.
Montana	In fiscal 2008, a change in the school funding formula increased state funding by \$10.8 million and decreased local funding by a like amount. There is a property tax rebate appropriation of \$98.7 million effective fiscal 2008.
Nebraska	Property Tax Credit Program - \$105 million, a new program in fiscal 2008; Homestead Exemption Program - \$13.3 million, 23.5 percent increase in fiscal 2008; Aid to Community Colleges - \$15.5 million, a 22.6 percent increase in fiscal 2008; Aid to K-12 Education - \$46.4 million, a 4.8 percent increase in fiscal 2008; Aid to Counties - \$1.8 million, a 1.7 percent increase in fiscal 2008; Aid to Cities - \$0.3 million, a 0.3 percent increase in fiscal 2008. Enacted fiscal 2008 changes in aid to local governments include a property tax buy-back of \$186.2 million, an increase of 21 percent.
Nevada	Change in tax abatements on US Green Building Council certified commercial buildings will cause a \$1 million gain to local governments in fiscal 2008. This represents a 0.03 percent increase.
New Jersey	Increased special municipal aid by \$58.3 million (61.6 percent) to \$153 million; this program provides assistance to municipalities facing severe fiscal conditions in recovering from fiscal distress and improving management and financial practices. Increased Trenton Capital City Aid by \$21 million (127.3 percent) to \$37.5 million; this program provides assistance to the City of Trenton. Decreased Extraordinary Aid by \$9 million (-20.9 percent) to \$34 million; this program provides aid to municipalities facing unexpected increases in costs that would otherwise lead to an unacceptably high spike in municipal tax rates. Created the 2008 Municipal Property Tax Assistance program, funded at \$32.6 million; this program provides a 2 percent increase in formula-based municipal aid for property tax relief, allocated to all 566 municipalities. Created the Consolidation Fund, newly funded at \$15 million; this program augments the existing Sharing Available Resources Efficiently (SHARE) Program to encourage consolidation and shared services among local units of government. Decreased funding for the Regional Efficiency Aid Program (REAP) by \$3 million (-27.3 percent) to \$8 million; this program was intended as an incentive and reward for local efforts to consolidate, but after five years of state payments to the same 14 towns, the fiscal 2008 reduction signals the beginning of a phase-out of this program. Increased County College Aid by \$13.8 million (6.3 percent) to \$231.4 million; this program provides aid to the County College System, including funding for operating aid, fringe benefits, and debt service funding. Increased aid to County Psychiatric Hospitals by \$13.8 million (12.8 percent) to \$122 million; this program supports patients in county psychiatric hospitals by reimbursing allowable costs incurred by the counties (Bergen, Burlington, Camden, Essex, Hudson, and Union Counties). Provides \$25 million in supplemental funding for the Garden State Preservation Trust's (GSPT) local open space preservation program; these state funds will augment locally raised funds to preserve and improve municipal, county, and nonprofit-owned open space. Provides \$10.5 million in new funding for Presidential Primary Elections; this primarily funds the local share of poll worker compensation costs as well as various election operating costs for the February 2008 Presidential Primary, including ballot printing and postage, processing, legal advertising, polling place rental and voting machine delivery. Provides \$10 million in new funding for local jurisdictions to comply with the Voter Verified Paper Audit Trail mandate; this initiative will ensure that all voting machines produce a permanent paper record of each vote cast by January 1, 2008. These funds will be used for equipment payments for voting machines that produce paper records of votes cast. Provides \$8 million in spring 2007 Flood Relief. In April 2007, a brutal storm caused widespread damage and inland coastal flooding in various counties throughout New Jersey; this funding assists public entities in meeting these extraordinary costs. Property Tax Levy Cap: Starting with fiscal 2008 budgets, municipalities, counties, and fire districts will have their tax levies limited to a 4 percent increase. The cap calculation is subject to various adjustments and exclusions, such as the value of increased assessments and other modifications. The law also allows the Local Finance Board or the voting public to grant waivers for extraordinary circumstances. Exclusions: Increases for all debt service and lease payments with county improvement authorities; increases to replace reductions in state formula aid from the previous year; increases for certain pension contributions; increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 4 percent of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program. Waivers: The local unit may request approval from the State Local Finance Board for a waiver to increase its tax levy to address extraordinary costs, which may include but not be limited to: Increases for capital lease payments; energy cost increases in excess of 4 percent; Increases in insurance costs over the pre-budget year in excess of 4 percent; offsetting the loss of a non-recurring general fund revenue or surplus; total net expenditures for new mandated services or net expenditure increases above 4 percent for the cost of those services that are mandated; any purpose related to the provision of government services that the Board deems essential to protect or promote the public health, safety, or welfare. The local unit may also request approval through a public referendum, requiring approval from 60 percent of voters. Any decision of the voters rejecting an increase to the tax levy cap shall be final and conclusive.

TABLE 5 (continued)

New York	The 2007-08 enacted state budget will have a \$1.5 billion positive impact on municipalities in local fiscal years ending in 2008, the first full-annual local fiscal year affected by changes in the enacted budget. Major program changes include the following: school aid will increase by \$1.76 billion in the 2007-08 school year; a restructured Aid and Incentives for Municipalities (AIM) program will provide \$200 million in additional aid over four years, targeted primarily to distressed cities. This additional aid will total \$63 million in the 2008 local fiscal year. The enacted budget also included a one-time \$308 million reduction in AIM funding to New York City, and sales tax enforcement initiatives are expected to generate \$29 million in additional revenue for counties in 2008. In addition, the enacted budget continues more than \$1.1 billion in fiscal relief for counties and New York City under the state's cap on local Medicaid expenditures and takeover of the Family Health Plus program. Counting this assistance, the total positive fiscal impact on local governments in 2008 is more than \$2.6 billion. Also, school districts outside of New York City will benefit from a \$1.05 billion increase in aid for the 2007-08 school year; New York City will receive a \$376 million net increase in state funding, including \$714 million in additional school aid, a one-time \$308 million reduction in general purpose aid, and a \$30 million increase in charges for income tax administration; cities, towns and villages outside of New York City will realize a \$70 million increase in state aid, largely under a four-year \$200 million initiative that will target additional aid to distressed municipalities; and counties are expected to experience a \$35 million positive impact, mostly from improved sales tax enforcement.
North Dakota	State aid to school districts was increased by \$88.6 million for the 2007-09 biennium, or 12.6 percent. The state assumed responsibility to administer the Child Support Enforcement Program, previously administered by county social services offices. The estimated biennial cost is \$7.1 million for the 2007-09 biennium, or approximately \$3.5 million for fiscal 2008.
Ohio	Expanded eligibility for homestead exemption on local property taxes to apply to all disabled and elderly property owners (over 65 years of age). Also, removed six year freeze on local government funds (revenue sharing) and replaced previous system with a system where local governments receive 5.85 percent of total state General Revenue Fund tax receipts. This new revenue-sharing agreement will take effect in January 2008. The current Budget Act removed a six year freeze on the amount of aid going to local governments and replaced the funding distribution system that had been in place prior to the freeze with a new system whereby local governments and libraries will receive 5.85 percent of total General Revenue Fund tax receipts. The intent of this change was to give greater predictability of state aid to local governments. The new system takes effect at the beginning of Calendar Year 2008. Enacted fiscal 2008 changes in aid to local governments include a property tax buy-back of \$128 million, an increase of 10.6 percent.
Oklahoma	Appropriation of \$18.8 million to the Department of Education for distribution to school districts to replace decreased ad-valorem tax revenue resulting from a state economic development initiative. A school sales tax holiday took place the first weekend of August which exempted sales of clothing and shoes of up to \$100 per item from state and local sales tax. The legislation for this sales tax holiday provided that local sales tax lost would be replaced by the state. The estimate for replacement to localities is \$6.4 million.
Oregon	Funding for mental health increased \$122 million in General Funds for the 2007-09 biennium, or 32 percent over the 2005-07 biennium. This includes investments above current program level of \$16 million in addictions and substance abuse programs, \$20 million to expand community-based mental health services, \$10 million for additional community placements and Oregon State Hospital staff, and \$21 million for state hospital. Funding for contract AAA's (senior services) was increased to 90 percent of comparable state office costs, resulting in a General Fund increase of \$3.4 million, or a 7 percent increase. Funding for community corrections increased \$11 million from 2006-07 to 2007-08, or almost 12 percent. In 2008-09 funding was provided that adjusts for actual costs of supervision and incarceration. State funding for K-12 schools was increased by \$260 million (4.3 percent) for the 2007-09 biennium. These funds are distributed through the School Improvement Fund. Each school district will identify the areas that they will be targeting with these grant funds.
Pennsylvania	Act 44 of 2007 will provide an additional \$300 million in funding for transit programs in fiscal 2008 and more in future fiscal years. The Act creates the Public Transportation Trust Fund, replacing numerous transit grant programs from several funds with a dedicated funding mechanism that will substantially increase funding for operation and improvement of public transit systems.
Rhode Island	Both general state aid programs and education aid level-funded in fiscal 2008. Local property tax levy capped at 5.25 percent in fiscal 2008 and 5 percent in fiscal 2009.
South Carolina	Mileage limitations (caps) effective in 2008 which may restrict local governments' (cities, counties, school districts) ability to raise taxes.
Tennessee	The General Assembly enacted the first year of a \$519.2 million multi-year reform of the Basic Education Program, which provides funding to local education agencies. Reform provides additional funds for instruction, increased base teacher salary, at-risk students, English language learners, non-classroom expenditures, student census growth, a change in how fiscal capacity is calculated and year-to-year stability in local education agency funding. First year cost of \$295,485,000 is a 9.4 percent increase in the Basic Education Program. The annual income eligibility limit of the property tax relief program for elderly and disabled homeowners was increased from \$21,510 to \$24,000. The increased annual cost is \$2,250,000 (12.7 percent). Property tax relief for disabled veterans was expanded to include veterans who had service-connected permanent and total disabilities. Previously, property tax relief for veterans was available only to veterans with combat-related disabilities. The increased annual cost is \$1,850,000 (10.4 percent). Enacted fiscal 2008 changes in aid to local governments include a property-tax buy-back of \$4.1 million, an increase of 23.1 percent.

TABLE 5 (continued)

Texas	In fiscal 2008 state aid of approximately \$6.6 billion will go to local school districts to replace lost local revenue due to tax compression of the property tax rate. Local school districts are required to decrease their maintenance and operations tax rate. The district's new rate must be reduced to 66.67 percent of its 2005 adopted tax rate. This new rate may only be increased by four cents, one time without voter approval. Enacted fiscal 2008 changes in state aid to local governments include a property-tax buy-down of \$8 billion, which represents a 33 percent increase. The property tax buy-down was phased in over two years with the rate decreasing from 1.5 percent to 1.0 percent.
Utah	The legislature annually provides increased appropriations to various local governments, largely for jail reimbursement and county health agencies. These standard increases amount to a few million dollars annually and take effect on July 1 of each fiscal year.
Washington	Four measures were enacted that provide additional authority for cities, counties, and public facilities districts (PFDs) to impose sales and use taxes that are credited against the 6.5 percent state sales and use tax rate: (1) E2SSB 5557 increases the rate of the rural county sales and use tax authorized for economic development purposes from 0.08 percent to 0.09 percent. This bill is estimated to decrease state revenues by \$5.1 million for the 2007-09 biennium. (2) EHB 2388 authorizes PFDs that may be created within the City of Kent and Lewis County to impose a 0.033 percent sales and use tax. The bill also allows existing PFDs within Cowlitz County and the City of Yakima, which already impose a 0.033 percent sales and use tax, to impose an additional sales and use tax (Cowlitz County – 0.020 percent; City of Yakima – 0.025 percent). This bill is estimated to decrease state revenues by \$3.6 million for the 2007-09 biennium. (3) E2SHB 1705 authorizes cities and counties to create Health Sciences and Services Authorities (HSSA) to promote bioscience-based economic development. The local jurisdiction where an HSSA is created is authorized to impose a 0.02 percent sales and use tax. This bill is estimated to decrease state revenues by \$3.0 million for the 2007-09 biennium. (4) SSB 5568 extends Yakima County's authority to impose a 2.0 percent lodging tax without allowing a deduction for any similar city lodging tax imposed. This bill is estimated to decrease state revenues by \$0.2 million for the 2007-09 biennium.
West Virginia	The State School Aid Formula's use of local regular levy base property tax revenues was reduced from 98 percent to 94 percent. Therefore, the amount of local school spending flexibility was enhanced. This change requires an additional \$15 million of state funds to the School Aid Formula. Legislation was enacted to authorize a higher maximum tax rate for the optional local Hotel/Motel Tax. The rate ceiling was raised from 3 percent to 6 percent.
Wisconsin	Increase funding by \$123.7 million for school levy tax credit (23 percent). School aid: Increase aid for special education by \$17.4 million (5.2 percent); \$13.4 million (13.6 percent) increase in funding for the Student Achievement Guarantee in Education Program (SAGE); \$9 million in a new, high-poverty aid appropriation; school levy tax credit for fiscal 2008 of \$79 million to be paid in fiscal 2009. Raise levy limit on municipal property tax levy increases to no less than 3.86 percent of base levy or the percentage change in equalized value. (Source: Legislative Fiscal Bureau summary of Conference Committee bill for fiscal 2007-2009).

State Revenue Developments

CHAPTER TWO

Overview

State revenues continued to be strong in most states, with fiscal 2007 collections of sales, personal income, and corporate income taxes meeting or surpassing budgeted estimates in forty-two states. Total revenue collections from all sources were also strong in most states in fiscal 2007, with revenue collections exceeding projections in thirty-eight states, meeting projections in four states, and coming in lower than projected in eight states. In contrast, so far in fiscal 2008, revenue collections from all sources are higher than projected in twenty states, on target with projections in sixteen states, and below projections in twelve states. In fiscal 2008, some states will face a slowing of revenue growth, and many states will deal with long-term issues such as underfunded employee pensions, accounting changes related to retiree benefits, an aging population, and deteriorating infrastructure (See Table A-7).

In fiscal 2008, states enacted net tax and fee decreases of \$115.5 million, after enacting \$2.1 billion of tax and fee decreases in fiscal 2007. States also enacted \$920.2 million of other revenue measures that enhance general fund revenue but that do not affect taxpayer liability.

Collections in Fiscal 2007

Collections of sales, personal income, and corporate income taxes exceeded budgeted amounts in forty states in fiscal 2007 and were on target in two states. Eight states missed their revenue targets for the year. Fiscal 2007 revenue collections from sales, personal income, and corporate income taxes were 5.6 percent higher than in fiscal 2006. Specifically, sales tax revenue was 3.0 percent higher, personal

income tax revenue was 7.2 percent higher, and corporate income tax revenue was 9.0 percent higher than original estimates (See Tables A-8 and A-9).

TABLE 6

Enacted State Revenue Changes, Fiscal 1979 to Fiscal 2008

<i>Fiscal Year</i>	<i>Revenue Change (Billions)</i>
2008	-\$0.1
2007	-2.1
2006	2.5
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 1987–2008 data provided by the National Association of State Budget Officers.

TABLE 7

Enacted Fiscal 2008 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		-177.9							-177.9
Arkansas	-179.9	-14.7			23.7		-26.9		-197.8
California		170.0							170.0
Colorado	-3.9							16.7	12.8
Connecticut	-14.1			81.5				4.3	71.7
Delaware				48.5				29.4	77.9
Florida	-43.0						0.2		-42.8
Georgia	-45.2	-21.5							-66.7
Hawaii	-40.0	-25.7					-11.8		-77.5
Idaho	-1.1								-1.1
Illinois									0.0
Indiana	16.7	-19.0	-7.2	44.4					34.9
Iowa		-10.0		132.5					122.5
Kansas	-6.0	-26.0	-2.0				-7.0		-41.0
Kentucky		-17.4	1.9				-4.6	-15.0	-35.1
Louisiana	-9.3	-157.0	-9.5						-175.8
Maine	-0.3	-2.1	15.7				2.0	1.1	16.7
Maryland			7.6						7.6
Massachusetts	-17.0	-45.0	-100.0						-162.0
Michigan*	611.8	744.8	335.5				-116.2		1575.9
Minnesota							41.7	19.1	60.8
Mississippi									0.0
Missouri	-86.1	-30.3							-116.4
Montana*		-36.0							-36.0
Nebraska	-5.7	-102.6					-105.0		-213.3
Nevada									0.0
New Hampshire				48.5				9.0	57.5
New Jersey	-20.0	-36.0						-7.8	-63.8
New Mexico	-21.1	-54.3	0.4				4.2		-70.8
New York		-995.0	329.0					55.0	-611.0
North Carolina		-11.0	44.7				-61.2	37.3	9.8
North Dakota	-5.1	-55.0	-7.0						-67.1
Ohio									0.0
Oklahoma	-5.4	-7.5							-12.9
Oregon		8.6	-19.5				-2.0		-12.9
Pennsylvania							-278.3		-278.3
Puerto Rico									0.0
Rhode Island		9.8	11.8				6.2	22.4	50.2
South Carolina	-132.6	-86.4							-219.0
South Dakota				14.7					14.7
Tennessee	-48.3		15.8	228.7			1.6		197.8
Texas					-1.2			34.3	33.1
Utah									0.0
Vermont								2.3	2.3
Virginia	-1.6	-14.7							-16.3
Washington	-9.1						1.5		-7.6
West Virginia*	-38.3	-10.0	-5.0				-25.7		-79.0
Wisconsin*		-11.2	-1.4	163.0					150.4
Wyoming									0.0
Total	-\$104.6	-\$1,033.1	\$610.8	\$761.8	\$22.5	\$0.0	-\$581.3	\$208.1	-\$115.5

NOTE: *See Notes to Table 7. **See Appendix Table A-10 for details on specific revenue changes.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE 7

Michigan	The corporate income tax increase includes one-time Michigan Business Tax revenue of \$219 million.
Montana	The personal income tax credit is a one-time property tax credit of \$36 million.
West Virginia	Includes both special November 2006 session and regular 2007 session changes.
Wisconsin	Source: Legislative Fiscal Bureau of Conference Committee bill for fiscal 2007-2009.

Projected Collections in Fiscal 2008

Based on enacted fiscal 2008 budgets, states expect that revenues from sales, personal income, and corporate income taxes will be 2.9 percent higher than those collected in fiscal 2007. Compared to fiscal 2007 collections, enacted fiscal 2008 budgets reflect 3.4 percent more in sales tax revenue, 3.4 percent more in personal income tax revenue, and 1.4 percent less in corporate income tax revenue (See Table A-9).

Enacted Fiscal 2008 Revenue Changes

In fiscal 2008, states enacted net tax and fee decreases of \$115.5 million. Twenty-four states adopted net tax and fee decreases, while eighteen adopted increases. The largest enacted decrease is in personal income taxes (\$1 billion). States also adopted net decreases in other taxes (\$581.3 million) and sales taxes (\$104.6 million). The largest enacted increase is in cigarette and tobacco taxes (\$761.8 million). States also enacted increases in corporate income taxes (\$610.8 million), fees (\$208.1 million), and motor fuel taxes (\$22.5 million). No changes in alcohol taxes were enacted.

The Fiscal Survey distinguishes between tax and fee changes (detailed in Table 7 and Table A-11) and revenue measures (detailed in Table A-12). Tax and fee changes are revisions in current law that affect taxpayer liability and that in some instances reflect one-time actions such as sales tax holidays. Revenue measures refer to actions that do not affect taxpayer liability, such as the deferral of a tax increase or decrease or the extension of a tax credit that occurs each year.

Sales Taxes. Twenty-two states enacted sales tax decreases while two enacted increases in their fiscal 2008 budgets. The result is a net revenue decrease of \$104.6 million. The largest enacted decrease was in Arkansas, where the sales tax on food was reduced from six percent to three percent, the sales tax on manufacturers' natural gas and electricity was reduced from 6.0 percent to 4.5 percent, and dyed

diesel fuel was exempted from the sales tax, collectively resulting in a revenue decrease of \$179.9 million. The largest enacted increase was in Michigan, where select services were added to the use tax base and the tax on dealership vehicles was reduced, resulting in a revenue increase of \$611.8 million.

Personal Income Taxes. Decreases in personal income taxes make up the largest portion of enacted changes for fiscal 2008, totaling \$1 billion. Twenty-four states enacted decreases in personal income taxes, while four enacted increases. The largest enacted decrease was in New York, where the School Tax Relief Program (STAR) was expanded and enriched, resulting in a revenue decrease of \$995 million. The program funds property tax and New York City income tax relief through personal income tax receipts. The largest enacted increase was in Michigan, where the income tax rate was increased from 3.9 percent to 4.35 percent, resulting in a revenue increase of \$744.8 million.

Corporate Income Taxes. Nine states enacted increases to their corporate income taxes and eight enacted decreases for fiscal 2008, resulting in a net increase of \$610.8 million. The largest enacted increases were in Michigan and New York. In Michigan, revenue from the new Michigan Business Tax was offset by revenue from the repealed Single Business Tax, resulting in an increase of \$335.5 million. In New York, instituting combined filing for the Corporate Franchise Tax resulted in an enacted increase of \$329 million. The largest enacted decrease was in Massachusetts, where tax credits and incentives resulted in a decrease of \$100 million.

Cigarette, Tobacco and Alcohol Taxes. States continued to raise taxes on cigarettes and other tobacco products, making this category the largest source of revenue increases in enacted fiscal 2008 budgets. Increases in eight states totaled \$761.8 million. The largest of these increases was in Tennessee, where a 42-cent increase per pack of cigarettes

(from \$0.20 to \$0.62) resulted in a revenue increase of \$228.7 million. In Wisconsin, a \$1.00 per pack increase resulted in an increase of \$152.5 million. In Iowa, the cigarette tax was increased from \$1.00 to \$1.36 per pack and the tax on all other tobacco products was increased from 22 percent to 50 percent of wholesale cost, collectively resulting in an increase of \$132.5 million. Connecticut, Delaware, New Hampshire, Indiana, and South Dakota also enacted increases to cigarette and tobacco taxes.

Motor Fuel Taxes. Two states enacted changes in motor fuel taxes resulting in a revenue increase of \$22.5 million in fiscal 2008. In Arkansas, a \$0.06 per

gallon tax on dyed diesel fuel was enacted, resulting in a revenue increase of \$23.7 million.

Other Taxes and Fees. Seventeen states enacted changes to other taxes for fiscal 2008, resulting in a net revenue decrease of \$581.3 million, and thirteen states enacted changes to fees, resulting in a net revenue increase of \$208.1 million. 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 are most often associated with motor vehicle and other types of licensing.

FIGURE 2

Enacted State Revenue Changes, Fiscal 1991 to Fiscal 2008

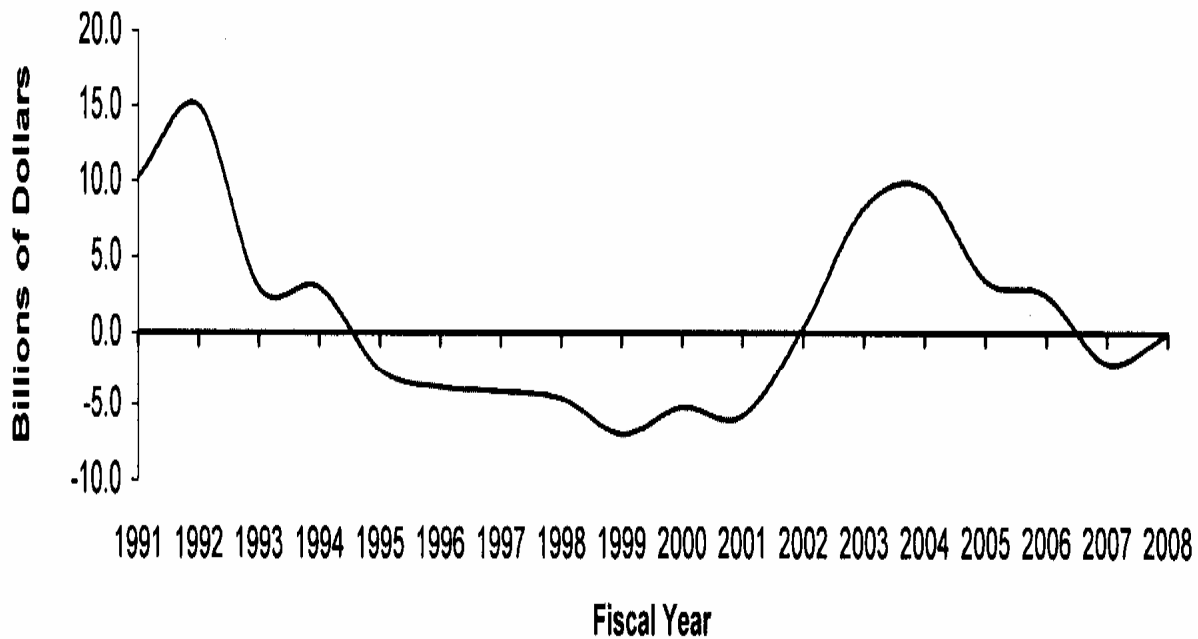


TABLE 8

Enacted Changes to Budgeting and Financial Management Practices

Region and State

NEW ENGLAND

Massachusetts	The Governor proposed several government restructurings upon taking office. The major changes include (1) establishing the Executive Office of Housing and Economic Development, bringing together at the cabinet level several inter-related departments that had previously been managed separately; (2) establishing the Executive Office of Labor and Workforce Development, elevating the former department to the cabinet level, and; (3) establishing the Executive Office of Energy and Environmental Affairs, moving existing energy-related departments and agencies to the Environmental Secretariat. These changes, made to improve policy-making and operational efficiency, as well as to promote greater accountability and performance, went into effect in April 2007. In August of 2007, the Commonwealth began a program of bonding ahead for its capital expenditures, taking advantage of the market conditions to maximize the value to the Commonwealth taxpayers.
Rhode Island	The fiscal 2008 enacted budget includes legislative guidance relating to a new Secretariat of Health and Human Services (an umbrella agency for all human service agencies), the creation of a new Department of Public Safety, and the creation of a new Department of Advocacy. The fiscal 2008 budget contained restrictive language on privatization and the use of contract employees. Administrative change: Implementation of Rhode Island Financial Accounting Network System ("RIFANS"), an Oracle-based financial management system, in fiscal 2007. Additionally, we have established more stringent accounting controls with respect to non-general revenue expenditures on both a budgetary and cash basis.

MID-ATLANTIC

Delaware	Enacted SJR 5, which tasks the Department of Finance, the Office of Management and Budget, and the Office of the Controller General with studying long-term revenue issues.
Maryland	Legislation (proposed by the Administration) established StateStat, which is a statistically-based management process. StateStat analyzes performance, financial, budgetary, and process data and utilizes bi-weekly meetings between agencies and the Governor's staff to track agency performance.
New York	Requiring the Legislature to produce a timetable for the legislative phase of the Budget process, including Joint Conference Committee meetings; Accelerating the deadline for submission of amendments to the Executive Budget from 30 days (the constitutional schedule) to 21 days; Accelerating the deadline for revenue consensus among the two houses and the Executive; Requiring the Comptroller to establish a revenue forecast if a consensus is not reached; Dictating additional detailed reporting by the Executive; Mandating, for the first time, that the Legislature enact a balanced budget and issue reports demonstrating balance before voting on the budget bills; Restricting the use of lump-sum appropriations and requiring that legislative additions be itemized; Requiring that non-federal state operations appropriations, both in the Executive Budget and as added by the Legislature, be presented in the form of separate detailed appropriations for specific categories; and establishing an earlier time frame for the beginning of the budget-making process by ensuring that the Governor, the Legislature, and the Comptroller all engage on the critical issues of estimating revenues and projecting current services disbursements almost six months before the budget must be adopted.
Pennsylvania	Act 44, signed July 18, 2007, provides for a new system of funding public transportation and provides increased funding for highways and bridges. The law replaces a patchwork of funding for public transportation with a new Public Transportation Trust Fund, which will draw resources from sales and other taxes, lottery proceeds, and the Pennsylvania Turnpike Commission. The Pennsylvania Turnpike Commission will also provide additional resources for highways and bridges. The new program will provide for an average of \$950 million in new funding per year for highways, bridges and transit over the next ten years. As a result of the recent collective bargaining agreement that covers most Commonwealth employees, employee contributions toward health benefit costs will increase from 1 percent to 3 percent of salary over the next four years – fiscal 2008 through fiscal 2011. This contribution can be reduced by one-half if an employee participates in a wellness/disease management program, known as Get Healthy. The increased contributions will also pertain to retirees who elect retiree health benefit coverage and who retired after June 30, 2007.

TABLE 8 (continued)

GREAT LAKES	
Indiana	The Office of Management and Budget (OMB) launched a thorough review of all state programs to determine their effectiveness and efficiency. This effort, dubbed the P.R.O.B.E. (Program Results: an Outcome-Based Evaluation), resulted in approximately 200 recommendations for improved government services. Several of these recommendations were incorporated into the budget and others were included in additional pieces of legislation. This marked the State of Indiana's first real effort at performance budgeting.
Michigan	Governor Granholm directed several government restructuring initiatives through Executive Reorganization Orders. All human resource functions are collapsed into a single department effective August 26, 2007, reporting to the Civil Service Commission that is housed in the Department of Management and Budget. The Department of Civil Service is abolished. Additionally, all internal audit and accounting functions are consolidated and centralized within the Office of the State Budget Director effective October 1, 2007. Various boards and commissions that have completed their work have also been abolished.
Ohio	Effective July 2007 the State of Ohio implemented a new statewide financial management system. This system is part of a larger statewide enterprise system that will include not only financial management, but also human resources, asset management, and budget planning.
PLAINS	
Nebraska	With the endorsement of the Legislature and Governor, the design, development, and testing of a new budget request and reporting system is ongoing. "Go-live" date is scheduled for April 2008.
SOUTHEAST	
Alabama	The State of Alabama implemented a performance budgeting process called SMART Governing (Specific, Measurable, Accountable, Responsive, Transparent).
Arkansas	Act 384 of 2007 provided for the split of the Department of Health and Human Services. They became the Department of Health and the Department of Human Services. Act 289 of 2007 changed the state employee pay system from a competency-based pay system to a merit-based pay system.
Florida	Constitutional Amendment in November 2006 created the Government Efficiency Task Force for the purpose of recommending improvements to governmental operations and reducing costs. Requires the Joint Legislative Budget Commission (LBC) to develop a Long-Range Financial Outlook, a three-year plan, to be updated annually, supported by information from the agencies as directed by the LBC. The LBC is to complete the Long-Range Financial Outlook by September 15 of each year.
North Carolina	Results-Based Budgeting (RBB) actual data for fiscal 2006-07 was included in the Governor's Recommended Budget for fiscal 2007-08 and fiscal 2008-09 and will continue to be an integral component of budget preparation. Funding was provided for the implementation of a new Human Resources (HR) and Payroll system to replace old antiquated systems. This system is called BEACON. The <i>Executive Budget Act</i> has been replaced by the <i>State Budget Act</i> which requires that the Governor's Recommended Budget include all Governmental and Proprietary Funds as defined by GASB. Revisions to the authorized budget are further restricted, and many other changes impact the procedures of this office.
SOUTHWEST	
New Mexico	The 2007 legislative session contained a number of agency reorganizations, including: (1) the creation of a new cabinet-level agency, the Department of Information Technology; (2) the creation of a Homeland Security and Emergency Management Department; (3) consolidation of the Labor Department with the Office of Workforce Training and Development to create a new Workforce Solutions Department; and (4) the transfer of the Behavioral Health Services Division from the Department of Health to the Human Services Department.

TABLE 8 (continued)

ROCKY MOUNTAIN	
Montana	Pay plan was allocated with both across-the-board increases and funds allocated with management discretion. Created a new long-range Building Information Technology Bill. These projects were most often included in the operating budgets in previous sessions. This new process focuses attention on the long-term investment nature of these appropriations.
Utah	The Legislature appropriated funds for a 3.5 percent Cost of Living Adjustment (COLA) for state employees, along with a similar appropriation for higher education faculty and staff. In addition, the Legislature approved ongoing discretionary funding for each department to be used by the Executive Directors to alleviate department-specific compensation problems. A performance measurement called the Balance Scorecard is being initiated with each department this year. This measurement was developed by a group of Harvard business graduates. It guides each agency in selecting their performance measurements and displays the same format. The scorecard is turned in each month to the Governor and his staff.
FAR WEST	
California	California's Governor has proposed major health care reform legislation that would change the way health care is paid for and funded in our state. There are also several competing health care reform bills in the California Legislature.
Oregon	The 2007 Legislature passed legislation to establish the Oregon Rainy Day Fund, and transferred \$319 million into the fund from the General Fund. In the future, an amount equal to 1 percent of General Fund appropriations will be transferred to the Rainy Day Fund after each biennium.

Total Balances

CHAPTER THREE

In the aftermath of the early 2000s when nearly every state was experiencing distressed fiscal conditions, states recognized how important it was to have budget reserve balances to address fiscal downturns. Though budget experts' views vary, the informal rule-of-thumb has generally been to build up budget reserve balances to a level that equals at least five percent of total expenditures to provide a relatively adequate fiscal cushion. Due in large part to strong revenue growth, most states have either met or exceeded these expectations, even as spending pressures persist. Total balances include both ending balances and the amounts in states' budget stabilization funds; they reflect the funds that states may use to respond to unforeseen circumstances after budget obligations have been met.

Based on the most recent data reported to NASBO, total balances remain high but are beginning to decline, totaling \$69 billion, or 11.5 percent of total expenditures, in fiscal 2006; \$62.7 billion, or 9.6 percent of expenditures, in fiscal 2007; and based on enacted budgets fall to \$45.8 billion, or 6.7 percent of expenditures, in fiscal 2008. The fiscal 2006 total balance level, at \$69 billion, or 11.5 percent of expenditures, represents a 30-year high, and is well above the historical average of 5.7 percent of expenditures (see Table 10 and Tables A-1, A-2, A-3, and A-13).

Prior to the fiscal downturn of the early 2000s, states were experiencing record ending balances. In fiscal

2000, for example, ending balances reached 10.4 percent of expenditures and were 9.1 percent of expenditures the following year. The downturn from 2001 to 2003 was dramatic, with total balances falling by nearly \$30 billion over a two-year period. From fiscal 2001 to fiscal 2002, total balances fell by \$25.8 billion, and went from 9.1 percent of expenditures to 3.7 percent of expenditures. By fiscal 2003, total balances had fallen to 3.2 percent of expenditures. To ameliorate the effects of the downturn and balance budgets, states relied on rainy day funds and spending cuts. Many states were also forced to enact tax increases to prevent massive shutdowns and lags in state services. During the last few years, as revenues and economic conditions have rebounded, states have built up their rainy day funds to shield against the next fiscal downturn, which states have learned is inevitable in the face of a cyclical fiscal environment. Many states have already begun drawing on their rainy day funds to address budget shortfalls caused by lower-than-anticipated revenues, and the decline of total balances in fiscal 2008 suggests this trend will continue.

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

TABLE 9

Total Year-End Balances, Fiscal 1979 to Fiscal 2008

<i>Fiscal Year</i>	<i>Total Balance (Billions)</i>	<i>Total Balance (Percentage of Expenditures)</i>
2008*	\$45.8	6.7%
2007*	62.7	9.6
2006	69.0	11.5
2005	46.6	8.4
2004	27.5	4.6
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
Average	--	5.7%

NOTE: *Figures for fiscal 2007 are preliminary actual; figures for fiscal 2008 are based on appropriated data.

SOURCE: National Association of State Budget Officers.

TABLE 10

Total Year-End Balances as a Percentage of Expenditures, Fiscal 2006 to Fiscal 2008

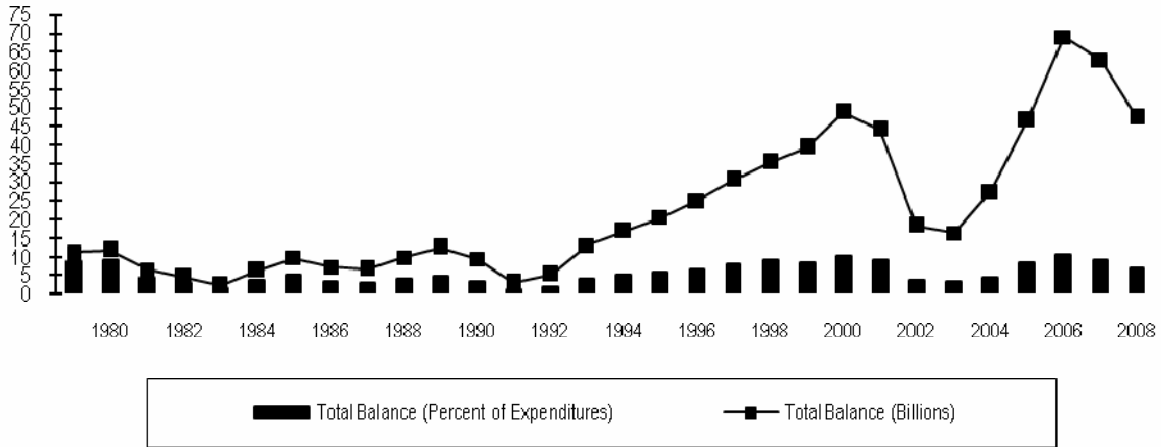
<i>Percentage</i>	<i>Number of States</i>		
	<i>Fiscal 2006 (Actual)</i>	<i>Fiscal 2007 (Preliminary Actual)</i>	<i>Fiscal 2008 (Appropriated)</i>
Less than 1.0%	3	3	3
1.0% to 4.9%	6	7	10
5.0% to 9.9%	11	9	23
10% or more	30	31	14

NOTE: The average for fiscal 2006 (actual) was 11.5 percent; the average for fiscal 2007 (preliminary actual) is 9.6 percent; and the average for fiscal 2008 (appropriated) is 6.7 percent.

SOURCE: National Association of State Budget Officers.

FIGURE 3

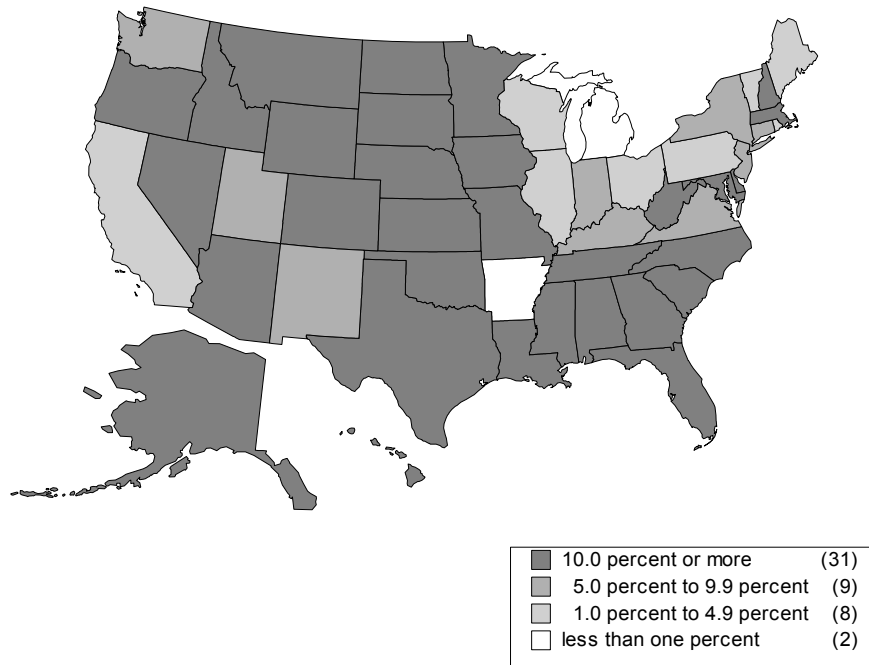
Total Year-End Balances and Total Year-End Balances as a Percentage of Expenditures, Fiscal 1979 to Fiscal 2008



SOURCE: National Association of State Budget Officers.

FIGURE 4

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



SOURCE: National Association of State Budget Officers.

Appendix

TABLE A-1

Fiscal 2006 General Fund, Actual (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Total Resources	Expenditures	Adjustments	Ending Balance	Budget Stabilization Fund
NEW ENGLAND								
Connecticut	\$ 0	\$ 14,999	\$ 0	\$ 14,999	\$ 14,552	\$ 0	\$ 447	\$ 1,113
Maine**	34	2,858	93	2,984	2,872	98	14	80
Massachusetts**	759	26,306	0	27,064	25,585	0	3,208	2,155
New Hampshire	82	1,329	0	1,411	1,334	52	26	69
Rhode Island**	39	3,141	-50	3,129	3,073	17	38	95
Vermont**	0	1,112	45	1,157	1,113	43	0	52
MID-ATLANTIC								
Delaware*	701	3,170	0	3,871	3,181	0	691	161
Maryland**	1,174	12,390	139	13,703	12,342	0	1,362	759
New Jersey**	778	28,705	329	29,812	28,033	0	1,779	560
New York**	2,546	47,206	0	49,752	46,495	0	3,257	944
Pennsylvania**	365	24,819	166	25,350	24,665	171	514	512
GREAT LAKES								
Illinois**	497	25,258	2,101	27,856	24,193	3,073	590	276
Indiana**	119	12,205	229	12,553	11,954	188	411	328
Michigan**	221	8,185	624	9,030	9,028	0	3	2
Ohio**	138	25,846	0	25,984	24,866	486	632	1,011
Wisconsin**	4	12,030	780	12,814	12,385	380	49	0
PLAINS								
Iowa**	0	5,382	0	5,382	5,021	213	149	392
Kansas**	479	5,394	0	5,873	5,139	0	734	0
Minnesota**	1,393	15,962	0	17,355	15,542	0	1,813	1,113
Missouri**	300	7,520	0	7,821	7,125	0	695	247
Nebraska**	403	3,349	-271	3,482	2,916	0	566	274
North Dakota	69	1,093	0	1,162	966	0	196	100
South Dakota**	0	1,018	38	1,057	1,056	1	0	137
SOUTHEAST								
Alabama**	730	7,108	56	7,894	6,962	-17	949	419
Arkansas	0	3,825	0	3,825	3,825	0	0	0
Florida	3,571	27,434	0	31,004	26,014	0	4,990	1,069
Georgia**	1,263	18,343	214	19,820	17,804	0	2,017	793
Kentucky**	469	8,479	346	9,294	8,436	177	681	119
Louisiana**	42	8,305	258	8,605	7,740	37	827	681
Mississippi	52	4,333	0	4,385	4,314	-35	35	73
North Carolina	479	17,874	0	18,353	17,065	538	749	629
South Carolina**	533	6,226	0	6,759	5,640	132	988	154
Tennessee**	462	9,954	-49	10,367	9,064	559	744	325
Virginia	557	16,052	0	16,609	15,232	0	1,377	1,065
West Virginia**	361	3,661	54	4,076	3,562	45	469	359
SOUTHWEST								
Arizona**	639	9,275	-99	9,815	8,768	0	1,047	650
New Mexico**	688	5,559	274	6,522	5,415	309	798	798
Oklahoma**	10	6,201	-87	6,124	5,533	457	134	496
Texas**	3,739	36,675	86	40,499	32,021	1,416	7,063	7
ROCKY MOUNTAIN								
Colorado**	237	6,965	158	7,360	6,451	0	909	0
Idaho**	214	2,431	-126	2,520	2,218	0	302	109
Montana	281	1,708	0	1,989	1,567	0	422	0
Utah**	106	4,864	-438	4,532	4,532	0	0	255
Wyoming**	5	1,247	0	1,252	1,242	0	10	446
FAR WEST								
Alaska**	0	4,470	-1,223	3,247	3,247	0	0	2,267
California*	8,981	93,427	0	102,408	91,592	0	10,816	10,071
Hawaii	486	4,925	0	5,411	4,679	0	732	54
Nevada	164	3,121	0	3,285	2,934	0	351	184
Oregon**	309	6,312	0	6,621	6,077	0	544	0
Washington**	870	13,329	121	14,320	13,621	0	699	4
Total	\$35,347	\$621,381	-	\$660,496	\$598,987	-	\$54,827	\$31,404

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

**See Notes to Table A-2.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-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 release of prior-year debt service reserve and tobacco transfers. Expenditure adjustments include reversions and reserve for general obligation debt service payment.
Alaska	Surplus appropriated for future use: \$300 million to Alaska Housing Finance Corporation for future capital projects, \$565 million Public Education Fund for fiscal 2007 expenditures, \$300 million Public Education Fund for fiscal 2008 expenditures, \$57.6 million to Public Education Fund in fiscal 2006.
Arizona	Revenue adjustments represent Ladewig lawsuit payments, in-lieu transfer, and transfer to the School Facilities Board's Building Renewal Fund.
Colorado	Revenue adjustments include transfers and diversions from the State Education Fund and the Older Coloradans Program, as well as a payback to cash funds.
Georgia	Revenue adjustments for returned agency surplus, funds collected but not available for appropriation, and restatement for inclusion of guaranteed revenue debt common reserve fund. Rainy Day Fund balance excludes \$171.2 million which has been included in the Governor's amended revenue estimate for mid-year adjustment in education funding as provided by statute (up to 1 percent of prior year's revenue).
Idaho	Revenue adjustments include the following transfers: \$92.7 million to the Budget Stabilization Fund; \$11.5 million to the Economic Recovery Reserve Fund; \$9.4 million to several deficiency warrant funds; \$5 million to the Public Education Stabilization Fund; \$4.6 million to several endowment funds; and \$3 million to the Revolving Development Fund.
Illinois	Revenue adjustments include \$2.101 billion in transfers to General Funds. Expenditure adjustments include \$2.632 billion in transfers-out, \$427 million for Pension Obligation Bond Debt Service, and \$14 million in interest for short-term borrowing.
Indiana	Revenue adjustments represent one-time revenue from tax amnesty program in excess of plan. Expenditure adjustments include tuition support deficiency, PTRC and Homestead Credit Adjustments, transfer to Medicaid contingency, transfer to tuition support reserve, local option income tax distributions, and reversal of payment delay.
Iowa	\$159.9 million was appropriated from the ending balance of the General Fund to the Property Tax Credit Fund to pay for property tax credits in fiscal 2007. \$2.8 million of the ending balance was appropriated to the Board of Regents to be spread among the universities. \$49.9 million of the ending balance was credited to the Senior Living Trust Fund.
Kansas	Kansas does not have a "Rainy Day Fund". However, the balanced budget provision of the constitution requires revenues to finance the approved budget.
Kentucky	Revenue includes \$103 million in tobacco settlement funds. Revenue adjustments include \$70.7 million that represents appropriation balances carried over from the prior fiscal year, and \$275.7 million from fund transfers into the General Fund. Expenditure adjustment represents appropriation balances forwarded to the next fiscal year.
Louisiana	Revenue adjustments include bond premium dedication of \$40.3 million, Rainy Day Fund transfer of \$153.9 million, Executive Order KBB 2005-82 transfer of \$57.6 million, and Supplemental Act 67 transfer of \$6.4 million.
Maine	Revenue and expenditure adjustments reflect legislatively-authorized transfers.
Maryland	Adjustments reflect transfers to the General Fund of \$90 million from transfer tax revenues and \$48.5 million from the local share of highway user revenues.
Massachusetts	Includes budgeted fund balances
Michigan	Revenue adjustments include federal and state law changes (\$80.9 million), revenue sharing law changes (\$543.0), and other revenue adjustments (\$0.5 million).
Minnesota	Ending balance includes budget reserve of \$653 million, Cash Flow Account of \$350 million and Tax Relief Account of \$109.7 million.
Missouri	Revenues are net of refunds. Refunds for fiscal 2006 totaled \$1.129 billion. Revenues include \$188.1 million transferred to the General Revenue Fund.
Nebraska	Revenue adjustments are transfers between the General Fund and other funds. Per Nebraska law, includes a transfer of \$261.7 million to the Cash Reserve Fund (Rainy Day Fund) of the amount by which the prior year's net General Fund receipts exceeded the official forecast.
New Jersey	Budget vs. GAAP Adjustments

NOTES TO TABLE A-1 (continued)

New Mexico	All adjustments are transfers between reserve accounts, except for \$34.9 million transferred out from the Tobacco Settlement Permanent Fund, a reserve account, to the Tobacco Settlement Program Fund, a non-reserve account.
New York	The ending balance includes \$2 billion from prior-year reserves, \$944 million in Rainy Day Reserve funds, \$251 million in a Community Projects Fund, and \$21 million in a reserve for litigation risks.
Ohio	Includes transfers out of the General Revenue Fund and a transfer to the Budget Stabilization Fund of \$394 million made after the close of the fiscal year.
Oklahoma	Revenue adjustments include a Rainy Day Fund deposit of \$34 million and the increase in the deposit into the Cash Flow Reserve Fund from fiscal 2006 to fiscal 2007.
Oregon	Oregon budgets on a biennial basis. The constitution requires the state budget to be balanced at the end of each biennium.
Pennsylvania	Revenue adjustment includes \$165.9 million prior year lapse. Expenditure adjustment reflects a transfer of \$171.4 million (25 percent of the ending balance) to the Rainy Day Fund.
Rhode Island	Revenue adjustments represent transfers to the Budget Stabilization (Rainy Day) Fund and reappropriations from the prior year. Expenditure adjustments represent reappropriations to the subsequent year.
South Carolina	Increased tax enforcement collections transferred out to other budgeted funds.
South Dakota	Revenue adjustments include \$2.1 million from one-time receipts, \$35.4 million transferred from the Property Tax Reduction Fund to cover the budget shortfall, and \$0.8 million obligated cash carried forward from fiscal 2005. Expenditure adjustments include \$0.8 million transferred to the Budget Reserve Fund from the prior year's obligated cash and \$0.3 million obligated cash to the Budget Reserve Fund.
Tennessee	Revenue adjustments include a \$65 million transfer from the Debt Service Fund unexpended appropriations, a \$49.3 million transfer to the Rainy Day Fund, and \$64.5 million reserved for dedicated revenue appropriations. Expenditure adjustments include a \$46.3 million transfer to the Transportation Equity Fund, a \$94.7 million transfer to the Capital Outlay Projects Fund, a \$273 million transfer to the TennCare reserve, a \$20.2 million transfer to systems development projects, and a \$125.4 million transfer to dedicated revenue appropriations.
Texas	Fiscal 2006 information is from the Comptroller's April 2006 Revenue Estimate. 2006 actual revenues are from the CPA's monthly revenue collections report. Revenue adjustment represents the increase in dedicated account balances. Expenditure adjustment represents a transfer made to the Rainy Day Fund.
Utah	Revenue adjustments include a \$117.7 million reserve from the prior fiscal year, \$3.6 million from agencies, \$0.8 million from various restricted accounts, \$3.5 million Industrial Assistance Fund reserve from the previous fiscal year, \$0.9 million surplus designated for debt service, \$1.4 million Industrial Assistance Fund reserve for the following fiscal year, a \$102.5 million transfer to the Rainy Day Fund, and \$460.1 million reserved for the following fiscal year.
Wisconsin	Revenue adjustments include Tribal Gaming (\$88.9 million), other (\$301.4 million), and a transfer to the General Fund (\$389.8 million). Expenditure adjustments include a transfer to the Medicaid Assistance Trust Fund (\$341.8 million), designation for continuing balances (\$43.2 million), and unreserved designated balance (\$-5.2 million).
Vermont	Revenue adjustments include \$14.9 million in direct applications and transfers-in, a \$10.3 million increase in property transfer tax revenue estimate, \$0.1 million liquidated debt service and bond premium reserve, and \$19.6 million from the General Fund Surplus Reserve. Expenditure adjustments include \$10 million from the Human Services Caseload Reserve (net), \$10 million to the Transportation Fund, \$0.7 reserve for the fiscal 2006 bond issuance premium, \$5.2 million Estate Tax to Higher Education Trust Fund, \$2.6 million to Internal Service Funds, \$7.9 million to miscellaneous other funds, \$6 million to the Budget Stabilization Reserve, and \$21.1 million to the General Fund Surplus Reserve.
Washington	\$121.4 million is the net of transfers between other accounts and the General Fund, and other miscellaneous adjustments.
West Virginia	Beginning balance includes \$243.5 million in reappropriations and an unappropriated surplus balance of \$117.3 million. Revenue adjustments include transfers from Special Revenue of \$53.5 million and prior year redeposit of \$0.1 million. Expenditures include regular appropriations of \$3.343 billion, \$90.1 million in reappropriations, \$101.5 million of surplus appropriations, and 31-day prior year expenditures of \$27.5 million. Expenditure adjustment represents the amount transferred to the Rainy Day Fund.
Wyoming	Wyoming budgets on a biennial basis. To arrive at annual figures certain assumptions and estimates were required.

TABLE A-2

Fiscal 2007 State General Fund, Preliminary Actual (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Budget Stabilization Fund
NEW ENGLAND								
Connecticut	\$ 0	\$ 15,743	\$ 0	\$ 15,743	\$ 15,473	\$ 0	\$ 270	\$ 1,382
Maine**	15	3,005	154	3,174	2,978	178	18	116
Massachusetts** *	1,053	28,616	0	29,669	28,923	0	2,901	2,339
New Hampshire**	26	1,422	0	1,448	1,366	20	62	89
Rhode Island**	38	3,241	-48	3,232	3,219	5	8	98
Vermont**	0	1,151	56	1,207	1,176	32	0	55
MID-ATLANTIC								
Delaware*	691	3,290	0	3,981	3,390	0	591	175
Maryland**	1,362	12,937	160	14,459	14,174	0	285	1,432
New Jersey** *	1,779	30,357	0	32,136	29,930	18	2,188	490
New York** *	3,257	51,379	0	54,636	51,591	0	3,045	1,031
Pennsylvania**	514	26,399	93	27,006	26,319	156	531	713
GREAT LAKES								
Illinois**	590	26,394	2,246	29,230	25,604	2,984	642	276
Indiana**	411	12,704	0	13,115	12,247	331	537	344
Michigan**	3	8,204	907	9,113	9,111	0	3	2
Ohio**	632	25,778	0	26,410	25,148	1,047	216	1,012
Wisconsin**	49	12,618	494	13,161	13,105	-11	66	56
PLAINS								
Iowa**	0	5,616	31	5,647	5,385	185	77	535
Kansas**	734	5,809	0	6,543	5,610	0	932	0
Minnesota** *	1,813	16,249	0	18,062	15,956	0	2,106	1,113
Missouri**	695	7,921	0	8,616	7,863	0	753	268
Nebraska**	566	3,404	-253	3,716	3,125	0	591	504
North Dakota	196	1,224	0	1,420	1,023	101	296	200
South Dakota**	0	1,080	12	1,092	1,091	1	0	133
SOUTHEAST								
Alabama**	949	7,599	20	8,568	7,971	-14	611	675
Arkansas	0	4,059	0	4,059	4,059	0	0	0
Florida	4,990	26,643	0	31,633	29,382	0	2,252	1,230
Georgia*	2,017	19,706	0	21,722	19,211	0	2,512	1,384
Kentucky**	681	8,682	292	9,655	8,787	289	579	232
Louisiana**	827	9,669	46	10,541	8,466	999	1,076	683
Mississippi**	35	4,790	0	4,825	4,407	-191	227	264
North Carolina	749	19,460	0	20,209	18,662	326	1,221	787
South Carolina*	988	6,659	0	7,646	6,565	0	1,081	168
Tennessee**	744	10,667	-118	11,293	10,429	138	726	543
Virginia	1,377	16,883	0	18,260	17,934	0	326	1,190
West Virginia**	469	3,753	0	4,222	3,701	89	432	515
SOUTHWEST								
Arizona**	1,047	9,558	-21	10,584	10,203	0	380	687
New Mexico** *	798	5,734	279	6,811	5,970	297	544	544
Oklahoma**	134	5,843	-89	5,887	5,552	140	196	572
Texas**	7,073	37,635	88	44,795	36,119	1,689	6,987	405
ROCKY MOUNTAIN								
Colorado	252	7,584	0	7,835	7,047	0	788	0
Idaho**	302	2,813	-283	2,831	2,577	0	255	122
Montana**	422	1,838	0	2,260	1,701	8	552	0
Utah**	308	5,051	-648	4,712	4,712	0	0	300
Wyoming**	10	1,692	0	1,702	1,697	0	5	216
FAR WEST								
Alaska**	0	4,980	486	5,466	5,466	0	0	2,727
California** *	10,816	95,541	24	106,381	101,656	386	4,339	4,066
Hawaii	732	5,142	0	5,874	5,381	0	493	61
Nevada	351	3,364	0	3,715	3,531	0	184	268
Oregon**	544	6,424	0	6,968	5,539	0	1,429	0
Washington**	699	14,376	-146	14,930	14,144	0	786	227
Total	\$51,738	\$650,682	-	\$706,200	\$654,671	-	\$44,098	\$30,228

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

**See Notes to Table A-2.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-2

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 release of prior-year debt service reserve and estimated tobacco settlement transfers. Expenditure adjustments include reversions and reserve for general obligation debt service payment.
Alaska	\$588.4 million reappropriations and carry forward minus \$102.3 million surplus to the Alaska Capital Income Fund.
Arizona	Revenue adjustments represent Ladewig lawsuit payments and a transfer from the School Facilities Board's Building Renewal Fund.
California	The revenue and expenditure adjustments are adjustments to the fiscal 2007 beginning fund balance. In 2006-07, \$471.8 million of the \$4.06 billion Rainy Day Fund balance is in a separate Budget Stabilization Account not included in the fund balance, but is included in the reserve for rainy day purposes.
Idaho	Revenue adjustments include the following transfers: \$134.7 million to the Permanent Building Fund; \$110 million to the Public Education Stabilization Fund; \$25 million to the Public Schools Facilities Cooperative Fund; \$23.9 million to the Economic Recovery Reserve Fund; \$21.3 million from the Revolving Development Fund; \$12.9 million to the Budget Stabilization Fund; \$5.9 million to several deficiency warrant funds; and \$3.1 million to the Disaster Emergency Fund. It should also be noted that the sales tax rate was raised from 5 percent to 6 percent effective October 1, 2006, generating an additional \$151.2 million in revenue during fiscal 2007.
Illinois	Revenue adjustments include \$2.246 billion in transfers to General Funds. Expenditure adjustments include \$2.544 billion in transfers-out, \$429 million for Pension Obligation Bond Debt Service, and \$11 million in interest for short-term borrowing.
Indiana	Expenditure adjustments include local option income tax distributions, reversal of payment delay, PTRF adjust for abstracts.
Iowa	Revenue adjustments include \$30.1 million for the increase in cigarette and tobacco taxes that took effect in March 2007. Expenditure adjustments include \$131.9 million appropriated from the ending balance of the General Fund to the Property Tax Credit Fund to pay for property tax credits in fiscal 2008. \$53.5 million of the ending balance is credited to the Senior Living Trust Fund.
Kansas	Kansas does not have a "Rainy Day Fund". However, the balanced budget provision of the constitution requires revenues to finance the approved budget.
Kentucky	Revenue includes \$107.8 million in tobacco settlement funds. Revenue adjustments include \$177.3 million that represents appropriation balances carried over from the prior fiscal year, and \$114.3 million from fund transfers into the General Fund. Expenditure adjustment represents appropriation balances forwarded to the next fiscal year.
Louisiana	Revenue adjustments include Act 640 of 2006 transfer of \$3 million from the Incentive Fund and \$3 million from the Mineral Resources Operating Fund; Bond Premium Dedication of \$14.3 million; and carry forward balance of \$25.2 million.
Maine	Revenue and expenditure adjustments reflect legislatively-authorized transfers. Numbers differ from last report due to additional action in the first regular session of the 123rd Legislature.
Maryland	Fiscal 2007 amounts are final, not preliminary. Adjustments reflect a \$6 million reimbursement from the reserve for Heritage Tax Credits and \$154.2 million from the local income tax reserve.
Massachusetts	Includes budgeted fund balances
Michigan	Revenue adjustments include federal and state law changes (-\$16.2 million); revenue-sharing law changes (\$544.6 million); deposits from state restricted revenues (\$137.5 million); proceeds from partial securitization of tobacco settlement revenue (\$207.2 million); lawsuit revenue (\$7.8 million); and pending revenue adjustments (\$26.0 million). Estimated ending balance is preliminary to fiscal 2007 book-closing adjustments.
Minnesota	Ending balance includes budget reserve of \$653 million, Cash Flow Account of \$350 million, and Tax Relief Account of \$109.7 million.
Mississippi	Expenditure adjustment is a \$191 million transfer to the Working Cash Stabilization Fund.
Missouri	Revenues are net of refunds. Refunds for fiscal 2007 totaled \$1.209 billion. Revenues include \$204.3 million transferred to the General Revenue Fund.
Montana	Adjustments include expenditures, revenues and direct-to-fund balance net impact.
Nebraska	Revenue adjustments are transfers between the General Fund and other funds. Per Nebraska law, includes a transfer of \$259.9 million to the Cash Reserve Fund (Rainy Day Fund) of the amount by which the prior year's net General Fund receipts exceeded the official forecast.

NOTES TO TABLE A-2 (continued)

New Hampshire	\$51.7 million transfer to the Rainy Day Fund
New Jersey	Transfers to other funds
New Mexico	All adjustments are transfers between reserve accounts, except for \$18.1 million transferred out from the Tobacco Settlement Permanent Fund, a reserve account, to the Tobacco Settlement Program Fund, a non-reserve account.
New York	The ending balance includes \$1.7 billion from prior-year reserves, \$1 billion in Rainy Day Reserve funds, \$278 million in a Community Projects Fund and \$21 million in a reserve for litigation risks.
Ohio	Includes transfers out of the General Revenue Fund and a change in encumbrances of \$714.5 million.
Oklahoma	Revenue adjustments subtract out the Rainy Day Fund deposit of \$75.9 million and the increase in the deposit into the Cash Flow Reserve Fund from fiscal 2007 to fiscal 2008.
Oregon	Oregon budgets on a biennial basis. The constitution requires the state to be balanced at the end of each biennium.
Pennsylvania	Revenue adjustments include an \$8.1 million adjustment to the beginning balance and an \$84.5 million prior year lapse. Expenditure adjustments reflect a current year lapse of \$20.9 million and a transfer of \$177 million (25 percent of the ending balance) to the Rainy Day Fund.
Rhode Island	Revenue adjustments represent transfers to the Budget Stabilization (Rainy Day) Fund and reappropriations from the prior year. Expenditure adjustment represents reappropriations to the subsequent year.
South Dakota	Revenue adjustments include \$6.55 million in one-time receipts, \$4.9 million transferred from the Property Tax Reduction Fund to cover the budget shortfall, and \$0.3 million obligated cash carried forward from fiscal 2006. Expenditure adjustments include \$0.3 million transferred to the Budget Reserve Fund from the prior year's obligated cash and \$0.2 million obligated cash transferred to the Budget Reserve Fund.
Tennessee	Revenue adjustments include a \$100 million transfer from Debt Service Fund unexpended appropriations and a \$218.2 million transfer to the Rainy Day Fund. Expenditure adjustments include a \$47 million transfer to the Transportation Equity Fund, a \$74.3 million transfer to the Capital Outlay Projects Fund, a \$2.5 million transfer to the Highway Fund, and \$14.3 million for dedicated revenue appropriations.
Texas	Fiscal 2007 information is from the Comptroller's January 2007 Biennial Revenue Estimate. Revenue adjustment represents the increase in dedicated account balances. Expenditure adjustment represents a transfer made to the Rainy Day Fund.
Utah	Revenue adjustments include \$460.1 million held in reserve from the prior fiscal year, \$3 million for the Tourism Marketing Performance Fund, a \$45.4 million transfer to the Rainy Day Fund, and \$787.3 million reserved for the following fiscal year.
Vermont	Revenue adjustments include \$25.7 million in direct appropriations and transfers-in, an \$8.3 million increase in the property transfer tax revenue estimate, and \$21.8 million from a General Fund Surplus Reserve. Expenditure adjustments include \$8 million to the Transportation Fund, an \$8.5 million refund in federal funds from Medicare Part D, a \$0.2 million reserve for fiscal 2006 bond issuance premium, \$4.5 million to the Internal Service Funds, \$5 million to miscellaneous other funds, \$3.4 million to the Budget Stabilization Reserve, \$8.5 million to the Human Services Caseload Reserve, and \$10.6 million to the General Fund Surplus Reserve.
Washington	\$145.6 million is the net of transfers between other accounts and the General Fund, and other miscellaneous adjustments.
West Virginia	Fiscal 2007 beginning balance includes \$266.4 million in reappropriations, an unappropriated surplus balance of \$177.5 million, and fiscal 2006 13th month expenditures of \$25 million. Revenue adjustments are from prior year redeposit. Expenditures include \$3.583 billion of regular and surplus appropriations, \$92.6 million of reappropriations and \$25 million of 31-day prior year expenditures. Expenditure adjustment represents the amount transferred to the Rainy Day Fund.
Wisconsin	Revenue adjustments include departmental revenue (\$339.3 million) and a transfer to the General Fund (\$154.2 million). Expenditure adjustments include a transfer to the Medicaid Assistance Trust Fund (\$25.4 million), designation for continuing balances (\$6.8 million), and designated balance (\$-43.2 million).
Wyoming	Wyoming budgets on a biennial basis. To arrive at annual figures certain assumptions and estimates were required.

TABLE A-3
Fiscal 2008 State General Fund, Appropriated (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Budget Stabilization Fund
NEW ENGLAND								
Connecticut	\$ 0	\$ 16,332	\$ 0	\$ 16,332	\$ 16,331	\$ 0	\$ 1	\$ 1,363
Maine**	18	3,106	8	3,131	3,131	0	1	116
Massachusetts** *	562	27,892	0	28,454	28,539	0	2,254	2,130
New Hampshire**	62	1,522	0	1,584	1,532	0	52	89
Rhode Island**	8	3,473	-64	3,416	3,404	0	13	104
Vermont**	0	1,170	31	1,201	1,185	16	0	59
MID-ATLANTIC								
Delaware*	591	3,390	0	3,981	3,577	0	404	183
Maryland**	285	13,305	995	14,585	14,428	0	157	694
New Jersey*	2,188	31,368	0	33,556	32,964	0	592	490
New York** *	3,045	53,672	0	56,717	53,684	0	3,033	1,206
Pennsylvania**	531	26,641	0	27,172	27,162	2	7	750
GREAT LAKES								
Illinois**	642	27,564	2,277	30,483	26,838	3,002	643	276
Indiana**	537	12,954	0	13,491	12,840	186	466	360
Michigan**	0	8,463	1,643	10,106	9,856	0	249	2
Ohio**	216	26,994	0	27,210	26,432	-157	934	1,012
Wisconsin**	66	13,101	525	13,692	13,824	-200	68	56
PLAINS								
Iowa**	0	5,760	175	5,935	5,847	44	44	592
Kansas**	932	5,557	0	6,489	6,089	19	381	0
Minnesota** *	2,106	16,608	0	18,714	17,068	0	1,646	1,036
Missouri**	753	8,070	0	8,823	8,375	0	448	278
Nebraska**	591	3,389	-260	3,721	3,306	195	220	542
North Dakota	296	1,127	0	1,423	1,204	0	219	200
South Dakota**	0	1,149	7	1,156	1,155	1	0	134
SOUTHEAST								
Alabama**	611	7,913	15	8,539	8,539	0	0	700
Arkansas	0	4,346	0	4,346	4,346	0	0	0
Florida	2,252	27,751	0	30,003	29,313	0	690	1,354
Georgia** *	2,512	20,231	0	22,742	20,231	0	2,512	1,196
Kentucky**	579	8,859	249	9,688	9,401	165	122	232
Louisiana**	1,076	8,741	-48	8,693	8,565	127	1	694
Mississippi**	227	4,921	-102	5,046	4,971	-38	38	302
North Carolina	1,221	19,756	0	20,977	20,660	0	317	787
South Carolina*	1,081	6,633	0	7,714	7,402	0	311	187
Tennessee**	726	11,266	-207	11,785	11,491	292	2	750
Virginia	326	17,321	0	17,647	17,641	0	6	1,314
West Virginia**	432	3,819	0	4,251	4,134	53	64	547
SOUTHWEST								
Arizona**	529	10,031	45	10,605	10,604	0	1	705
New Mexico** *	544	5,948	171	6,664	5,741	193	730	730
Oklahoma	196	6,401	0	6,597	5,552	0	1,045	NA
Texas**	6,987	38,148	61	45,197	41,347	1,052	2,797	1,222
ROCKY MOUNTAIN								
Colorado	267	7,817	0	8,084	7,386	0	698	0
Idaho**	255	2,808	-87	2,975	2,821	0	155	135
Montana**	552	1,773	0	2,325	2,109	0	216	0
Utah**	0	5,285	429	5,713	5,713	0	0	340
Wyoming**	5	1,691	0	1,696	1,686	0	10	217
FAR WEST								
Alaska**	0	3,548	784	4,331	4,325	6	0	3,042
California** *	4,339	101,239	0	105,578	102,258	0	3,320	4,070
Hawaii	493	5,350	0	5,843	5,566	0	277	74
Nevada	184	3,305	0	3,489	3,304	0	185	268
Oregon**	1,429	5,515	0	6,944	7,256	0	-312	331
Washington**	786	14,669	-11	15,445	14,482	0	963	227
Total	\$41,037	\$667,690	-	\$714,286	\$685,613	-	\$25,977	\$31,092

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

**See Notes to Table A-3

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-3

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 release of prior-year debt service reserve, estimated State Department of Education transfer to General Fund, and estimated tobacco settlement transfer.
Alaska	Surplus to Constitutional Budget Reserve
Arizona	Revenue adjustment represents the one-time gain from unclaimed property.
California	In 2007-08, \$1.023 billion of the \$4.069 billion Rainy Day Fund balance is in a separate Budget Stabilization Account and not included in the Fund balance, but is included in the reserve for rainy day purposes.
Georgia	Rainy Day Fund balance will not be adjusted until the end of the fiscal year and the transfer of surplus funds into the account. Appropriated Rainy Day Fund balance reflects reduction of \$188 million which will be included in the Governor's amended revenue estimate for mid-year adjustment for education as provided by statute.
Idaho	Revenue adjustments include the following transfers: \$13.8 million to the Budget Stabilization Fund; \$0.3 million to the Public School Permanent Fund for prior year unclaimed property, escheats, and interest amounts inadvertently transferred to the General Fund; \$1.5 million transfer to DEQ to fund the Community Reinvestment pilot program created during the 2006 legislative session without funding; \$0.6 million to water resources for aquifer management plan; \$0.7 million to the Bio-fuel Matching Grant Fund; \$60 million to the Economic Recovery Reserve Fund; and \$10 million to the Opportunity Scholarship Fund.
Illinois	Revenue adjustments include \$2.277 billion in transfers to General Funds. Expenditure adjustments include \$2.532 billion in transfers out and \$470 million for pension obligation bond debt service.
Indiana	Expenditure adjustments include PTRF adjustment for abstracts and reversal of payment delay.
Iowa	Revenues are as of the October 9, 2007 Revenue Estimating Conference meeting. \$44 million of the ending balance is credited to the Senior Living Trust Fund.
Kansas	Kansas does not have a "Rainy Day Fund". However, the balanced budget provision of the constitution requires revenues to finance the approved budget. Expenditures adjusted for shifts.
Kentucky	Revenue includes \$94 million in tobacco settlement funds. Revenue adjustments include \$164.6 million that represents appropriation balances carried over from the prior fiscal year and \$84.6 million from fund transfers into the General Fund. Expenditure adjustment represents appropriation balances forwarded to the next fiscal year.
Louisiana	Revenue adjustments include a \$126.8 million revenue carry-forward and a \$175 million tax and fee decrease.
Maine	Revenue and expenditure adjustments reflect legislatively-authorized transfers.
Maryland	Adjustments reflect a \$17.4 million reimbursement from the reserve for Heritage Tax Credits and transfers of \$978 million from the State Reserve Fund.
Massachusetts	Includes budgeted fund balances
Michigan	Revenue adjustments include federal and state law changes (-\$135.8 million); income tax increase (\$744.3 million); use tax for selected services (\$409.2 million); revenue sharing law changes (\$555.9 million); sale of property (\$23.9 million); deposits from state restricted revenues (\$24.8 million); and pending revenue adjustments (\$20.3 million). Estimated ending balance includes one-time Michigan Business Tax revenue of \$219.3 million.
Minnesota	Ending balance includes budget reserve of \$653 million, Cash Flow Account of \$350 million, and DHS contingency reserve of \$32.7 million.
Mississippi	Revenue adjustments include \$101.5 million 2 percent holdback and \$75 million in aid to municipalities. Expenditure adjustments include a \$37.2 million transfer to the Budget Contingency Fund and \$35.9 million in re-appropriations from after passage funds/appropriations.
Missouri	Revenues are net of refunds. Estimated refunds for fiscal 2008 total \$1.3 billion. Revenues include \$150.2 million transferred to the General Revenue Fund.
Montana	The high level of fund balance is considered a type of Rainy Day Fund. It will be used to cushion shortfalls in revenues or unexpected expenditures.

NOTES TO TABLE A-3 (continued)

Nebraska	Revenue adjustments are transfers between the General Fund and other funds. Per Nebraska law, includes a transfer of \$191.4 million to the Cash Reserve Fund (Rainy Day Fund) of the amount by which the prior year's net General Fund receipts exceeded the official forecast. Expenditure adjustments are reappropriations (\$189.8 million) of unexpended balance of appropriations from the first fiscal year of the biennium and a small amount (\$5 million) reserved for supplemental/deficit appropriations.
New Hampshire	\$20 million transfer to the Rainy Day Fund
New Mexico	All adjustments are transfers between reserve accounts, except for \$21.7 million transferred out from the Tobacco Settlement Permanent Fund, a reserve account, to the Tobacco Settlement Program Fund, a nonreserve account.
New York	The projected ending balance includes \$1.2 billion from prior year reserves, \$1.2 billion in Rainy Day Reserve funds, \$353 million in a Community Projects Fund, \$250 million in a Debt Reduction Reserve and \$21 million in a reserve for litigation risks.
Ohio	Includes transfers-out of the General Revenue Fund and anticipated Medicaid Reserve appropriations and transfers.
Oregon	Oregon budgets on a biennial basis. The constitution requires the state budget to be balanced at the end of each biennium. The revenue figure is after \$1.1 billion is returned to taxpayers per the "kicker" law, and after \$319 million is transferred to the Rainy Day Fund.
Pennsylvania	Expenditure adjustment reflects a transfer of \$2.3 million (25 percent of the ending balance) to the Rainy Day Fund.
Rhode Island	Revenue adjustments include transfers to the Budget Stabilization (Rainy Day) Fund and reappropriations from the prior year.
South Dakota	Revenue adjustments include \$6.5 million from one-time receipts. Expenditure adjustment represents \$1 million surplus obligated cash to the Budget Reserve Fund.
Tennessee	Revenue adjustment represents a \$207.1 million transfer to the Rainy Day Fund. Expenditure adjustments include a \$263.8 million transfer to the Capital Outlay Projects Fund, a \$15.1 million transfer to the Highway Fund, and a \$13 million transfer to dedicated revenue appropriations.
Texas	Fiscal 2008 beginning balance and revenues are from the Comptroller's January 2007 Biennial Revenue Estimate. Revenue adjustment is the increase to dedicated account balances. Total expenditures are preliminary 2008 appropriations from the CPA's June Certification Worksheet. Expenditure adjustment represents a transfer to the Rainy Day Fund.
Utah	Revenue adjustments include \$787.2 million held in reserve from the prior fiscal year, a \$40 million transfer to the Rainy Day Fund, and \$90 million for transportation funding revisions.
Vermont	Revenue adjustments include \$14.8 million in direct applications and transfers-in, a \$4.4 million increase in property transfer tax revenue estimate, \$1 million converted Attorney General Consumer Fund to the General Fund, and \$10.9 million from the General Fund Surplus Reserve. Expenditure adjustments include \$0.5 million to Internal Service Funds, \$7.0 million to miscellaneous other funds, \$3.4 million to the Budget Stabilization Reserve, and \$5.2 million to the General Fund Surplus Reserve.
Washington	\$(10.7) million is the net of transfers between other accounts and the General Fund, and other miscellaneous adjustments.
West Virginia	Fiscal 2008 beginning balance includes \$287.1 million in reappropriations, unappropriated surplus balance of \$53.4 million, and fiscal 2007 13th month expenditures of \$38.2 million. Expenditures include \$3.809 billion of regular and surplus appropriations, \$287.1 million of reappropriations and \$37.9 million of 31-day prior year expenditures. Total expenditures for fiscal 2008 assume all appropriations will be expended (no reappropriations to carry forward). However, historically, amounts will remain and be reappropriated to the next fiscal year. Ending balance is the amount that is available for appropriations (From fiscal 2008 revenue estimate \$43,465,272 and from surplus general revenue \$20,104,469).
Wisconsin	Revenue adjustments include tribal gaming (\$96.7 million) and departmental revenues (\$428.2 million). Expenditure adjustments include lapses (\$-262.4 million) and non-appropriated compensation reserve (\$62.8 million).
Wyoming	Wyoming budgets on a biennial basis. To arrive at annual figures certain assumptions and estimates were required.

TABLE A-4
General Fund Nominal Percentage Expenditure Change,
Fiscal 2007 and Fiscal 2008**

<i>Region/State</i>	<i>Fiscal 2007</i>	<i>Fiscal 2008</i>
NEW ENGLAND		
Connecticut	6.3	5.5
Maine	3.7	5.1
Massachusetts	13.0	-1.3
New Hampshire	2.4	12.1
Rhode Island	4.7	5.7
Vermont	5.6	0.8
MID-ATLANTIC		
Delaware	6.6	5.5
Maryland	14.9	1.8
New Jersey	6.8	10.1
New York	11.0	4.1
Pennsylvania	6.7	3.2
GREAT LAKES		
Illinois	5.8	4.8
Indiana	2.4	4.8
Michigan*	0.9	8.2
Ohio	1.1	5.1
Wisconsin	5.8	5.5
PLAINS		
Iowa	7.3	8.6
Kansas	9.2	8.5
Minnesota	2.7	7.0
Missouri	10.4	6.5
Nebraska	7.2	5.8
North Dakota	5.9	17.7
South Dakota	3.4	5.8
SOUTHEAST		
Alabama	14.5	7.1
Arkansas	6.1	7.1
Florida	12.9	-0.2
Georgia	7.9	5.3
Kentucky	4.2	7.0
Louisiana	9.4	1.2
Mississippi	2.1	12.8
North Carolina	9.4	10.7
South Carolina	16.4	12.8
Tennessee	15.1	10.2
Virginia	17.7	-1.6
West Virginia	3.9	11.7
SOUTHWEST		
Arizona	16.4	3.9
New Mexico	10.3	-3.8
Oklahoma	0.3	0.0
Texas	12.8	14.5
ROCKY MOUNTAIN		
Colorado	9.2	4.8
Idaho	16.2	9.5
Montana	8.6	24.0
Utah	4.0	21.3
Wyoming	36.6	-0.6
FAR WEST		
Alaska	68.3	-20.9
California	11.0	0.6
Hawaii	15.0	3.4
Nevada	20.4	-6.4
Oregon	-8.9	31.0
Washington	3.8	2.4
Average	9.3%	4.7%

*See Notes to Table A-4. **Fiscal 2007 reflects changes from fiscal 2006 expenditures (actual) to fiscal 2007 expenditures (preliminary actual). Fiscal 2008 reflects changes from fiscal 2007 expenditures (preliminary actual) to fiscal 2008 expenditures (appropriated).

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-4

Michigan Fiscal 2007 expenditures are artificially low and fiscal 2008 appropriations are artificially high, distorting the year-to-year comparisons. Partial fiscal 2007 payments to higher education institutions are deferred to fiscal 2008, and fiscal 2007 use of restricted revenue is replaced with General Fund revenue in fiscal 2008. Adjusting for these one-time actions results in nominal expenditure changes of 4.7 percent and 2.5 percent in fiscal 2007 and fiscal 2008, respectively.

TABLE A-5

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2007

<i>Region/State</i>	<i>Fees</i>	<i>Layoffs</i>	<i>Furloughs</i>	<i>Early Retirement</i>	<i>Across-the-Board Percentage Cuts</i>	<i>Reduce Local Aid</i>	<i>Programs Reorganized</i>	<i>Privatization</i>	<i>Rainy Day Fund</i>	<i>Other</i>
NEW ENGLAND										
Connecticut										
Maine*										X
Massachusetts*										X
New Hampshire										
Rhode Island*										X
Vermont										
MID-ATLANTIC										
Delaware										
Maryland										
New Jersey										
New York										
Pennsylvania										
GREAT LAKES										
Illinois										
Indiana										
Michigan*										
Ohio										
Wisconsin*					X					X
PLAINS										
Iowa										
Kansas										
Minnesota										
Missouri										
Nebraska										
North Dakota										
South Dakota*										
SOUTHEAST										
Alabama									X	
Arkansas										
Florida										
Georgia*										X
Kentucky										
Louisiana										
Mississippi										
North Carolina										
South Carolina										
Tennessee										
Virginia										
West Virginia										
SOUTHWEST										
Arizona*										
New Mexico										
Oklahoma										
Texas										
ROCKY MOUNTAIN										
Colorado										
Idaho										
Montana										
Utah										
Wyoming										
FAR WEST										
Alaska										
California										
Hawaii*										X
Nevada										
Oregon										
Washington										
Total	0	0	0	0	1	0	0	0	1	6

NOTE: *See Notes to Table A-5.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-5

Arizona	Fiscal 2008 budget gap of \$600 million
Georgia	The fiscal 2007 \$41,255,496 shortfall is state funds only and includes \$8.2 million for SCHIP (\$73 million in federal funds). Shortfall also includes \$14 million for DSH and \$9 million for state hospitals, and a reduction of tobacco settlement funds of \$10 million. Recognized additional revenue in the amended budget to cover the shortfall.
Hawaii	Fiscal 2007 budget gap of \$238.9 million and current fiscal 2008 budget gap of \$216.7 million. Fiscal 2007 budget gap was addressed using the carry-over balance from the prior fiscal year.
Maine	Fiscal 2008 budget gap of \$378 million. Agencies have been advised to formulate plans to cut expenditures and/or generate new revenue.
Massachusetts	Fiscal 2007 budget gap of \$450 million was addressed using projected tax revenues, which exceeded the benchmark by \$761 million.
Michigan	A combined \$1.4 billion funding gap in the state's General Fund and School Aid Fund for fiscal 2007 was resolved through a variety of measures. A balanced fiscal 2008 budget was recently enacted, with the Governor and the legislature agreeing to eliminate a combined \$1.7 billion funding gap in the state's General Fund and School Aid Fund, including nearly \$565 million in spending reductions.
Rhode Island	Fiscal 2007 budget shortfall was addressed using tobacco securitization (\$42.5 million), shifting reserve for potential arbitration to fiscal 2008 (\$15.8 million), and accessing medical benefit trend reserves (\$22.3 million). The fiscal 2008 budget will present challenges, but efforts are being made to stay within the enacted budget and there is currently no budget gap.
South Dakota	Fiscal 2007 budget gap of \$4.7 million was addressed using the Rainy Day Fund.
Wisconsin	Fiscal 2007 budget gap of \$54.3 million was addressed using 2 percent across-the-board cuts and transfers from appropriation accounts and segregated accounts.

TABLE A-6

Number of Filled Full-Time Equivalent Positions at the End of Fiscal 2006 to Fiscal 2008, in All Funds**

<i>Region/State</i>	<i>Fiscal 2006</i>	<i>Fiscal 2007</i>	<i>Fiscal 2008</i>	<i>Percent Change, 2006-2007</i>	<i>Percent Change, 2007-2008</i>	<i>Includes Higher Education Daily</i>	<i>State-Administered Welfare System</i>
NEW ENGLAND							
Connecticut	52,809	53,941	54,479	2.14%	1.00%	X	X
Maine	14,078	14,102	14,186	0.17%	0.60%		
Massachusetts	65,447	66,483	67,000	1.58%	0.78%	X	X
New Hampshire	11,840	11,955	12,050	0.97%	0.79%		X
Rhode Island*	14,759	14,541	15,202	-1.48%	4.55%	X	X
Vermont	8,158	8,272	8,370	1.40%	1.18%		X
MID-ATLANTIC							
Delaware	30,554	31,121	31,603	1.86%	1.55%	X	X
Maryland*	74,561	76,268	77,280	2.29%	1.33%	X	X
New Jersey	79,467	78,684	81,148	-0.99%	3.13%		
New York	191,400	195,500	198,400	2.14%	1.48%	X	
Pennsylvania*	84,668	83,296	83,710	-1.62%	0.50%		X
GREAT LAKES							
Illinois	56,647	55,822	58,832	-1.46%	5.39%		X
Indiana	31,836	31,022	31,246	-2.56%	0.72%		
Michigan	50,617	49,541	50,000	-2.13%	0.93%		X
Ohio	57,744	57,626	57,453	-0.20%	-0.30%		
Wisconsin*	65,174	63,193	63,193	-3.04%	0.00%	X	
PLAINS							
Iowa	42,999	43,560	45,347	1.30%	4.10%	X	X
Kansas	41,488	42,356	42,515	2.09%	0.38%	X	X
Minnesota	34,764	35,714	NA	2.73%	N/A		
Missouri	59,019	58,648	59,994	-0.63%	2.30%		X
Nebraska*	16,683	16,720	NA	0.22%	NA		X
North Dakota	7,161	7,224	8,063	0.88%	11.61%		
South Dakota	13,637	NA	14,221	NA	NA	X	
SOUTHEAST							
Alabama*	33,850	34,779	35,788	2.74%	2.90%		X
Arkansas	30,361	30,387	34,030	0.09%	11.99%		X
Florida	116,233	113,408	114,757	-2.43%	1.19%		X
Georgia	105,486	108,566	109,746	2.92%	1.09%	X	X
Kentucky	34,900	34,400	37,100	-1.43%	7.85%		
Louisiana	45,862	45,929	46,933	0.15%	2.19%		X
Mississippi*	31,231	32,206	38,244	3.12%	18.75%		X
North Carolina	NA	308,300	315,500	NA	2.34%	X	
South Carolina	61,157	61,730	61,705	0.94%	-0.04%	X	
Tennessee	46,442	46,777	46,800	0.72%	0.05%		X
Virginia	113,437	116,259	117,126	2.49%	0.75%	X	X
West Virginia*	35,097	35,301	35,300	0.58%	0.00%	X	X
SOUTHWEST							
Arizona	44,352	45,832	52,037	3.34%	13.54%	X	X
New Mexico	23,935	24,192	26,092	1.07%	7.85%		X
Oklahoma	68,382	69,859	70,000	2.16%	0.20%	X	
Texas	218,387	225,596	231,755	3.30%	2.73%	X	X
ROCKY MOUNTAIN							
Colorado	46,616	47,983	49,475	2.93%	3.11%		
Idaho	17,745	18,076	18,227	1.86%	0.84%	X	X
Montana*	13,259	13,574	13,700	2.38%	0.93%		X
Utah	20,408	21,324	21,818	4.49%	2.32%		X
Wyoming	6,596	7,127	7,127	8.05%	0.00%	X	X
FAR WEST							
Alaska	19,840	20,166	20,300	1.64%	0.66%	X	X
California	317,593	340,282	345,788	7.14%	1.62%	X	X
Hawaii*	44,202	45,027	45,909	1.87%	1.96%	X	X
Nevada	24,927	24,927	26,077	0.00%	4.61%	X	X
Oregon	47,606	47,698	49,580	0.19%	3.95%	X	X
Washington	106,641	108,693	111,431	1.92%	2.52%	X	X
Total***	2,714,972	2,763,252	2,826,915	1.78%	2.30%		

NOTES: NA indicates data are not available. *See Notes to Table A-6. **Unless otherwise noted, fiscal 2005 reflects actual figures, 2007 reflects preliminary actuals and fiscal 2008 reflects appropriated figures. ***Totals exclude states that were not able to provide data for all three years.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-6

Alabama	Fiscal 2008 number is an estimate.
Hawaii	Data reflect appropriated positions.
Maryland	Positions are estimated using authorized FTEs and a vacancy rate of 5 percent.
Mississippi	Fiscal 2006 and fiscal 2007 positions are averages.
Montana	Fiscal 2006 number includes modified positions added after the legislative session.
Nebraska	Appropriations bills do not limit authorized FTEs to a specific number.
Pennsylvania	Figures reflect total authorized salaried positions.
Rhode Island	For fiscal 2008, 14,474 FTEs were filled as of September 15, 2007. Higher education faculty excludes research positions supported by third party funds.
West Virginia	The welfare system is TANF, which is federal, but the state is responsible for operating it and we report back to the federal government.
Wisconsin	PMIS quarterly report less vacant FTE count from PP14-07 and University of Wisconsin vacant report of June 29, 2007. Does not include any vacancies that may exist in legislative (non-central payroll) agencies.

TABLE A-7**Number of States with Revenues Higher, Lower and on Target with Projections***

	<i>Fiscal 2007</i>	<i>Fiscal 2008</i>
Lower	8	12
On Target	4	16
Higher	38	20

NOTE: *Fiscal 2007 reflects whether revenues from all sources (including revenue from sales, personal income, corporate income, excise, and gaming taxes as well as all other tax a fee revenues) came in higher, lower, or on target with projections. Fiscal 2008 reflect whether Fiscal 2008 collections from all sources (including revenue from sales, personal income, corporate income, excise, and gaming taxes as well as all other tax a fee revenues) thus far have been coming in higher, lower, or on target with projections. Not all states reported data for Fiscal 2008.

SOURCE: National Association of State Budget Officers.

TABLE A-8

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

Region and State	Sales Tax		Personal Income Tax		Corporate Income Tax		Total Revenue Collection***
	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Original Estimate	Current Estimate	
NEW ENGLAND							
Connecticut	\$ 3,534	\$ 3,496	\$ 6,428	\$ 6,750	\$ 707	\$ 891	H
Maine	1,024	1,021	1,348	1,354	172	184	H
Massachusetts	4,285	4,066	10,817	11,400	2,131	2,476	H
New Hampshire	NA	NA	NA	NA	246	268	H
Rhode Island	885	874	1,056	1,066	167	157	L
Vermont	228	223	533	581	54	73	H
MID-ATLANTIC							
Delaware	NA	NA	1,062	1,022	169	127	L
Maryland	3,501	3,420	6,579	6,679	686	590	L
New Jersey	8,722	8,567	11,475	11,454	2,727	3,136	H
New York	10,252	10,050	34,218	34,580	5,303	6,468	H
Pennsylvania	8,606	8,591	9,960	10,262	2,450	2,487	H
GREAT LAKES							
Illinois	7,295	7,136	8,884	9,408	1,711	1,750	H
Indiana	5,451	5,379	4,660	4,616	768	987	H
Michigan*	6,959	6,562	6,386	6,337	1,886	1,810	L
Ohio	7,610	7,425	8,650	8,885	895	1,077	H
Wisconsin*	4,355	4,158	6,490	6,574	670	890	T
PLAINS							
Iowa	1,946	1,910	2,918	3,103	320	436	H
Kansas	2,053	2,052	2,650	2,709	420	442	H
Minnesota	4,519	4,508	7,094	7,250	1,178	1,174	H
Missouri	1,985	1,955	4,677	4,918	393	458	H
Nebraska	1,267	1,304	1,517	1,651	219	213	H
North Dakota	467	512	237	315	42	121	H
South Dakota	605	603	NA	NA	NA	NA	H
SOUTHEAST							
Alabama	2,024	2,087	2,706	2,938	423	455	H
Arkansas	2,137	2,120	2,064	2,193	314	298	H
Florida	20,113	19,435	NA	NA	2,449	2,444	L
Georgia	5,926	5,904	8,193	8,790	829	1,017	H
Kentucky	2,771	2,818	3,084	3,042	852	988	H
Louisiana	3,052	3,150	2,024	3,000	546	900	H
Mississippi	1,924	1,931	1,315	1,475	376	485	H
North Carolina	5,033	4,996	9,635	10,508	1,053	1,451	H
South Carolina	2,496	2,631	2,600	2,882	223	262	H
Tennessee*	6,805	6,810	204	249	1,531	1,749	H
Virginia	3,155	3,093	9,650	9,969	788	901	H
West Virginia*	1,050	1,035	1,363	1,414	306	368	H
SOUTHWEST							
Arizona	4,560	4,458	3,857	3,736	1,018	986	L
New Mexico*	2,146	2,301	1,067	1,150	323	425	H
Oklahoma	1,490	1,531	2,431	2,338	193	435	H
Texas	17,353	19,480	NA	NA	NA	NA	H
ROCKY MOUNTAIN							
Colorado	2,067	2,051	4,274	4,871	479	498	H
Idaho	1,085	1,085	1,274	1,274	208	208	T
Montana	14	16	713	827	97	178	H
Utah	1,835	1,807	2,270	2,415	240	415	H
Wyoming	421	480	NA	NA	NA	NA	H
FAR WEST							
Alaska	NA	NA	NA	NA	\$552	\$617	H
California	27,211	27,445	49,555	51,636	10,484	11,062	H
Hawaii	2,533	2,558	1,630	1,560	91	82	L
Nevada	1,007	1,000	NA	NA	NA	NA	L
Oregon*	NA	NA	5,182	5,597	239	406	H
Washington	7,385	7,839	NA	NA	NA	NA	H
Total	\$211,139	\$211,869	\$252,730	\$262,776	\$46,927	\$52,843	-

NOTES: NA indicates data are not available because, in most cases, these states do not have that type of tax. *See Notes to Table A-7. **Unless otherwise noted, original estimates reflect the figures used when the fiscal 2007 budget was adopted, and current estimates reflect preliminary actual tax collections. ***Refers to whether preliminary actual fiscal 2007 collections of Sales, Personal Income and Corporate Income Taxes were higher than, lower than, or on target with original estimates. 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-8

Michigan	The original fiscal 2007 budget has been modified and is based on the May 2007 consensus estimates and is net of all enacted tax changes. Tax estimates represent total tax collections. Sales tax collections are for the Michigan sales tax only and do not include collections from Michigan use tax. Michigan does not have a corporate income tax; estimates are for Michigan's Single Business Tax that is repealed effective December 2007. Fiscal 2007 revenues are on target with the May 2007 consensus revenue estimates; final revenue figures will be available when the State of Michigan Comprehensive Annual Financial report is published in December 2007.
New Mexico	Sales tax collections represent General Fund general and selective sales tax. Fiscal 2007 estimates used in adopted budget are February 2006 estimates for fiscal 2007, 18 months prior to fiscal 2007 end, adjusted for 2006 and 2007 legislation. Fiscal 2007 collections are July 2007 estimates for fiscal 2007, including unaudited collections through May.
Oregon	The 2007-08 personal income tax collections figure is before the \$1.1 billion is paid to taxpayers per the state "kicker" law.
Tennessee	Corporate income tax includes excise tax and franchise tax. Sales tax, personal income tax, and corporate excise tax are shared with local governments.
West Virginia	Estimates and actuals include transfers to special revenue accounts.
Wisconsin	Fiscal 2007 estimates are from May 2005 Legislative Fiscal Bureau memo. Preliminary actual 2007 collections are from fiscal 2007 Annual Fiscal Report, Exhibit A-1.

TABLE A-9

Comparison of Tax Collections in Fiscal 2006, Fiscal 2007, and Enacted Fiscal 2008**

Region/State	Sales Tax			Personal Income Tax			Corporate Income Tax		
	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2006	Fiscal 2007	Fiscal 2008
NEW ENGLAND									
Connecticut	\$ 3,402	\$ 3,496	\$ 3,599	\$ 6,156	\$ 6,750	\$ 7,194	\$ 788	\$ 891	\$ 870
Maine	993	1,021	1,056	1,255	1,354	1,381	188	184	186
Massachusetts	4,004	4,066	4,215	10,483	11,400	11,605	2,256	2,476	2,346
New Hampshire	NA	NA	NA	NA	NA	NA	264	268	301
Rhode Island	869	874	909	997	1,066	1,083	165	157	167
Vermont	217	223	239	542	581	577	76	73	55
MID-ATLANTIC									
Delaware	NA	NA	NA	1,015	1,022	1,055	163	127	156
Maryland	3,355	3,420	3,623	6,200	6,679	7,041	623	590	598
New Jersey	6,853	8,567	8,900	10,507	11,454	12,379	3,162	3,136	2,753
New York	10,592	10,050	10,495	30,813	34,580	36,820	5,084	6,468	6,679
Pennsylvania	8,334	8,591	8,529	9,524	10,262	10,750	2,302	2,487	2,578
GREAT LAKES									
Illinois	7,092	7,136	7,372	8,635	9,408	9,860	1,428	1,750	1,938
Indiana	5,226	5,379	5,578	4,322	4,616	4,681	925	987	924
Michigan*	6,638	6,562	6,661	6,224	6,337	6,308	1,842	1,810	2,143
Ohio	7,368	7,425	7,681	8,786	8,885	9,147	1,055	1,077	833
Wisconsin*	4,128	4,158	4,310	6,144	6,574	6,759	780	890	888
PLAINS									
Iowa	1,881	1,910	2,023	2,854	3,103	3,150	349	436	421
Kansas	2,005	2,052	2,020	2,371	2,709	2,783	350	442	373
Minnesota	4,464	4,508	4,616	6,863	7,250	7,551	1,062	1,174	1,141
Missouri	1,962	1,955	2,002	4,579	4,918	5,145	405	458	422
Nebraska	1,264	1,304	1,293	1,545	1,651	1,630	262	213	241
North Dakota	456	512	493	273	315	243	112	121	79
South Dakota	577	603	642	NA	NA	NA	NA	NA	NA
SOUTHEAST									
Alabama	2,002	2,087	2,223	2,689	2,938	3,110	484	455	647
Arkansas	2,087	2,120	2,185	2,013	2,193	2,295	350	298	306
Florida	19,378	19,435	20,367	NA	NA	NA	2,405	2,444	2,704
Georgia	5,712	5,904	6,394	8,022	8,790	8,994	863	1,017	884
Kentucky	2,750	2,818	2,890	2,919	3,042	3,235	1,002	988	868
Louisiana	3,105	3,150	3,186	2,512	3,000	2,569	769	900	805
Mississippi	1,855	1,931	2,044	1,246	1,475	1,497	412	485	475
North Carolina	4,894	4,996	5,049	9,400	10,508	10,895	1,204	1,451	1,095
South Carolina	2,545	2,631	2,600	2,608	2,882	2,927	258	262	285
Tennessee*	6,516	6,810	7,093	194	249	263	1,492	1,749	1,821
Virginia	2,813	3,093	3,255	9,309	9,969	10,515	872	901	795
West Virginia*	1,045	1,035	1,073	1,345	1,414	1,504	348	368	374
SOUTHWEST									
Arizona	4,273	4,458	4,900	3,690	3,736	3,972	874	986	940
New Mexico*	2,147	2,301	2,392	1,124	1,150	1,127	377	425	401
Oklahoma	1,455	1,531	1,599	2,380	2,338	2,162	265	435	452
Texas	18,201	19,480	20,335	NA	NA	NA	NA	NA	NA
ROCKY MOUNTAIN									
Colorado	1,957	2,051	2,196	4,376	4,871	4,899	447	498	473
Idaho	881	1,085	1,197	1,217	1,274	1,255	194	208	213
Montana	13	16	15	769	827	797	154	178	161
Utah	1,806	1,807	1,885	2,289	2,415	2,572	379	415	422
Wyoming	421	480	421	NA	NA	NA	NA	NA	NA
FAR WEST									
Alaska	NA	NA	NA	NA	NA	NA	799	\$617	\$565
California	27,581	27,445	27,787	49,901	51,636	52,243	10,316	11,062	10,717
Hawaii	2,355	2,558	2,701	1,551	1,560	1,631	130	82	138
Nevada	1,005	1,000	1,088	NA	NA	NA	NA	NA	NA
Oregon*	NA	NA	NA	5,444	5,597	6,023	438	406	489
Washington	7,310	7,839	8,040	NA	NA	NA	NA	NA	NA
Total	\$205,787	\$211,869	\$219,171	\$245,084	\$262,776	\$271,625	\$48,470	\$52,843	\$52,122

NOTES: NA indicates data are not available because, in most cases, these states do not have that type of tax. *See Notes to Table A-9. **Unless otherwise noted, fiscal 2006 figures reflect actual tax collections, 2007 figures reflect preliminary actual tax collections estimates, and fiscal 2008 figures reflect the estimates used in enacted budgets.

SOURCE: National Association of State Budget Officers.

NOTES TO TABLE A-9

Michigan	The original fiscal 2007 budget has been modified and is based on the May 2007 consensus estimates and is net of all enacted tax changes. Tax estimates represent total tax collections. Sales tax collections are for the Michigan sales tax only and do not include collections from Michigan use tax. Michigan does not have a corporate income tax; estimates are for Michigan's Single Business Tax that is repealed effective December 2007. Fiscal 2007 revenues are on target with the May 2007 consensus revenue estimates; final revenue figures will be available when the State of Michigan Comprehensive Annual Financial report is published in December 2007. Fiscal 2008 enacted budget is based on the May 2007 consensus estimates and is net of all enacted tax changes. Tax estimates represent total tax collections. Sales tax collections are for the Michigan sales tax only and do not include collections from Michigan use tax. Michigan does not have a corporate income tax; estimates are for the Michigan Business Tax that replaces Michigan's Single Business Tax effective December 2007. The fiscal 2008 revenues are on target with the May 2007 consensus revenue estimates; updated fiscal 2008 revenue figures will be released at the next regularly scheduled consensus revenue conference in January 2008.
New Mexico	Sales tax collections represent General Fund general and selective sales tax. Fiscal 2006 actual collections are audited actual collections for fiscal 2006 from July 2007 revenue estimate. Fiscal 2007 preliminary actuals are July 2007 estimates for fiscal 2007, including unaudited collections through May. Fiscal 2008 estimates used when adopting the budget are February 2007 estimates for fiscal 2008, 18 months prior to fiscal 2008 end, adjusted for 2007 legislation.
Oregon	The 2007-08 personal income tax collections figure is before the \$1.1 billion is paid to taxpayers per the state "kicker" law.
Tennessee	Corporate income tax includes excise tax and franchise tax. Sales tax, personal income tax, and corporate excise tax are shared with local governments.
West Virginia	Estimates and actuals include transfers to special revenue accounts.
Wisconsin	Fiscal 2006 actual collections are from Fiscal 2006 Annual Fiscal Report, Exhibit A-1. Fiscal 2007 estimates are from May 2005 Legislative Fiscal Bureau memo. Preliminary actual 2007 collections are from fiscal 2007 Annual Fiscal Report, Exhibit A-1. Fiscal 2008 estimates are from Table 7, Estimated Fiscal 2007-2009 General Fund Taxes, Legislative Fiscal Bureau Summary.

TABLE A-10

State Employment Compensation Changes, Fiscal 2008

Region/State	Across-the-Board (percent)	Merit (percent)	Other (percent)	Notes
NEW ENGLAND				
Connecticut	3.0	1.5		This reflects the minimum given. Some units received a 3.5 percent increase for an across-the-board increase and some received other adjustments. An eligible employee received a step increase of approximately 3 percent on average. Approximately half of the total employees are not eligible for step increases because they are already at the maximum. Those employees at the maximum received a 1.5 percent increase on average.
Maine	*	3.5 to 5 **		*\$700 one-time lump-sum payment. **Only for employees not at top of scale.
Massachusetts	3.0	3.0		Most unionized employees receive an across-the-board increase of 3 percent in July in addition to step increases. Managers receive an average merit increase of 3 percent.
Rhode Island	3.0		2.0	Three percent Cost of Living Adjustment (COLA) for fiscal 2008. "Other" represents the trend rate of growth stemming from step and longevity increases.
Vermont	2.25		2.0	2.25 percent Cost of Living Adjustment (COLA). Also, per the state employee contract, about 56 percent of employees receive annual step increases worth in aggregate about 2 percent of statewide salary costs.
MID-ATLANTIC				
Delaware		*		Merit and merit-comparable employees received a \$750 per-year salary increase.
Maryland	2.0	2.8		Merit increases depend on the length of service and range from 2 to 4 percent.
New Jersey	3.0		2 (annual increments)	Most received a 3 percent increase at the beginning of the fiscal year. There are some unions that are still continuing collective bargaining negotiations. It is expected they will settle with a 3 percent across-the-board increase. Others receive a 4 percent across-the-board increase at the beginning of the fiscal year.
New York			1.0	There are a series of step increases within each pay grade until reaching the maximum salary for the grade. Approximately 33 percent of the workforce is eligible to receive such increases (i.e., employees who have not reached the Job Rate). Other compensation changes are driven by personnel transactions, such as reallocations and reclassifications. New York State is currently without a collective bargaining agreement; most agreements expired on 4/1/07 (the agreement for United University Professionals expired on 7/1/07). On 4/1/07, there was an \$800 base increase, provided for in the last contract. There is also a total of \$3.5 million that is pro-rated to agencies with Management/Confidential (M/C) employees, allowing those agencies to give merit awards at their discretion. No M/C employee can receive more than 5 percent of his/her annual salary in the form of merit awards and the agency allocation cannot be divided equally amongst all M/C employees. The idea is to recognize outstanding performance. The awards are lump-sums and are not added to base salary.
Pennsylvania	-		2.30	Across-the-board: Most state employees received a \$1,250 lump-sum payment on 7/1/07. Other: Most state employees will receive a 2.25 percent service increment in January 2008.

TABLE A-10 (continued)

State Employment Compensation Changes, Fiscal 2008

Region/State	Across-the-Board (percent)	Merit (percent)	Other (percent)	Notes
GREAT LAKES				
Illinois				Generally, state employees supported by most bargaining unions receive an annual Cost-of-Living Adjustment (COLA) of 4 percent divided into 3 percent on July 1, and 1 percent on January 1. These employees are also given a step increase on the employee's credible service date ranging roughly between 3 percent and 6 percent. These step increases are capped after a certain number of years of service in the same title. Any increases for state employees who are considered Merit Compensation have been budgeted in the fiscal 2008 budget. Guidelines state a monthly increase is a flat-dollar amount of either \$0, \$100, \$150, or \$200 based on performance evaluation plus a one-time discretionary bonus between 0 percent and 7 percent.
Indiana	1.5	3.3		The proposed salary increases for fiscal 2008 include a 1.5 percent General Salary Adjustment (GSA) for all employees effective December 2007-January 2008. The current plan for pay-for-performance increases will reward state employees with an additional 3.25 percent increase (on average) effective April 2008. Employees who exceed expectations will receive 8.5 percent, employees who meet expectations will receive 3 percent, and employees who do not meet expectations will receive 0 percent. This plan has not yet been finalized.
Michigan	2 effective 10/1/2007 and 2 effective 4/6/2008	Not Available	Not Available	Some classified employees will receive step increases, including special compensation provisions for state police enlisted personnel effective 4/6/2008. Other employees may be eligible for promotion to a higher classification grade and pay level. Career employees receive an annual longevity payment following completion of six years of continuous full-time service. The amount of the longevity payment varies depending on the number of years of full-time service and is increased in four-year increments.
Ohio	3.5			Current collective bargaining agreement provided 3.5 percent increase for classified state employees effective July 2007. All classified employees receive step increases. There were no merit or other increases approved.
Wisconsin	TBD			Fiscal 2008 contract negotiations are currently underway.
PLAINS				
Iowa	3.0	4.5		Iowa has step increases which are not to be confused with merit-based increases. Step increases are permissive to non-contract employees but mandatory for collective bargaining-covered employees who are below the top of their pay plan. Step increases are given on the employee's review date which may fall during any pay period during the fiscal year, so adding the across-the-board and step increases together produces a misleading amount for fiscal 2008.
Kansas	2.0	-	-	Also approved were a one-time bonus of \$860, an increase in the longevity bonus from \$40 per year of service to \$50, and a 5 percent increase for employees who are more than 25 percent below market pay.
Minnesota	3.3	3.5	3.5	Two-year agreements with the two largest bargaining units have been negotiated and ratified. It is expected that all other bargaining units will receive a similar 3.25 percent across-the-board increase. Approximately 50 percent of all represented employees are not at the top of their salary range and are eligible to receive step increases (reflected in "other"). Approximately 50 percent of all unrepresented employees are not at the top of their salary range and are eligible to receive merit increases. No employees receive both step and merit increases.
Missouri	3.0		2 to 3	Direct care staff in the Departments of Social Services and Mental Health received the "other" increases in addition to the across-the-board increases. Not reflected here are increases for elected officials and judges as recommended by the Citizen's Commission on Compensation for Elected Officials. Those increases ranged from 4.1 percent to 10.6 percent.

TABLE A-10 (continued)

State Employment Compensation Changes, Fiscal 2008

<i>Region/State</i>	<i>Across-the-Board (percent)</i>	<i>Merit (percent)</i>	<i>Other (percent)</i>	<i>Notes</i>
PLAINS (cont'd)				
Nebraska	2.5 to 5.5		2.5 to 10	Across-the-board: Most employees covered by collective bargaining receive a 2.5 percent service anniversary date increase; all law enforcement employees received an average 5.5 percent increase effective 7/1/2007; non-collective bargaining management, supervisory, and staff employees received a 3 percent increase effective 7/1/2007; employees of the Judicial Branch received a 4.75 percent increase. Other: Salaries for some job classifications covered by collective bargaining will be increased from 0 percent to 7.5 percent effective 7/1/2007, with an average overall cost of 2.5 percent as a result of a wage comparability review.
North Dakota	4.0			State agency appropriations were increased to provide salary increases of 4 percent per year. Of this amount, only a minimum of \$75 per month is to be distributed across-the-board; other amounts are to be distributed on the basis of performance and equity.
South Dakota	3.5		2.5	The "other" represents the movement to job worth for employees who are under the midpoint of their job classification.
SOUTHEAST				
Alabama	3.5	5.0		Across-the-board Cost of Living Adjustment (COLA) effective 2008. Merit raises are performance-based ranging from 0 percent to 5 percent.
Arkansas	2	up to 8		The new merit system is based on performance evaluations: Minor Promotion 6 percent; Major Promotion 8 percent; Exceeds Standards 4.5 percent; Above Average 3 percent; Satisfactory 1.5 percent; Unsatisfactory 0 percent.
Mississippi	-	-	-	Variable Compensation Plan realignment component (minimum \$1,500 for state employees, minimum \$2,500 for sworn officers)
Florida				\$1,000 Bonus provided 11/1/2007 to all state employees based on full-time equivalency
Georgia	-	3.0	1.0	Also provides that 0.5 percent of total personal services budget may be used by agency for market adjustments, performance incentives, or equity adjustments. Provides that effective 1/1/2008, salary supplements for certain identified job categories are required to ensure that all incumbents hired are paid no less than 75 percent of the market as identified by the Georgia Merit System Compensation and Benefit Study.
Tennessee	3.0		1.7	Other compensation is funding appropriated to address employee salary compression.
West Virginia				3.5 percent for state employees with a minimum of 600 hours and a maximum of 1,200 hours; selected state employee classes (corrections and DHHR) \$2,004 across-the-board; minimum wage increase; statutory salary increases of \$5,000 for specific titles; 3.5 percent for public school teachers and service personnel (some teachers also received additional pay raise for "gap fill" on their salary schedule which increased pay for certain years of experience).

TABLE A-10 (continued)

State Employment Compensation Changes, Fiscal 2008

Region/State	Across-the-Board (percent)	Merit (percent)	Other (percent)	Notes
SOUTHWEST				
Arizona	3.0	0.3		The budget provides \$68.8 million for a 3 percent state employee pay increase and a 0.25 percent performance pay increase.
Oklahoma	5, annualized			A 5 percent across-the-board increase, which was instituted in October 2006 for fiscal 2007, was annualized for the first quarter of fiscal 2008.
New Mexico	5, average		additional 4 to 5 *	*Select classifications based on salary studies
Texas	2.0			An across-the-board salary increase of 2 percent for state employees with a minimum increase of \$50 per month took effect 9/1/2007. Another salary increase of 2 percent with a minimum increase of \$50 will take effect on 9/1/2008.
ROCK MOUNTAIN				
Colorado	3.3	3.0		The across-the-board salary increases were specific to occupational categories (e.g. administrative, financial, labor and trade, physical sciences, etc.). The percentage shown is the weighted average of all categories. Merit pay of 1 percent was distributed to all employees with a performance rating higher than "needs improvement"; plus, for employees that received a rating of "outstanding," a 2 percent one-time bonus was distributed. A weighted average of merit pay is not available; therefore, only the upper bound is shown.
Idaho		5.0		5 percent CEC based on merit
Montana	3.0		0.6	In addition, other increases were allocated to agencies to bring employees significantly below market up to 80 percent of market salaries.
Utah	3.5	1.5		The departments of Corrections, Public Safety, Human Services, Natural Resources, the Attorney General, and the Board of Pardons and Parole also received a market comparability increase for designated employees.
Wyoming	5.5			
FAR WEST				
Alaska		3.0	*	*\$16 for rising health insurance costs plus a 3 percent to 5 percent wage increase depending on bargaining unit agreements
California	3.4			19 of 21 bargaining units under contract for 2007-08. Attorneys and Prison Guards in negotiations. Highway Patrol and Engineers to receive increases based on salary surveys.
Hawaii			4.6	Only certain bargaining units received step increases and generally only a portion of those employees will be eligible for step increases. Note that rate is out-of-pocket.
Nevada	2.0	-	-	-
Oregon	3.0	3.2		Merit (step) increase for an individual is usually about 5 percent, but not all employees receive them.
Washington	3.2	2.5		In addition to the across-the-board increase of 3.2 percent, a new merit step was added for those employees who have been at their top step for at least one year--this is a 2.5 percent increase. Additionally, our state's salary survey was partially implemented, in that those job classes that were more than 25 percent behind market rate were brought up to 25 percent behind market. These increases ranged from 2.5 percent to 32.5 percent. Only selected job classes received this salary survey implementation.

TABLE A-11

Enacted Revenue Changes by Type of Revenue, Fiscal 2008

State	Tax Change Description	Effective Date	Fiscal 2008 Revenue Changes (\$ in Millions)
SALES TAXES			
Arkansas	Reduced sales tax on food from 6 percent to 3 percent. Reduced sales tax rate on manufacturers' natural gas and electricity from 6 percent to 4.5 percent. Exempted dyed diesel fuel from sales tax.	1/07	-179.9
Colorado	Exempted the infrastructure used in creating clean rooms in manufacturing facilities from sales and use tax .	1/08	-3.9
Connecticut	Various energy-related sales tax exemptions with the increased sales tax due to the cigarette tax increase.	7/07	-14.1
Florida	Sales Tax Holiday on clothes and school supplies	7/07	-38.0
	Exemption for electricity used indirectly on farms for agricultural production and processing	7/07	-1.5
	Impact of increased slot machine operations	7/07	-1.3
	Exemption of lease payments by bookstores to postsecondary educational institutions	7/07	-1.2
	Exemption of financial instruments related to loans to provide affordable housing from DOC Stamps and Intangible Taxes.	7/07	-1.0
Georgia	Sales tax holiday on selected clothing and computer items in August and Energy products in October	08/07 and 10/07	-12.0
	Sales tax exemption on prepared food donations to nonprofits	7/07	-2.5
	Exempt property used for alternative fuel facility from sales tax	7/07	-1.5
	Sales tax exemption for jet fuel from July 2007 to July 2010	7/07	-22.6
	Exemption for parts used in maintenance and repair of aircraft	7/07	-6.6
Hawaii	Exempted gross income received from the sale of alcohol fuel from the General Excise Tax.	7/07	-40.0
Idaho	Pollution Control Equipment exemption	7/07	-1.1
Indiana	Decreased Sales Tax Vendor Allowance (SEA 500)	7/07	16.7
Kansas	Expands exemption for repairs to certain facilities damaged by disasters; provides a new exemption for a number of not-for-profit groups; exempts the purchase of personal property or services in the post-tornado reconstruction effort in Kiowa County.		-6.0
Louisiana	Two state sales tax holidays in August and May and the acceleration of the manufacturing machinery and equipment sales tax phase-out for motor vehicle manufacturers	8/07	-9.3
Maine	Excluded certain loaner vehicles from the sales tax; imposed the sales tax on extended warranties on automobiles; exempted purchases of vehicles by Maine businesses when the purchasing corporation executes an affidavit saying that the vehicle will be immediately removed from the state on a permanent basis.		-0.3
Massachusetts	Sales tax holiday for two days in August	7/07	-17.0
Michigan	Select services added to use tax base; reduce tax on dealership vehicles	12/07	611.8

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2008

State	Tax Change Description	Effective Date	Fiscal 2008 Revenue Changes (\$ in Millions)
SALES TAXES (continued)			
Missouri	Exemptions for utilities used in manufacturing and materials used in highway construction	8/07	-86.1
Nebraska	Exempted contract labor services	10/07	-5.7
New Jersey	Excluded membership fees and dues of certain governmental and charitable clubs and organizations and certain parking services from sales and use tax.	7/07	-20.0
New Mexico	Various Gross Receipts and tax incentives		-21.1
North Dakota	Reduced tax on home heating fuels	7/07	-2.3
	Reduced sales tax on bingo products	7/07	-1.7
	Provided sales tax exemption for power plant construction	7/07	-1.1
Oklahoma	Sales tax holiday	7/07	-5.4
South Carolina	Eliminated sales tax on groceries	11/07	-130.0
	Sales tax exemption for amusement rides/venues	11/07	-2.6
Tennessee	Six percent rate on groceries reduced by 0.5 percent	1/08	-20.4
	Exempted vehicle purchases by Tennessee military personnel	7/07	-7.8
	Provided certain business credits	7/07	-5.1
	Provided one-time weekend Sales Tax Holiday between 12:01 am on 3/21/2008 and 11:59 pm on 3/23/2008	3/08	-15.0
Virginia	Sales tax holidays: emergency preparedness supplies/equipment and energy efficient appliances.	7/07	-1.6
Washington	Provided funding for the creation of a Health Sciences and Services Authority to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health. Funding is provided from a 0.02 percent sales tax that is credited against the state portion of the sales tax within the boundary of the authority.	7/07	-1.3
	Extended the sales and use tax exemption for replacement parts for farm machinery and equipment to include replacement parts for farm vehicles. Labor to install replacement parts is exempt from sales and use tax.	7/07	-2.9
	Provided a sales and use tax exemption for electronically-delivered standard financial information to financial institutions and investment management companies.	8/07	-1.2
	Allowed the city of Kent and Lewis County to create Public Facilities Districts (PFDs), which may impose a 0.033 percent sales tax that is credited against the state portion of the sales tax to fund regional centers. The bill also allows existing PFDs in Yakima and Longview to impose a 0.025 percent and 0.020 percent sales tax, respectively, credited against the state tax, for the improvement of theaters.	7/07	-1.5
	Increase the rural county sales and use tax credit for economic development from 0.08 percent to 0.09 percent for all counties that currently qualify for the credit.	8/07	-2.2
West Virginia	Sales tax rate on groceries lowered to 4 percent. Prescription drug exemption extended to purchases by health care providers. Direct use manufacturing exemption extended to pass-through purchases by contractors.	7/07	-38.3
Total Revenue Changes—Sales Taxes			-\$104.6

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2008

State	Tax Change Description	Effective Date	Fiscal 2008 Revenue Changes (\$ in Millions)
PERSONAL INCOME TAXES			
Arizona	5 percent individual income tax rate cut	fiscal 2008	-\$177.9
Arkansas	Income tax relief for low-income taxpayers	1/07	-14.7
California	Repeal of Teacher Retention Tax Credit	1/07	170.0
Georgia	Increased incentives for participation in Georgia Higher Education Savings Plan	1/07	-2.5
	Conformity with changes in the federal income tax code	1/07	-19.0
Hawaii	Provided a one-time, refundable constitutionally-mandated income tax credit.	6/07	-25.7
Indiana	Federal Revenue Code update and Section 125 Plan Tax Credit	1/07	-19.0
Iowa	Raised the state Earned Income Tax Credit from 6.5 percent to 7.0 percent of the federal credit and made the credit refundable.	1/07	-10.0
Kansas	Increased the Earned Income Tax Credit from 15 to 17 percent and exempted Social Security benefits received by Kansans with a federal adjusted gross income of \$50,000 or less from the Kansas income tax in 2007. In 2008, this exemption applies to individuals with a federal adjusted gross income of \$75,000 or less. Also increased the income tax credit for restoration and preservation of historic structures from 25 to 30 percent and provided a new tax credit of 50 percent of certain donations to state-owned historic sites or not-for-profit organizations owning and operating historic sites. Expanded eligibility for the Homestead Property Tax Refund Program and increased the maximum refund amount from \$600 to \$700. Extended the Rural Business Development Tax Credit, created an income tax credit for producing films in Kansas, and amended the Kansas Angel Investor Tax Credit Act.		-26.0
Kentucky	Update to federal tax code		-17.4
Louisiana	State income tax deduction equal to 57.5 percent of any federal deduction in excess of the standard deduction	1/07	-157.0
Maine	Amended the three-factor corporate income apportionment formula to a single factor, based upon sales, effective for tax years beginning on or after January 1, 2007.		-3.1
	Applied the so called "Market Share" approach for sourcing receipts from tangibles and the sales of services by multistate taxpayers.		0.7
	Revenue increase due to modifying the alternate use tax reporting formula by increasing the percentage of Maine adjusted gross income from 0.04 percent to 0.08 percent		1.1
	Revenue loss associated with amending MRSA Title 36 to conform to the Internal Revenue Code as of 12/31/2006. Current law is as of 12/31/2005.		-0.8
Massachusetts	Increase in personal exemption	7/07	-25.0
	New pre-tax spending for healthcare, part of Massachusetts healthcare reform legislation	7/07	-20.0
Michigan	Income Tax rate increased from 3.9 percent to 4.35 percent	10/07	744.8

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2008

<i>State</i>	<i>Tax Change Description</i>	<i>Effective Date</i>	<i>Fiscal 2008 Revenue Changes (\$ in Millions)</i>
PERSONAL INCOME TAXES (continued)			
Missouri	Exclusion of Social Security benefits from income tax for qualifying taxpayers (phased in over six years, est. at \$155 million)	8/07	-30.3
	Deduction for long-term care insurance premiums	8/07	-11.0
	Disallowance of out-of-state property tax deductions on non-resident returns	8/07	11.0
Montana	One-year credit for payment of property taxes. Does not continue in future years.	8/07	-36.0
Nebraska	Expanded brackets and increased standard deduction (eliminated "marriage penalty"); repealed state Estate Tax; increased state Earned Income Tax Credit; increased deductions for college savings plan contributions; tax credits for biodiesel production investment, extraordinary dividends, and subchapter S financial institutions	1/07	-102.6
New Jersey	Expanded eligibility to match federal Earned Income Tax Credit eligibility	1/07	-36.0
New Mexico	Armed Forces Income Tax Exemption		-12.0
	Middle Income Taxpayer Exemptions		-10.1
	Working Families Tax Credit		-29.1
	Rural Healthcare Practitioner Tax Credit		-3.4
	Various Incentives		-1.9
	Film Production Credit Applicability		2.2
New York	Expanded and enriched the School Tax Relief Program (STAR), which funds property tax and New York City income tax relief through personal income tax receipts.	1/07	-995.0
North Carolina	Firefighter/EMS Tax Deduction; Long-term Care Insurance Credit; Adoption Tax Credit		-11.0
North Dakota	Reduced the "marriage penalty" and provided property tax relief through a state income tax credit		-55.0
Oklahoma	Rate reduction	1/08	-7.5
Oregon	Federal reconnect; creation/expansion of various credits; reduction of personal exemption for higher income taxpayers.	7/07	8.6
Rhode Island	Freeze tax on capital gains held for more than five years at two-thirds federal tax rate.	7/07	9.8
South Carolina	Eliminated lower 2.5 percent tax bracket	1/07	-86.4

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2008

State	Tax Change Description	Effective Date	Fiscal 2008 Revenue Changes (\$ in Millions)
PERSONAL INCOME TAXES (continued)			
Virginia	Selective federal tax conformity. Added three pieces of federal tax legislation. Changes include tax-free distributions, long term care premiums, and tax-free distributions from IRAs to certain charities.	12/06	-1.2
	Increased filing threshold for singles from \$7,000 to \$11,250 and for married couples from \$14,000 to \$22,000; Increased personal exemption from \$900 to \$930.	1/08	-13.5
West Virginia	Family Tax Credit: eliminated tax for families with income below the federal poverty guideline levels.	1/07	-10.0
Wisconsin	Update Wisconsin tax code to reflect IRC changes	10/07	-9.8
	Increase Angel Investment tax credits	1/08	-1.4
Total Revenue Changes—Personal Income Taxes			-\$1,033.1
CORPORATE INCOME TAXES			
Indiana	Federal revenue code update	1/07	-7.2
Kansas	Some tax credits under Kansas personal income apply to corporations as well. See Enacted Personal Income Tax Revenue Changes.		-2.0
Kentucky	Real Estate Investment Trust loophole closure		16.3
	Economic development tax credits for certain large urban manufacturers		-14.3
	Clean Coal Tax Credit		-4.2
	Update to federal tax code		4.1
Louisiana	Extended tax credits for investments in Louisiana Community Development Financial Institutions; expanded the New Markets Tax Credit program in tandem with the federal program; refundable credit to milk-producing businesses based on the federal milk price; refundable credits for firms participating in the Mentor-Protégé Employment Program	Various	-9.5
Maine	Amended the three-factor corporate income apportionment formula to a single factor, based upon sales, effective for tax years beginning on or after 1/1/2007		9.7
	Applied the so called "Market Share" approach for sourcing receipts from tangibles and the sales of services by multistate taxpayers		0.5
	Captive insurance companies not subject to an insurance premiums tax in Maine are instead subject to Maine's corporate income tax rate and must be included in a combined income tax return when part of a unitary business that operates in Maine		5.5
Maryland	Disallowed dividend deduction for captive Real Estate Investment Trusts	July/2007-Tax year 2007	7.6
Massachusetts	Increase in Historic Rehabilitation Tax Credit	7/07	-30.0
	Motion picture production incentive	7/07	-60.0
	Devens Tax Credit	7/07	-10.0

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2008

<i>State</i>	<i>Tax Change Description</i>	<i>Effective Date</i>	<i>Fiscal 2008 Revenue Changes (\$ in Millions)</i>
CORPORATE INCOME TAXES (continued)			
Michigan	New Michigan Business Tax revenue offset by repealed Single Business Tax revenue. Includes one-time revenue of \$219 million and \$116 million in tax exemptions reported under "other taxes".	1/08	335.5
New Mexico	Various gross receipts		0.4
New York	Made reporting of tax shelters permanent	7/07	11.0
	Corporate Franchise Tax combined filing	1/07	328.0
	Real Estate Investment Trusts	1/07	118.0
	Grandfathered corporations	1/07	22.0
	Lowered ENI rate to 7.1 percent	1/07	-74.0
	Lowered AMT rate to 1.5 percent	1/07	-20.0
	Lowered special ENI rate for manufacturers to 6.5 percent	1/07	-5.0
	Accelerated effective date for single sales factor appointment	1/07	-50.0
	Lowered ENI rate to 7.1 percent for life insurers	1/07	-1.0
North Carolina	Corporate tax earmarking adjustments		44.7
North Dakota	Provided an income tax credit for the installation of wind energy devices		-1.5
	Provided property tax relief through a corporate income tax credit		-5.5
Oregon	Small Business Tax Credit; change in apportionment for insurance companies	7/07	-19.5
Rhode Island	Added back intangible revenue when calculating net income for taxation purposes	1/07	8.3
	Captured unpaid business corporate taxes by throwing back to Rhode Island	7/07	3.5
Tennessee	Franchise and excise tax laws amended in technical corrections bill on S-corporations and limited liability entities	7/07	15.8
West Virginia	Cut tax rate from 9.0 percent to 8.75 percent.	1/07	-5.0
Wisconsin	Increase available early stage seed investment tax credits	1/08	-1.4
Total Revenue Changes—Corporate Income Taxes			\$610.80

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2008

State	Tax Change Description	Effective Date	Fiscal 2008 Revenue Changes (\$ in Millions)
CIGARETTE AND TOBACCO TAXES			
Connecticut	Increased tax from \$1.51 to \$2.00 per pack	7/07	81.5
Delaware	Increased tax from \$0.55 to \$1.15 per pack	8/07	48.5
New Hampshire	Increased tax by 28 cents	7/07	48.5
Indiana	Increased Cigarette Tax Vendor Allowance; \$0.44 increase in cigarette tax distributed to various health initiatives	7/07	44.4
Iowa	Increased the cigarette tax from \$1.00 to \$1.36 per pack and increased the tax on other tobacco products from 22 percent to 50 percent of wholesale cost.	3/07	132.5
South Dakota	Initiated measure adopted by the voters of South Dakota which increased cigarette tax by \$1 per pack and increased other tobacco taxes from 10 percent to 35 percent of the wholesale price. Current estimates indicate \$14.7 million of additional revenue in fiscal 2008 over fiscal 2007.	1/07	14.7
Tennessee	Increased tax by 42 cents (from \$0.20 to \$0.62)	7/07	228.7
Wisconsin	Increase tax by \$1 per pack	1/08	152.5
	Convert to weight-based snuff tax rate (\$1.31 per ounce); Increase other tobacco products from 25 percent of list price to 50 percent; Cap cigar tax at \$0.50 per cigar	1/08	10.5
Total Revenue Changes—Cigarette and Tobacco Taxes			\$761.8
MOTOR FUEL TAXES			
Arkansas	\$0.06 per gallon tax on dyed diesel fuel	1/07	23.7
Texas	Tax credit/refund for diesel fuel tax paid on diesel fuel used as feedstock for certain properties.	9/07	-1.2
Total Revenue Changes—Motor Fuel Taxes			\$22.5
OTHER			
Arkansas	Increased homestead property tax credit from \$300 to \$350	Effective 2007 assessment year	-26.9
Florida	Exemption of commercial rentals from the Florida Turnpike Enterprise	7/07	-1.2
	Pari-Mutuel taxes on expanded card room operations	7/07	1.4
Hawaii	Extended the increased conveyance tax deposit to 6/30/2008	6/07	-11.8
Kansas	Phased-out the Corporation Franchise Tax over five years.		-7.0
Kentucky	Delay in implementation of electronic levy		-4.6
Maine	Established a rate schedule with a minimum handling fee of 2 cents when the basic price of milk drops below \$24 per hundredweight up to a handling fee of 36 cents per gallon when the basic price of milk is between \$15 and \$15.49 per hundredweight. The handling fee would then increase by 6 cents per gallon for every 50 cent decrease in the basic price of milk below \$15 per hundredweight.		1.7

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2008

State	Tax Change Description	Effective Date	Fiscal 2008 Revenue Changes (\$ in Millions)
OTHER (continued)			
Maine (continued)	Transferred additional revenue from the increase in tuition costs that is authorized to be paid to receiving school administrative units on behalf of secondary school tuition students in the Unorganized Territory and collected from all property owners in the Unorganized Territory in order to reimburse the General Fund.		0.3
Michigan	Insurance premiums tax increase is reduced by the effects of the Single Business Tax repeal and exemptions in State Education Tax and Industrial Facility Tax for commercial and industrial property related to the new Michigan Business Tax.	1/08	-116.2
Minnesota	Tax compliance	7/07	41.7
Nebraska	Property tax credit		-105.0
New Mexico	Gaming compact amendment approval		4.2
North Carolina	Privilege tax on software publishers; modify tax on Property Coverage Contracts; IRC conformity changes		-61.2
Oregon	Insurance taxes - change in apportionment for insurance companies; increased court fees.	7/07	-2.0
Pennsylvania	Film Production Tax Credit		-25.0
	Increased the Educational Improvement Tax Credit		-16.0
	Bank Shares Tax Goodwill deduction		-12.6
	Continued phase-out of the Capital Stock and Franchise Tax		-224.7
Rhode Island	Motor Vehicles Excise: Charge auto registration fees based on gross vehicle weight	7/07	3.6
	Various	various	2.6
Tennessee	Pre-disposal fee on tires increased from \$1.00 to \$1.35	7/07	1.6
Washington	Expressly applied the reduced B&O tax rate for timber activities to pay-as-cut sales.	7/07	-1.0
	Increased the real property homestead exemption (protects a debtor's equity in residential property) to \$125,000. Provides that the homestead exemption does not apply to debts for sales taxes that are collected by those property owners who operate retail businesses and fail to remit sales taxes to the state. The bill increases revenue because the state becomes one of the creditors authorized to receive a portion of the proceeds in certain bankruptcy proceedings.	7/07	1.5
	Designated the Insurance Commissioner's regulatory fee as a surcharge and excluded the surcharge from the calculation of the insurance premiums tax. This exclusion will result in a revenue increase to the General Fund from those companies that pay taxes on the state of incorporation basis and that are based in states with tax rates exceeding Washington's. Revenue is realized because these companies may no longer credit the surcharge against other taxes to be remitted to Washington.	7/07	1.0
West Virginia	Business Franchise Tax rate cut from 0.7 percent to 0.55 percent	1/07	-25.7
Total Revenue Changes—Other Taxes			-\$581.3

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2008

State	Tax Change Description	Effective Date	Fiscal 2008 Revenue Changes (\$ in Millions)
FEES			
Colorado	Increased existing solid waste disposal and waste tire fees to fund recycling incentives and waste management programs in the Department of Public Health and Environment and the Department of Local Affairs. The Judicial Stabilization Cash Fund will generate \$4 million in new fee revenue in fiscal 2007-2008. Increased court fines on certain misdemeanors and felonies in order to increase the Crime Victim Compensation. Added an additional \$25 fee for the issuance of certain special license plates and increased various drivers' license and other fees in order to help operate several additional license offices.	1/08	16.7
Connecticut	Raised the Department of Public Safety's Division of Fire, Emergency, and Building Services fees	7/07	1.1
	Increased various nursing fees	7/07	2.8
	Other	7/07	0.4
Delaware	Increased vehicle registration fees for passenger vehicles from \$20 per year to \$30 per year. All other vehicle types increased 50 percent as well. This revenue is dedicated to the Transportation Trust Fund.	8/07	15.5
	Increased vehicle document fee by 0.5 percent in fiscal 2008 and 0.5 percent in fiscal 2009. These increases will raise the rate from 2.75 percent to 3.75 percent over two years. This revenue is dedicated to the Transportation Trust Fund.	8/07	8.7
	Increased title fee from \$15.00 to \$25.00. This revenue is dedicated to the Transportation Trust Fund.	8/07	2.2
	Increased Drivers' License fee from \$12.50 to \$25.00. This revenue is dedicated to the Transportation Trust Fund.	8/07	1.5
	Added surcharge to existing traffic violations of 50 percent. This revenue is dedicated to the Transportation Trust Fund.	8/07	1.5
Kentucky	Extension of motor vehicle temporary tags		-15.0
Maine	Authorized rulemaking to increase fees collected by the Office of Substance Abuse related to the Driver Education and Evaluation Program.		0.7
	The State Court Administrator shall increase general civil filing fees from \$120 to \$150, resulting in an increase in General Fund revenue of \$420,000 annually.		0.4
Minnesota	Public Utilities Commission assessment increased to cover additional staff	7/07	1.1
	Human Services Department state operated services mental health initiatives	1/08	2.3
	Health Department, State Government Special Revenue Fund, newborn screening fees	7/07	3.3
	Department of Employment and Economic Development, Workforce Development Fund, workforce development fee	7/07	2.9
	Department of Labor & Industry, Special Revenue Fund, residential contractors recovery fund fee increases	7/07	1.0
	Department of Labor & Industry, State Government Special Revenue Fund, electrical inspection and licensing fees	7/07	3.0
	Public Safety Department, Special Revenue Fund, increased license plate fees	7/07	1.1

TABLE A-11 (continued)

Enacted Revenue Changes by Type of Revenue, Fiscal 2008

<i>State</i>	<i>Tax Change Description</i>	<i>Effective Date</i>	<i>Fiscal 2008 Revenue Changes (\$ in Millions)</i>
FEES (continued)			
Minnesota (cont'd)	Public Safety Department, Special Revenue Fund, increased drivers' license fees	7/07	1.3
	Secretary of State, Special Revenue Fund, temporary technology surcharge	7/07	1.1
	Commerce Department, Special Revenue Fund, assess public utilities to cover research and development costs for energy conservation improvement	7/07	2.0
New Hampshire	Motor vehicle registrations	7/07	
New Jersey	Sunset provision on outdoor advertising fees	7/07	-7.8
New York	Increased covered lives assessment	4/07	75.0
	Reduced Provider Tax Assessment (PTA) from 6 percent to 5.5 percent	4/07	-20.0
North Carolina	Health and Human Services regulation fees, Judicial fees		37.3
Rhode Island	Transfer reserves from insurers	7/07	15.2
	Increase various health fees	7/07	4.1
	Charge provider tax for doctors, surgical, and imaging centers	7/07	4.0
	License mortgage originators	12/07	1.3
	Increase Building Contractors' Registration Board Fee	7/07	1.0
	Decrease state's share of emissions testing fee	7/07	-3.2
Texas	\$5 fee on customers of sexually-oriented businesses. Also, various regulatory agencies were authorized to raise fees as needed to cover operating costs	9/07	34.3
Vermont	To Special Funds:		
	Secretary of State Professional Regulation		0.1
	Health Care Provider Assessments - Nursing Homes		1.0
	Health Department- various health protection programs		0.3
	Disabilities, Aging and Independent Living (Vocational Rehab assessments)		0.1
	Vermont ATV Sportsman Association		0.1
	Environmental Conservation, various permits		0.4
	Various other		0.1
	To Fish and Wildlife Fund: Mainly Licenses		0.2
Total Revenue Changes—Fees			\$208.1

SOURCE: National Association of State Budget Officers.

TABLE A-12

Enacted Revenue Measures, Fiscal 2008

State	Description	Effective Date	Fiscal 2008 Recommended Changes (\$in Millions)
Alabama	Transfer of tobacco funds to General Fund	10/07	\$10.2
California	Enforcement efforts- Sales Tax	7/07	21.0
	Enhancement efforts- Personal Income Tax	7/07	92.0
	Enhancement efforts- Corporate Income Tax	7/07	18.0
	Enhancement efforts- Alcoholic Beverage Tax	7/07	1.0
Colorado	Established the Clean Energy Fund for the purpose of enhancing energy efficiency and promoting renewable energy throughout the state. The fund will receive the portion of limited gaming revenue that previously accrued to the General Fund.	1/08	-3.4
Connecticut	Increased staff at the Department of Revenue Services to audit cash businesses	7/07	5.0
	Established business/employment audit unit at the Department of Revenue Services (DRS)	7/07	7.0
	Established the Refund Integrity Program at DRS	7/07	3.5
Florida	Manufactured housing taxed as mobile home if on mobile home lot	7/07	2.5
	LLCs filing annual reports subject to the supplemental corporate filing fee	7/07	37.0
	Redirection of Doc Stamps to General Revenue	7/07	105.0
Illinois	Increased audit compliance and staff to identify under-reported sales tax revenues	7/07	5.0
	Increased audit compliance and staff to identify under-reported individual income tax revenues	7/07	27.0
Iowa	Legislature passed a tax amnesty program starting September 2007 through October 2007. This will impact various tax sources.	9/07	16.0
Maine	Delays Education Attainment Tax Credit- Individual Income Tax		0.5
	Appropriation for taxation positions to enhance revenue collections- Individual Income Tax		1.1
	Provides funding for increased legal services provided by the Office of the Attorney General to Maine Revenue Services for out-of-state judgment work, injunctions and lien enforcement resulting in additional General Fund undedicated revenue collections.		0.5
	Establishes two Tax Examiner positions to increase collections of delinquent individual income tax and delinquent sales tax and income tax withholding.		1.0
	Provides one-time personal services appropriations to initiate an overtime project to enhance discovery and revenue collections.		1.8
	Delays Education Attainment Tax Credit- Corporate Income Tax		1.1
	Appropriation for Taxation positions to enhance revenue collections- Corporate Income Tax		0.3
	Establishes a Revenue Agent/Senior Revenue Agent position to assist in the audit of estate tax returns, as well as expand the audit function of fiduciary income tax returns and to review related tax issues associated with decedents and beneficiaries resulting in increased General Fund revenue collections.		0.3
	Change in process of accounting for the costs of fuel tax administration will result in the Highway Fund no longer transferring funds to General Fund undedicated revenue.		-0.7
	Increased child support enforcement will generate undedicated revenue to the General Fund.		0.5
	Repeals transfer to the Fund for Efficient Delivery of Educational Services		14.9
	Transfers first \$5 million that would have been transferred to the HOME Fund to the General Fund in fiscal 2008 and fiscal 2009.		5.0
	Delays the increase from 5.1 percent to 5.2 percent in State-Municipal Revenue Sharing		2.6

TABLE A-12 (continued)

Enacted Revenue Measures, Fiscal 2008

State	Description	Effective Date	Fiscal 2008 Recommended Changes (\$in Millions)
Maine (cont'd)	Amends the three-factor corporate income apportionment formula to a single factor, based upon sales, effective for tax years beginning on or after January 1, 2007.		-0.3
	Amounts transferred to the Fund for Efficient Delivery of Local and Regional Services in excess of \$500,000 in any fiscal year must be transferred to General Fund undedicated revenue.		2.2
	Changes target prices for Milk Subsidy Program, decreasing General Fund revenue transferred to the Maine Milk Pool.		2.5
	Captive insurance companies not subject to an insurance premiums tax in Maine are instead subject to Maine's corporate income tax rate and must be included in a combined income tax return when part of a unitary business that operates in Maine.		-0.3
Montana	Revise tax laws to authorize department of revenue to collect out-of-state debt (\$1.255 million); Withholding for natural resource royalty payments		2.8
Nebraska	Repeal business Child Care Credit never allowed to go into effect	1/07	1.2
New Jersey	Non-pledged dedicated cigarette taxes	7/07	82.5
	Debt collection	7/07	47.0
New York	Extended reporting of personal income tax shelters	7/07	6.0
	Extended enforcement provisions	10/07	15.0
North Carolina	Maintain state sales and use tax rate at 4.25 percent	7/07	-
Ohio	Changes to how state is charged for purchases of motor vehicles by purchasers that are not residents of the state	7/07	25.0
	Eliminated tax exemption on transporting tobacco products purchased outside the state	7/07	26.0
Oregon	Audit and compliance efforts- Personal Income Tax		9.3
	Audit and compliance efforts- Corporate Income Tax		4.5
Rhode Island	Phase-in Affordable Energy Fee- Credit against sales tax	1/09	2.0
	Buy Back Historic Structures Tax Credits	7/07	8.6
	Public utilities gross receipts: phase-in affordable energy fee	1/09	13.8
	Unclaimed Property: transfer compliance to taxation	7/07	1.3
	Insurance: Buy Back Historic Structures Tax Credits	7/07	1.1
	Reinstitute Hospital Licensing Fee and implement base-year change	7/07	78.0
	Sale of various state property	7/07	28.2
	Accelerate hospital settlement payments	7/07	14.1
	Move GIS surcharge and transfer balance to general revenues	7/07	2.2
	Rebates from banking arrangement	7/07	1.0
	Sale of Tobacco Settlement Residual Bonds	7/07	124.0
West Virginia	Various other revenue measures	various	7.6
	Sales tax: One-time gain from the end of an accelerated due date of June 20th for taxpayers with average tax liability in excess of \$100,000 per month.	6/07	15.0
	Personal Income tax: One-time gain from the end of an accelerated due date of June 20th for taxpayers with average tax liability in excess of \$100,000 per month.	6/07	15.0
Wisconsin	Create alternate fuels tax credit equal to 25 percent of amount paid to install pumps		-0.2
	Create a tax shelter program requiring reporting of tax shelters and a voluntary compliance program to allow taxpayers to file amended returns and paying previously underreported tax liabilities		9.4
Total			\$920.2

SOURCE: National Association of State Budget Officers.

TABLE A-13

Total Balances and Balances as a Percentage of Expenditures, Fiscal 2006 to Fiscal 2008*

Region/State	Total Balance (\$ in Millions)**			Balances as a Percent of Expenditures		
	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2006	Fiscal 2007	Fiscal 2008
NEW ENGLAND						
Connecticut	\$ 1,113	\$ 1,382	\$ 1,363	7.6%	8.9%	8.3%
Maine	94	133	116	3.3%	4.5%	3.7%
Massachusetts	3,208	2,901	2,254	12.5%	10.0%	7.9%
New Hampshire	95	151	141	7.1%	11.0%	9.2%
Rhode Island	134	106	117	4.4%	3.3%	3.4%
Vermont	52	55	59	4.7%	4.7%	4.9%
MID-ATLANTIC						
Delaware	\$ 691	\$ 591	\$ 404	21.7%	17.4%	11.3%
Maryland	2,121	1,717	851	17.2%	12.1%	5.9%
New Jersey	1,779	2,188	592	6.3%	7.3%	1.8%
New York	3,257	3,045	3,033	7.0%	5.9%	5.6%
Pennsylvania	1,026	1,244	757	4.2%	4.7%	2.8%
GREAT LAKES						
Illinois	\$ 866	\$ 918	\$ 919	3.6%	3.6%	3.4%
Indiana	739	881	826	6.2%	7.2%	6.4%
Michigan	5	5	251	0.1%	0.1%	2.6%
Ohio	1,643	1,228	1,946	6.6%	4.9%	7.4%
Wisconsin	49	122	124	0.4%	0.9%	0.9%
PLAINS						
Iowa	\$ 541	\$ 612	\$ 636	10.8%	11.4%	10.9%
Kansas	734	932	381	14.3%	16.6%	6.3%
Minnesota	1,813	2,106	1,646	11.7%	13.2%	9.6%
Missouri	942	1,021	725	13.2%	13.0%	8.7%
Nebraska	840	1,095	762	28.8%	35.1%	23.1%
North Dakota	296	496	419	30.6%	48.5%	34.8%
South Dakota	137	133	134	13.0%	12.1%	11.6%
SOUTHEAST						
Alabama	\$ 1,368	\$ 1,286	\$ 700	19.7%	16.1%	8.2%
Arkansas	0	0	0	0.0%	0.0%	0.0%
Florida	6,059	3,481	2,044	23.3%	11.8%	7.0%
Georgia	2,017	2,512	2,512	11.3%	13.1%	12.4%
Kentucky	800	811	353	9.5%	9.2%	3.8%
Louisiana	1,508	1,759	695	19.5%	20.8%	8.1%
Mississippi	109	491	339	2.5%	11.1%	6.8%
North Carolina	1,378	2,008	1,104	8.1%	10.8%	5.3%
South Carolina	988	1,081	311	17.5%	16.5%	4.2%
Tennessee	1,069	1,269	752	11.8%	12.2%	6.5%
Virginia	2,442	1,516	1,320	16.0%	8.5%	7.5%
West Virginia	828	947	611	23.2%	25.6%	14.8%
SOUTHWEST						
Arizona	\$ 1,696	\$ 1,067	\$ 707	19.3%	10.5%	6.7%
New Mexico	798	544	730	14.7%	9.1%	12.7%
Oklahoma	629	768	1,045	11.4%	13.8%	18.8%
Texas	7,070	7,393	4,020	22.1%	20.5%	9.7%
ROCKY MOUNTAIN						
Colorado	\$ 909	\$ 788	\$ 698	14.1%	11.2%	9.4%
Idaho	411	376	290	18.5%	14.6%	10.3%
Montana	422	552	216	26.9%	32.4%	10.2%
Utah	255	300	340	5.6%	6.4%	6.0%
Wyoming	456	221	227	36.7%	13.0%	13.5%
FAR WEST						
Alaska	\$ 2,267	\$ 2,727	\$ 3,042	69.8%	49.9%	70.3%
California	10,816	4,339	3,320	11.8%	4.3%	3.2%
Hawaii	786	555	350	16.8%	10.3%	6.3%
Nevada	535	451	453	18.3%	12.8%	13.7%
Oregon	544	1,429	19	9.0%	25.8%	0.3%
Washington	703	1,013	1,189	5.2%	7.2%	8.2%
Total**	\$69,036	\$62,746	\$45,842	11.5%	9.6%	6.7%

NOTES: NA indicates data not available. *Fiscal 2006 are actual figures, fiscal 2007 are preliminary actual figures, and fiscal 2008 are appropriated figures. **Total balances include both the ending balance and balances in budget stabilization funds.

SOURCE: National Association of State Budget Officers.

