HB 315/316

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. HB316, HB315
Title Special Appropriations for Capital Projects; Defeasance of G.O. Bonds
Requested by ______ Date 03/12/81

II. FISCAL DETAIL
Agency Affected Fish and Game
Program Category Affected NRMEC
BRU, Program, or Subprogram(s) Affected F.R.E.D.
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

No problems are envisioned if the appropriated general funds are available immediately after the prohibition of bond sales.

Two bond funds are affected:
Ch 91 SLA 80, $7,718.8 which includes completion of Ship Creek, Trail Lakes, and Beaver Falls hatcheries; and Ch 140, SLA 80, $3,865.0 for development of Ship Creek, Snettisham, Kotzebue, and Main Bay hatcheries.

IV. DATE 03/27/81 PREPARED BY Janet B. Green
Janet B. Green
AGENCY Department of Fish and Game
PHONE 465-4120

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/80)

0

MEMORANDUM

State of Alaska

TO: Hon. C.R. Webber, Chairman
State Bond Committee

Hon. W.R. Hudson, Member
Hon. T.K. Williams, Member

DATE: March 23, 1981

FILE NO: J-66-367-81

TELEPHONE NO: 465-3666

FROM: WILSON L. CONDON
ATTORNEY GENERAL

By:
Rodger W. Pegues
Assistant Attorney General

SUBJECT: Cancellation of bond authorization

RECEIVED
MAR 24 1981
OFFICE OF THE COMMISSIONER

You have asked in what manner, if any, duly authorized general obligation bonds may be cancelled effectively so as to remove them entirely from the books.

As a general rule, in the absence of legislation authorizing the bond committee or other officers of the executive to cancel the bonds, the only way to remove them entirely from the books is to repeal the authorizing statute. However, under certain conditions, the appropriation becomes void by operation of the law, and when the conditions occur, the bonds are voided and can be removed from the books administratively.

The relevant constitutional language provides that bonds may be issued only as "authorized by law . . . and ratified by a majority of the qualified voters . . . ." Alaska Const., art. IX, § 8. "Unobligated appropriations outstanding at the end of the period of time specified by law shall be void." Id., § 13. The answer to your questions lies in these two provisions of the constitution, and the provisions of AS 37.25.020 which read as follows:

> An appropriation made for a capital project is valid for the life of the project and the unexpended balance shall be carried forward to subsequent fiscal years. Between July 1 and August 31 of each fiscal year, a statement supporting the amount of the unexpended balance required to complete the projects for which the initial appropriation was made and the amount that may be lapsed shall be recorded with the Department of Administration.

The upshot is that bond issues are authorized by law and, absent authorizing legislation for executive cancellation, can -- as with any other law -- only be cancelled by a subsequent law which repeals them. Voter ratification is required to issue bonds, but it is not required to repeal them, and we see no reason to imply such a restriction. Ordinarily, restrictions on the legislature's power to legislate must be express or necessarily implied.

However, the constitution also provides for appropriations to become void at the time specified by law, and the law here provides for that to occur at the completion or other end of the life of the construction project. AS 37.15.-020. When that occurs, the amount of the lapse shall be recorded with the Department of Administration, and that amount is then cancelled. And when that occurs, the amount should also be removed entirely from the books for the purposes of the bond committee. It appears that most, if not all, of the situations you describe fall within the coverage of this statute.

The opinion of the court in Thomas v. Rosen, 569 P.2d 793 (Alaska 1977), raises some question whether the appropriations in legislation authorizing bonds to be issued are appropriations either under article IX, section 13, of the Alaska Constitution or under AS 39.25.020. One would have thought that they were, but the Delphic opinion in Thomas suggests otherwise. There, the court stated that it was "oversimplified" to say that appropriating money in bond legislation made the legislation an appropriation bill, and the court said that "valid reasons for differentiating between debt financing and other appropriations from public revenue." (It did not give any, but that is beside the point.) Nevertheless, Thomas probably stands only for its result: The chief executive cannot veto items in a bond-appropriation bill. That being so, the appropriations made from bond proceeds lapse in accordance with the terms of AS 37.25.020 and article IX, section 13, of the constitution.

Accordingly, upon certification to the Department of Administration that a project is complete, dead, or altered and that the appropriation for it is no longer needed to complete the project, the appropriation will lapse and the authorization can be removed from the books by the committee.

RWP/pjg

Introduced: 3/11/81
Referred: State Affairs and Finance

IN THE HOUSE BY ADAMS

HOUSE BILL NO. 315

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act prohibiting the sale of certain general obligation bonds; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Notwithstanding the provisions of AS 37.15.020 the state bond committee may not sell the following amounts of bonds authorized by the following laws:

(1)	ch. 91, SLA 1980	$ 7,718,800
(2)	ch. 97, SLA 1980	33,000,000
(3)	ch. 99, SLA 1980	28,350,000
(4)	ch. 118, SLA 1980	156,992,700
(5)	ch. 121, SLA 1980	63,651,000
(6)	ch. 95, SLA 1978	29,690,000
(7)	ch. 96, SLA 1978	4,350,000
(8)	ch. 122, SLA 1978	12,000,000
(9)	ch. 137, SLA 1978	16,446,000
(10)	ch. 138, SLA 1978	41,450,000
(11)	ch. 139, SLA 1978	10,440,000
(12)	ch. 140, SLA 1978	3,865,000
(13)	ch. 145, SLA 1978	21,140,000
(14)	ch. 131, SLA 1976	600,000
(15)	ch. 247, SLA 1976	2,500,000
(16)	ch. 271, SLA 1976	19,000,000
(17)	ch. 86, SLA 1974	4,500,000
(18)	ch. 118, SLA 1974	900,000

(19)	ch. 132, SLA 1974	2,000,000
(20)	ch. 201, SLA 1972	1,000,000
(21)	ch. 202, SLA 1972	6,900,000

* Sec. 2. This Act takes effect on the day following the date of enactment of a version of an Act entitled "An Act making special appropriations for capital projects for which general obligation bonds have been authorized but not issued and for defeasance of outstanding general obligation bonds; and providing for an effective date." if that Act is enacted after this Act. If that Act is enacted before the enactment of this Act, then this Act takes effect immediately in accordance with AS 01.10.070(c).

COMMITTEE REPORT

HOUSE

4/15/81

FURTHER:

(11)

Date: ____________________

Mr. Speaker:

The Committee on FINANCE has had HB 315

"An Act prohibiting the sale of certain general obligation bonds; and providing for an effective date."

under consideration and reports it back as follows:

[ ] do pass [ ] do not pass

[ ] do pass with attached amendments(s)

[ ] replace with CS for ____________________ [ ] same title [ ] new title

and recommends ____________________

[ ] AND attaches a "Letter of Intent" [ ] New Fiscal Note

[ ] reports it back without recommendation

[ ] referred to the ____________________ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

____
CHAIRMAN

H 60 (Rev. 3/81)

COMMITTEE REPORT

HOUSE

4/15

FURTHER: FINANCE

3/11/81

(5)

Date: 4-13-81

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 315

"An Act prohibiting the sale of certain general obligation bonds; and providing for an effective date."

under consideration and reports it back as follows:

[ ] do pass [ ] do not pass

[ ] do pass with attached amendments(s)

[ ] replace with CS for ____________ [ ] same title [ ] new title

and recommends ____________

[ ] AND attaches a "Letter of Intent" [ ] New Fiscal Note

[X] reports it back with~~out~~ individual recommendation

[ ] referred to the ____________ Committee

MEMBERS SIGNING DO PASS

MEMBERS HAVING OTHER RECOMMENDATIONS:

Do Rec

No Rec

CHAIRMAN

H 60 (Rev. 3/81)

Berrier
12-0969

Introduced: 3/11/81
Referred: State Affairs and Finance

IN THE HOUSE BY ADAMS

HOUSE BILL NO. 315

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

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(12)	ch. 140, SLA 1978	3,865,000
(13)	ch. 145, SLA 1978	21,140,000
(14)	ch. 131, SLA 1976	600,000
(15)	ch. 247, SLA 1976	2,500,000
(16)	ch. 271, SLA 1976	19,000,000
(17)	ch. 86, SLA 1974	4,500,000
(18)	ch. 118, SLA 1974	900,000

COMMITTEE COPY

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(21) ch. 202, SLA 1972 6,900,000

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COMMITTEE COPY

HB 315

ALASKA STATE LEGISLATURE

TWELFTH Legislature FIRST Session

HOUSE BILL NO. 315

By ADAMS

"An Act prohibiting the sale of certain general obligation bonds; and providing for an effective date.."

Prohibiting sale/certain gen. obligation bonds

Introduced in the House 3/11, 19 81

HISTORY IN THE HOUSE

19 81		
Mar	11	Read first time and referred to Committee on State Affairs and Finance
		Reported back with recommendation that
		Read second time and
		Read third time and

PASS — Yeas, Nays, Absent, Excused

Effective Date — Yeas, Nays, Absent, Excused

Reconsideration

PASS — Yeas, Nays, Absent, Excused

Effective Date — Yeas, Nays, Absent, Excused

Reported correctly engrossed

Signed by Speaker

Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS — Yeas, Nays, Absent, Excused

Effective Date — Yeas, Nays, Absent, Excused

Reconsideration

PASS — Yeas, Nays, Absent, Excused

Effective Date — Yeas, Nays, Absent, Excused

Reported correctly engrossed

Signed by President

Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Concurred in Senate amendment thus adopting:
VOTE

Failed to concur in Senate amendment; asked Senate to recede
VOTE

Senate receded from amendment
VOTE

Senate failed to recede from amendment
VOTE

CC appointed by House

CC appointed by Senate

CC adopted by House
VOTE

CC adopted by Senate
VOTE

To enrolling

Reported correctly enrolled

Sent to Governor

.... by Governor

Filed with Lt. Governor

Chapter No. ....

31-002

HB 316

A Bi-Monthly Report on Government Finance Issues in the States

THE FISCAL LETTER

An Information Service of the National Conference of State Legislatures — Earl S. Mackey, Executive Director

EDITORS: Nancy Hauswald
Ken Kirkland

Vol. III, No. 2
March 1981

State Debt Management

To meet the capital construction needs of their constituents, states must finance capital facilities either by expenditures from current revenue or by borrowing in the bond market. A policy of financing capital investments out of current taxes and charges can hinder states from using their limited fiscal resources for other essential purposes. Because most capital investments have useful lives that exceed more than one budget period and may in fact benefit future generations of taxpayers, a large proportion of capital financing is done through long-term borrowing.

Long-term financing of capital projects can, however, lead to consequences that necessitate states developing debt management policies. Any debt sold to finance a project will result in liabilities which must be repaid, with interest, in future years. These repayments create a fixed obligation or annual debt service in the states' future year budgets. No new expenditure commitments can be made that would result in a state's inability to retire its bonds. In addition to retiring their debts, states must recognize that any new facility will generate future additional operating costs that will have to be met. Therefore, debt management policies must include long-term capital planning and budgeting that examines the state's future fiscal and economic capacity to pay.

The two major classifications of bonded indebtedness at the state level are guaranteed, or general obligation, which carries with it the full faith and credit of the state and is secured by the state's general revenues, and nonguaranteed, or revenue, which is secured by the revenues of the activity for which the debt is sold.

The volume of the nonguaranteed debt has been growing much more rapidly than general obligation debt. State debt management policies should recognize that the growing use of revenue bonds to support a variety of programs such as industrial development, housing finance and pollution control has added to the size and complexity of the tax-exempt bond market.

1405 Curtis Street, Suite 2300, Denver, Colorado 80202, (303) 623-6600

Engraving provided by the Denver Public Library, Western History Department.

To protect taxpayers and the credit condition of the state against overborrowing, most states place limitations on the state legislature's borrowing authority. A survey of constitutional limits on long-term state debt indicates that:

- 13 states require a voter-approved referendum for the issuance of all debt;
- 12 states have imposed dollar limitations on the amount of debt that can be issued ranging from $50,000 to $2,000,000, and require an approved referendum to exceed these limits;
- 6 states limit debt on a percentage of assessed valuation ranging from 1 percent to 5 percent;
- 6 states limit debt on a percentage of state revenues; and,
- 13 states limit debt only by approved legislative authorization, ranging from a simple majority to a three-fourths majority.

These debt limitations usually apply to general obligation debt and not to nonguaranteed debt.

The securities market is primarily concerned with the state's capacity to support debt-service payments along with its other expenditures, and its overall economic-fiscal condition. The security of the revenue base supporting a bond issue and the state's long-term economic future are probably the most important determinants of the state's wealth and tax base.

Because states compete in the municipal bond market it may be worthwhile to survey the states' ranking in some debt burden statistics. Such statistics are a basic part of agency rankings of the credit quality of bond issues. (These statistics were updated from a study on "Bonded Indebtedness in Kentucky" by the Kentucky Legislative Research Commission. Data for these updates came from State Government Finances in 1979, published by the U.S. Bureau of the Census.)

The table lists the states by region with four debt-burden statistics. The number in parentheses is the ranking from one to fifty by that statistic. Several interesting patterns emerge from this table. New England and Mideastern states rank much higher on all four indicators than other regions, with no state lower than twentieth on any of the statistics. The Great Plains and Southeastern states have the lowest debt levels, with the exceptions of South Dakota, Kentucky and West Virginia. The Southwestern and Rocky Mountain states also have low debt levels. In the Far West, the pattern is mixed with California, Nevada and Washington all having low debt levels, but Alaska, Hawaii and Oregon having some of the highest debt levels in the nation. Oregon's rating comes from its veterans home loan program, the largest of its kind in the country. Although their debt level is high, much of it is secured by first mortgages. This table incorporates all state general obligation and state-guaranteed debt, but does not reflect the total volume of public authority or moral obligation bonding.

It must be emphasized that bond rating agencies do not base their opinions solely on the level of debt burden of the states. There are a variety of other factors that are involved, including the state's overall fiscal and economic trends. Thus, a state displaying high debt burden statistics but experiencing favorable economic growth can receive a high credit quality rating. Factors that can adversely affect a state's rating include mismanagement, improper use of debt financing, unusually high short-term borrowing, vulnerability to national economic fluctuations and changes in tax structure.

The most important aspect of the quality rating is its impact on interest costs. While differences among the quality grades fluctuate depending on market conditions, the highest rated bonds sell at interest rates lower than the lowest rated. This difference can be a percentage point or more of interest and can result in large savings to states over the full life of the bonds.

STATE DEBT: AN OVERVIEW (FY 1979)

	Debt Per Capita	Total Debt Outstanding as a Percentage of Own-Source Revenues	Debt Interest as a Percentage of State Expenditures	Debt Per $1000 of Personal Income
NEW ENGLAND				
Connecticut	$1153 (7)	169.8% (3)	8.9% (3)	$130 (9)
Maine	634 (17)	99.0% (16)	5.2% (15)	101 (15)
Massachusetts	939 (9)	116.1% (11)	6.6% (8)	118 (12)
New Hampshire	833 (13)	187.6% (2)	6.9% (6)	115 (13)
Rhode Island	1268 (6)	160.9% (5)	5.9% (11)	169 (5)
Vermont	1036 (8)	140.7% (8)	5.9% (10)	160 (6)
MIDEAST				
Delaware	$1469 (4)	134.2% (9)	7.1% (4)	$172 (4)
Maryland	890 (10)	107.6% (15)	5.5% (14)	106 (14)
New Jersey	734 (15)	115.0% (12)	5.9% (9)	84 (18)
New York	1302 (5)	165.4% (4)	16.2% (1)	158 (7)
Pennsylvania	550 (18)	81.0% (19)	5.5% (12)	71 (20)
GREAT LAKES				
Illinois	$ 509 (22)	77.9% (20)	4.7% (17)	$ 57 (27)
Indiana	108 (48)	16.3% (48)	1.2% (44)	14 (48)
Michigan	272 (36)	33.5% (37)	2.6% (29)	32 (38)
Ohio	349 (28)	65.5% (23)	3.9% (23)	44 (32)
Wisconsin	473 (24)	57.2% (26)	3.9% (21)	63 (23)
PLAINS				
Iowa	$ 128 (46)	19.4% (47)	0.8% (46)	16 (47)
Kansas	194 (41)	31.3% (40)	1.5% (42)	25 (42)
Minnesota	462 (25)	50.5% (28)	4.1% (20)	59 (25)
Missouri	146 (45)	28.9% (42)	1.8% (40)	20 (44)
Nebraska	33 (50)	5.7% (49)	0.3% (50)	4 (40)
North Dakota	199 (39)	24.7% (44)	0.7% (48)	28 (40)
South Dakota	842 (12)	152.3% (6)	4.6% (18)	122 (10)
SOUTHEAST				
Alabama	$ 279 (35)	47.9% (30)	2.5% (32)	$ 45 (31)
Arkansas	112 (47)	21.2% (46)	0.8% (47)	19 (46)
Florida	301 (33)	55.1% (27)	3.9% (22)	41 (34)
Georgia	268 (37)	48.8% (49)	2.3% (34)	40 (35)
Kentucky	797 (14)	112.6% (13)	5.4% (13)	122 (11)
Louisiana	656 (16)	89.4% (17)	4.1% (19)	99 (16)
Mississippi	347 (29)	58.2% (25)	3.1% (25)	63 (22)
North Carolina	198 (40)	33.5% (38)	2.2% (35)	30 (39)
South Carolina	542 (19)	85.6% (18)	1.6% (41)	87 (17)
Tennessee	317 (32)	59.6% (24)	3.3% (24)	49 (28)
Virginia	320 (31)	44.7% (33)	2.5% (31)	42 (33)
West Virginia	872 (11)	119.6% (10)	4.7% (16)	133 (8)
SOUTHWEST				
Arizona	39 (49)	5.4% (50)	0.5% (49)	6 (49)
New Mexico	414 (26)	41.3% (34)	2.2% (36)	64 (21)
Oklahoma	522 (21)	76.4% (21)	2.8% (26)	74 (19)
Texas	173 (43)	30.7% (41)	1.9% (39)	23 (43)
ROCKY MOUNTAIN				
Colorado	$ 154 (44)	22.5% (45)	1.2% (45)	$ 20 (45)
Idaho	244 (38)	37.1% (36)	2.1% (37)	36 (37)
Montana	187 (42)	28.8% (48)	1.3% (43)	28 (41)
Utah	288 (34)	32.1% (39)	2.0% (38)	46 (30)
Wyoming	480 (23)	47.3% (31)	2.4% (33)	59 (26)
FAR WEST				
California	$ 338 (30)	40.1% (35)	2.8% (27)	$ 39 (36)
Nevada	533 (20)	69.5% (22)	2.8% (27)	60 (24)
Oregon	1507 (3)	199.9% (1)	10.4% (2)	193 (3)
Washington	386 (29)	46.6% (32)	2.5% (30)	48 (29)
Alaska	3356 (1)	109.2% (14)	6.9% (5)	309 (1)
Hawaii	1854 (2)	150.6% (7)	6.7% (7)	227 (2)

In developing debt management policies it is not possible to determine a specific limit on debt which may be applicable to all states, nor is it possible to determine an exact amount of debt which all states would be able to issue and manage efficiently. However, debt management policies that include debt limits, analyses of the state's capacity to retire their debt and pay for operating costs associated with it in future years, and overall capital planning and budgeting can benefit the state by improving and strengthening its position in the bond market with the result being greater savings to the state.

Taxing Nongovernmental Exempt Property

Taxing exempt property does not appear to be an idea whose time has come--yet. Despite recurring calls to tighten the granting of exemptions or place user charges on exempt property, states and cities have done very little to significantly increase the taxes or charges on presently-exempt nongovernmental property. But, if governments continue to undergo fiscal strains, it is possible that during the next decade major changes will occur in the treatment of exempt property.

A widely-used estimate is that one-third of all U.S. property is tax exempt; but, the great majority of this property is government-owned. Thus, the potential revenue that could be obtained from nongovernmental exempt property is far less than the one-third figure would suggest.

This generalization must be qualified in several respects. The amount of tax exempt property varies widely from place to place. The largest concentration of exempt property is usually found in the central cities of metropolitan areas; therefore, exempt property may be much greater in certain places than in others. Moreover, substantial evidence exists showing that the value of exempt property is growing faster than that of taxable property, so exempt property may become an increasingly attractive source of revenue for financially hard-pressed cities.

States differ widely in their definitions of tax-exempt property. The best recent survey of state laws in this regard is a report published by the Greater Hartford Chamber of Commerce, Property Tax Exemptions for Non-Profit Institutions: Problems and Proposals. This study describes how all 50 states treat each of the major types of totally-exempt property (schools, churches, hospitals, and cemeteries), and many of the minor types, such as YMCAs, Chambers of Commerce, camps, lodges, fraternal organizations, and so forth.

Several years ago, Connecticut broke new ground by providing payments in lieu of taxes from the state government to local governments in areas where private institutions of higher education and private hospitals are located. Approximately 38 states compensate localities for certain types of exempt government property, but Connecticut initiated the first program to provide payments for nongovernmental property. While some localities support such programs because of the additional aid received, these programs must be compared with other mechanisms of providing state aid, and the presence of exempt property may not be the most appropriate indicator to use in distributing aid. With many states suffering from extreme budgetary pressures, funds for payment in lieu of taxes programs are often scarce. Ruling out state payments, states must find ways to obtain money from tax exempt organizations themselves.

Recent experiences in Virginia and New York suggest that the forces in favor of obtaining revenue from exempt organizations are usually not sufficient to overcome resistance from the organizations themselves. For at least five years, Virginia has allowed localities to levy service charges on state governmental property and some types of nongovernmental property. Among the types of nongovernmental property that may be subject to service charges are cemeteries, colleges and other schools, and certain properties of benevolent or charitable associations. While many local governments have levied service charges on state property to reflect the cost of police and fire protection and refuse collection, hardly any localities have assessed such charges on nongovernmental exempt property.

In New York, local governments may deny exemptions to certain types of organizations on a local option basis. While the largest holders of exempt property--schools and churches--are exempt from this law, many other types of property could have their exemptions removed. Nevertheless, relatively few localities have availed themselves of the opportunity to remove such exemptions.

Across the country there are many examples of exempt property for which service charges are being paid voluntarily. Private institutions of higher education frequently make such payments, although they are generally for much less than the tax they would pay if taxable. Mandatory service charges for private exempt property, however, are very rare.

Many other reforms can be implemented to obtain increased revenue. In certain states, it is reportedly common practice for assessors to grant more generous exemptions than are prescribed by law. Vigorous enforcement of existing statutes could pay off in such cases. Along similar lines, New York state has recently instituted a program requiring owners of exempt property to file applications to verify their qualifications for exemption.

Perhaps the day is not far off when large amounts of revenue will be obtained from tax exempt property. But that day has not yet arrived.

(NOTE: This article draws on materials presented at a workshop on tax exempt property sponsored by NCSL in Albany, New York in February 1981. For more information about tax exempt property, contact Steven Gold, NCSL-Denver, (303) 623-6600.)

State Tax Trends

With the recession restraining revenue growth, only nine states had tax increases in excess of the inflation rate during fiscal 1980, according to a recent Census Bureau report. Except for North Dakota, all of the states with the fastest tax increases were in the rapidly-growing West and South.

These statistics do not, however, include local tax revenue, which rose more slowly than state taxes. Property taxes, which constitute the majority of local tax revenue, rose only 5.5 percent.

Total state tax revenue rose 9.6 percent, much less than the 12½ percent rise of consumer prices during this period. There was great variation among the states. As the attached table shows, Alaska and California had the largest increases, while Michigan and Vermont ranked at the bottom, with decreases in their tax revenue.

These findings may call into question one of the arguments for indexing state income taxes. While inflation causes disproportionate increases of income tax revenue when tax rates are progressive, yields from other taxes are much less responsive to inflation. Thus, state taxes claimed a smaller proportion of personal income in fiscal 1980 than previously. With federal aid other than grants for payments to individuals rising less than 6 percent, many state governments experienced serious budgetary problems.

Other significant trends in state taxes include the following:

- Five states--Alaska, Hawaii, Oklahoma, Utah and Wyoming--were among the fastest growers for the second consecutive year. At the other extreme, Indiana, Tennessee and Wisconsin repeated in the lowest quartile.

- Several states, such as Arkansas, California, North Dakota and Texas, swung from very low increases in 1979 to very large ones in 1980. Colorado, Nevada and Rhode Island moved in the other direction, experiencing abnormally small increases.

GROWTH OF STATE TAX REVENUE, 1978-79 AND 1979-80

State	Percentage change 1979-80		Percentage change 1978-79		Per Capita 1980	
	Level	Rank	Level	Rank	Level	Rank
Alaska	76.0%	1	44.9%	1	$3,540.90	1
California	18.4	2	8.9	38	853.31	5
Texas	17.8	3	6.5	45	504.95	43
Oklahoma	17.2	4	15.2	11	614.12	19
Arkansas	16.5	5	7.5	44	532.46	39
North Dakota	14.5	6	4.9	50	566.00	29
Hawaii	14.0	7	16.1	9	1,091.13	2
Wyoming	13.2	8	18.4	5	862.50	4
Utah	13.1	9	14.7	12	574.80	26
New Mexico	12.0	10	8.7	40	746.21	7
Florida	12.0	11	14.0	14	542.25	33
Illinois	11.9	12	9.5	35	629.84	17
Maine	11.7	13	5.1	49	564.41	30
Georgia	11.5	14	12.1	20	533.31	38
Arizona	11.1	15	15.9	10	687.51	11
North Carolina	10.3	16	11.8	21	573.55	27
South Carolina	10.2	17	11.6	23	572.32	28
South Dakota	10.2	18	9.8	32	392.62	49
New Jersey	10.1	19	8.4	41	559.78	31
Nebraska	10.0	20	9.2	37	518.91	41
New York	9.3	21	6.4	46	720.54	9
Montana	9.1	22	18.1	6	554.39	32
Louisiana	9.1	23	11.0	25	594.34	22
Pennsylvania	8.8	24	8.2	42	617.24	18
Mississippi	8.7	25	5.8	47	517.88	42
Massachusetts	8.5	26	9.6	34	680.76	12
Washington	7.3	27	11.0	24	743.11	8
Connecticut	7.1	28	10.8	26	590.59	24
Virginia	7.0	29	9.8	33	527.87	40
Kansas	6.9	30	13.0	16	535.95	27
Alabama	6.3	31	10.0	30	492.65	45
Iowa	6.2	32	12.8	18	601.73	21
West Virginia	6.0	33	17.3	8	649.36	15
Oregon	5.2	34	19.5	2	575.92	25
Idaho	5.1	35	10.8	27	541.82	34
Delaware	4.8	36	9.4	36	886.11	3
Maryland	4.3	37	10.1	29	665.42	14
Missouri	4.1	38	12.8	17	430.28	48
Colorado	3.5	39	18.9	3	537.83	36
Kentucky	3.3	40	12.7	19	608.15	20
Wisconsin	3.2	41	5.5	48	713.20	10
Ohio	3.2	42	11.7	22	444.20	46
Nevada	3.0	43	18.5	4	678.92	13
Rhode Island	2.4	44	17.4	7	592.88	23
Tennessee	2.3	45	8.2	43	430.82	47
Minnesota	2.2	46	13.6	15	788.81	6
New Hampshire	1.3	47	9.9	31	301.57	50
Indiana	1.0	48	8.7	39	499.21	44
Vermont	-0.4	49	14.4	13	540.20	35
Michigan	-1.3	50	10.6	23	645.92	16
United States	9.6		10.2		623.91	

SOURCE: U.S. Census Bureau, State Government Tax Collections in 1980.