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State Fiscal Outlook for FY 2002



NATIONAL CONFERENCE
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The Forum for America's Ideas

January Update

February 7, 2002

Fiscal Affairs Program

National Conference of State Legislatures
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February 2002



Printed on recycled paper

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ISBN 1-58024-198-0

Item #5101-0123

Price: \$25.00

STATE FISCAL OUTLOOK FOR FY 2002—JANUARY UPDATE

The downward spiral in state fiscal conditions continues, with nearly every state reporting a budget gap. A January 2002 survey conducted by the National Conference of State Legislatures (NCSL) revealed that although the bulk of the problem is on the revenue side of the ledger, a growing number of states are facing spending overruns.

This report is based on information collected from legislative fiscal directors in late January. It covers the revenue and expenditure situation through December 2001, with January updates when they were available. While most of this report addresses budget problems in FY 2002, it also takes a look at fiscal developments affecting FY 2003 budgets.

These are the highlights of NCSL's January survey update:

- Revenues continue to be anemic. Forty-five states and the District of Columbia report that revenues have failed to meet budgeted levels.
- Nearly half the states have revised their FY 2002 revenue forecasts down. In eight of these, revenue collections are failing to meet the revised levels.
- Five states—Louisiana, North Dakota, Texas, West Virginia and Wyoming—report that revenues are on or slightly above target. Wyoming has revised its forecast up slightly, due to higher than anticipated sales and use tax revenues.
- Twenty-eight states and the District of Columbia report that spending is above budgeted levels. Medicaid is over budget in 23 states, with another five expressing concern that it could exceed budgeted levels in coming months.
- Other programs exceeding budgeted amounts include temporary cash assistance, mental health, corrections, state employee health plans, education, security and prescription drug assistance for the elderly.
- At least 30 states have implemented budget cuts or holdbacks to address fiscal problems in FY 2002. Another nine report that cuts are possible before the fiscal year ends.
- Most state programs have been affected by budget cuts. The magnitude of budget gaps has been significant enough that even programs that often are spared from cuts, such as K-12 education, have been reduced in some states.
- Fifteen states and the District of Columbia already have tapped reserve funds to help balance their FY 2002 budgets. Another 10 states may tap reserves. At least eight states have or will consider tapping tobacco settlement funds.
- Thirty states have implemented belt-tightening measures. At least seven states have delayed, reduced or canceled capital projects. Several others have shifted financing for these projects from general fund support to bonds. At least two states have refinanced outstanding debt.
- Other measures enacted or under consideration to help balance the FY 2002 budget include hiring freezes, redirecting special fund revenues into the general fund, boosting gaming

revenues, delaying scheduled tax cuts and increasing state employee contributions to health care plans.

- Two states—Arizona and California—will address FY 2002 budget problems in special sessions that run concurrently with regular sessions. Oregon, which is not scheduled to meet in regular session this year, expects to hold a special session to address growing budget problems.
- At least 37 states and the District of Columbia face potential budget gaps in FY 2003. Most of the projected budget shortfalls are due to weak revenues and increasing costs in program areas like Medicaid and K-12 education.
- Tax proposals to help balance FY 2003 budgets are under consideration in 19 states.

Table 1. Key Fiscal Developments in FY 2002
January Update

Key Fiscal Developments	October 2001 (Number of States)	November 2001 (Number of States)	January 2002 (Number of States)
Revenues below projections	44	44	46
Expenditures over budget	17	22	30
Budget cuts or holdbacks	28	36	39
Use of reserves	20	24	26
Other measures to balance the budget	14	22	30

Source: National Conference of State Legislatures, October 2001; Updated November 2001 and January 2002

Table 2. State Spending and Revenue Status January Update			
Spending overruns and lower than expected revenues (28 states & D.C.)		Spending on target and lower than expected revenues (17 states)	
Alaska	Massachusetts	Alabama	New York
Arizona	Michigan	Arkansas	Ohio
Connecticut	Mississippi	California	Pennsylvania
District of Columbia	Montana	Colorado	South Carolina
Florida	Nebraska	Delaware	South Dakota
Georgia	Nevada	Minnesota	Tennessee
Hawaii	New Jersey	Missouri	Utah
Idaho	New Mexico	New Hampshire	Vermont
Illinois	North Carolina		Wisconsin
Indiana	Oklahoma		
Iowa	Oregon		
Kansas	Rhode Island		
Kentucky	Virginia		
Maine	Washington		
Maryland			
Spending overruns and revenues on target (one state)		Spending and revenues on target (four states)	
Louisiana		North Dakota	
		Texas	
		West Virginia	
		Wyoming	
Source: National Conference of State Legislatures, January 2002			

Table 3. FY 2002 Expenditure Update
January Update

State	On Target		Programs Over Budget
	Yes	No	
Alabama	✓		
Alaska		✓	Medicaid and anti-terrorism highway security
Arizona		✓	Medicaid
Arkansas	✓		
California	✓		
Colorado	✓		Medicaid a concern
Connecticut		✓	Social services, state employee health care, corrections, education
Delaware	✓		Medicaid and state employee health insurance are concerns
District of Columbia		✓	Medicaid, education, public safety, mental health
Florida		✓	K-12 education
Georgia		✓	Medicaid
Hawaii		✓	Children's mental health program, various other programs
Idaho		✓	Medicaid
Illinois		✓	Medicaid, state group insurance, prescription assistance for the elderly, security
Indiana		✓	Medicaid
Iowa		✓	Medicaid
Kansas		✓	Medicaid, welfare, mental health, foster care, adoption services, local district grants, corrections
Kentucky		✓	Medicaid
Louisiana		✓	Various programs including security costs
Maine		✓	Various programs
Maryland		✓	Medicaid, mental health, temporary cash assistance
Massachusetts		✓	Medicaid, public safety and welfare
Michigan		✓	Medicaid and welfare
Minnesota	✓		K-12 education costs a concern
Mississippi		✓	Medicaid, corrections, mental health
Missouri	✓		
Montana		✓	Medicaid, other human services, corrections
Nebraska		✓	Various programs
Nevada		✓	Medicaid and TANF
New Hampshire	✓		
New Jersey		✓	Property tax rebate program, state employee health benefit plan, prescription drug programs, NJ Family Care Program
New Mexico		✓	Medicaid
New York	✓		
North Carolina		✓	Medicaid
North Dakota	✓		Medicaid a concern
Ohio	✓		Medicaid a concern
Oklahoma		✓	Medicaid
Oregon		✓	Medicaid, TANF, adult corrections
Pennsylvania	✓		
Rhode Island		✓	Medicaid, cash assistance, prescription benefit for elderly, others
South Carolina	✓		
South Dakota	✓		
Tennessee	✓		
Texas	✓		
Utah	✓		
Vermont	✓		
Virginia		✓	Medicaid, children's health program

Table 3. FY 2002 Expenditure Update
January Update

State	On Target		Programs Over Budget
	Yes	No	
Washington		✓	Medicaid, corrections, firefighting, K-12 education, others
West Virginia	✓		
Wisconsin	✓		Medical assistance a concern
Wyoming	✓		
Total	21	30	

Source: National Conference of State Legislatures, January 2002.

**Table 4. Budget Cuts or Holdbacks to Balance FY 2002 Budgets
January Update**

State	No	Yes	Possible	Notes
Alabama		✓		The Education Trust Fund shortfall was covered by \$20 million in budget cuts. Cuts were made in discretionary funds targeted to the school bond authority for capital projects.
Alaska	✓			
Arizona		✓		Budget cuts totaling \$200 million were approved during the special session in late 2001.
Arkansas		✓		Across-the-board cuts were triggered. K-12 education, human services and corrections were hit hardest.
California			✓	The governor proposed \$2.2 billion in FY 2002 reductions. The largest share (about \$843 million) comes from K-12 education.
Colorado		✓		The governor asked state agencies to cut 1 percent from their budgets. Policymakers are trying to protect K-12 education, Medicaid and other human service programs.
Connecticut		✓		The governor reduced budget allotments by \$20 million early in the year.
Delaware		✓		Most state agencies have been ordered to reduce spending by 2 percent. There are some exemptions, most notably the Department of Children, Youth and Families.
District of Columbia	✓			
Florida		✓		Cuts in excess of \$1 billion were spread across all spending areas.
Georgia		✓		The governor requested budget cuts of 2.5 percent for this year. Education and TANF are protected.
Hawaii		✓		The governor ordered a 1 percent restriction on agency spending that is saving \$16.5 million in FY 2002.
Idaho		✓		The governor's spending order set to expire Jan. 31 is likely to be made permanent. It requires a budget holdback of 2.5 percent for K-12 education and 3 percent for all other government entities.
Illinois		✓		State agencies have been asked to hold back 2 percent of their general fund allocation.
Indiana		✓		The governor directed state agencies to cut budgets by 7 percent. A few areas, such as emergency services, are exempt.
Iowa		✓		The governor implemented a 4.3 percent across-the-board cut (about \$203 million). In a special session Nov. 1, 2001, the legislature restored funds to K-12 education, public safety, public defense, community colleges and corrections.
Kansas			✓	Although the governor has not made spending adjustments, the Senate passed a 2 percent across-the-board recession bill (exempting K-12 education and cutting higher education by 1 percent).
Kentucky		✓		Agency-specific budget cuts totaling \$533 million were approved last fall. K-12 education was protected.
Louisiana	✓			
Maine		✓		The governor issued an executive order to constrain spending. School subsidies, retirement funds and debt service are exempt.
Maryland		✓		The governor has reduced some operating expenses. About half of state programs are exempt, including public safety and direct care. So far, K-12 education has been preserved.
Massachusetts		✓		Proposals to address the projected \$1.5 billion budget gap include \$500 million in reductions. The state is considering an additional \$189 million in reversions.
Michigan		✓		

**Table 4. Budget Cuts or Holdbacks to Balance FY 2002 Budgets
January Update**

State	No	Yes	Possible	Notes
Minnesota			✓	The finance department has asked all agencies (including the university system) to examine their budgets with an eye to applying 5 percent cuts.
Mississippi		✓		Agency budgets have been cut by 3.3 percent. Protected areas include Medicaid, K-12 education, financial aid, district attorneys, the homestead exemption and debt service. Additional cuts for FY 2002 are possible.
Missouri		✓		The state implemented department budget withholdings. K-12 education, debt service and Medicaid were exempt.
Montana	✓			
Nebraska		✓		In special session, the Legislature cut spending by \$53.7 million over the biennium. Programs exempt from the cuts included public safety, K-12 and higher education, Medicaid, and others.
Nevada			✓	Some agencies are freezing one-time expenditures.
New Hampshire		✓		The governor implemented a 1 percent across the board cut to be on the safe side.
New Jersey			✓	The new governor announced plans for a 5 percent reduction in state spending.
New Mexico	✓			
New York	✓			
North Carolina		✓		The governor cut various agencies by as much as 4 percent. K-12 and higher education have not been cut as much as other programs.
North Dakota	✓			
Ohio		✓		The governor imposed a 6 percent across-the-board cut. K-12 was protected, along with school construction, veterans' homes and debt service.
Oklahoma		✓		State agencies have been directed by the governor to cut their budgets by 2.1 percent.
Oregon			✓	The governor proposed closing the budget gap with \$414 million in budget reductions.
Pennsylvania		✓		Across-the-board state agency holdbacks of \$366 million have been implemented.
Rhode Island	✓			
South Carolina		✓		Budget reductions have cut \$302 million from the FY 2002 budget.
South Dakota	✓			
Tennessee	✓			
Tex			✓	State agencies have been asked to review their spending plans. They have not been given a directive on any budget cuts.
Utah		✓		The governor reduced budgets by \$73 million and is looking for additional cuts.
Vermont		✓		Total recessions are \$20 million for the year. Direct support for K-12 education and human service benefit programs were not cut. One-time appropriations were delayed.
Virginia		✓		A 2 percent across-the-board reduction has been implemented. A pending proposal would push the across-the-board cuts to 3 percent of the budget.
Washington			✓	The governor's budget addresses the budget gap mostly through cuts. Human services are most affected. K-12 education is protected.
West Virginia	✓			
Wisconsin			✓	The governor proposed eliminating the state's revenue sharing program. Most state agencies would see budget cuts of 3.5 percent in the first half of the biennium and 5 percent in the second.
Wyoming	✓			
Total	12	30	9	

Source: National Conference of State Legislatures, January 2002

Table 5. Use of Reserves to Balance FY 2002 Budgets January Update				
State	No	Yes	Possible	Notes
Alabama	✓			
Alaska		✓		Typically, \$500 million is drawn from the constitutional budget reserve every year to cover general fund insufficiencies. This year will be no different. Supplemental appropriations will be drawn from reserves.
Arizona		✓		The state tapped \$119 million from the rainy day fund.
Arkansas	✓			The state does not have a rainy day fund.
California	✓			
Colorado	✓			
Connecticut	✓			
Delaware	✓			
D.C.		✓		Officials have the authority to tap \$50 million of the \$150 million budget reserve.
Florida	✓			
Georgia	✓			
Hawaii	✓			
Idaho			✓	Consideration is being given to using the April installment of the tobacco settlement fund for general fund purposes.
Illinois		✓		Although \$226 million from the rainy day fund has been used for cash flow, the state plans to repay it during this fiscal year.
Indiana			✓	Revenue proposal* include spending tobacco settlement funds.
Iowa			✓	
Kansas	✓			
Kentucky		✓		The state used \$120 million (about half) of its rainy day fund and tapped tobacco settlement funds.
Louisiana	✓			
Maine		✓		The state might allocate up to \$100 million in reserves in addition to the \$35 million already taken.
Maryland		✓		Use of the rainy day fund was planned to pay for PAYGO projects.
Massachusetts		✓		The state used \$722 million in rainy day funds (leaving a \$1.7 billion rainy day balance).
Michigan	✓			
Minnesota			✓	
Mississippi		✓		The state took \$33 million from the rainy day fund. (The governor has the authority to take \$50 million from this fund every year). Proposals have surfaced to use tobacco settlement funds.
Missouri			✓	The governor has proposed taking \$88.5 million from tobacco settlement funds.
Montana	✓			
Nebraska	✓			
Nevada	✓			
New Hampshire	✓			
New Jersey		✓		The budgeted surplus includes both a rainy day fund and undesignated fund balances. Both will be drawn down.
New Mexico			✓	The budget gap is likely to be covered by a transfer from the rainy day fund.
New York		✓		The budget gap will be addressed with \$1.1 billion from the rainy day fund.

**Table 5. Use of Reserves to Balance FY 2002 Budgets
January Update**

State	No	Yes	Possible	Notes
North Carolina		✓		The governor has allocated funds for bioterrorism prevention activities. He is looking at taking additional reserves to address the budget gap, but the legislature doesn't support the idea.
North Dakota	✓			
Ohio		✓		The state may spend rainy day funds and temporarily reallocate a portion of tobacco settlement money.
Oklahoma	✓			
Oregon	✓			
Pennsylvania			✓	The governor has proposed taking \$550 million from the rainy day fund.
Rhode Island	✓			
South Carolina		✓		The budget control board taken \$100 million from the rainy day fund.
South Dakota		✓		The entire budget gap was addressed through reserves.
Tennessee		✓		The state already used a portion of its tobacco settlement fund.
Texas	✓			
Utah			✓	
Vermont	✓			
Virginia	✓			
Washington			✓	The governor's budget calls for taking \$80 million from rainy day funds.
West Virginia	✓			
Wisconsin			✓	The Legislature supports use of more tobacco settlement funds.
Wyoming	✓			
Total	25	16	10	

Source: National Conference of State Legislatures, January 2002

Alabama	A new actuary estimate reduced the state's obligation to state employee retirement funds by \$12 million. Other measures include tax increases and bond refinancing.
Alaska	N/A
Arizona	A February special session is expected to consider several budget balancing measures including an additional tap of the rainy day fund and various budget cuts. The first session included fund transfers and other revenue actions (including a withholding rate increase).
Arkansas	N/A
California	The governor ordered a current year hiring and contract freeze that exempts only public safety and K-12 education. The governor called a special budget session to run concurrently with the regular session.
Colorado	The state delayed \$390 million in highway and other capital projects.
Connecticut	N/A
Delaware	N/A
D.C.	N/A
Florida	A planned cut in the intangibles tax was suspended to save \$128 million.
Georgia	Bonds are being issued for planned school construction costs, freeing up \$400 million set aside for that purpose. The state still has a surplus from last year.
Hawaii	If revenues continue to lag behind the budgeted estimate, there probably will be a \$160 million transfer from the FY 2001 carryover balance.
Idaho	There is a temporary delay on major construction projects. Capitol renovation is on hold.
Illinois	Capital expenditures for prisons have been delayed. State workers are asked to take a furlough day.
Indiana	The current budget already anticipates using gaming revenue, which is not generally used for the general fund. It also includes payment delays for K-12 tuition support and higher education. The governor proposed various revenue enhancement measures Nov. 15.
Iowa	N/A
Kansas	The state finance council issued a \$150 million certificate of indebtedness, a cashflow instrument or internal borrowing tool to keep the general fund in the black. It transfers money from other funds, but these must be repaid by the end of the fiscal year.
Kentucky	The state improved interest rates on debt service. It deferred some bond payments. The state has reined in Medicaid spending by freezing provider rates and holding down primary care center and pharmacy costs.
Louisiana	N/A
Maine	New legislative initiatives may be delayed. Budget revisions reduced Medicaid spending by \$7.8 million in FY 2002 and lapsed \$8.7 million from FY 2001.
Maryland	The governor directed agencies to freeze hiring. He also shifted \$237 million of PAYGO (capital) projects to bonding and requested an addition \$211 million over the recommended limit in debt authorization.
Massachusetts	N/A
Michigan	The state reduced capital outlays by \$21.9 million and work projects by \$12 million.
Minnesota	Unspent appropriations from FY 2001 are helping cushion current budget.
Mississippi	N/A
Missouri	The governor proposed sweeping \$30 million in earmarked funds into the general fund.
Montana	The slight surplus from FY 2001 is helping carry the budget.
Nebraska	Actions include redirecting existing revenues, funding shifts and funding lapses.
Nevada	The governor's hiring freeze continues.
New Hampshire	N/A
New Jersey	Some capital expenditures have been postponed; certain departmental purchases have been frozen. The governor announced 650 state employee layoffs. The only tax action to date is a reversal of an energy tax phaseout.
New Mexico	N/A
New York	N/A
North Carolina	The governor imposed spending restrictions on traveling, purchasing and hiring.

Table 6. Other Measures to Balance FY 2002 Budgets January Update	
North Dakota	N/A
Ohio	The state will participate in a multistate lottery game. It also changed the local government funding formula.
Oklahoma	N/A
Oregon	A special session is scheduled. The governor has proposed tax increases, but there is no support in the legislature.
Pennsylvania	The state may slow down a planned phaseout of the capital stock tax.
Rhode Island	The governor issued a hiring, spending and travel freeze in late October. He proposed shifting resources from other funds (e.g., greyhound racing and video lottery terminals) to the general fund. He also suggested delaying capital projects and cutting the motor vehicle excise tax exemption.
South Carolina	N/A
South Dakota	N/A
Tennessee	The governor implemented a hiring and travel freeze. State officials are talking about a temporary sales tax.
Texas	N/A
Utah	N/A
Vermont	The governor delayed funding disbursement for a number of one-time measures.
Virginia	The governor froze capital outlay and left agency positions unfilled. The state used \$259 million in Medicaid intergovernmental transfer payments.
Washington	Other actions include increasing state employee contributions to health care plans, reducing local government funds and pension payments, and allowing higher education institutions to set tuition rates. The governor's budget also proposes a 10 percent statewide tax on gambling, repeal of a tax exemption, participation in the Big Game lottery and increasing staff at the revenue department to boost collections.
West Virginia	N/A
Wisconsin	N/A
Wyoming	N/A
N/A – Not applicable at this time	
Source: National Conference of State Legislatures, January 2002	

Alabama	General fund spending facing \$70 million reduction in FY 2003. Education trust fund projects \$114 million in revenue growth for FY 2003.
Alaska	A budget gap of \$1.25 billion is expected for FY 2003.
Arizona	The outlook for FY 2003 includes an \$800 million (12 percent) budget gap.
Arkansas	General fund revenues are projected to grow 4.1 percent in FY 2003.
California	The state projects an \$8 billion (10 percent) budget gap in FY 2003.
Colorado	The outlook for FY 2003 is better than the current year.
Connecticut	The state projects a potential deficit of \$794.4 million in FY 2003.
Delaware	General fund revenues in FY 2003 are projected to be down \$146 million from the June estimate.
District of Columbia	The budget gap for FY 2003 is projected at \$234 million.
Florida	With revenues tracking the revised estimate, the outlook for FY 2003 remains optimistic.
Georgia	The FY 2003 outlook is still fairly positive because of the existing surplus and spending cuts.
Hawaii	The projected budget gap for FY 2003 is \$150 million.
Idaho	Budget balancing plans could include cuts of 3 percent to 10 percent from state agencies in FY 2003.
Illinois	An improving economy could result in \$300 million to \$500 million in revenue growth for FY 2003.
Indiana	The budget gap is \$1.2 billion for the 2002-2003 biennium.
Iowa	The budget outlook is tentative.
Kansas	Officials anticipate 4 percent across-the-board cuts to avoid a projected budget gap in FY 2003.
Kentucky	The FY 2003 budget shortfall has been addressed, but the outlook remains weak.
Louisiana	The budget outlook for FY 2003 is not as bright as FY 2002, with the state likely to act on a number of expiring revenue items to avoid a budget shortfall.
Maine	Maine faces a \$158 million budget gap in the second half of the 2002-2003 biennium.
Maryland	The state faces a budget gap of roughly \$1 billion (9 percent) in FY 2003.
Massachusetts	The budget outlook for FY 2003 projects a \$2 billion budget gap.
Michigan	The budget outlook for FY 2003 projects a \$540 million budget gap.
Minnesota	The projected budget gap for the biennium is \$1.9 billion, with \$357 million of the total in FY 2002.
Mississippi	Proposals to address the FY 2003 budget shortfall include shifting general fund support for road construction over to bonding, accelerating sales tax collections, and using tobacco settlement funds.
Missouri	To address the anticipated budget gap, the governor's FY 2003 budget includes tapping \$135 million from the rainy day fund and \$42 million from the tobacco settlement funds.
Montana	To address an anticipated budget gap, the administration is considering service reductions in health care and lowering provider rates.
Nebraska	The projected FY 2003 budget gap is at least \$50 million.
Nevada	Absent a turnaround in general fund revenues, a budget gap for FY 2003 is projected.
New Hampshire	No budget gap is projected for FY 2003.
New Jersey	The FY 2003 budget situation is considered "extremely difficult" with the administration projecting a shortfall of \$5 billion.
New Mexico	State agencies have requested spending growth of 8.1 percent compared to a recommended 1.4 percent increase in spending in FY 2003 by the Legislature.
New York	The governor is projecting a \$5.7 billion (6.5 percent) budget gap in FY 2003.

North Carolina	The projected FY 2003 budget gap is \$500 million to \$600 million (about 4 percent of the budget).
North Dakota	No budget gap is projected for FY 2003.
Ohio	Prior to the implementation of several budget balancing measures, the FY 2003 shortfall was projected at \$763 million.
Oklahoma	Preliminary estimates indicate a shortfall of \$260 million for all funds at the beginning of FY 2003.
Oregon	Most of the budget shortfall problem of \$830 million is in the second half of the biennium.
Pennsylvania	No budget gap is projected for FY 2003.
Rhode Island	A \$300 million shortfall is forecast for FY 2003.
South Carolina	No budget shortfall is projected in FY 2003, in part because of the reduced base budget in FY 2002.
South Dakota	A budget shortfall is expected, and policymakers are proceeding with caution.
Tennessee	A budget shortfall is projected in FY 2003, as the state needs \$705 million in new revenue next fiscal year to maintain current funding levels.
Texas	There is a potential for problems in areas such as Medicaid and SCHIP, as signs of caseload and prescription drug cost increases begin to appear.
Utah	No budget gap is projected for FY 2003.
Vermont	A potential budget gap of 2 percent in FY 2003 will be addressed during session.
Virginia	A potential budget gap of \$2 billion looms over the 2003-2004 biennium.
Washington	The budget gap for the 2003-04 biennium is expected to be \$500 million to \$1 billion.
West Virginia	To address a projected budget gap in FY 2003, state agencies have been asked to cut their spending requests by 3 percent.
Wisconsin	The total budget gap for the 2001-2003 biennium is \$1.12 billion (5 percent).
Wyoming	No budget gap is projected for FY 2003.
Source: National Conference of State Legislatures, January 2002	

Table 8. Tax Proposals under Consideration for FY 2003 January Update			
State	No	Yes	Notes
Alabama		✓	The governor proposed possible fee and tax increases.
Alaska		✓	A bipartisan group of House members proposed income and cruise ship taxes and raising alcohol taxes.
Arizona	✓		
Arkansas	✓		
California	✓		
Colorado	✓		Colorado voters must approve any tax increase.
Connecticut		✓	The governor is considering increasing the cigarette excise tax by 61 cents a pack.
Delaware	✓		
District of Columbia	✓		
Florida		✓	The Senate president proposed a major tax reform package that would roll back the sales tax rate and impose the tax on services.
Georgia	✓		
Hawaii		✓	The governor proposed doubling the liquor excise tax to generate \$40 million. No tax proposals are being considered by the Legislature.
Idaho	✓		
Illinois	✓		
Indiana		✓	Proposed legislation would make various FY 2003 tax changes.
Iowa	✓		
Kansas		✓	The governor wants to increase sales, motor fuel and cigarette (65 cents to 89 cents a pack) taxes. He also wants to increase state car registration fees by 3 percent. The Senate tax committee is looking at other excise taxes.
Kentucky	✓		
Louisiana		✓	The Legislature is likely to renew the temporary sales tax on groceries and the temporary income tax increase due to expire in FY 2003.
Maine		✓	Small tax increases (such as the real estate tax transfer) are being considered. The state also is considering delaying certain tax cuts.
Maryland		✓	The governor proposed deferring the last 2 percent of a 10 percent income tax reduction for FY 2003.
Massachusetts	✓		No tax increases are being considered. The Senate is in favor of freezing a voter-approved personal income tax rate reduction. The House is considering the idea. The governor is not in favor of the proposal.
Michigan	✓		
Minnesota		✓	The governor proposed increases in gas and cigarette taxes and extension of the sales tax to a number of services and institutional food sales.
Mississippi	✓		
Missouri		✓	The governor proposed increasing by 2 percent the adjusted gross receipts tax (primarily assessed on riverboat gaming).
Montana	✓		The governor said there will be no tax increases and indicated she is still looking for further income tax reductions.
Nebraska		✓	There are several proposals. Tax increases are unlikely.
Nevada	✓		

Table 8. Tax Proposals under Consideration for FY 2003 January Update			
State	No	Yes	Notes
New Hampshire	✓		
New Jersey	✓		
New Mexico	✓		
New York		✓	The Legislature approved a cigarette excise tax increase to generate an additional \$150 million in FY 2003. Approximately \$60 million in FY 2003 fee increases are being considered.
North Carolina	✓		
North Dakota	✓		
Ohio	✓		
Oklahoma	✓		
Oregon		✓	The governor proposed excise tax increases to generate \$111 million and a repeal of a previously approved personal income tax cut. That would save \$133 million. The Legislature is not supportive of any of the tax increase measures.
Pennsylvania		✓	Slowing the capital stock tax phaseout is being considered. An increase in the poverty exemption level for personal income tax and continuation of a computer sales tax holiday are under consideration.
Rhode Island	✓		
South Carolina	✓		
South Dakota	✓		
Tennessee		✓	State officials are discussing options, but specific proposals are unknown at this time.
Texas	✓		The Legislature is not in regular session in 2002.
Utah	✓		
Vermont		✓	The governor proposed raising fees for motor vehicles and licensing. There may be consideration of raising the cigarette tax, but the governor did not include it in his budget proposal.
Virginia	✓		
Washington	✓		
West Virginia	✓		
Wisconsin	✓		
Wyoming		✓	The revenue committee has submitted an omnibus tax bill for consideration by the Legislature in the event additional tax revenue is needed.
Total	32	19	

Source: National Conference of State Legislatures, January 2002

State Fiscal Outlook For FY 2002—January Update

State	What's the revenue situation through the end of December? If revenues are on target with a revised forecast, how does the revision compare to the original estimate?	Are any areas of general fund spending over budget? If yes, what are they? Are there other areas of concern?	How large a budget gap does the state face in FY 2002? How is the state addressing that gap in FY 2002?	What's the budget outlook for FY 2003?	Are any tax increases being considered to close the budget gap in FY 2003?	What significant proposals are being discussed to balance the FY 2003 budget?
Alabama	The FY 2002 general fund revenue estimate has been revised downward by \$77.3 million (from \$1.21 billion to \$1.13 billion.). The Education Trust Fund (ETF) faced a \$160 million shortfall due to lower than expected corporate income and sales tax revenues, but the shortfall was addressed in a December special session.	General fund expenditures are on target.	The ETF shortfall was covered by \$140 million in tax increases and \$20 million in budget cuts. Of the tax increases, \$90 million was generated from changes to the corporate tax base including taxing interstate telephone calls, increasing the tax on cellular phone calls and setting a uniform sourcing telephone tax. Bond refinancing added \$10 million in revenues. A new actuary estimate reduced the state's obligation to state employee retirement funds by \$12 million. Budget cuts were in discretionary funds targeted to the school bond authority for capital projects.	The Legislative Fiscal Office estimates that the FY 2003 general fund budget will need to be reduced by \$70 million from the FY 2002 level because of the lack of carry-forward balances and very small revenue growth. It appears that \$114 million in new money will be available for the ETF for FY 2003 due to modest revenue growth projections and further reductions in the state's estimated contributions to the teacher retirement system.	The governor has proposed such revenue measures as fee and tax increases.	A constitutional amendment was passed by the Legislature and referred to voters for the June 2002 election. It would establish a reserve fund for the ETF. Oil and gas revenues would be used for the reserve. Up to 6 percent of the Education Trust Fund budget could be withdrawn from the reserve when needed.
Alaska	The average price of crude oil has continued to run below the budgeted estimate, so the revenue shortfall for FY 2002 is expected to be about \$1 billion.	A supplemental appropriation of at least \$20 million will be needed for Medicaid. Other supplemental appropriations, such as anti-terrorism highway security, could reach \$40 million. Feb. 11 is the deadline for agencies to apply for supplemental funding.	Officially, the budget gap is \$875 million. Oil prices, however, continue to be below forecast so the gap probably will reach \$1 billion. State officials do not consider this a true shortfall because reserve funds (from oil revenues) regularly are used to balance the budget.	A budget gap of \$1.25 billion is expected for FY 2003 due to continued low oil prices and the governor's proposal for increased expenditures (totaling \$200 million).	A bipartisan group of House members is proposing income and cruise ship taxes, and raising alcohol taxes. The income tax could generate \$300 million in revenues. Many legislators, however, are averse to an income tax without first instituting spending limits.	No significant revenue proposals are being considered at this point. The Legislature will probably try to hold spending for FY 2003 at FY 2002 levels, which would amount to a \$200 million cut from the governor's budget. No hearings have been held yet on the governor's budget.
Arizona	General fund tax collections through the end of December were \$47 million (0.75 percent) below the revised November estimate. Revenues are now projected to be \$138 million below the revised estimate by the end of the fiscal year. An October revision to the estimate already had reduced projected revenues by \$675 million. Corporate income tax collections are particularly weak, with an expected decline of 33 percent compared to FY 2001 actual collections.	Medicaid expenditures are projected to rise \$19 million above the budget level adopted in a special session in late 2001.	The special session in late 2001 addressed a \$675 million budget gap. A January budget revision added another \$138 million to the FY 2002 gap. It will be addressed during a February special session that will run concurrently with the regular session. Actions in the first special session included \$200 million in spending cuts, \$339 million in fund transfers, including a \$119 tap of the rainy day fund, and \$130 million in other revenue actions (including an increase in the withholding rate).	The outlook for FY 2003 includes an \$800 million (12 percent) budget gap. Revenues in the new fiscal year could be \$140 million below the FY 2002 level. Medicaid caseload growth averaging 20 percent per year will increase spending demands for the program by \$500 million in FY 2003.	No broad based tax increases are being considered.	A combination of spending cuts, accounting actions and a shift of \$250 million general fund school construction spending to bonding are being considered to balance the FY 2003 budget.

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Arkansas	The budgeted revenue estimate was decreased in the fall by \$142 million (4.2 percent). The revised estimate projects a decrease in tax collections of \$9.3 million (0.3 percent) from FY 2001. General fund tax collections are close to the revised target through the end of January. This follows an above estimate performance in December and an offsetting decline in January.	The revised revenue estimate has reduced spending authority by 4.2 percent. Spending is on target with the revision.	No budget gap is projected in FY 2002 because of the automatic features of the Revenue Stabilization Law that reduces spending by an amount equal to the projected revenue shortfall. Revenue estimates were trimmed \$142 million (4.2 percent) earlier in the fiscal year. The state does not have a rainy day fund.	Compared to the new base budget in FY 2002, general fund revenues are projected to grow 4.1 percent in FY 2003.	No tax increases are being considered for FY 2003. The legislature is not in regular session in 2002.	No budget gap is forecast for FY 2003.
California	December general fund tax collections were down \$940 million from the revised estimate. FY 2002 collections are now projected to end \$5.5 billion (7 percent) below the budgeted estimate.	General fund expenditures are on target with the budgeted estimate.	The FY 2002 budget gap is \$5.5 billion (7 percent) and is due almost entirely to underperforming revenues.	The FY 2003 budget outlook projects an \$8 billion (10 percent) budget gap.	No general tax increases are being considered at this time.	A combination of tax accelerations, expected federal disbursements for terrorism preparedness, special fund taps and borrowing are proposed for balancing the FY 2003 budget. Additionally, tobacco securitization and pension fund actions are being considered.
Colorado	General fund tax collections continued to decline through December and are now an additional \$150 million below the revised estimate. Revenues are now \$536 million (8 percent) below the original budgeted level. Both income taxes and sales taxes are coming in below projections.	General fund expenditures are on target, but concern exists over potential Medicaid cost overruns.	Currently, the state is looking at a \$155 million budget gap for FY 2002. To address it, most state agencies have been asked to cut their budgets by 1 percent. Policymakers are trying to protect education, Medicaid and other human service programs, such as mental health. In addition, \$390 million in highway and other capital projects were delayed. Creative refinancing measures are being used to maintain the 4 percent general fund reserve.	The outlook for FY 2003 is better than the current year. An estimated \$276 million may become available if the legislature delays a planned repayment to the controlled maintenance trust fund (a special fund for state building repairs). The state borrowed from this fund last year to plug the general fund.	Colorado voters must approve any tax increase, so none are being considered.	The legislature won't appropriate as much next year. The current plan is to reduce personal service appropriations (salaries) to agencies by 2.5 percent.
Connecticut	Most major tax collections through January are below the budgeted estimate. Personal income taxes are down 7 percent, sales, 5.3 percent, and corporate income, 40 percent year-to-date versus the budgeted estimate. Revenues for FY 2002 were revised down by \$676 million. FY 2003 revenues were dropped by \$682 million.	Deficiency appropriations for FY 2002 are estimated at \$70.7 million. Areas over budget include social services, state employee health care, education and corrections.	The state faced a \$765 million (6.4 percent) general fund budget gap in FY 2002. Following savings measures adopted during a November special session, the deficit is now projected at \$551.7 million. The Legislature is considering an additional \$172.7 million in savings proposed by the governor.	The state projects a potential FY 2003 deficit of \$794.4 million. A revised revenue estimate projects revenues to fall short \$682.6 million and estimates expenditures \$112.4 million higher than originally thought. The November special session trimmed \$84.2 million from the projected deficit through savings measures. Additional proposed savings of \$15.4 million could reduce the shortfall to \$694.7 million.	The governor is considering increasing the cigarette excise tax by 61 cents a pack. That would generate \$30.8 million in additional revenue in FY 2002 and \$122.3 million in FY 2003.	The governor is proposing \$200 million in cuts from the FY 2003 budget and he also proposes postponing tax cuts, increasing court and other fees and tapping reserves held by the state's semi-independent agencies, such as the Connecticut Housing Finance Authority.

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Delaware	General fund tax collections are forecast to be \$30.9 million (1.3 percent) below estimate in FY 2002. Because the state appropriates only 98 percent of the estimate, it has not encountered a revenue deficit so far in the fiscal year. Personal and corporate income taxes are both running below estimate.	General fund spending is on target. Areas of potential overspending include state employee health insurance and Medicaid, which has now stabilized. Most of the budget concern involves revenue performance.	Most state agencies have been ordered to reduce spending by 2 percent, with only some exemptions, most notably the Department of Children, Youth and Families. The rainy day fund has not been tapped in FY 2002.	The revenue estimate for FY 2003 is down \$115 million (4.7 percent) from the June forecast. Combined with the current fiscal year problems, revenues will be down \$146 million from the June estimate.	No tax increases are being considered for FY 2003.	A mix of savings, one-time revenue measures, no state employee pay raises and a cut in general fund support for capital projects are expected to address the anticipated \$146 million shortfall in FY 2003.
District of Columbia	The revenue situation through the end of December is running about \$20 million to \$25 million below estimate, especially in sales and income/franchise taxes. The FY 2002 revenue estimate is anticipated to be revised downward by \$90 million to \$100 million.	K-12 education spending is over budget by \$81 million and Medicaid is over budget by \$62 million. Other areas of concern for possible cost overruns include mental health programs and public safety.	The District is dealing with \$240 million in budget problems in FY 2002. Budget balancing measures include delaying previously scheduled income tax reductions and possibly tapping into the budgeted reserve for \$50 million.	The budget gap for FY 2003 is projected at \$234 million.	No tax increases have been proposed to date.	Significant proposals for balancing the FY 2003 budget include the use of budget reserves and spending reductions.
Florida	General fund tax collections are on target with the revised estimate through December. Two previous revisions to the FY 2002 revenue estimate had reduced it by \$1.3 billion (6.6 percent).	K-12 education spending is over budget due to higher than expected enrollment.	In the second of two special sessions, the state closed a \$1.2 billion FY 2002 budget gap. Cuts in excess of \$1 billion were spread across all areas of spending. A planned cut in the intangibles tax was suspended to save \$128 million. The rainy day fund has not been tapped.	The budget actions affecting FY 2002 reduced the base budget going into FY 2003 and relieved some spending pressures. With revenues tracking the revised estimate, the outlook for FY 2003 remains optimistic.	The Senate president is proposing a major tax reform package that would roll back the sales tax rate and impose the tax on services. The proposal also would require a 3/5 vote of the Legislature to enact any new sales tax exemptions. The tax reform package has support in the Senate, but is not viewed as favorably in the House.	Some challenges are expected from an additional \$360 million in enrollment-driven costs for K-12 education and \$400 million in caseload expenditures for Medicaid in FY 2003.
Georgia	The revenue forecast has been revised downward by \$500 million, from \$14.3 billion to \$13.8 billion. Collections for the year are likely to be slightly above the revised estimate. Revenues through December, however, are 5.6 percent below the same period last year.	Medicaid spending is \$429 million over budget, which includes obligations from last year and current costs.	Georgia is facing a budget gap of about \$650 million. All reserve funds are full, however, and the state still has a \$906 million surplus from last year that will cover this year's budget requirements. The governor requested budget cuts of 2.5 percent for this year. Education and children's programs were exempted. In addition, bonds are being issued for planned school construction costs, freeing up \$400 million that was set aside for that purpose.	The FY 2003 outlook is still pretty good because of the existing surplus and spending cuts. FY 2004 is expected to be a tougher budget year.	No tax increases are being considered.	The budget base will be lower because cuts made this year will be carried over into FY 2003.

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Hawaii	General fund tax collections through December were on target with revised revenue estimates. A November revision to the FY 2002 general fund forecast reduced projected growth from 4.1 percent to -0.7 percent, a \$151.8 million revenue loss.	The state's children's mental health program, operating under a consent decree, is \$10 million over budget. Other minor areas are also over budget, but most concerns center on revenue performance.	Compared to the budgeted estimate, the total FY 2002 gap is approximately \$160 million. The governor ordered a 1 percent restriction on agency spending, saving \$16.5 million. If revenues continue to lag, a \$160 million transfer is likely from the FY 2001 carryover balance.	The projected gap for FY 2003 is \$150 million. The governor cut 2 percent out of the FY 2003 budget request. The Legislature has asked agencies to consider plans for 3 percent, 4 percent and 5 percent reductions from the FY 2003 budget.	The governor proposed doubling the liquor excise tax to generate \$40 million. No tax proposals are being considered by the Legislature. And the Legislature doesn't support the governor's tax hike proposal.	The governor is studying transferring \$200 million from the Hurricane Relief Fund to cover the projected FY 2003 budget gap. He also proposes a \$1 billion capital spending plan to generate \$40 million in new revenue. The Legislature has asked agencies to consider plans for 3 percent, 4 percent and 5 percent FY 2003 reductions. The governor has already reduced spending requests by 2 percent.
Idaho	Revenues continue their downward trend, although sales tax collections are holding steady. Original budget estimates predicted a 3.1 percent revenue decline in FY 2002, primarily due to enacted income tax cuts. The revenue decline was re-estimated in November at 8.1 percent. At the end of December, revenues were running 1 percent below that.	Medicaid is over budget, with a possible \$12 million supplemental appropriation needed. The governor has recommended \$4 million. The overrun is being driven by caseload increases, prescription drug costs and children's health insurance coverage expansion.	The governor's spending order, set to expire Jan. 31, is expected to be made permanent in early February. It requires a budget holdback of 2.5 percent for K-12 education and 3 percent for all other government entities. There is also a temporary delay on major construction projects. Capitol renovation is on hold. Consideration is being given to using the April installment of the tobacco settlement fund for general fund purposes.	Decisions will be made in February on reduction plans that could cut another 3 percent to 10 percent from state agencies in FY 2003.	No tax increases or other revenue enhancements are under consideration at this time.	A difficult budget year with spending below current levels is anticipated.
Illinois	Revenues through the first six months of the fiscal year are \$474 million (2 percent) below the original budget. This is \$85 million less in revenue than the same period last year.	State group health insurance and Medicaid are over budget. Spending on drug assistance for the elderly is still an issue, but some of the pressure has been relieved with additional federal funds. The governor also has supplemented security spending by \$17 million.	Illinois faces a budget gap of about \$500 million. Although the budget has not officially been cut, state agencies have been asked to hold back 2 percent of their general fund allocation. Capital expenditures for prisons have been delayed. State workers are asked to take a furlough day (estimated to save \$8 million). The state employee union is fighting this provision, but non-union employees already have begun taking days off. Although \$226 million from the rainy day fund has been tapped for cash flow, the state plans to repay it during this fiscal year.	Analysts think the economy is picking up. Forecasters project \$300 million to \$500 million in revenue growth for FY 2003.	The legislature will be looking at options this session. Tax increases are unlikely.	The governor has twice attempted to increase his authority over the budget, but the legislature has not passed either proposal. There has been some talk of state employee layoffs.

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Indiana	Revenues are on target with the revised November forecast, which reduced projected FY 2002 revenues by \$540 million (5.7 percent) and FY 2003 revenues by \$737.4 million (7.4 percent).	Medicaid is over budget.	The budget gap is \$1.2 billion for the 2002-2003 biennium. The governor directed state agencies to cut budgets by 7 percent. A few areas, such as emergency services, are exempt. HB 1004 addresses the budget deficit and fiscal restructuring issues.	The budget gap is \$1.2 billion for the 2002-2003 biennium.	Legislation currently under consideration would make various tax changes in FY 2003. An increase in the state sales tax would generate \$393 million in FY 2003. A proposed cigarette tax increase would raise \$293.6 million. Other revenue changes would add \$353 million to total general revenue collections.	Legislation under consideration would reduce spending in FY 2003 by \$225.4 million. The largest cut would come from school funding (\$115.4 million). State police funding would be reduced by \$54.8 million.
Iowa	In the adopted FY 2002 budget, revenues were projected to grow 3.8 percent. The revenue estimating conference has revised its FY 2002 estimate twice—first in September to 1.9 percent and then in December to 1.5 percent. Through the end of December, revenue collections were \$75 million short of the 1.5 percent growth estimate and \$200 million below the original estimate.	Except for Medicaid, expenditures are on target with the original budgeted estimate. Medicaid spending is projected to exceed its estimate by \$70 million.	The state is coping with a \$200 million budget gap. The governor imposed a 4.3 percent across-the-board spending cut. In a Nov. 1, 2001, special session, the legislature restored funds to K-12 education, public safety, public defense, community colleges and corrections. The state still may consider tapping its economic emergency fund.	The budget outlook is tentative. If the state fails to meet its twice-revised revenue estimate for FY 2002 (1.5 percent growth), it is unlikely to meet its FY 2003 estimate of 2.1 percent growth.	Tax increases are highly unlikely.	Finding a solution to the Medicaid spending problem is the first priority. Current proposals include shifting funding for some spending categories to other sources (e.g., shifting state trooper salary costs from the general fund to the motor vehicle use tax fund). Other funds that may be tapped are the tobacco endowment fund or the senior living trust fund.
Kansas	Through December, general fund revenues were \$55.6 million (2.8 percent) under the revised November estimate, which lowered revenues by \$113 million from the April forecast. Corporate income taxes are responsible for all but \$1 million of the shortfall. Sales taxes are coming in above forecast. The November estimate puts revenues at 0.5 percent or \$21 million above FY 2001 levels.	The main areas over budget are in human services: foster care, welfare, Medicaid, adoption services and mental health. A supplemental appropriation of \$37 million has been recommended. Other areas of concern include state matching funds for local districts (over budget by \$20 million) and corrections. The Department of Revenue lost a corporate income tax refund case in the Kansas Supreme Court Jan. 25. The state may have to pay \$26 million in refunds, an expense not considered in the budget.	No agreement has been reached on how to address the projected shortfall in FY 2002.	The budget outlook for 2003 is not good. Officials anticipate 4 percent across-the-board cuts. The state is in the middle of a transportation plan and a multiyear plan for higher education that requires increased spending. Some highway projects will be delayed.	The governor wants to increase the sales tax from 4.9 percent to 5.1 percent, motor fuel taxes by 1 cent per gallon and cigarette excise taxes by \$0.65 to \$0.89 per pack. He also wants to increase the state car registration fee by 3 percent. The Senate tax committee is looking at other excise taxes. The Senate Ways & Means Committee wants to change the law so the ending balance must be 5 percent, not 7.5 percent, (to be returned to 7.5 percent over the next four years).	Proposals to balance the FY 2003 budget include a combination of budget cuts and tax increases. Officials also will consider whether to spend down the ending balance.
Kentucky	Revenue collections are on target with the revised FY 2002 estimate of 0.9 percent growth. The revised estimate is \$475 million (6.6 percent) less than the estimate included in the adopted budget. Sales and corporate income taxes are the primary underperforming tax categories.	Medicaid overruns were projected to reach \$180 million for FY 2002, but have been addressed through various cost avoidance and cost saving measures.	Agency-specific budget cuts totaling \$533 million were approved last fall. K-12 education was protected from the cuts. The state has reined in Medicaid spending by freezing provider rates and holding down primary care center and pharmacy costs. The state accessed \$120 million (about half) of its rainy day fund and incurred savings from improved interest rates on debt service and tapped tobacco settlement funds.	The budget shortfall has been addressed, but the outlook continues to be weak. The governor has proposed a "bare bones" budget that may be characterized as a flat-line continuation of FY 2002 spending levels through FY 2004.	No tax increases have been proposed. Raising revenues by allowing video slot machines and/or racetracks have been discussed by various groups.	State employees will receive a 2.7 percent salary increase, not the 5 percent annual increase written into statute. Other proposals include pulling some "off-budget" accounts back into the budget. For example, there is a local jail construction authority fund from which \$15 million may be included in the fiscal biennium 2002-2004 budget (FY 2002 and FY 2003).

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Louisiana	General fund revenues through December were coming in ahead of forecast by \$53 million (0.8 percent). This is being driven by healthy oil and gas activity and income tax revenues.	Several budget categories have minor cost overruns, totaling about \$55 million.	Cost overruns are equal to surplus revenues.	The budget outlook for FY 2003 is not as bright. The state will have \$600 million worth of expiring revenue items (temporary sales tax on groceries and income tax increase). Several expenditure items are increasing, such as health insurance, teacher pay and other merit raises for state employees.	The Legislature is likely to renew the temporary sales tax on groceries and the temporary income tax increase that will expire in FY 2003.	The legislature is unlikely to fund some agency requests next year.
Maine	Maine lowered its revenue forecast by \$109 million for FY 2002. Measured from that revision, revenues are slightly ahead of target. Revenue collection through December would have been below the original forecast by \$23 million (2.2 percent).	General fund spending is over budget by \$18 million.	The state faces a \$244 million gap in the 2002-2003 biennium. The FY 2002 shortfall is about \$86 million of the total. New legislative initiatives may be delayed. The state might tap up to \$100 million in reserves in addition to the \$35 million already taken. Budget revisions reduced Medicaid spending requirements by \$7.8 million in FY 2002 and lapsed \$8.7 million from FY 2001.	Maine faces the same fiscal issues in FY 2003.	Small tax increases are being considered (such as the real estate tax transfer). The state also is considering delaying certain tax cuts (e.g., the method of indexing individual income tax brackets and a phased-in reduction of the mill rate on telecommunications personal property).	Proposals under consideration include delaying the increase in revenue sharing with municipalities, reducing expenditure and tapping the rainy day fund.
Maryland	On Dec. 13, 2001, the Board of Revenue Estimates reduced the FY 2002 forecast by \$276.3 million (1.7 percent below FY 2001 levels and 2.8 percent below the original forecast). Personal income and business tax revenues are below forecasts. Personal income tax collections remain very weak, especially quarterly estimated payments. General fund revenues were below the new estimate by \$25.1 million (0.7 percent) through December. The FY 2003 forecast was revised down by \$434.7 million, an increase of 1.6 percent over FY 2002 but lower than the original growth estimate of 3.6 percent.	Medicaid enrollment exceeded the budget estimate by 32,000 cases through December and continues to climb. The Medicaid deficit is about \$150 million (\$50 million attributable to surging enrollment with medical inflation and other factors accounting for the rest). Temporary cash assistance also is over budget due to caseload increases and could cost as much as \$25 million more than was budgeted (although additional TANF money is available). Shortfalls persist in mental health programs.	The gap is \$330 million (revenues short by \$157 million and spending deficiencies of \$173 million). The FY 2002 budget is OK, but actions are needed to carry funds forward into FY 2003. The governor has not proposed cuts yet, but he has directed agencies to freeze hiring and has shifted \$237 million of PAYGO (capital) projects to bonding while requesting an additional \$211 million in debt authorization over the recommended limit. The FY 2002 budget also is based on reversions and transfers of \$324 million from other accounts to the general fund. Use of the rainy day fund was planned to pay for PAYGO projects, some of which are now being converted to bonds.	The state faces a budget gap of roughly \$1 billion (9 percent) in FY 2003.	The governor has proposed deferring the last 2 percent of the 10 percent income tax reduction (savings would equal \$177 million) for FY 2003.	The governor has proposed \$137 million in transfers to the general fund (e.g., from the dedicated purpose account and other reserves) and has asked for relief from \$128 million in mandated spending (e.g., freeze retirement payment contributions; delay formula-driven mandatory funding increases for community colleges). The governor's budget plan also relies on \$467 million being carried forward from FY 2002.
Massachusetts	General fund tax collections through January are \$1.275 billion below the revenue level set in the adopted budget. The budget was adopted on the assumption that revenues were already \$1 billion below the level projected in the budget.	Supplemental appropriations of \$500 million are expected in areas such as Medicaid, public safety and welfare.	The total budget gap in FY 2002 is now estimated at \$1.5 billion. Actions to deal with it include \$500 million in budget cuts, along with a \$772 million rainy day fund withdrawal (leaving a \$1.7 billion rainy day fund balance). The governor is considering an additional \$189 million in state agencies reversions.	The budget outlook for FY 2003 projects a \$2 billion budget gap. Reasons include declining revenues, phased-in tax cuts and rising expenses (e.g., Medicaid could grow by 11 percent in FY 2003).	No tax increases are being considered. The Senate is in favor of freezing a voter-approved personal income tax rate reduction. The House is considering the idea. The governor is not in favor of the proposal.	Tapping \$750 million from the rainy day fund and reducing the payout from lottery earnings are two proposals being considered to balance the budget in FY 2003.

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Michigan	General fund tax collections are on target with revised estimates through December. A January consensus revenue estimating conference reduced the FY 2002 forecast for general fund revenues by \$49.5 million (0.6 percent) and increased anticipated school fund collections by \$24.2 million (0.2 percent). A mid-October consensus revenue estimate lowered the outlook for general fund revenues by \$462 million and school aid revenues by \$256 million.	Caseload-driven costs will probably result in a Medicaid and welfare supplemental appropriation.	The state has addressed its FY 2002 general fund shortfall through a series of reductions, including \$21.9 million in capital outlay, \$285.3 million in general fund spending, \$12 million in work projects and \$144.6 million in transfers to the general fund.	The budget outlook is "tight" as FY 2003 general fund tax collections are projected to decrease by \$34.1 million (0.4 percent), and school aid revenues are projected to increase by \$383.2 million (3.8 percent). On a continuing services level, the FY 2003 general fund budget gap is projected at \$540 million.	No general tax increases are being considered at this time.	The governor submitted his FY 2003 spending recommendations Feb. 7.
Minnesota	The general fund revenue estimate was revised downward in November to 7.6 percent below the last official estimate in February 2001. A \$1.9 billion deficit was projected for FY 2002-2003. November-December revenues were \$2.8 million (0.1 percent) above the revised forecast, with a \$59 million shortfall in personal and corporate income taxes offset by sales, motor vehicle and other taxes and revenues.	Spending is on target, although pupil costs are up slightly.	The projected budget gap for FY 2002 is \$357 million, with unspent appropriations from FY 2001 helping cushion the current budget.	The governor has proposed a variety of budget cuts. Hearings are taking place on those proposals. A hold on state grants has been lifted. The budget reserve could be used, depending upon Fiscal Advisory Commission advice.	The governor has proposed increases in gas and cigarette taxes and extension of the sales tax to a number of services and institutional food sales.	The FY 2003 budget outlook is worse than FY 2002. The governor has proposed total reductions for FY 2002-2003 of \$700 million, including cuts in agency operations of between 5 percent and 10 percent and reductions in state aid to local governments.
Mississippi	Revenues through December were \$122.6 million (6.8 percent) below the budget estimate.	Medicaid is a big issue with a 60 percent (\$150 million) deficit through mid-January. Mental health spending is running about \$12 million over budget. Corrections spending is \$21 million over budget.	The FY 2002 budget gap is about \$285 million. To address it, most agency budgets have been cut by 3.3 percent. Protected areas include Medicaid, K-12 education, financial aid, district attorneys, the homestead exemption and debt service. Additional cuts for FY 2002 are possible. The rainy day fund also has been tapped for \$33 million (the governor has the authority to take \$50 million from this fund every year). Proposals have surfaced to use tobacco settlement funds.	The FY 2003 revenue estimate assumes 4.3 percent growth. The budget currently under consideration in the Legislature is balanced, but doesn't include the Medicaid deficit.	No tax increases are being considered at this time.	To address the FY 2003 shortfall, several proposals are being floated: using money from a road fund and bonding for the roads; accelerating sales tax collections to a weekly schedule; and using tobacco settlement dollars.

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Missouri	Based on lagging revenue performance, a December revision to the FY 2002 revenue estimate now projects a -0.6 percent rate of growth. Sharp declines in income tax collections, relative to the budgeted forecast, are expected in coming months. The revision equates to \$520.8 million less than the original estimate, which projected 5.4 percent growth.	General fund expenditures remain on target.	The state is facing a \$520.8 million gap. To address the shortfall, it has implemented departmental budget withholdings. K-12 education, debt service and Medicaid were exempt. The governor also has proposed tapping \$88.5 million from tobacco settlement funds and sweeping \$30 million of earmarked funds into the general fund.	The budget outlook is grim. The revenue growth estimate for FY 2003 is 2.3 percent, but the state will carry over significant problems from FY 2002. The governor's FY 2003 budget includes tapping \$135 million from the rainy day and \$42 million from the tobacco settlement funds.	The governor has proposed increasing the adjusted gross receipts tax (primarily assessed on riverboat gaming) by 2 percent.	The governor also has proposed increasing riverboat gaming boarding fees \$1, removing the \$500 loss limit provision for the gaming industry and legalizing a new lottery game (keno-type game). Other proposals include a one-time tax amnesty program and reductions in the collection allowance granted to retailers who remit sales tax on time. These proposals would add up to \$229 million, earmarked for education funding.
Montana	Revenues projected to grow 3 percent are almost flat, barely exceeding last year's collections. Income taxes, which provide 50 percent of general fund revenues, and investment income from the coal tax trust fund are down.	There are cost overruns in human services in general and particularly in Medicaid, as well as some problems in corrections spending.	The slight surplus from FY 2001 is helping to carry the budget, but it will be eaten up if current trends continue.	The administration is considering service reductions in health care and lowering provider rates.	The governor, through her budget director, has said there will be no tax increases. In her state-of-the-state message, she indicated she is still looking for further income tax reductions.	Current trends are alarming. The state is in its fourth year of a drought, so high fire costs are possible next summer.
Nebraska	Revenues are \$7.5 million (0.6 percent) below the revised estimate and 4 percent behind the original target.	Spending is exceeding budgeted levels for some programs. Deficit requests are \$15 million for FY 2002 and \$35 million for FY 2003.	At the end of a special session (Oct. 25 through Nov. 8, 2001), the governor and Legislature realized there would still be a budget shortfall despite across-the-board cuts and other actions. The state still faces a \$58 million gap in FY 2002.	There is a projected FY 2003 gap of at least \$50 million. The exact size depends on actions taken this session.	There are several proposals. Tax increases are unlikely.	Actions are likely to be deferred until after revised revenue forecasts are issued Feb. 22.
Nevada	Revenue growth of 4.1 percent was expected, but both gaming and sales taxes were down 4.2 percent (\$40 million) through November with December figures not yet available. Soft Las Vegas business before New Year's contributed to weak gaming tax collections. Sales tax collections aided by car sales in October and November were better.	Medicaid and Temporary Assistance to Needy Families (TANF) caseloads are increasing significantly. Budget reserves are currently sufficient to cover TANF. Title XXI costs also are exceeding the budget.	The governor's hiring freeze continues, and some agencies are freezing one-time expenditures.	If cuts become necessary, K-12 education would be protected since it has a basic support guarantee.	No tax increases or other revenue enhancements are under consideration at this time.	Unless revenues turn around, there will be a budget gap to close.
New Hampshire	Through January, general and education fund revenues were \$13.1 million below forecast. The outlook is guardedly optimistic, with March (when corporate income taxes are due) an important month.	No areas of general fund spending are over budget.	There is no budget gap. The governor did cut 1 percent across the board to be on the safe side. The state is implementing capital projects sooner rather than later to bolster the economy.	The budget outlook for FY 2003 is the same. If business taxes are on target and hold, officials expect a \$4 million surplus (less than 1 percent).	No tax increases or other general revenue increases are being considered.	Not applicable.

State Fiscal Outlook For FY 2002—January Update

State	What's the revenue situation through the end of December? If revenues are on target with a revised forecast, how does the revision compare to the original estimate?	Are any areas of general fund spending over budget? If yes, what are they? Are there other areas of concern?	How large a budget gap does the state face in FY 2002? How is the state addressing that gap in FY 2002?	What's the budget outlook for FY 2003?	Are any tax increases being considered to close the budget gap in FY 2003?	What significant proposals are being discussed to balance the FY 2003 budget?
New Jersey	General fund tax collections are below the budgeted estimate and prior year actuals through mid-January. For the first time in 20 years, the state has reported five consecutive months of back-to-back declines compared to prior year collections. Major tax collections were down 14 percent in December compared to the same month in FY 2001. A newly revised estimate for FY 2002 projects a \$2.5 billion (10.9 percent) revenue shortfall.	General fund expenditures are \$400 million over the budgeted estimate. Overspending is reported in the state's property tax rebate, New Jersey family care and prescription drug programs and state employee health benefit plan.	Per the administration, the FY 2002 gap is \$2.9 billion. To address it, the new governor has announced plans for a 5 percent reduction in state spending and 650 state employee layoffs. The governor will present a detailed plan for addressing the budget gap Feb. 11. The only tax action to date is a reversal of an energy tax phase-out that will generate \$105 million in FY 2002. The rainy day fund will likely be tapped to offset some of the FY 2002 budget shortfall.	The FY 2003 budget situation is considered "extremely difficult" with the administration projecting a shortfall of \$5 billion.	No tax increases are being considered.	Securitizing the state's tobacco settlement payments has been proposed to deal with the budget gap in FY 2003.
New Mexico	Total FY 2002 general fund tax collections are forecast to decline by \$135 million (1.8 percent) from FY 2001. Accounting for nonrecurring FY2002 revenues, an actual decline of \$226 million is forecast.	Medicaid is the only program with FY 2002 spending overruns.	The FY 2002 budget gap is likely to be covered by a rainy day fund transfer. Agencies have not been directed to reduce their FY 2002 spending levels.	State agencies have spending requests 8.1 percent above FY 2002 appropriation levels. The Legislative Finance Committee recommends a 1.4 percent spending increase.	No general fund tax increases are under consideration.	The most significant proposals for balancing the FY 2003 budget are cuts in spending for some agencies and near flat growth for other areas.
New York	General fund tax collections were up from earlier estimates. The projected revenue shortfall in FY 2002 now stands at \$1.1 billion (2.6 percent). (The state fiscal year began April 1.)	General fund expenditures remain on target with budgeted estimates.	The total budget gap in FY 2002 is projected at \$1.1 billion. It will be addressed with a \$1.1 billion transfer from the rainy day fund.	The governor is projecting a \$5.7 billion (6.5 percent) budget gap in FY 2003. The governor's budget proposal calls for all fund spending to increase by 4.7 percent.	The Legislature approved a cigarette excise tax increase that will generate an additional \$150 million in state revenue in FY 2003. Approximately \$60 million in fee increases are being considered in FY 2003.	No legislative proposals for dealing with the budget gap will be put forth until March.
North Carolina	General fund tax collections are growing at a 2.5 percent rate compared to a budgeted rate of 4.5 percent.	Medicaid spending is over budget by about \$110 million. The state's 6.3 percent jobless rate is creating concern that the unemployment insurance fund will run a deficit.	The FY 2002 budget gap is projected at \$900 million, with \$600 million to \$700 million related to loss of revenue. The governor is considering reversions. He is also looking at significantly tapping state reserves, but the legislature doesn't support the idea.	The projected FY 2003 budget gap is \$500 million to \$600 million (about 4 percent of the budget). Anticipated Medicaid costs account for \$200 million of the projected gap.	No tax increases are being considered. No salary increases for state employees are expected in the next budget either. The governor has indicated that K-12 education funding will be "off the table" as a budget-balancing tool.	The governor is still pushing the idea of a state run lottery to help balance the FY 2003 budget.
North Dakota	Revenue collections were on track through the end of December. Total receipts were \$400,000 or 0.1 percent above the revenue estimate.	Spending is on target. Medicaid spending has the greatest potential for cost overruns.	There is no budget gap at this time.	Revenue forecasters predict a downward trend in revenue collections with individual and corporate income taxes lagging from projected levels. But carryover funds from the previous budget cycle should sufficiently cover the revenue shortfall.	No tax increases are being considered.	Available funds should be sufficient to cover expenditures.

State	What's the revenue situation through the end of December? If revenues are on target with a revised forecast, how does the revision compare to the original estimate?	Are any areas of general fund spending over budget? If yes, what are they? Are there other areas of concern?	How large a budget gap does the state face in FY 2002? How is the state addressing that gap in FY 2002?	What's the budget outlook for FY 2003?	Are any tax increases being considered to close the budget gap in FY 2003?	What significant proposals are being discussed to balance the FY 2003 budget?
Ohio	Revenue collections are on target with the revised December forecast, but \$319 million (3.3 percent) below the original estimate.	Ohio is still waiting to see if any areas of general fund spending are over budget. The state is concerned about Medicaid.	The projected shortfall was \$709 million in FY 2002 and \$763 million in FY 2003; however, the state took several actions to address the gaps. The governor imposed a 6 percent across-the-board cut (K-12 education was protected, along with school construction, veterans' homes and debt service). On the revenue side, the state will participate in a multistate lottery game and borrow from the tobacco settlement fund. The state may tap the rainy day fund (\$192 million in FY 2002 and \$56 million in FY 2003). The state also changed the local government funding formula.	The budget outlook for FY 2003 depends largely on the school funding lawsuit now pending.	Many of the measures already discussed should bring in even more revenue in FY 2003.	Measures implemented to balance the FY 2002 budget will help balance the FY 2003 budget.
Oklahoma	Revenues were 94 percent of estimated collections through December. The state appropriates at 95 percent of estimated revenues.	Medicaid expenditures are \$20 million over budget.	Although revenues are 1 percent below projection, state agencies have been directed to cut their budgets by 2.1 percent. The shortfall is on a one-year basis, but there are only six months remaining in the fiscal year so the cuts must total 2.1 percent.	The 2003 budget outlook is bleak. Preliminary estimates indicate a shortfall of \$260 million for all funds at the beginning of FY 2003. This amount can be reduced to about \$70 million through use of reserve funds and other measures, but a shortfall is expected.	Tax increases are not likely.	Additional agency budget cuts may be considered. The next official revenue estimate will be released Feb. 1 and it will serve as the basis for the next budget.
Oregon	General fund tax collections for the biennium are projected to be \$704 million (6.5 percent) below the budgeted estimate. Corporate income tax collections are particularly weak, with fourth quarter 2001 collections 71 percent below the same quarter a year ago. There is concern that negative state economic data could be an indicator of further revenue weakening.	General fund spending is over budget by \$125 million in three programs: TANF, adult corrections and the Oregon Health Plan.	The projected budget gap in the 2002-2003 biennium is \$830 million. The governor has proposed closing the gap with \$414 million in budget reductions and \$244 million in new taxes. The legislature is working on a budget-balancing alternative that would be presented in an upcoming special session. There is no support for tax increases in the legislature.	Most of the budget problems are in the second half of the biennium.	The governor has proposed a beer and wine tax increase that would generate \$44 million, a 30-cent cigarette tax increase that would generate \$67 million and a repeal of a previously approved personal income tax cut that would save \$133 million. The legislature is not supportive of any of the tax increase measures, but has yet to come to an agreement on its budget-balancing package.	The governor has proposed closing the spending gap through budget reductions, other resources such as surplus federal funds and new taxes. The Legislature is working on its proposal and does not support tax increases.
Pennsylvania	General fund tax collections were \$282 million under estimate through the end of December. This shortfall is expected to grow to \$622 million (3 percent) below the budgeted estimate by the end of the fiscal year.	General fund expenditures remain on target.	Across-the-board state agency holdbacks of \$366 million have been implemented, but an estimated \$314 million gap remains. The state is expected to tap its rainy day fund and possibly slow down a planned phaseout of the capital stock tax.	Anemic revenue growth is expected, although performance is expected to improve from FY 2002 levels.	Slowing the phaseout of the capital stock tax is under consideration. An increase in the poverty exemption level for personal income tax and the continuation of a computer sales tax holiday are under consideration.	All state programs will be under pressure to limit spending and identify cost savings. The governor proposes to tap \$550 million from the rainy day fund and participate in a multi-state lottery.

State Fiscal Outlook For FY 2002—January Update

State	What's the revenue situation through the end of December? If revenues are on target with a revised forecast, how does the revision compare to the original estimate?	Are any areas of general fund spending over budget? If yes, what are they? Are there other areas of concern?	How large a budget gap does the state face in FY 2002? How is the state addressing that gap in FY 2002?	What's the budget outlook for FY 2003?	Are any tax increases being considered to close the budget gap in FY 2003?	What significant proposals are being discussed to balance the FY 2003 budget?
Rhode Island	In the latest estimate (November 2001), revenues were down \$35 million. Rhode Island had forecast 0.4 percent growth and has realized -1 percent growth.	The primary areas over budget are Medicaid (\$12.1 million), cash assistance (\$2.3 million), prescription benefit for the elderly (\$3.4 million), school construction (\$2.4 million) and the department of children, youth and families (\$3.2 million).	The FY 2002 budget gap is \$70 million (\$35 million revenue shortfall and \$35 million in spending overruns). The governor has proposed shifting resources from other funds (e.g., greyhound racing and video lottery terminals) to the general fund in fiscal years 2002 and 2003. He also has proposed cutting the motor vehicle excise tax exemption and delaying \$17 million in capital projects.	The governor's budget has not been released, but the budget office forecasts a \$300 million deficit.	No tax increases currently are being considered.	There are no significant proposals to balance the FY 2003 budget at this time because the governor's proposal has yet to be released.
South Carolina	General fund tax collections were \$52 million (2.6 percent) below the revised estimate in December. Despite the revenue performance, the Board of Economic Advisors is projecting revenues to meet the revised estimate by the close of the fiscal year. Revenues need to grow 2.3 percent to sustain the revised growth estimate.	Following a 4 percent reduction in FY 2002 spending by the Budget Control Board, general fund expenditures remain on target.	Budget balancing measures include \$302 million in cuts and \$100 million withdrawn from the rainy day fund.	No budget shortfall is projected in FY 2003, in part because of the reduced base budget in FY 2002.	No tax increases are being considered.	Across-the-board spending cuts are receiving some consideration in the FY 2003 budget.
South Dakota	General fund revenues were \$17.6 million lower than the original FY 2002 estimate, primarily from a decrease in sales tax revenues.	General fund expenditures are on target.	Reserve funds will cover the revenue shortfall.	A shortfall is expected, and policymakers are proceeding with caution.	No tax increases are being considered at this time.	Reserve funds likely will be used for the FY 2003 budget shortfall. No other proposals are being discussed at this time.
Tennessee	General fund revenues have not improved. The shortfall stood at \$158 million through the end of December. Sales tax collections are \$70.5 million short and franchise/excise taxes are \$87.1 million under.	Expenditures are on target.	The state faces a budget gap of \$350 million in FY 2002. The governor has implemented a hiring and travel freeze. State officials are talking about a temporary sales tax. The state already used a portion of its tobacco settlement funds.	The state needs \$705 million in new revenue in FY 2003 to maintain current funding levels.	State officials currently are discussing options, but specific proposals are unknown at this time.	State officials currently are discussing options, but specific proposals are unknown at this time.
Texas	General fund tax collections remain on target with budgeted estimates through December. (Fiscal year began Sept. 1.) Sales tax collections are up 1 percent, which is below the 2.7 percent sales tax growth rate projected for the biennium. The outlook on revenue growth for the remainder of the biennium is positive.	General fund expenditures remain on target with budgeted estimates.	While there is no budget gap to mention in FY 2002, state agencies have been asked to review their spending plans. They have not been given a directive on any budget cuts.	There is a potential for problems in areas such as Medicaid and SCHIP as signs of caseload and prescription drug cost increases begin to appear. Any adjustments to spending in the biennium will occur during the 2003 legislative session.	The Legislature is not in regular session in 2002.	Any potential shortfall in the biennial budget would be addressed in the 2003 regular session.

State	What's the revenue situation through the end of December? If revenues are on target with a revised forecast, how does the revision compare to the original estimate?	Are any areas of general fund spending over budget? If yes, what are they? Are there other areas of concern?	How large a budget gap does the state face in FY 2002? How is the state addressing that gap in FY 2002?	What's the budget outlook for FY 2003?	Are any tax increases being considered to close the budget gap in FY 2003?	What significant proposals are being discussed to balance the FY 2003 budget?
Utah	Collections are on target with the October estimate, revised to reflect flat revenue growth. Collections were running 3 percent below the estimates made in spring 2001. Personal income tax and corporate franchise collections are down the most.	FY 2002 expenditures are on target, but budget reductions are anticipated to meet revised revenue conditions.	Based on original FY 2002 appropriations, there is a budget gap of \$202 million. A bill to reduce spending is not yet final.	The FY 2003 budget outlook is cautiously optimistic, based on 3.5 percent revenue growth from a new lower base.	No tax increases or other revenue enhancements are under consideration at this time.	All agencies will see budget reductions in FY 2003; travel expenses are targeted.
Vermont	The FY 2002 general fund revenue forecast was revised downward by another \$18 million (2 percent). The revenue forecast has been revised downward by \$40.5 million (4.5 percent) since July. Income tax revenues are running significantly below estimate.	No significant spending overruns have emerged.	The FY 2002 budget gap is \$21 million. Total rescissions are \$20 million for the year. Direct state support for K-12 education and human service benefit programs were not cut. One-time appropriations were delayed.	FY 2003 will be another difficult year. The governor recommended a budget with \$891 million in general fund spending (a 1 percent increase in base spending).	The governor proposed raising fees for motor vehicles and licensing. There may be consideration of raising the cigarette tax, but the governor did not include it in his budget proposal.	The governor's budget would greatly reduce spending.
Virginia	General fund revenue collections are projected to be short by \$996 million (9 percent) from the budgeted level. The projected growth rate under the revised estimate is now 0.8 percent compared to 6.7 percent in the adopted budget. Personal and corporate income tax collections are underperforming, while sales tax collections remain stable.	Some areas, including Medicaid and the children's health program, are over budget. General fund spending is about \$300 million over budget.	The FY 2002 budget gap is \$1.3 billion (11.8 percent). The state has addressed it by implementing a 2 percent across-the-board budget cut and using \$259 million in Medicaid intergovernmental transfer payments. A pending proposal would push the across-the-board cuts to 3 percent of the budget.	A potential budget gap of \$2 billion looms over the 2003-2004 biennium.	No tax increases are being considered at this time.	Proposals to balance the budget in the upcoming biennium include redirecting revenue generated by the ½ cent sales tax on motor fuels from the highway trust fund to the general fund, enacting \$400 million in across-the-board cuts and shifting school construction funding.

State Fiscal Outlook For FY 2002—January Update

State	What's the revenue situation through the end of December? If revenues are on target with a revised forecast, how does the revision compare to the original estimate?	Are any areas of general fund spending over budget? If yes, what are they? Are there other areas of concern?	How large a budget gap does the state face in FY 2002? How is the state addressing that gap in FY 2002?	What's the budget outlook for FY 2003?	Are any tax increases being considered to close the budget gap in FY 2003?	What significant proposals are being discussed to balance the FY 2003 budget?
Washington	Revenue estimates were adjusted down \$914 million (4 percent) for the biennium in November 2001. Revenue collections currently are tracking with the revised forecast. The next forecast will be in mid-February, but only marginal changes are expected.	Overruns have increased since June, totaling between \$300 million and \$400 million for Medicaid, corrections, tort liabilities and lawsuits, fire fighting, and K-12 education. Health care per capita expenditures may increase sharply beyond current projections.	Moderate revenue gains were offset by increased health care expenses, so the budget gap remains at \$1.25 billion (4.9 percent) for the biennium. The governor's budget addresses the gap mostly through cuts but also calls for an \$80 million tap of the rainy day fund. Human services are most affected. K-12 education is protected. Other actions include increasing state employee contributions to health care plans, reducing local government funds and pension payments, and allowing higher education institutions to set tuition rates. The governor's budget also proposes a 10 percent statewide tax on gambling, repeal of a tax exemption, participation in the Big Game lottery and increasing staff at the revenue department to boost collections. Reserve funds may be tapped. The legislature may consider K-12 education for budget cuts and is looking for funds to restore some human services funding.	The budget gap for the 2003-04 biennium is expected to be \$500 million to \$1 billion. Legislators are very concerned this year with finding a transportation funding solution, such as raising the gas tax. This issue is likely to go the voters. Structural problems in the state's operating budget are likely to receive more attention in future sessions.	Nothing is being discussed at this point for the 2003-04 biennium.	Nothing is being discussed at this point for the 2003-04 biennium. Washington is likely to lag in economic recovery because of its dependence on the aerospace industry.
West Virginia	FY 2002 revenue collections were \$43.1 million (3.4 percent) more than projected through the end of December. Corporate and personal income tax revenues are running ahead of estimates; sales taxes are behind.	General fund expenditures are on target.	There is no budget gap in FY 2002.	The FY 2003 budget appears to be OK. Because revenue growth is expected to slow to 1 percent, agencies have been asked to cut their budget requests by 3 percent.	Tax increases are not likely to be considered.	Agencies have been asked to cut budget requests by 3 percent.
Wisconsin	A revised general fund estimate for the 2001-2003 biennium, (which covers FY 2002 and FY 2003) projects revenues will be short \$1.12 billion (5 percent) compared to the budgeted estimate. The revenue shortfall is expected to be \$450 million in the first half of the biennium and \$600 million in the second. Personal income and sales tax collections have fallen from projected levels.	General fund expenditures are on target with the budgeted estimate, but some pressures are expected in medical assistance.	The total budget gap for the 2001-2003 biennium is \$1.12 billion (5 percent). The governor has proposed a budget reform package, but it has not been introduced in the Legislature. A major aspect of the governor's proposal is possible elimination of the state's revenue sharing program. Most state agencies would see budget cuts of 3.5 percent in the first half of the biennium and 5 percent in the second. The Legislature supports across-the-board cuts and use of more tobacco settlement funds.	The total budget gap for the 2001-2003 biennium is \$1.12 billion (5 percent).	No general tax increases are being considered	The governor is proposing balancing the budget without any tax increases and would implement a series of state and local government spending cuts. The state spending cuts would affect most state agencies.

State	What's the revenue situation through the end of December? If revenues are on target with a revised forecast, how does the revision compare to the original estimate?	Are any areas of general fund spending over budget? If yes, what are they? Are there other areas of concern?	How large a budget gap does the state face in FY 2002? How is the state addressing that gap in FY 2002?	What's the budget outlook for FY 2003?	Are any tax increases being considered to close the budget gap in FY 2003?	What significant proposals are being discussed to balance the FY 2003 budget?
Wyoming	Most revenues through December were ahead of projections. The general fund revenue estimate was revised slightly upward for FY 2002 (less than 1 percent) due to higher than anticipated sales and use tax revenues. The increase more than offset decreases in severance tax and interest income, which were lowered slightly from the original forecast. Total mineral severance tax and federal mineral royalty forecasts were lowered for FY 2002 and FY 2003, but not significantly. All other revenue forecasts are on target.	General fund expenditures are on target.	There is no budget gap.	The governor's proposal for the 2003-2004 biennium left \$61 million in the general fund (or budget reserve account). Depending on legislative action, there appears to be adequate revenue available for the 2003-2004 biennium.	The revenue committee has submitted an omnibus tax bill for consideration by the Legislature in the event additional tax revenue is needed.	There do not appear to be any issues with balancing the budget.

Source: National Conference of State Legislatures, January 2002




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State Fiscal Outlook For FY 2002--January Update

Posted 6 February 2002

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The downward spiral in state fiscal conditions continues, with nearly every state reporting a budget gap. A January 2002 survey conducted by the National Conference of State Legislatures (NCSL) revealed that although the bulk of the problem is on the revenue side of the ledger, a growing number of states are facing spending overruns.

This report is based on information collected from legislative fiscal directors in late January. It covers the revenue and expenditure situation through December 2001, with January updates when they were available. While most of this report addresses budget problems in FY 2002, it also takes a look at fiscal developments affecting FY 2003 budgets.

These are the highlights of NCSL's January survey update:

- Revenues continue to be anemic. Forty-five states and the District of Columbia report that revenues have failed to meet budgeted levels.
- Nearly half the states have revised their FY 2002 revenue forecasts down. In eight of these, revenue collections are failing to meet the revised levels.
- Five states--Louisiana, North Dakota, Texas, West Virginia and Wyoming--report that revenues are on or slightly above target. Wyoming has revised its forecast up slightly, due to higher than anticipated sales and use tax revenues.
- Twenty-eight states and the District of Columbia report that spending is above budgeted levels. Medicaid is over budget in 23 states, with another five expressing concern that it could exceed budgeted levels in coming months.
- Other programs exceeding budgeted amounts include temporary cash assistance, mental health, corrections, state employee health plans, education, security and prescription drug assistance for the elderly.
- At least 30 states have implemented budget cuts or holdbacks to address fiscal problems in FY 2002. Another nine report that cuts are possible before the fiscal year ends.
- Most state programs have been affected by budget cuts. The magnitude of budget gaps has been significant enough that even programs that often are spared from cuts, such as K-12 education, have been reduced in some states.
- Fifteen states and the District of Columbia already have tapped reserve funds to help balance their FY 2002 budgets. Another 10 states may tap reserves. At least eight states have or will consider tapping tobacco settlement funds.

- Thirty states have implemented belt-tightening measures. At least seven states have delayed, reduced or canceled capital projects. Several others have shifted financing for these projects from general fund support to bonds. At least two states have refinanced outstanding debt.
- Other measures enacted or under consideration to help balance the FY 2002 budget include hiring freezes, redirecting special fund revenues into the general fund, boosting gaming revenues, delaying scheduled tax cuts and increasing state employee contributions to health care plans.
- Two states--Arizona and California--will address FY 2002 budget problems in special sessions that run concurrently with regular sessions. Oregon, which is not scheduled to meet in regular session this year, expects to hold a special session to address growing budget problems.
- At least 37 states and the District of Columbia face potential budget gaps in FY 2003. Most of the projected budget shortfalls are due to weak revenues and increasing costs in program areas like Medicaid and K-12 education.
- Tax proposals to help balance FY 2003 budgets are under consideration in 19 states.

Table 1.

Key Fiscal Developments in FY 2002

January Update

Key Fiscal Developments	October 2001 (Number of States)	November 2001 (Number of States)	January 2002 (Number of States)
Revenues below projections	44	44	46
Expenditures over budget	17	22	30
Budget cuts or holdbacks	28	36	39
Use of reserves	20	24	26
Other measures to balance the budget	14	22	30

Source: National Conference of State Legislatures, October 2001; Updated November 2001 and January 2002

See also:

State Fiscal Outlooks since 1998, including the two most recent:

State Fiscal Outlook 2002: November update (also available in portable document format)

State Fiscal Outlook 2002: October update

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2/26/02

ALASKA DEPARTMENT OF REVENUE DRAFT

page 2 of 3.

Alaska SALES TAX Interactive	
Sales Tax Rate:	3%
Total Exemptions Selected (page 1):	54
TOTAL Sales Tax Revenue Generated:	\$447,076

Insert your SALES TAX rate. Then, go to "exemptions input page tab" and choose your sales tax exemptions.

Please see assumptions below.

Sales Tax Revenue		Exemptions	Percent of Alaska Sales Tax Revenue
Accommodations & Food Services	\$ 31,964	0	7.15%
Retail Trade	\$ 184,815	2	41.34%
Health Care & Social Assistance ²	\$ -	15	0.00%
Education ²	\$ -	3	0.00%
Professional, Scientific & Technical Services	\$ 28,376	0	6.35%
Administrative Support & Waste Management & Remediation	\$ 17,765	0	3.97%
Arts, Entertainment & Recreation ²	\$ 5,048	0	1.13%
Wholesale	\$ -	15	0.00%
Real Estate & Rental & Leasing	\$ 8,898	1	1.99%
Information	\$ 31,158	0	6.97%
Mining	\$ -	3	0.00%
Utilities	\$ -	1	0.00%
Construction	\$ -	3	0.00%
Manufacturing	\$ -	10	0.00%
Transportation & Warehousing	\$ 100,406	0	22.46%
Finance & Insurance	\$ 29,281	0	6.55%
Other Services (except Public Administration)	\$ 9,160	1	2.05%
Management of Companies/Enterprises	\$ 205	0	0.05%

Sector	Estimated sales, receipts or revenue 1997 (\$1000) ¹	SALES TAX Revenue (\$1000)	Percent of Alaska Sales Tax Revenue
Accommodations & Food Services	\$ 1,065,459	\$ 31,964	7.15%
Retail Trade	\$ 6,160,508	\$ 184,815	41.34%
Health Care & Social Assistance ²	\$ -	\$ -	0.00%
Education ²	\$ -	\$ -	0.00%
Professional, Scientific & Technical Services	\$ 945,873	\$ 28,376	6.35%
Administrative Support & Waste Management & Remediation	\$ 592,161	\$ 17,765	3.97%
Arts, Entertainment & Recreation ²	\$ 168,275	\$ 5,048	1.13%
Wholesale	\$ -	\$ -	0.00%
Real Estate & Rental & Leasing	\$ 296,593	\$ 8,898	1.99%
Information	\$ 1,038,594	\$ 31,158	6.97%
Mining	\$ -	\$ -	0.00%
Utilities	\$ -	\$ -	0.00%
Construction	\$ -	\$ -	0.00%
Manufacturing	\$ -	\$ -	0.00%
Transportation & Warehousing	\$ 3,346,867	\$ 100,406	22.46%
Finance & Insurance ³	\$ 976,040	\$ 29,281	6.55%
Other Services (except Public Administration)	\$ 305,343	\$ 9,160	2.05%
Management of Companies/Enterprises	\$ 6,844	\$ 205	0.05%
	14,902,557	\$ 447,076	100.01%

¹ Only includes sales, revenue or receipts from employers with paid employees. Nonemployers account for roughly 3% of business activity. Auxiliaries, excluding corporate subsidiaries and regional managing offices, are also not included for confidentiality reasons.

² Only includes firms subject to the federal income tax.

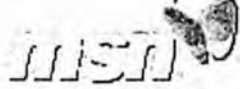
³ Only includes credit intermediation & related activities and agencies brokerages & and other insurance related activities

ASSUMPTIONS:

- (1) No increases or decreases in revenue with changes in the economy and/or population after 1997.
- (2) No increase in mail order, direct TV or internet sales as a percent of total value of sales from 1997.
- (3) Non-compliance with the sales and use tax is zero.
- (4) Changes in the sales tax rate do not result in changes in consumer or business choices (e.g., increase in out-of-state purchases).
- (5) Exemptions are not legislatively prohibited.
- (6) Industry classifications correspond closely to the good or service.

Source: U.S. Department of Commerce, Bureau of Census: "1997 Economic Census"

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rynnieva@hotmail.com

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To : "Rynniewa & Del" <rynnieva@hotmail.com>

Subject : TAX ALERT!!!

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ALASKANS FOR RESPONSIBLE GOVERNMENT
AKREG@GCI.NET

Are you concerned about Alaska's \$7.126 BILLION dollar Bloated Budget and the move by the Knowles/Ulmer Administration to reach into your pockets for another \$400 MILLION?

If so - you need to take action NOW!

Representative John Coghill, Chairman of the House State Affairs Committee, has called for hearings next week on 5 TAX bills. Rep. Coghill is NOT in favor of levying taxes - he is holding these hearings to bring attention to the issue of taxation.

You need to email Rep. Coghill with your views on Alaska's budget. He will pass your opinion on to the other members of his committee and the other members of the legislature. Rep. Coghill's email is:

Representative_John_Coghill@legis.state.ak.us

The State Affairs Committee will be considering the following House Bills:

Tuesday - February 12th 8:00 a.m. - Room 205 - Butrovich Room

HB 303 By Representatives Whitaker, Fate, Lancaster
 Relating to Levy and Collection of Sales Tax

Thursday - February 14th (Happy Valentines Day) - 8:00 a.m. - Room 205

HB 10 By Representative Moses
 Relating to Taxation of Income

SSH3 199 By Representatives Hudson, Scalzi
 Relating to Taxation, Including Taxation of
 Income

Saturday - February 16th 10:00 a.m. - Room 205

HB 69 By Representative Rokeberg
Relating to Income of the Permanent Fund

HB 304 By Representative Whitaker, Fate
Relating to Disposition of the Permanent Fund

If you are concerned about Alaska's ballooning budget - then you need to let Rep. Coghill know your views - Don't wait - email NOW!

The following is a brief breakdown of Alaska's Budget.....

FY02 (millions)	
7,126.2	TOTAL STATE SPENDING
2,417.1	General Fund
2,097.9	Federal Funds
743.8	Statutorily Restricted
71.4	Dedicated
87.1	Trust
1,708.9	Permanent Funds
2,417.1	General Fund Budget
927.2	Core Government
750.7	Local Schools
338.8	Grants/Formula Programs
195.5	University
114.0	Capital Projects
29.7	Local Government Assistance
61.2	Debt Service & Fund Capitalizations
1,543.9	Projected Existing General Fund Revenues
873.2	Projected Fiscal Gap
4,570.3	Cash Reserves

ALL OF THE LEGISLATORS EMAIL ADDRESSES CAN BE FOUND AT THE END OF THIS EMAIL.....

The following are comments from Alaskans about Alaska's fiscal problems

I would like to state, on behalf of the two voters in this household, that we are adamantly against an income tax, especially a progressive tax of any kind. That is too socialist for us. We would wholeheartedly support a sales tax, as it is a fair and equal way to tax consumption by the populace and raise revenue. Before any taxes take place, some strong arm budget cuts need to be made. Granted, budget cuts may be unpopular with some people, but they must be made and someone needs to step up to the line and get them done.

Thank you,

I Have never written legislators or testified concerning state budget matters, but my resistance has been overcome by the posturing and lack of courage to take actions necessary to put the State on a sound fiscal course. I am copying all members of the legislature, so those characterizations may or may not fit any particular recipient of this message. Even if it fits, my intention is not so much to offend as it is to voice a challenge to be forthright in addressing the budget. For anyone who has not read "Profiles in Courage" by Jack Kennedy, I commend it to you, as it enables the reader to see that doing what is right is far and

away better than doing what is popular.

I have heard the "gap" figured at around \$1 billion this year. I will forego commenting on the need to control spending, the need to create motivation at the agency and employee level to actively question how functions can be prioritized and accomplished at lesser cost (i.e., the type of motivation and response the private sector employs of necessity as it has no power to tax others), and the availability of other funding sources. Rather, I wish to challenge the legislature to address the wisdom as well as the moral and economic propriety of continuing the PFD giveaway in unabated fashion in perpetuity. I can already hear minds calculating the votes (99 constituents against touching "my" PFD for each 1 willing to give up a portion of the giveaway for the sake of fiscal solvency). Recognizing the politics involved, I have little hope that the legislature will act, but am making my comments despite the odds.

The Permanent Fund was not created for the purpose of enabling the state to hand out \$1,700 checks every year to every toddler, every mailbox bashing bored teenager, every Seattle retiree who decided to move to Alaska to be near children (or fish), every snow birding millionaire, or every member of my family. Rather, the Fund was created to provide a savings account in which revenues excess to current needs would accumulate and grow until such time as they could be tapped to cover necessary budget components for which declining oil revenues proved insufficient. Lest you think I am proposing an invasion of the Fund or a depletion of its principal, I am not. Nor am I proposing that inflation proofing end. Contributions to the Fund, and inflation proofing can continue unabated until such time as the fiscal demands are even greater than at present.

What I find unconscionable is the insistence that the State maintain the public circuses (unlimited PFD's) lest the voters revolt. Many, and possibly most citizens of Alaska were not born here, but came of their own free will because they thought it in their best interest to do so, just as others move to Seattle, Florida, Texas, or anywhere else seeking a better job, climate, life, etc. We do not need to pay everyone for moving to, or remaining in Alaska.

I have three children who receive PFD's every year. Make no mistake, it's nice to get the money. Like most others, it goes to Costco (headquartered outside Alaska with most shareholders outside Alaska) or Alaska Airlines (Seattle), or Charles Schwab (with no meaningful benefit to Alaska) or a condo rental in Hawaii. Some small portion no doubt trickles down within the state, in theory helping to create a few more jobs (which add nothing to the State revenue base and only add more mouths at the PFD trough). It's unfortunate that the majority of people (whether in Alaska or elsewhere) seem to evaluate right and wrong, fair and unfair, largely in reliance on the impact to their personal wallet. It is equally unfortunate when elected representatives are unwilling to explain the facts of life and risk non-retention.

This year the State will take in a stream of revenues. Of those revenues, roughly \$1 billion will then be mailed out to every resident, irrespective of any need-based considerations, irrespective of any deliberate policy determination that the benefits merit such an expenditure, and irrespective of the fact that roughly \$200-300 million of those State revenues will be needlessly siphoned off to the U.S. Treasury in the form of income taxes.

The budget gap could be closed in a heartbeat if the State would close down the PFD bribe system (we pay you, you let us save some current revenue for future needs instead of wasting it all each year). The budget gap could be reduced to a modest problem if we even capped PFD's at, say \$500 (still enough of a bribe to keep folks going to the public circus). Or, if the shock is too much to bear, cap it at a tolerable level with step down decreases over 3-5 years to wean people from the trough.

Unfortunately, the political current seems to be flowing in the direction of imposing income taxes. The target, seen all too often in political spheres, is to divide the population and put the burdens on the lesser number of voters in order to ensure continued favor with the greater number of voters. As Alaskans who would like to see ANWR developed, we know what that feels like (congressional members who are adamant in opposing oil and gas development because they can count the votes in their district). Its too bad we are so quick to parrot that approach to decision making. Instead of dealing with runaway PFD outflows, an income tax will, sooner or later, be imposed. Those who drag themselves out of bed, bleary-eyed, and trudge off to work each day to earn a living, will have their pockets tapped so the State can simply give the money to others (toddlers, unemployed teens, millionaire retirees, etc.).

If the State needed an income tax in order to pay for health care, to address the scourge of poverty for those who due to circumstances are unable to have decent housing, nutrition, clothing, etc., to build out sewer and water infrastructure where it is lacking, I would be the first to step up and gladly pay an income tax (or donate to charities absent an income tax). If the State needed an income tax to create or continue any program which, on its merits, was deemed necessary, I might disagree on a case by case basis, but would defer to the collective judgment. Where I draw the line, and urge the legislature to draw the line, is when an income tax is not imposed to carry out any government function at all, but simply to redistribute income from those who earn it to those who do not (with a hefty slice going to Uncle Sam).

Is there a valid economic reason to impose an income tax and keep paying \$1 billion out in PFD's each year? No. Is there a state government need which will not be otherwise met? No. Is there a need-based rationale to take income from those who earned it and simply give everyone a check (Marx would love the concept)? No. Is there any other state government in the United States, or any national government on the face of the planet which taxes income for the sole purpose of redistributing it on a non-need based, non-program based approach? No.

There is no budget gap. The State takes in enough revenue to fund the expense side. Where we get into red ink is only after taking \$200-300 million of State revenue each year to send (indirectly) to the U.S. Treasury, and sending another \$700-1,000 million of State revenue to every person who meets minimum residency requirements and has a pulse. If the legislature is looking for a way to reduce the PFD burden without cutting PFD's, perhaps an income tax is the way to go. Those who work hard and create jobs for others will eventually move out of state (fewer PFD obligations). Of course, they might be offset by the inflow of others who want to take their vacated spot at the public trough. Thanks for reading this, and may your conscience be your guide
JUST SOLVE THE PROBLEM

If our deficit is \$1B. Cut spending. Why is it that all elected representative, whether state or federal, refuse to understand this when they are spending someone else's money?

If it's your personal finances, what do you do when your income drops? You cut your spending. Why is this so hard to understand, when it relates to government?

A Plan That Would Work:

1. Cut Permanent Fund Dividend payments to everyone in the state. Initiating a State Income Tax in Alaska, while giving away money to all citizens of the state is ludicrous! We as citizens of the state DO NOT DESERVE a Permanent Fund Dividend, when the states' expenses are almost twice as much as it's revenues. In fact we don't deserve a PFD under any circumstances. The only reason our

representatives haven't voted to repeal it is because they would be unpopular and all they want is to get re-elected-NOT do what is right for the state!

2. Initiate a 5% State sales tax-it is the only fair tax, and we get tourists to pay also. Everyone pays, unlike an income tax where only those that work pay.

3. Cut State Spending to balance the budget this and every year, regardless the impact on state services. I don't have the actual volume that #1 & #2 above will pull into the treasury-but you do. Whatever the amount, cut an adequate amount from spending to balance the budget, without pulling it from reserves. Yes, it will hurt many people, but if we don't have the money-we don't have the money.

Think about why state revenues are down-production is down, and it will continue to decline at a rate of 5%---it isn't coming back. The only way to get revenue back to previously high levels is to produce ANWR.

It's ludicrous to think that the legislature is willing to spend \$12MM on promoting tourism, when you're only willing to spend \$1MM on promoting ANWR. The budget can't be balanced with tourism unless you tax each tourist thousands of dollars to come to Alaska!

Solving this problem will not be easy or pleasant. But you weren't elected to get paid and not do what is right-we want solutions. In business if you don't perform-you get fired.

If you don't perform we will do everything we can to elect someone else. We don't want excuses we want you to do what is right. And yes, you might not get re-elected if you do solve the problem-but you will know that you did something you can be proud of the rest of your life. You will also know that those before you didn't have the guts to do the right thing, but you did.

A concerned citizen;

I am an Anchorage resident. I have been following the legislature's debate of the State's fiscal gap closely, as I hope other Alaskans have. I believe the answer is very simple. You can not spend what you do not have. The state must do as all citizens and businesses do when we are in financial straits. We cut back. I have heard very little from anyone in the legislature about cutting payroll, non-essential services and travel expenditures. Perhaps you should threaten to take our Permanent Fund Dividends away from us too. Scare tactics work good when you are trying to divert the public from the real issue, which is the State is overspending. The citizens are not getting their moneys worth. There is too much governmental waste.

Why not start with trimming the fat first? Why is it that the State has the largest number of employment ads consistently when I look at the Anchorage Daily News classifieds? Not only does the State have the most ads, but the wages are higher than any other private sector counterpart. Can anyone please tell me what the annual payroll expenditure is for the State of Alaska? How much money would a 10% reduction be equal to? Maybe not enough to fill the so-called gap, but, hey it's a start. Then perhaps we could reduce each department budget by 20%. What kind of figure would that be?

I think you should put a panel of 12 residents together, give them red pens and let them have a look at the budget.

I was talking to an Anchorage proprietor last week whose business was

directly and negatively affected by the events of September 11. The first thing he did was to cut the salary of the officers of the business. He knows that in order to meet the necessary obligations of his business, he had to make cuts. But that business is doing what it takes to survive one more year.

I obviously have the time to e-mail every senator, legislator and representative. Believe me, if nothing is done to reduce the State budget before new taxes are enacted, I will have the time to talk to the constituents in your districts. I have a feeling that I am not the only hard working Alaskan that views our budget (overspending) gap this way. The answer is not to take more money from the residents, but to live within your means, which is what the residents have not choice but to do. Thank you for your time.

Sincerely,

LEGISLATIVE EMAIL ADDRESSES:

<Senator_Rick_Halford@legis.state.ak.us>,
<Senator_Loren_Leman@legis.state.ak.us>,
<Senator_Johnny_Ellis@legis.state.ak.us>,
<Senator_Alán_Austerman@legis.state.ak.us>,
<Senator_Kim_Elton@legis.state.ak.us>,
<Senator_Robin_Taylor@legis.state.ak.us>,
<Senator_John_Cowdery@legis.state.ak.us>,
<Senator_Lyda_Green@legis.state.ak.us>,
<Senator_Georgianna_Lincoln@legis.state.ak.us>,
<Senator_Gene_Therriault@legis.state.ak.us>,
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<Senator_John_Torgerson@legis.state.ak.us>,
<Senator_Dave_Donley@legis.state.ak.us>,
<Senator_Lyman_Hoffman@legis.state.ak.us>,
<Senator_Randy_Phillips@legis.state.ak.us>,
<Senator_Jerry_Ward@legis.state.ak.us>,
<Senator_Pete_Kelly@legis.state.ak.us>,
<Senator_Ben_Stevens@legis.state.ak.us>,
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<Representative_Ethan_Berkowitz@legis.state.ak.us>,
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<Representative_Bill_Hudson@legis.state.ak.us>,
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<Representative_Hugh_Fate@legis.state.ak.us>,
<Representative_John_Harris@legis.state.ak.us>,
<Representative_Mary_Kapsner@legis.state.ak.us>,
<Representative_Ken_Lancaster@legis.state.ak.us>,
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Subject: State Budget

Date: Mon, 11 Feb 2002 09:56:15 -0900

From: Dave Ausman <polarak@gci.net>

Organization: Polarconsult Alaska, Inc.

To: Representative_John_Coghill@legis.state.ak.us

John,

I'm very glad you are as interested in this problem.

I would like to see long-term solutions from our leadership in Juneau instead of more cowardly legislation that heaps the problem on the back of working Alaskans. Such short sighted solutions may help the current administration postpone tough budgeting decisions but obviously does so at the expense of state economic health.

For a variety of reasons, the correct solution is to cut state spending drastically and change the revenue source to capture income generated in state by non-residents.

Unfortunately, the permanent fund dividend has become a subsidy and attracts large, low income families to the state. More and more it is being seen as an entitlement by the same individuals. Use of state funds in this way represents an indirect tax on those Alaskan's that sacrifice to build a healthy future. Dare it be suggested that the permanent fund be used for what it was intended, that is assisting the state in meeting the budget during a time of declining oil revenue?

Let me know if there is anything I might do to help you in this effort.

--

David Ausman, P.E.
Polarconsult Inc.
1503 W 33rd Ave #310
Anchorage AK 99503

(907)258-2420 phn.
(907)258-2419 fax.
polarak@gci.net

Subject: Income TAXES

Date: Mon, 11 Feb 2002 07:59:39 -0600

From: "David Matsuno" <dmatsuno@gci.net>

To: <Representative_John_Coghill@legis.state.ak.us>

Dear Representative Coghili:

It is my view that the Alaska Legislature can undertake responsible spending instead of levying taxes from Alaskans for their/our budget needs. There shouldn't be any need for income taxes with our oil/permanent fund monies. Responsible spending means allocating for those programs that we need and eliminating the "pork". Those that have their own interests in mind shouldn't be there in the first place. The good of all and long term stability are important to our state.

Sincerely,

David Matsuno

3701 Eureka St., #77A

Anchorage, AK 99503

Subject: State Budget and New Taxes

Date: Sun. 10 Feb 2002 21:19:07 -0600

From: "Randy Frank" <randyfrank@mosquitonet.com>

To: "Gary Wilken" <Senator_Gary_Wilken@legis.state.ak.us>,
"Gene Therriault" <Senator_Gene_Therriault@legis.state.ak.us>,
"Jeannette James" <Representative_Jeannette_James@legis.state.ak.us>,
"Jim Whitaker" <Representative_Jim_Whitaker@legis.state.ak.us>,
"Pete Kelly" <Senator_Pete_Kelly@legis.state.ak.us>,
"John Coghill" <Representative_John_Coghill@legis.state.ak.us>

Dear Legislators,

I do not like all of this talk about new taxes without much mention about how much the State already spends per capita. But, I am a realist in this area and I know that all of us benefit in one way or the other from state spending. Few, if any of us don't apply for the Permanent Fund Dividend or give it back to the State.

If someone tells you that they don't benefit from government spending they are either lying or very uneducated about how dependant our society is on not only State dollars but also on Federal dollars. I sometimes laugh to myself listening to some of the most conservative voices out there complaining constantly about government waste when I know that they work or used to work for some government entity. Or maybe they work for a company in the "private sector" that was to some degree dependant on government contracts.

It is very hard to actually cut State spending because so many of us have our hands out for those dollars and we have gotten used to that constant flow of money. I like the idea of the limited growth bill in the Legislature that I have heard about and think that it would be more palatable to the public than actual cuts. Governor Knowles wants to go out with a spending bang and I hope that the Legislature says NO to all of his proposals, though I know that it will be hard to do that.

I don't like sending more of my money to the government, but if we have to, I like a broad based tax that touches all of us equally. This would educate every resident of Alaska about the cost of government. Instead of the way we used to do it where the more wealthy people pay the most and the poorest people get benefits and don't realize where the government's money comes from. The best form of this kind of tax would be lowering or eliminating the PFD. The next best would be a State wide sales tax with as few exemptions as we can get away with. Personally I would like to see NO exemptions. I don't like taxes that hit only a certain sector of society like alcohol or tobacco. At another time I will be arguing against an increased alcohol tax, because for many of the service organizations (Elks, Eagles, Moose, VFW Clubs and American Legion Clubs) their eating and drinking establishments serve as collection places so that they can turn around and fund many adult and youth functions in the community. An income tax is my least favorite because I hate the idea of income redistribution. The people who are the most productive end up being penalized for their ability to not only generate wealth for themselves but to generate jobs and wealth for other people. Think of how many direct and indirect jobs that are created by entrepreneurs like Dennis Wise, Gus Johnson, George Horner, Jim and Mary Binkley or even Gary Wilken. All of these people give to the Fairbanks community generously in many ways already. Also if we do institute an income tax there would have to be a new or greatly enlarged state bureaucracy to collect this tax.

New or additional taxes on the oil companies could easily reduce their investment in our State. The same argument could apply to an increased tax on the cruise industry. Both industries generate many jobs directly and indirectly within our State and they could easily move some of these jobs to other parts of the world.

Holding down government growth and spending should be first on our list, then lets talk about new taxes. Any increase in tax on Alaskans or capping or eliminating the PFD will mean less for residents to spend and we always spend our income more efficiently than government.

Thank You for your service to our State.

Randy Frank
P.O. Box 81109 (Res-- 698 Darrell Dr.)
Fairbanks, Alaska 99708-1109

Subject: State Taxes

Date: Sun, 10 Feb 2002 15:56:08 -0900

From: "Birch Ridge Golf" <birchridgegolf@msn.com>

To: <Representative_John_Coghill@legis.state.ak.us>

CC: "Mike Chenault \ (E-mail)" <Representative_Mike_Chenault@legis.state.ak.us>.

"Ken & Mavis Lancaster \ (E-mail)" <Representative_Ken_Lancaster@legis.state.ak.us>

Dear Representative Coghill,

A friend and I have been looking at the State Budget via the internet. We also looked up the Budget for the State of North Dakota, a state that has almost the same population as Alaska. We found interesting that their general fund budget is 1.6 Billion, one billion less than Alaska's. Obviously, we the people of Alaska are willing to accept much more government than the people of North Dakota.

In looking at the budget, you find that Health and Social Services budget is 688 pages long, Education, almost 300 pages and on and on. This is a very difficult and complex issue and it didn't get this way in a short period of time. It also can't be corrected in a short period of time, because of what it would do to the State's economy. So we can't do like British Columbia and cut everything 25%, but some cutting is definitely required.

My suggestion would be to # 1, set a goal, for example, a balanced state budget in 20 years. Then in order to achieve that goal, we start off by cutting every department, because it would be too difficult to do it any other way, by 1% per year and at the same add .05% additional revenues (taxes) per year until a balanced budget is achieved. If my math is correct 1% of 2.6 billion should be about 26 Million and 1/2 of 1% would be 13 Million or a total of 39 Million? In 20 years you will have reduced the budget by 520 Million and the citizens of Alaska would be contributing 260 Million and you would have a balanced budget and a government that is the proper size for it's population.

In the meantime, you can continue to pull money from the CBR which will not go away, because we will continue to have more oil lease sales and one time payments of one sort or another.

One Citizens Opinion.

Respectfully submitted, Pat Cowan

Subject: Tax bills

Date: Sun, 10 Feb 2002 15:35:36 -0900

From: Rich Hughes <raha@ptialaska.net>

To: <Representative_John_Coghill@legis.state.ak.us>

Dear Representative Coghill:

I wish to go on record as being opposed to any increase in taxation until all possible options to reduction of the state budget have been examined and implemented. The imposition of taxes in poor economic times will only aggravate the poor economic conditions and send negative messages to those intending to do business in Alaska. Further, the state should be doing everything in its power to support and promote economic development, not discourage it; we are a natural resources dependent state. Our permitting system is burdensome; DEC has sent a very negative message to the mining industry in fining Red Dog for air quality violations, and the story goes on.

You are on the right track. Keep up the good work.

Respectfully yours,

Rich Hughes

Subject: STATE BUDGET & CAPITAL MOVE

Date: Sun, 10 Feb 2002 14:57:51 -0900

From: "Haugens" <haugeng@alaska.net>

To: <Representative_John_Coghill@legis.state.ak.us>

Dear Rep. Coghill:

I would like to add my name to those other Alaskans that oppose any new tax programs, whether it be taxing the residents or industry. I cannot comprehend how the state of Alaska can be considering new taxes when they are obviously incapable of controlling the budget. I would in fact be very willing to pay some form of tax if I had any sense that we had competent management of our state finances. The bureaucracy and the unions that perpetuate the incompetency in the management of this state must eventually be dealt with. We must somehow elect individuals that have the guts to take on the bureaucracy both to cut the fat and move the capital to south-central Alaska. Juneau has a "death grip" on this state and our representatives go along with it. It must be great to get away from the wife and family and those that elected you and have a great old time in Juneau. It simply makes no sense to have our capital in Juneau. Those Juneau special interests that claim the move will cost billions of dollars are blowing smoke and you and the rest of the gang know it. **Get rid of the fat and then use the permanent fund by eliminating or reducing the dividend -- even if it is political suicide -- get some new blood in there!** Make it a gradual move with the legislature being the first to move -- in other words put our representatives where the people have access to them.

I know you have heard all this a thousand times before but maybe when it is said 600,000 times you and your fellow representatives will do something about it. If we could elect citizens that did not view the job as a paycheck and ego trip (and not be afraid of being "fired") maybe some effective management would come out of this institution.

George E. Haugen

<Representative_Carl_Moses@legis.state.ak.us>,
<Representative_Norman_Rokeberg@legis.state.ak.us>,
<Representative_Peggy_Wilson@legis.state.ak.us>

I don't profess to be an expert on the state budget, but I do believe there is plenty of room to reduce the cost of state operations before considering other measures. Paula Easley

Subject: State Budget

Date: Sun, 10 Feb 2002 14:58:44 -0800

From: "Paula Easley" <peasley@gci.net>

To: <Senator_Rick_Halford@legis.state.ak.us>, <Senator_Loren_Leman@legis.state.ak.us>, <Senator_Johnny_Ellis@legis.state.ak.us>, <Senator_Austerman@legis.state.ak.us>, <Senator_Kim_Elton@legis.state.ak.us>, <Senator_Robin_Taylor@legis.state.ak.us>, <Senator_John_Cowdery@legis.state.ak.us>, <Senator_Lyda_Green@legis.state.ak.us>, <Senator_Georgianna_Lincoln@legis.state.ak.us>, <Senator_Gene_Therriault@legis.state.ak.us>, <Senator_Bettye_Davis@legis.state.ak.us>, <Senator_Donny_Olson@legis.state.ak.us>, <Senator_John_Torgerson@legis.state.ak.us>, <Senator_Dave_Donley@legis.state.ak.us>, <Senator_Lyman_Hoffman@legis.state.ak.us>, <Senator_Randy_Phillips@legis.state.ak.us>, <Senator_Jerry_Ward@legis.state.ak.us>, <Senator_Pete_Kelly@legis.state.ak.us>, <Senator_Ben_Stevens@legis.state.ak.us>, <Senator_Gary_Wilken@legis.state.ak.us>, <Representative_Brian_Porter@legis.state.ak.us>, <Representative_Jeannette_James@legis.state.ak.us>, <Representative_Ethan_Berkowitz@legis.state.ak.us>, <Representative_Harry_Crawford@legis.state.ak.us>, <Representative_Richard_Foster@legis.state.ak.us>, <Representative_Joe_Hayes@legis.state.ak.us>, <Representative_Beth_Kerttula@legis.state.ak.us>, <Representative_Beverly_Masek@legis.state.ak.us>, <Representative_Eldon_Mulder@legis.state.ak.us>, <Representative_Drew_Scalzi@legis.state.ak.us>, <Representative_Con_Bunde@legis.state.ak.us>, <Representative_Eric_Croft@legis.state.ak.us>, <Representative_Joe_Green@legis.state.ak.us>, <Representative_Bill_Hudson@legis.state.ak.us>, <Representative_Vic_Kohring@legis.state.ak.us>, <Representative_Lesil_McGuire@legis.state.ak.us>, <Representative_Lisa_Murkowski@legis.state.ak.us>, <Representative_Gary_Stevens@legis.state.ak.us>, <Representative_Mike_Chenault@legis.state.ak.us>, <Representative_John_Davies@legis.state.ak.us>, <Representative_Gretchen_Guess@legis.state.ak.us>, <Representative_Albert_Kookesh@legis.state.ak.us>, <Representative_Kevin_Meyer@legis.state.ak.us>, <Representative_Scott_Ogan@legis.state.ak.us>, <Representative_Jim_Whitaker@legis.state.ak.us>, <Representative_Sharon_Cissna@legis.state.ak.us>, <Representative_Fred_Dyson@legis.state.ak.us>, <Representative_Andrew_Halcro@legis.state.ak.us>, <Representative_Reggie_Joule@legis.state.ak.us>, <Representative_Pete_Kott@legis.state.ak.us>, <Representative_Carl_Morgan@legis.state.ak.us>, <Representative_Bill_Williams@legis.state.ak.us>, <Representative_John_Coghil@legis.state.ak.us>, <Representative_Hugh_Fate@legis.state.ak.us>, <Representative_John_Harris@legis.state.ak.us>, <Representative_Mary_Kapsner@legis.state.ak.us>, <Representative_Ken_Lancaster@legis.state.ak.us>.

Tax legislation:

Subject: Tax legislation;

Date: Sun, 10 Feb 2002 12:51:48 -0900 (AKST)

From: akbushpilot@webtv.net (Vernon Hurlbert)

To: Representative_John_Coghill@legis.state.ak.us

As an X legislator I can tell you that it is impossible for an elected group as the legislature is to cut the budget in any substitutive way. Every budget item has a constituency group and they are the only ones that are at the end of the table testify on the subject when it comes to committee. The only way to control the budget is not to put the item in to start with. After that it builds a group to continue it. The only way to cut the budget is to have a strong governor who will campaign on using thier redline veto and stand by it. Otherwise you are just spitting in the ocean. Thanx Vern Hurlbert

Subject: Taxes

Date: Sun, 10 Feb 2002 11:11:51 -0900

From: "Charles Franz" <charlie@xyz.net>

To: <Representative_John_Coghill@legis.state.ak.us>

Representative Coghill,

I am very concerned about the welfare attitude of many Alaskans. They seem to believe that the solution to any problem is to tax those of us who are being productive so that they can continue to benefit from whatever give-away program for which they are eligible.

As a productive member of our society who earns a good income, I recognize that I have a responsibility to assist with providing basic services for those who are truly in need. I am willing to bear that responsibility. However, I am concerned about all the talk of imposing an income tax that will penalize the most productive citizens. I urge you to continue your efforts to reduce government spending and intrusion into our lives. I hope that if you find it necessary to impose additional taxes, you will take a balanced approach that will spread the burden over as many citizens as possible and not target a single group.

I have already shared my opinions with Mr. Scalzi and Senator Torgerson.

Thank you for your hard work!

Charles C. Franz

Currently residing in Homer formerly in Fairbanks

Subject: pay your way

Date: Sun, 10 Feb 2002 09:19:11 -0900

From: "Jack Hamik" <whalsong@xyz.net>

To: <Representative_John_Coghill@legis.state.ak.us>

It's time to start paying up, pal. You cut your own salary till you hurt, then I'll believe in another cut. I won't go for another cut till YOU hurt.

(But you won't cut that sacred cow, will you? Even if you could afford it. will you? Even suggest it. and you'll find me on your bandwagon.)

Be responsible. Cut your over inflated salary. If I made as much as you for your legislative job, I'd feel pretty' darn comfortable sending my kids to run down schools over shoddy roads while paying for the hurting hospitals.

Your ideas are old. You've developed no long range fiscal plan. Quit now. Don't wait for election time. We need new ideas. Got one? Cut is the only idea you've come up with in too, too long. Cut you is what I want. Just go away.

jacK

Representative Andrew Halcro <Representative_Andrew_Halcro@legis.state.ak.us>,
Representative Reggie Joule <Representative_Reggie_Joule@legis.state.ak.us>.
Representative Pete Kott <Representative_Pete_Kott@legis.state.ak.us>.
Representative Carl Morgan <Representative_Carl_Morgan@legis.state.ak.us>.
Representative Brian Porter <Representative_Brian_Porter@legis.state.ak.us>.
Representative Bill Williams <Representative_Bill_Williams@legis.state.ak.us>.
"Representative John Coghill, Jr." <Representative_John_Coghill@legis.state.ak.us>.
"Representative Hugh 'Bud' Fate" <Representative_Hugh_Fate@legis.state.ak.us>.
Representative John Harris <Representative_John_Harris@legis.state.ak.us>.
Representative Mary Kapsner <Representative_Mary_Kapsner@legis.state.ak.us>.
Representative Ken Lancaster <Representative_Ken_Lancaster@legis.state.ak.us>.
Representative Carl Moses <Representative_Carl_Moses@legis.state.ak.us>.
Representative Norman Rokeberg <Representative_Norman_Rokeberg@legis.state.ak.us>
Representative Peggy Wilson <Representative_Peggy_Wilson@legis.state.ak.us>

ALASKANS NEED RESPONSIBLE GOVERNMENT

I am concerned about Alaska's **\$7.126 BILLION dollar Bloated Budget** and the move by the Knowles/Ulmer administration to reach out for **another \$400 MILLION?**

You, OUR senators and representatives need to take action NOW!

I have been following the legislature's "debate" of the state's "fiscal gap" closely.

Representative John Coghill, Chairman of the House State Affairs Committee, has called for hearings next week on 5 TAX bills.

I have been informed that Rep. Coghill is NOT in favor of levying taxes. I support this position.

I DO NOT SUPPORT:

HB 303 By Representatives Whitaker, Fate, Lancaster
Relating to Levy and Collection of Sales Tax

I DO NOT SUPPORT:

HB 10 By Representative Moses
Relating to Taxation of Income

I DO NOT SUPPORT:

SSHB 199 By Representatives Hudson, Scalzi
Relating to Taxation, Including Taxation of Income

I DO NOT SUPPORT:

HB 69 By Representative Rokeberg
Relating to Income of the Permanent Fund

I DO NOT SUPPORT:

HB 304 By Representative Whitaker, Fate
Relating to Disposition of the Permanent Fund

I am concerned about Alaska's ballooning budget .

FY02 (millions)

7,126.2	TOTAL STATE SPENDING
2,417.1	General Fund
2,097.9	Federal Funds
743.8	Statutory Restricted
71.4	Dedicated
87.1	Trust
1,708.9	Permanent Funds
2,417.1	General Fund Budget
927.2	Core Government
750.7	Local Schools
338.8	Grants/Formula Programs
195.5	University
114.0	Capital Projects
29.7	Local Government Assistance
61.2	Debt Service & Fund Capitalization
1,543.9	Projected Existing General Fund Revenues
873.2	Projected Fiscal Gap
4,570.3	Cash Reserves

I am opposed to any income (wage) tax, especially a progressive tax of any kind.

Before any taxes **strong budget cuts need to be made.**
Budget cuts may be unpopular, but they must be made,
and someone needs to step up to the line and get this done.

There is an immediate need to **control spending**, and a need to motivate at the agency and employee level, to actively question how state functions can be prioritized and to seek the availability of other funding sources.

I wish to challenge the legislature to address the wisdom as well as the moral and economic propriety of continuing the **PFD giveaway.**

The Permanent Fund was created to provide a savings account which would accumulate and grow as the earnings could be tapped to cover necessary budget components for which declining oil revenues proved insufficient.

I am NOT proposing an invasion of the Permanent Fund or

any depletion of its principal. Contributions to the Permanent Fund, and inflation proofing it must continue unabated.

What I find unconscionable is the perceived need to pay everyone for moving to, or remaining here in Alaska.

I have NEVER taken the PFD in any year. Welfare is for charities, and service organizations. That is why I belong to Rotary International. I contribute to its programs, and I serve in several capacities.

It's unfortunate that so many Alaskans seem to evaluate right and wrong, fair and unfair, largely in relation to the impact on their personal wallet. It is equally unfortunate when they elect **representatives who are unwilling to present the facts** to their constituents and to make the tough decisions.

This year the state will mail out roughly \$1 billion to every resident, irrespective of any need-based considerations. Roughly \$200-300 million of those state revenues will be needlessly siphoned off to the U.S. Treasury in the form of income taxes.

The "budget gap" could be closed in a heartbeat if the state would **close down the PFD bribe system**

The budget gap could be reduced to a modest problem if we capped PFD's at, \$500. If the shock is too much to bear, cap it at a tolerable level with step down decreases over 3-5 years to **wean the people from the trough.**

If the **Cremona Plan** had been put in place when first presented, today the state of Alaska would have more than enough **real income** to **fully function forever.**

I oppose any and all new taxes. Expense reduction is the answer.

The budget can't be balanced with tourism unless you tax each tourist thousands of dollars to come to Alaska!

Is there a valid economic reason to impose an income tax and keep paying \$1 billion out in PFD's each year?

There is no "budget gap". The state takes in enough revenue to fund the expense side. Where we get into red ink is only after sending \$700-1,000 million of state revenue to every person who meets minimum residency requirements, \$200-300 million of that is sent (indirectly) to the U.S. Treasury.

If our deficit is \$1 Billion **Cut spending.** Why is it that so many elected representatives, whether state or federal, refuse to understand this

when they are spending someone else's money?

If it's your personal finances, what do you do when your income drops? You cut your spending. Why is this so hard to understand, when it relates to government?

A Plan That Would Work:

Cut state spending to balance the budget this year and every year, regardless of the impact on state services. That is what balance is. Whatever the amount, cut an adequate amount from spending to balance the budget, without pulling it from reserves.

If we don't have the money-we don't have the money.

Solving this problem will not be easy or pleasant. But you weren't elected to get paid and NOT do what is right.

We want and need **spending reductions** and we need them now.

Tell the people the truth and do it now.

The state must do as all citizens and businesses do when in financial straits. Cut back. I have heard very little from the legislature about cutting payroll, cutting non-essential services and cutting travel expenditures.

I am sure that there is too much governmental waste.

Start with trimming the fat first.

The state has the largest number of employment ads, when I look in the Anchor: Daily News classifieds. Not only does the state have the most ads, but the wages offered are higher than their private sector counterpart. Why?

What is the annual payroll expenditure is for the state of Alaska? How much money would a 10% reduction be equal to? Maybe not enough to fill the so-called gap, but, it's a start.

Or reduce each department budget by 10%, or at least by 5%.

I think you should assemble a panel of 13 state residents, give them each red pens and let them have a look at the budget. I am available for the job.

I am not the only Alaskan that views our **budget (overspending) gap** this way. The answer is not to take more money from the residents, but to **live within your/our means.**

ALASKANS NEED RESPONSIBLE GOVERNMENT NOW.

ALASKANS NEED YOU TO BE RESPONSIBLE NOW.

Yours truly

Josef Princiotta
330 L Street, Suite 200
Anchorage, AK
99501-5916

(907) 562-6306

Subject: RESPONSIBLE GOVERNMENT

Date: Sun, 10 Feb 2002 03:22:53 -1000

From: Josef Princiotta <JosefP@bodymap.com>

Organization: Center for Rational Thinking

To: Representative Richard Foster <Representative_Richard_Foster@legis.state.ak.us>,
Senator Robin Taylor <Senator_Robin_Taylor@legis.state.ak.us>,
Senator Ben Stevens <Senator_Ben_Stevens@legis.state.ak.us>,
Senator Alan Austerman <Senator_Alان_Austerman@legis.state.ak.us>,
Senator Kim Elton <Senator_Kim_Elton@legis.state.ak.us>,
Senator Lorin Leman <Senator_Loren_Leman@legis.state.ak.us>,
Senator John Cowdery <Senator_John_Cowdery@legis.state.ak.us>,
Senator Lyda Green <Senator_Lyda_Green@legis.state.ak.us>,
Senator Georgianna Lincoln <Senator_Georgianna_Lincoln@legis.state.ak.us>,
Senator Gene Therriault <Senator_Gene_Therriault@legis.state.ak.us>,
Senator Bettye Davis <Senator_Bettye_Davis@legis.state.ak.us>,
Senator Rick Halford <Senator_Rick_Halford@legis.state.ak.us>,
Senator Donald Olson <Senator_Donald_Olson@legis.state.ak.us>,
Senator John Torgerson <Senator_John_Torgerson@legis.state.ak.us>,
Senator Dave Donley <Senator_Dave_Donley@legis.state.ak.us>,
Senator Lyman Hoffman <Senator_Lyman_Hoffman@legis.state.ak.us>,
Senator Randy Phillips <Senator_Randy_Phillips@legis.state.ak.us>,
Senator Jerry Ward <Senator_Jerry_Ward@legis.state.ak.us>,
Senator Johnny Ellis <Senator_Johnny_Ellis@legis.state.ak.us>,
Senator Pete Kelly <Senator_Pete_Kelly@legis.state.ak.us>,
Senator Gary Wilken <Senator_Gary_Wilken@legis.state.ak.us>,
Representative Ethan Berkowitz <Representative_Ethan_Berkowitz@legis.state.ak.us>,
Representative Harry Crawford <Representative_Harry_Crawford@legis.state.ak.us>,
Representative Joe Hayes <Representative_Joe_Hayes@legis.state.ak.us>,
Representative Beth Kerttula <Representative_Beth_Kerttula@legis.state.ak.us>,
Representative Beverly Masek <Representative_Beverly_Masek@legis.state.ak.us>,
Representative Eldon Mulder <Representative_Eldon_Mulder@legis.state.ak.us>,
Representative Drew Scalzi <Representative_Drew_Scalzi@legis.state.ak.us>,
Representative Con Bunde <Representative_Con_Bunde@legis.state.ak.us>,
Representative Eric Croft <Representative_Eric_Croft@legis.state.ak.us>,
Representative Joe Green <Representative_Joe_Green@legis.state.ak.us>,
Representative Bill Hudson <Representative_Bill_Hudson@legis.state.ak.us>,
Representative Vic Kohring <Representative_Vic_Kohring@legis.state.ak.us>,
Representative Lesil McGuire <Representative_Lseil_McGuire@legis.state.ak.us>,
Representative Lisa Murkowski <Representative_Lisa_Murkowski@legis.state.ak.us>,
Representative Gary Stevens <Representative_Gary_Stevens@legis.state.ak.us>,
Representative Mike Chenault <Representative_Mike_Chenault@legis.state.ak.us>,
Representative John Davies <Representative_John_Davies@legis.state.ak.us>,
Representative Gretchen Guess <Representative_Gretchen_Guess@legis.state.ak.us>,
Representative Jeannette James <Representative_Jeannette_James@legis.state.ak.us>,
Representative Albert Kookesh <Representative_Albert_Kookesh@legis.state.ak.us>,
Representative Kevin Meyer <Representative_Kevin_Meyer@legis.state.ak.us>,
Representative Scott Ogan <Representative_Scott_Ogan@legis.state.ak.us>,
Representative Jim Whitaker <Representative_Jim_Whitaker@legis.state.ak.us>,
Representative Sharon Cissna <Representative_Sharon_Cissna@legis.state.ak.us>,
Representative Fred Dyson <Representative_Fred_Dyson@legis.state.ak.us>.

Taxes

Subject: Taxes

Date: Sat, 9 Feb 2002 21:54:21 -0900

From: "grizzly" <grizzly@grizzlycharters.com>

To: <:>

I would like to see the State of Alaska cut it's spending before you put new taxes on the people.

Thanks

John & Jo Earls

Grizzly Charters

PO Box 1664

Homer, Alaska 99603

toll free 888-948-4388

grizzly@grizzlycharters.com

www.grizzlycharters.com/

Subject: New Taxes

Date: Thu, 7 Feb 2002 10:25:27 -0900

From: "Thomas Walton" <ursaphoto@ak.net>

To: "Alan Austerman" <Senator_Alان_Austerman@legis.state.ak.us>,
"Ben Stevens" <Senator_Ben_Stevens@legis.state.ak.us>,
"Dave Donley" <Senator_Dave_Donley@legis.state.ak.us>,
"Gary Wilken" <Senator_Gary_Wilken@legis.state.ak.us>,
"Gene Therriault" <Senator_Gene_Therriault@legis.state.ak.us>,
"Jerry Ward" <Senator_Jerry_Ward@legis.state.ak.us>,
"John Cowdery" <Senator_John_Cowdery@legis.state.ak.us>,
"john Torgerson" <Senator_John_Torgerson@legis.state.ak.us>,
"Loren Leman" <Senator_Loren_Leman@legis.state.ak.us>,
"Lyda Green" <Senator_Lyda_Green@legis.state.ak.us>,
"Pete Kelly" <Senator_Pete_Kelly@legis.state.ak.us>,
"Randy Phillips" <Senator_Randy_Phillips@legis.state.ak.us>,
"Rick Halford" <Senator_Rick_Halford@legis.state.ak.us>,
"Vic Kohring" <Representative_Vic_Kohring@legis.state.ak.us>,
"Scott Ogan" <Representative_Scott_Ogan@legis.state.ak.us>,
"Pete Kott" <Representative_Pete_Kott@legis.state.ak.us>,
"Peggy Wilson" <Representative_Peggy_Wilson@legis.state.ak.us>,
"Norman Rokeberg" <Representative_Norman_Rokeberg@legis.state.ak.us>,
"Mike Chenault" <Representative_Mike_Chenault@legis.state.ak.us>,
"Lisa Murkowski" <Representative_Lisa_Murkowski@legis.state.ak.us>,
"Lesil Mcguire" <Representative_Lesil_McGuire@legis.state.ak.us>,
"Kevin Meyer" <Representative_Kevin_Meyer@legis.state.ak.us>,
"Ken Lancaster" <Representative_Ken_Lancaster@legis.state.ak.us>,
"John Harris" <Representative_John_Harris@legis.state.ak.us>,
"John Coghill" <Representative_John_Coghill@legis.state.ak.us>,
"Joe Green" <Representative_Joe_Green@legis.state.ak.us>,
"Jim Whitaker" <Representative_Jim_Whitaker@legis.state.ak.us>,
"Jeannette james" <Representative_Jeannette_James@legis.state.ak.us>,
"Huge Fate" <Representative_Hugh_Fate@legis.state.ak.us>,
"Gary Stevens" <Representative_Gary_Stevens@legis.state.ak.us>,
"Fred Dyson" <Representative_Fred_Dyson@legis.state.ak.us>,
"Eldon Mulden" <Representative_Eldon_Mulder@legis.state.ak.us>,
"Drew Scalzi" <Representative_Drew_Scalzi@legis.state.ak.us>,
"Con Bunde" <Representative_Con_Bunde@legis.state.ak.us>,
"Carl Morgan" <Representative_Carl_Morgan@legis.state.ak.us>,
"Brain Porter" <Representative_Brian_Porter@legis.state.ak.us>,
"Bill William" <Representative_Bill_Williams@legis.state.ak.us>,
"Bill Hudson" <Representative_Bill_Hudson@legis.state.ak.us>,
"Beverly Masek" <Representative_Beverly_Masek@legis.state.ak.us>,
"Andrew Halcro" <Representative_Andrew_Halcro@legis.state.ak.us>

Hello,

I want this to be Crystal Clear. Other than an Alcohol tax. NO New Taxes. CUT Spending. When I say No new Taxes let me clarify NO, None, Zero, Nien, Neit. State Spending is out of control. 6 billion dollars is obscene. CUT it!!!

Thank You
Thomas Walton

Alaska State Legislature
Public Opinion Messages

Thomas M Corbitt,
Po Box 132
Po Box 132
Clam Gulch, AK 99568-0132
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill RESOURCES

I've been encouraging our local cannery to run a line of clam chowder made from Alaskan vegetables milk and clams. This type of value-added product using natural and healthy Alaskan ingredients can be easily marketed via the internet year-round to boost off-season jobs.
Date Sent: 02/11/2002

Mrs. Debra Joslin,
2549 PO Box 377 ST
Delta Junction, AK 99737
Phone: 895-4565
E-mail:

Constituency: N
Distribution: 2
Affiliation: Republican Party
Reg Voter: U

Subject/Bill TAXATION

I really appreciate your taking a stand against taxation in Alaska. We need to cut the budget as lean as possible and if that still doesn't work I would far rather give up my PFD check before we go to any taxation.
Thanks.
Date Sent: 02/11/2002

Mr. John j Ketscher,
424 Marine Wy 201
424 Marine Way Room 201
Kodiak, AK 99615
Phone: -
E-mail: jketscher@hotmail.com

Constituency: N
Distribution: 7
Affiliation:
Reg Voter: Y

Subject/Bill HB 397 Supports

I support HB 397.
Date Sent: 02/11/2002

William P Arnold,
Po Box 1392
Po Box 1392
Sterling, AK 99672-1392
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill SJR 23 Supports

I would like to see this resolution moved onto the floor for a vote.
Date Sent: 02/11/2002

Alaska State Legislature
Public Opinion Messages

Michael S McBride,
Po Box 6
Kenai, AK 99611
Phone: 77-6 54
E-mail: matrixent@gci.net

Constituency: N
Distribution: 60
Affiliation: Self
Reg Voter: Y

Subject/Bill HB 360 Opposes

Please do NOT give any more PUBLIC money to private enterprise. This is CORPORATE WELFARE at taxpayers' expense. Why not make sure money is available for funding present and future essential government services such as education roads public health & safety. Thank you.

Date Sent: 02/10/2002

Michael S McBride,
Po Box 6
Kenai, AK 99611
Phone: 77-6 54
E-mail: matrixent@gci.net

Constituency: N
Distribution: 60
Affiliation: Self
Reg Voter: Y

Subject/Bill HB 258 Opposes

Please do NOT support any new funding source bills (TAXES) until all public funds given to private businesses individuals and special interest groups have been completely eliminated. Use OUR public funds for constitutionally mandated government services such as schools roads public health & safety ONLY. Thank you.

Date Sent: 02/10/2002

Michael S McBride,
Po Box 6
Kenai, AK 99611
Phone: 77-6 54
E-mail: matrixent@gci.net

Constituency: N
Distribution: 60
Affiliation: Self
Reg Voter: Y

Subject/Bill HB 10 Opposes

Please do NOT seriously consider any new funding source (TAXES) until all public funds given to private businesses individuals and special interest groups have been completely eliminated. Use OUR public funds for constitutionally mandated government services such as schools roads public health & safety ONLY. Thank you.

Date Sent: 02/10/2002

Michael S McBride,
Po Box 6
Kenai, AK 99611
Phone: 77-6 54
E-mail: matrixent@gci.net

Constituency: N
Distribution: 60
Affiliation: Self
Reg Voter: Y

Subject/Bill HB 199 Opposes

Please do NOT seriously consider any new funding source (TAXES) until all public funds given to private businesses individuals and special interest groups have been completely eliminated. Use OUR public funds for constitutionally mandated government services such as schools roads public health & safety ONLY. Thank you.

Date Sent: 02/10/2002

Alaska State Legislature
Public Opinion Messages

Michael S McBride,
Po Box 6
Kenai, AK 99611
Phone: 77-6 54
E-mail: matrixent@gci.net

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill HB 229 Opposes

Please do NOT seriously consider any new funding source (TAXES) until all public funds given to private businesses individuals and special interest groups have been completely eliminated. Use OUR public funds for constitutionally mandated government services such as schools roads public health & safety ONLY. Thank you.
Date Sent: 02/10/2002

Michael S McBride,
Po Box 6
Kenai, AK 99611
Phone: 77-6 54
E-mail: matrixent@gci.net

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill HB 303 Opposes

Please do NOT seriously consider any new funding source (TAXES) until all public funds given to private businesses individuals and special interest groups have been completely eliminated. Use OUR public funds for constitutionally mandated government services such as schools roads public health & safety ONLY. Thank you.
Date Sent: 02/10/2002

Michael S McBride,
Po Box 6
Kenai, AK 99611
Phone: 77-6 54
E-mail: matrixent@gci.net

Constituency: N
Distribution: 60
Affiliation: Self
Reg Voter: Y

Subject/Bill HB 324 Opposes

Please do NOT support this bill. Terrorist targets in Alaska should be protected by companies owning them. The State can assist using resources currently in place without spending this obscene amount of public funds. Please put my money in education transportation public health & safety. Thank you.
Date Sent: 02/10/2002

Michael S McBride,
Po Box 6
Kenai, AK 99611
Phone: 77-6 54
E-mail: matrixent@gci.net

Constituency: N
Distribution: 60
Affiliation: self
Reg Voter: Y

Subject/Bill SE 236 Opposes

Please do NOT support this bill. Terrorist targets in Alaska should be protected by companies owning them. The State can assist using resources currently in place without spending this obscene amount of public funds. Please put my money in education transportation public health & safety. Thank you.
Date Sent: 02/10/2002

Alaska State Legislature
Public Opinion Messages

Mrs. Betty M Phillips,
3875 Geist Rd E333
1787 Hollowell Rd
Fairbanks, AK 99709-3549
Phone: -
E-mail: tphillips@ideafamilies.org

Constituency: N
Distribution: 40
Affiliation: IDEA Homeschooling parent
Reg Voter: Y

Subject/Bill EDUCATION

Reg. 4 AAC 33.420-.490 Statewide Correspondence Programs are burdensome and unnecessary. We already abide by law take state tests submit learning plans and progress reports. Our results are also outstanding.
Date Sent: 02/08/2002

Mrs. Betty M Phillips,
3875 Geist Rd E333
1787 Hollowell Rd
Fairbanks, AK 99709-3549
Phone: -
E-mail: tphillips@ideafamilies.org

Constituency: N
Distribution: 40
Affiliation: IDEA Homeschooling parent
Reg Voter: Y

Subject/Bill EDUCATION

Reg. 4 AAC 33.420-.490 Statewide Correspondence Programs are burdensome and unnecessary. We already abide by state law submit yearly learning plans and progress reports and have excellent results in state testing.
Date Sent: 02/08/2002

Ms. Harriet A Drummond,
2139 Hillcrest Pl
2139 Hillcrest Pl
Anchorage, AK 99503
Phone: 279-7722
E-mail: harrieta@alaska.net

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill TAXATION

I strongly support Rep. Con Bunde's courageous and timely amendment in committee proposing a variety of tax revenues that are fair and broad-based. PLEASE encourage your colleagues to pass this amendment out of committee and get it to the full House and then Senate SOON. Thank you!
Date Sent: 02/08/2002

Thomas M Corbitt,
Po Box 132
Po Box 132
Clam Gulch, AK 99568-0132
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill ECONOMIC DEVELOPMENT

Ladies and Gentlemen Please consider developing our existing pulp wood resources into paper products including toilet paper towels and other consumer industry related paper products. Thank you. Your servant in Jesus Christ Tom Corbitt.
Date Sent: 02/08/2002

Alaska State Legislature
Public Opinion Messages

Mrs. Lori J Stenberg,
P.o.box 240408
Po Box 240408
Douglas, AK 99824
Phone: -
E-mail: Stenjnu@aol.com

Constituency: N
Distribution: 60
Affiliation: self
Reg Voter: Y

Subject/Bill EDUCATION

Dear Legislators I am concerned about proposed regulation changes by the Board of Education regarding Statewide Correspondence Programs. We appreciate the support and guidance of the IDEA program. Success is validated by test scores seen on the DOE's website. The new regs over-regulate and restrict freedom for private religious curriculum. Help.

Date Sent: 02/07/2002

Mr. Merle L Winkelman,
Pob 56711
Po Box 56711
North Pole, AK 99705
Phone: 488-4301
E-mail: WinkWoods@hotmail.com

Constituency: C
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill BUDGET

NO STATE TAXES--CUT GOVERNMENT EXPENSES--TAX INCREASES ARE A RESTRAINT ON ECONOMIC GROWTH--WE WILL ADAPT!! --We already pay 49% of our income to Federal Taxes-- I wasn't born so I could work for the government.-- They work for me and I say balance the budget.

Date Sent: 02/08/2002

Matilda C J Bee,
Po Box 569
Po Box 569
Bethel, AK 99559-0569
Phone: -
E-mail:

Constituency: N
Distribution: 7
Affiliation:
Reg Voter: Y

Subject/Bill HB 332 Supports

THE CDVSA ENABLED THE TWC TO PROVIDE IMMEDIATE SHELTER COUNSELING AND SUPPORT GROUPS TO HUNDREDS OF FAMILIES ACROSS THE YK DELTA. THEIR FUNDING IS ESSENTIAL TO THE MUCH NEEDED SERVICES THAT WE PROVIDE

Date Sent: 02/08/2002

Roger C Laber,
319 Riverside Dr
319 Riverside Dr
Seldotna, AK 99669
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill HJR 25 Opposes

Vote against HJR 25 & HB 213. It should be easier for citizens to create laws through initiatives. Trust the citizens.

Date Sent: 02/08/2002

Alaska State Legislature
Public Opinion Messages

Charley L Walton,
1062 Steele Creek Rd
1062 Steele Creek Rd
Fairbanks, AK 99712

Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill TAXATION

I haven't had time to total all of the expenditures for your perks and bonuses above your salary but it seems unfair to pick one industry to tax with the alcohol tax to balance the budget. Let's look at the pork fat before singling out industry.

Date Sent: 02/07/2002

Melissa S Bouden,
716 Box 556 DR
Valdez, AK 99686

Phone: -
E-mail:

Constituency: N
Distribution: 7
Affiliation: Advocates for victims of violence
Reg Voter: U

Subject/Bill HB 332 Supports

I encourage you to keep supporting the council. Working in a shelter with women of domestic violence I see the need of attorney help that the council provides. And the support that they have given us to help these women move on with their lives.

Date Sent: 02/07/2002

James M Morgan,
1200 W Dimond Blvd #519
1200 W Dimond Blvd #519
Anchorage, AK 99515

Phone: -
E-mail: jimmorgan@gci.net

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill HB 258 Opposes

I oppose HB 258 because it is an unfair tax on Alaska businesses.

Date Sent: 02/07/2002

Ms. Melissa S Bowden,
716 PO Box 556 DR
Valdez, AK 99686

Phone: -
E-mail:

Constituency: N
Distribution: 7
Affiliation:
Reg Voter: U

Subject/Bill HB 332 Supports

I encourage you to keep supporting the council. Working in the shelter of DV I see the need of attorney help that the council provides and the support that they have given us to help these women move on with their lives.

Date Sent: 02/07/2002

Alaska State Legislature
Public Opinion Messages

Michelle R Dewitt,
Po Box 2257
Po Box 2257
Bethel, AK 99559-2257
Phone: -
E-mail:

Constituency: N
Distribution: 7
Affiliation:
Reg Voter: Y

Subject/Bill HB 332 Supports

THE CDVSA IS STILL AN IMPORTANT RESOURCE FOR OUR COMMUNITIES. COUNCIL FUNDING PAYS FOR PROGRAMS THAT SAVE LIVES. PLEASE RENEW THE CDVSA
Date Sent: 02/07/2002

Winifred V Kelly,
Po Box 1971
Po Box 1971
Bethel, AK 99559-1971
Phone: -
E-mail:

Constituency: N
Distribution: 7
Affiliation:
Reg Voter: Y

Subject/Bill HB 332 Supports

THE CDVSA IS STILL AN IMPORTANT RESOURCE FOR OUR COMMUNITIES. COUNCIL FUNDING PAYS FOR PROGRAMS THAT SAVE LIVES. PLEASE RENEW THE CDVSA
Date Sent: 02/07/2002

Erin P Smith,
Po B x 1765
Po Bcx 1765
Bethel, AK 99559-1765
Phone: -
E-mail:

Constituency: N
Distribution: 7
Affiliation:
Reg Voter: Y

Subject/Bill HB 332 Supports

THE CDVSA ENABLES THE TUNDRA WOMEN'S COALITION TO PROVIDE IMMEDIATE SHELTER COUNSELING SUPPORT GROUPS OUTREACH AND VIOLENCE PREVENTION EDUCATION TO HUNDREDS OF FAMILIES ACROSS THE YUKON KUSKOKWIM DELTA. THEIR FUNDING IS ESSENTIAL TO THE MUCH NEEDED SERVICES THAT WE PROVIDE.
Date Sent: 02/07/2002

Jerry B Cleworth,
907 Park Dr
907 Park Dr
Fairbanks, AK 99709
Phone: -
E-mail:

Constituency: N
Distribution: 9
Affiliation:
Reg Voter: Y

Subject/Bill TAXATION

I am very concerned about the State implementing a sales tax which traditionally is a local option. If we have to tax for additional revenue I would prefer a state income tax at the traditional 16% rate. With the advent of the internet sales taxes put us at a competitive disadvantage.
Date Sent: 02/07/2002

Alaska State Legislature
Public Opinion Messages

Mrs. Linda Winkelman,
1310 POB 56711 LP
North Pole, AK 99705
Phone: 488-4301
E-mail: npg@mosquiconet.com

Constituency: C
Distribution: 60
Affiliation:
Reg Voter: U

Subject/Bill DEBT

NO STATE TAXES OF ANY KIND--GOVERNMENT EXPENSES
THE PROBLEM--TAX INCREASES ARE A RESTRAINT ON
ECONOMIC GROWTH--Government Expenses Should Concern Only
Needs THAT Directly Benefit ALL People Not Payments to Special
Interest Groups which involve Just a FEW People. This is the
BIGGEST problem of Government over spending.
Date Sent: 02/07/2002

Rieta M Walker,
57060 East End Rd
57060 East End Rd
Homer, AK 99603
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill BOUNDARIES

Please deny the proposed annexation to the City of Homer.
Date Sent: 02/07/2002

Darrell M Walker,
57060 East End Rd
57060 East End Rd
Homer, AK 99603
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill BOUNDARIES

I am apposed to the annexation by the City of Homer.
Date Sent: 02/07/2002

Margaret E Angaiak,
Po Box 1256
Po Box 1256
Bethel, AK 99559-1256
Phone: -
E-mail:

Constituency: N
Distribution: 7
Affiliation:
Reg Voter: Y

Subject/Bill HB 332 Supports

THE CDVSA IS STILL AN IMPORTANT RESOURCE FOR OUR
COMMUNITITES. COUNCIL FUNDING PAYS FOR PROGRAMS
THAT SAVE LIVES. PLEASE RENEW THE CD VSA.
Date Sent: 02/07/2002

Alaska State Legislature
Public Opinion Messages

James D Glazier,
Po Box 8583
Po Box 8583
Nikiski, AK 99635
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill PERMANENT FUND

I suggest you put a 5% tax on the PFD checks. 2001 PFD \$1850.00 @ 5% tax equals \$92.50 on each PFD check. 582 203 checks were paid out times 92.50 tax = \$53 853 777 in possible revenues. Could be yearly revenue it makes dollars for the state and it makes good sense.
Date Sent: 02/07/2002

Jerry J Mccutcheon,
Po Box 101838
Po Box 241623
Anchorage, AK 99510
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill TAXATION

Before you tax the general public pass a tax on alcohol at least \$.25 a drink. Pass a tax on tobacco. At least try to capture a small percentage of the real cost to the state. Pass a tour boat tax of \$100/head. Pass an excess oil profits tax.
Date Sent: 02/07/2002

Susan J Culley,
Po Box 694
Po Box 694
Valdez, AK 99686-0694
Phone: -
E-mail:

Constituency: N
Distribution: 7
Affiliation:
Reg Voter: Y

Subject/Bill HB 332 Supports

The Council on Domestic Violence and Sexual Assault is a much needed source for everyone who works with abused women. I work as an advocate and volunteer to work with women and children that this group serves. Please pass HB 332.
Date Sent: 02/07/2002

Vickie L Williams,
Po Box 113
Po Box 113
Valdez, AK 99686-0113
Phone: -
E-mail:

Constituency: N
Distribution: 7
Affiliation:
Reg Voter: Y

Subject/Bill HB 332 Supports

I whole heartedly support CDVSA's being reinstated. The Network of victim support services need their umbrella of help. Through their help sexual assault (both adults and children) are better able to end the pain. Please support the council on Domestic Violence and Sexual assault. Please.
Date Sent: 02/07/2002

Alaska State Legislature
Public Opinion Messages

Mrs. Madeleine D Betz,
666 11th Avenue 205
666 11th Ave #205
Fairbanks, AK 99701
Phone: -
E-mail:

Constituency: N
Distribution: 2
Affiliation: Tanana Valley League of Women Voters
Reg Voter: Y

Subject/Bill BUDGET

I support exploring additional sources of revenue to fund State government besides oil revenue. Please look into instituting a tax on either income or sales of goods. Let partisan ideology by the wayside and consider what is best for all Alaskans.
Date Sent: 02/11/2002

Phyllis Ogar,
3221 Douglas HWY
Juneau, AK 99801
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: U

Subject/Bill TAXATION

I oppose state income tax. Cost of living extremely high here. As retiree living here year round added expenses would reduce my purchasing power. I would have less money to put back into economy. Alaska offers perks which allow retirees to remain in Alaska. Please consider retaining our older population by opposing state income tax.
Date Sent: 02/12/2002

Richard L Hutchison,
Po Box 84909
1919 Lathrop St #101
Fairbanks, AK 99708
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill Fiscal Gap

If the nature of funding for state government and services is going to be modified I strongly feel that all Alaskans should share in the responsibility. Therefore the permanent fund should be utilized not a state income tax.
Date Sent: 02/12/2002

Lance R Jordan,
4130 Craanog St
Anchorage, AK 99502
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill TAXATION

Cut state spending in all areas by 1 third before you add taxes. That also includes cutting our PFD percentage by 1 third my understanding is our state spends over double the next highest state as far as per capita spending by state government lets drop that down to a little more than the next highest.
Date Sent: 02/12/2002

Alaska State Legislature
Public Opinion Messages

Cheryl A Keepers,
Po Box 74898
3981 Fahrenkamp Ave
Fairbanks, AK 99707
Phone: -
E-mail:

Constituency: N
Distribution: 9
Affiliation:
Reg Voter: Y

Subject/Bill HB 367 Opposes

Denali Kid Care is a vital support for families that saves Alaska money in the long run. Remember the old saying an ounce of prevention is worth a pound of cure"? It's still true. I urge you to defeat this bill."
Date Sent: 02/12/2002

Mr. Christopher B Dewitt,
Po Box 240694
Juneau, AK 99801
Phone: 364-1554
E-mail: cdewitt@blm.ak.gov

Constituency: N
Distribution: 60
Affiliation: Myself
Reg Voter: Y

Subject/Bill TAXATION

I oppose a state income tax. I support liquor tax per drink limited luxury sales tax and removing PDF payoff if it was used to balance the budget. Instead of subsidizing the federal government keep it and balance the budget. My support for these issues would have to include a spending and balanced budget bill.
Date Sent: 02/12/2002

Edna A Resari,
4031 North Star St
4031 North Star St
Anchorage, AK 99503
Phone: -
E-mail:

Constituency: N
Distribution: 8
Affiliation:
Reg Voter: Y

Subject/Bill HB 367 Opposes

I wish to oppose HB 367 regarding Denali Kid Care. I'm a school nurse and see many children benefiting from this program.
Date Sent: 02/12/2002

Mr. Gregg L Ashwill,
2212 Cliff Ct
2212 Cliff Ct
Anchorage, AK 99517
Phone: -
E-mail: airman@alaska.com

Constituency: N
Distribution: 40
Affiliation:
Reg Voter: Y

Subject/Bill SB 258 Opposes

I adamantly oppose any kind of tax on Alaska businesses. This will discourage business startups. Reduce the State budget to a reasonable number. The spending in this State is ridiculous."
Date Sent: 02/12/2002

Alaska State Legislature
Public Opinion Messages

James C Weidner,
5479 Chena Hot Springs Rd
5479 Chena Hot Springs Rd
Fairbanks, AK 99712
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill TAXATION

I support actually cutting the budget. There is no need for any of these taxes. Cost of operating the State of Alaska's government is more than other states such as Wyoming Idaho North Dakota.
Date Sent: 02/12/2002

Kathleen A Lawton,
11435 Mausel Rd
11435 Mausel Rd
Eagle River, AK 99577
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill HB 66 Opposes

Also SB 14. As a soil chemist plant physiologist and environmental specialist I believe the Pesticide Right to Know bill is a waste of Alaska's time and money at this time. I respect Representative Cissna's efforts but this bill is not needed. Please choose to spend that money elsewhere.
Date Sent: 02/12/2002

Mr. Thomas R Kelly,
4211 Passage Wy
Anchorage, AK 99516
Phone: 269-8040
E-mail: kellyt@katewwdb.com

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill HB 258 Opposes

As a business owner I strongly oppose the introduction of this legislation. And I would urge you to vote against this proposed change which would tax businesses on gross revenue. Another example of trying to tax people who are trying to be productive.
Date Sent: 02/12/2002

Clifford E Boner,
Hc 60 Box 2465
Hc 60 Box 2465
Copper Center, AK 99573
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill SCR 25 Opposes

Who is going to pay the bill for a lawsuit to change ANILCA? Either do your job or get out of dodge!
Date Sent: 02/12/2002

Alaska State Legislature
Public Opinion Messages

Kenneth J Mears,
1941 Wickersham Dr
1941 Wickersham Dr
Anchorage, AK 99507
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill TAXATION

Contributions from non-resident guides fisherman and lodges who have priority over urban and rural residents are hard to get with their very sharp pencils. A gross renewable resource business tax with liberal resident credits could do it. The state AG had previously willed this possibility as the money is not spent here.

Date Sent: 02/12/2002

Jerome R Moore,
Po Box 140223
Po Box 140223
Anchorage, AK 99514-0223
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill TOURISM

I am against the proposed \$6million ads for the tourism industry. There are no guarantees for any return on the money spent. The economy is bad alot of folks are putting off travel plans. The major amount of the money is spent in the company businesses.

Date Sent: 02/12/2002

Ms. Michelle s Tabler,
13241 Vern Dr
13241 Vern Dr
Anchorage, AK 99516
Phone: 274-2886
E-mail: mtabler@alaska.net

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill TAXATION

I am VERY opposed to a state income tax. Use the Permanent Fund FIRST for state government - that is what the Fund was set up for. Don't tax my income while thousands of people who don't work won't pay the tax AND still receive their Permanent Fund checks. Michelle Tabler

Date Sent: 02/12/2002

Linda J Sisson,
129 Parkwood Cir
129 Parkwood Cir
Soldotna, AK 99669
Phone: -
E-mail: jsisson@ideafamilies.org

Constituency: N
Distribution: 59
Affiliation: Sisson Homeschool
Reg Voter: Y

Subject/Bill EDUCATION

The proposed regulations by D.E.E.D. regarding restrictions on the use of privately purchased curricular material[4AAC33.421(d) 4AAC33.421(e)(1)and 4AAC33.421(g)(2)] NEED TO BE RE-WRITTEN! We have a constitutional right to use Christian curriculum purchased with private funds. This regulation would prohibit this freedom.

Date Sent: 02/12/2002

Alaska State Legislature
Public Opinion Messages

Jeffrey A Sisson,
129 Parkwood Cir
Po Box 3585
Soldotna, AK 99669
Phone: -
E-mail: csisson@connect.kpbsd.k12.ak.us

Constituency: N
Distribution: 20
Affiliation:
Reg Voter: Y

Subject/Bill EDUCATION

I oppose the D.E.E.D proposed regulations affecting homeschooling in Alaska. These regulations if allowed to pass would de. state I.D.E.A. and other homeschooling programs in Alaska. THESE REGULATIONS NEED TO BE RECONSIDERED. Homeschooling is a wonderful alternative educational system and it would be too bad to loose it.

Date Sent: 02/12/2002

Leora A Pooler,
Po Box 714
Po Box 714
Sterling, AK 99672
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill TAXATION

Is it the water in Juneau? Have you guys gone crazy? All we hear coming out of Juneau is taxes taxes taxes! How can you DREAM of taxes and appropriate tourism \$6M? Be advised: people are watching VERY carefully. I gaurantee tax supporters are serving their last term in Juneau.

Date Sent: 02/13/2002

Mr. Michael K Segelhorst,
3910 Image Dr
Anchorage, AK 99504
Phone: 33-8788
E-mail:

Constituency: N
Distribution: 27
Affiliation:
Reg Voter: Y

Subject/Bill TAXATION

Stop taking direction from the Anchorage Daily News. Listen to people and read the polls. Spending cuts and spending cap are needed first. No new taxesyet". Remember you were elected generally as fiscal conservatives. Please keep your promises and remember it"s an election year."

Date Sent: 02/13/2002

Lapriel C Stephan,
Po Box 112114
Po Box 112114
Anchorage, AK 99511-2114
Phone: -
E-mail:

Constituency: N
Distribution: 18
Affiliation:
Reg Voter: Y

Subject/Bill HB 303 Opposes

Bad bill HB 303 the sales tax proposal. You're definitely more apt to lose at the next election if you pass HB 303. Use the interest from permanent fund if necessary cut give-away programs and social services. Didn't need to give money to ANWR advertising

Date Sent: 02/13/2002

Alaska State Legislature
Public Opinion Messages

Dr. Thomas. N Davis,
375 Miller Hill RD
Fairbanks, AK 99709
Phone: -
E-mail: neildavs@mosquitonet.com

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: U

Subject/Bill TAXATION

I strongly support reinstatement of the Alaska Income Tax as proposed by Governor Knowles. I strongly oppose imposition of a sales tax. T. Neil Davis Voter ID 00090959.
Date Sent: 02/13/2002

Mr. Leroy K Smith,
10030 Gebhart DR
Anchorage, AK 99515
Phone: 248-8375
E-mail: lspara@acsalaska.net

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: U

Subject/Bill TAXATION

I support a seasonal sales tax - everybody pays including tourists using infrastructure. Regarding municipal or borough objections share it. A 6 percent sales tax with 1 percent to the municipalities village or borough collecting it.
Date Sent: 02/13/2002

Janet Lemire,
Po Box 293
Po Box 293
Klawock, AK 99925-0293
Phone: 826-3007
E-mail: lemirecharters@yahoo.com

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: Y

Subject/Bill TAXATION

Any kind of taxation is not a good idea. The economy is not good now and we Alaskans who are left are struggling enough as it is. Face reality and cut spending.
Date Sent: 02/13/2002

Mr. Bret W Kunkle,
1901 McCormick RD
North Pole, AK 99705
Phone: -
E-mail:

Constituency: N
Distribution: 60
Affiliation:
Reg Voter: U

Subject/Bill TAXATION

Rep. Kohring"s recently released approach to cure the fiscal problems of state government by shrinking the size of government receives the full support of me and my co-workers here at the refinery in North Pole.
Date Sent: 02/13/2002

Subject: Re: permanent fund proposal,Reply

Date: Mon, 11 Feb 2002 14:48:16 -0800

From: "W." <william.slone@acsalaska.net>

To: "Representative John Coghill" <Representative_John_Coghill@legis.state.ak.us>

Thanks for reviewing and for your comments

Slone

----- Original Message -----

From: "Representative John Coghill"

<Representative_John_Coghill@legis.state.ak.us>

To: "W." <william.slone@acsalaska.net>

Sent: Sunday, February 10, 2002 6:41 PM

Subject: Re: permanent fund proposal,Reply

> Dear W. L. Slone,

>

> Thanks for the very thoughtful solution to our Permanent Fund Earnings
> usage for Alaskans. Much of what you propose would have constitutional
> and IRS barrier ramifications that would be significant. However the
> biggest barrier would be the political one of public mistrust and
> legislative reluctance in installing such a complex system. An agreement
> of sixty legislators and a governor on such an issue would be next to
> impossible.

> I am making a copy of your proposal and will show it to some legislators
> and maybe this could spark further discussion.

> Thanks for the time you have put into this idea, I truly respect your
> effort.

> John Coghill

>

>

Subject: State Budget

Date: Mon, 11 Feb 2002 12:52:35 -0900

From: Delia Call <deliac@ciri.com>

To: "Representative_John_Coghill@legis.state.ak.us" <Representative_John_Coghill@legis.state.ak

Rep. Coghill: I'll keep this short.

Here's what this and many hardworking Alaskans want:

- cut spending by creating efficiencies in State government offices
- require state workers who are frequent flyers to use mileage plan miles towards state-related travel, not personal use.
- cap or eliminate perm. fund
- if a tax is needed to close the gap, let it be a sales tax.

Two of the three above would affect me - as a receiver of perm. fund and as a business manager in collecting taxes. Both would be burdensome, however, there is no logic to distributing perm. fund checks and collecting income taxes from those of us work hard to support ourselves and our families.

Thank you,

Delia Call

Anchorage citizen

508 Lynwood Dr., Apt. B

Anchorage, AK 99518

Subject: DEFICIT

Date: Mon, 11 Feb 2002 14:55:40 -0600

From: "Grawunder, Phillip L." <Phillip.Grawunder@BakerPetrolite.com>

To: "Representative_John_Coghill@legis.state.ak.us" <Representative_John_Coghill@legis.state.ak.us>

Rep. Coghill;

Please forward my position to others who will listen. Keep up the good fight!

JUST SOLVE THE PROBLEM

If our deficit is \$1.3. Cut spending. Why is it that all elected representative, whether state or federal, refuse to understand this when they are spending someone else's money?

If it's your personal finances, what do you do when your income drops? You cut your spending. Why is this so hard to understand, when it relates to government?

A Plan That Would Work:

1. Cut Permanent Fund Dividend payments to everyone in the state.
Initiating a State Income Tax in Alaska, while giving away money to all citizens of the state is ludicrous! We as citizens of the state DO NOT DESERVE a Permanent Fund Dividend, when the states' expenses are almost twice as much as it's revenues. In fact we don't deserve a PFD under any circumstances. The only reason our representatives haven't voted to repeal it is because they would be unpopular and all they want is to get re-elected-NOT do what is right for the state!
2. Initiate a 5% State sales tax-it is the only fair tax, and we get tourists to pay also. Everyone pays, unlike an income tax where only those that work pay.
3. Cut State Spending to balance the budget this and every year, regardless the impact on state services. I don't have the actual volume that #1 & #2 above will pull into the treasury-but you do. Whatever the amount, cut an adequate amount from spending to balance the budget, without pulling it from reserves. Yes, it will hurt many people, but if we don't have the money-we don't have the money.

Think about why state revenues are down-production is down, and it will continue to decline at a rate of 5%---it isn't coming back. The only way to get revenue back to previously high levels is to produce ANWR.

It's ludicrous to think that the legislature is willing to spend \$12MM on promoting tourism, when you're only willing to spend \$1MM on promoting ANWR. The budget can't be balanced with tourism unless you tax each tourist thousands of dollars to come to Alaska!

Solving this problem will not be easy or pleasant. But you weren't elected to get paid and not do what is right-we want solutions. In business if you don't perform-you get fired.

If you don't perform we will do everything we can to elect someone else. We don't want excuses we want you to do what is right. And yes, you might not get re-elected if you do solve the problem-but you will know that you did something you can be proud of the rest of your life. You will also know that those before you didn't have the guts to do the right thing, but you did.

A concerned citizen;

DEFICIT

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Policy Analysis

3/7/02

No. 343

May 13, 1999

The State Spending Spree of the 1990s

by Dean Stansel and Stephen Moore

Executive Summary

Today, almost without exception, state governments are awash in tax revenues. Between 1992 and 1998 state revenues grew at almost twice the rate of inflation plus population growth. If states had restricted increases in spending and tax collection to the rate of inflation and population growth over the period 1992-98, the state tax burden would be \$75.2 billion lower today, or \$278 less per person. In Michigan, the excess tax burden from 1992 to 1998 came to \$787 per person; in New Mexico, \$661; in Minnesota, \$573; in Connecticut, \$535; and in Wisconsin, \$520.

In 1999 state tax receipts are again exceeding expectations. States will also begin to receive from tobacco litigation settlements an additional revenue bonus worth \$206 billion over the next 25 years.

As record tax revenues have poured into state coffers, state government expenditures have soared. In an era of almost no inflation, state budgets grew by 4.5 percent in 1996, 5 percent in 1997, and nearly 6 percent in 1998. Four states (Vermont, Florida, Nevada, and South Dakota) actually raised their spending by 10

percent or more in 1998. The states now spend roughly \$600 (adjusted for inflation) more per person than they did in 1990. Seven states have permitted their budgets to mushroom by more than 30 percent after adjusting for population growth and inflation: Mississippi, Oregon, Arkansas, West Virginia, Texas, Missouri, and New Hampshire.

Over the past four years, only about one of every three dollars of the unexpected revenue surpluses has been returned to taxpayers. Unless states begin to cap expenditure growth and cut taxes to reduce the revenue intake of state governments, they may be faced at the end of this expansion with the same massive deficits that created tidal waves of red ink when the 1980s boom ended.

One of Jesse Ventura's most popular messages in his improbable but successful independent campaign for governor of Minnesota was a promise to "give back" the burgeoning budget surplus revenues to the taxpayers of the state. It is sad but revealing that so few of the governors of either party have promised to do the same despite multi-billion-dollar windfalls.

Dean Stansel is an associate policy analyst at the Cato Institute. Stephen Moore is director of fiscal policy studies at Cato.

**Last year almost
half the states
had gigantic
reserves of 10
percent or more.**

Introduction

With the economy booming, tax revenues are pouring into state treasuries, and most state governments are in excellent fiscal shape.¹ Last year, the 50 states closed their books with a combined surplus of \$36 billion. At 9 percent of expenditures, budget reserves are at their highest level in nearly two decades.² Predictably, those large surpluses have created intense political pressure in state capitals for new and expanded spending programs.

Ten years ago, the states were in the midst of a similar fiscal boom. Few states resisted the pressure to use their surplus revenues to create costly new spending programs. Then when the economy went into a downturn in 1990, the states found themselves in what many described as their worst fiscal crisis since the Depression. Then-governor Mario Cuomo of New York described the situation in his state: "We are broke down to the marrow of our bones." That statement could have described the fiscal plight of about half the states in the early 1990s. Revenue growth slowed, but demands to meet all the new spending commitments did not.³

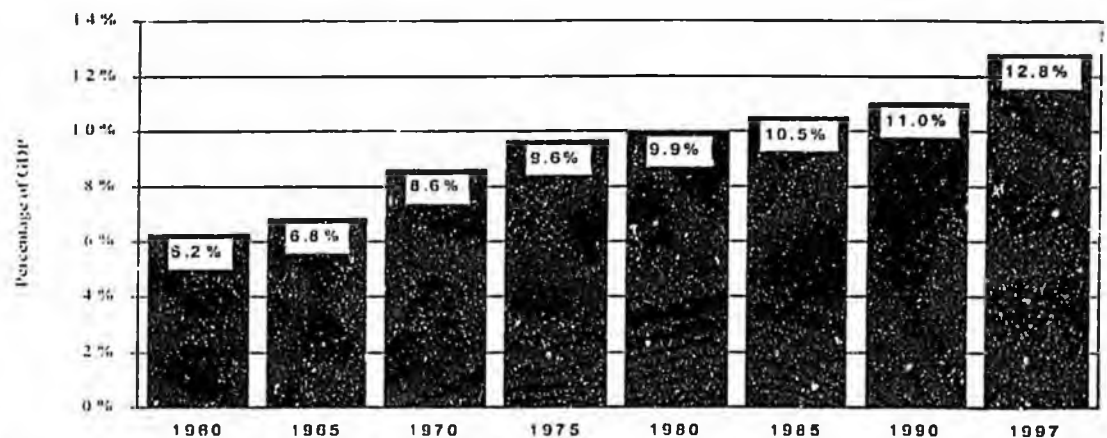
States *have* been building up their "rainy day" funds in recent years to protect against a recession. According to the National Assoc-

iation of State Budget Officers, last year all but 10 of the 50 states had end-of-year balances that exceeded the 3 to 5 percent of expenditures recommended by most financial analysts.⁴ Almost half the states had gigantic reserves of 10 percent or more.

Yet even with those large revenue reserves, state spending has soared in recent years. By virtually every measure, state budgets have expanded faster in the 1990s than they did in the fiscally reckless 1980s. Moreover, since 1994 state budgets have grown 50 percent faster than the federal budget. Rather than returning excess revenue to state taxpayers, all too often today governors and state legislators across America are spending the taxpayers' surplus.

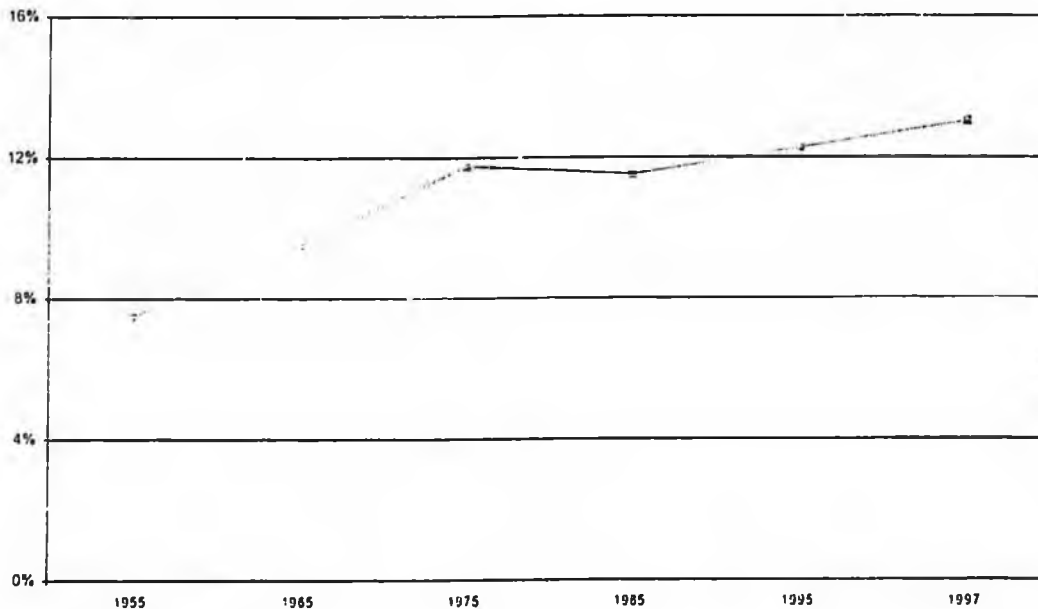
Some state officials have tried to justify the big budget hikes by arguing that vital public programs have been neglected by governors and state legislatures. The truth is that state governments have been on a long-term trend of rapid growth. State governments consume a larger share of gross national product today than ever before in history. Figure 1 shows that, since 1960, state revenue as a percentage of GDP has roughly doubled. And it is untrue that states are doing more because localities are doing less. Figure 2 shows that *combined* state and local taxes as a percentage of median family income have

Figure 1
State Revenues as a Percentage of GDP



¹Source: U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

Figure 2
State and Local taxes as a Percentage of Median Family Income, 1955-97
(two-income family)



Source: Tax Foundation.

almost doubled over the past four decades.

Many of the areas of state budgets that are said to be "underfunded" have actually seen dramatic increases over the past decade or more. Since 1970 state spending on education per student adjusted for inflation has roughly doubled. Since 1980 state highway spending has also risen faster than population and inflation. State health and welfare spending has risen three times faster than population and inflation. Surplus or not, there's no case for expanding state government, still further.

While many Republican governors have been cutting taxes, those tax reductions have been inadequate to keep pace with the huge revenue windfalls from the strong economic expansion of the past six years. Since 1994, despite \$15 billion in tax cuts, state tax collections have exceeded expectations by a cumulative \$30 billion. About two-thirds of that revenue windfall were spent, rather than rebated to taxpayers.

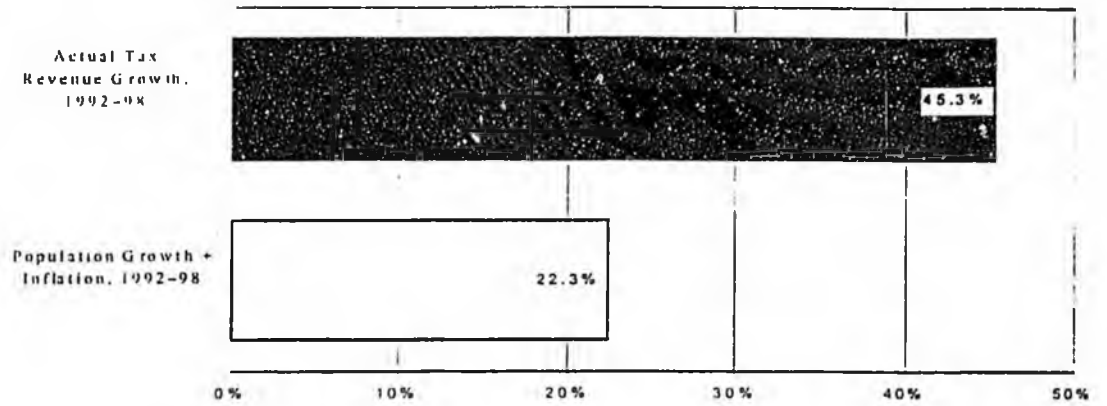
The result has been that state tax revenues have dramatically outpaced population

growth and inflation—which are considered a standard benchmark for normal revenue growth. From 1992 to 1998 state tax revenue grew by 45 percent, while population and inflation rose by a combined 22 percent (Figure 3). In 1998 alone, those excessive tax collections created a revenue windfall of \$75 billion, or \$278 per capita (Figure 4).⁵ With 31 states now having Republican governors, most of whom tout themselves as tax-cutting fiscal conservatives, the results of our analysis are surprising. Since large budget surpluses are expected again in 1999 and 2000, this year's budgets signed into law by the governors will be critical in determining the future fiscal course of the states. The choice facing George W. Bush of Texas, Gray Davis of California, John Engler of Michigan, Tommy Thompson of Wisconsin, and most other governors this year is to dramatically cut taxes or to continue the spending spree on new and expanded state programs. This study shows that the states that use surpluses to cut high tax rates can be expected to experience the fastest economic growth in the future.

Tax reductions have been inadequate to keep pace with the huge revenue windfalls from the strong economic expansion of the past six years.

In the 1990s
state budgets
have continued
to expand rapidly.

Figure 3
State Revenue Growth Outpaces Population and Inflation, 1992-98



State Spending Trends

to expand rapidly. Between 1990 and 1997

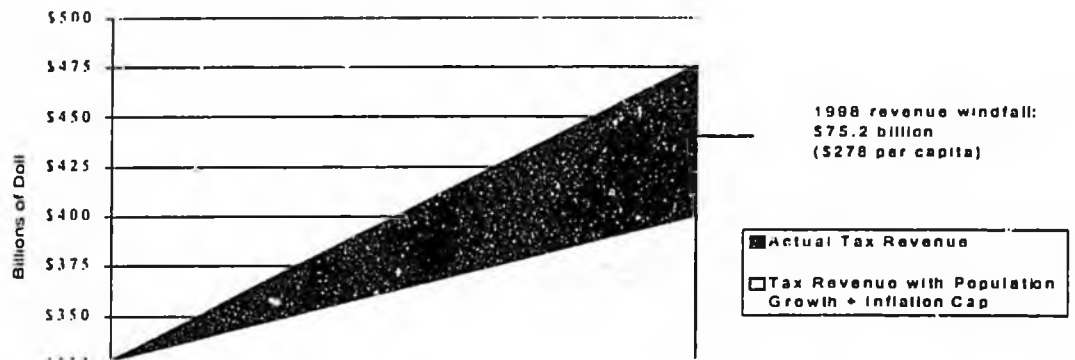
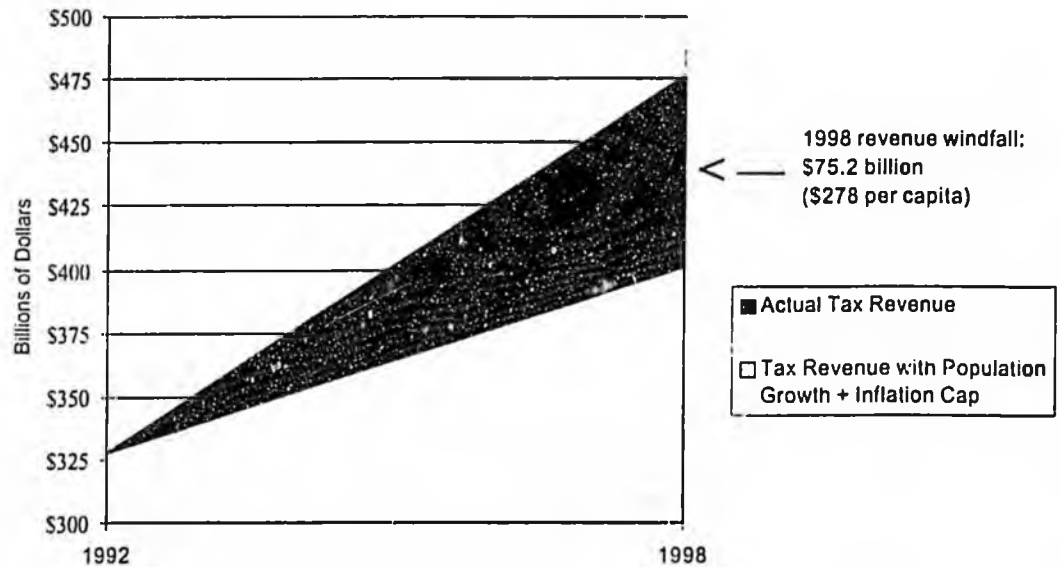


Figure 4
\$75 Billion Revenue Windfall



Medicaid spending has doubled from 8 to 16 percent of total state budgets. In percentage terms, public welfare, administration, interest on general debt, and especially corrections have also been high-growth areas in state budgets since 1980.

No matter how it is measured, state spending has accelerated in the 1990s. As Figure 5 shows, real state spending has even been growing slightly faster in the 1990s than it did in the 1980s—when many state budgets doubled in size.⁶ State expenditures expanded by 3.4 percent per year in the 1980s, after adjusting for inflation, compared to a 3.5 percent growth rate in the 1990s. On a per capita basis, real state spending has grown by 2.5 percent per year in the 1990s, slightly faster than in the 1980s.

State spending per \$1,000 of personal income nudged upward by 0.1 percent per year in the 1980s. In the 1990s state outlays have grown at an annual rate of 1.3 percent above income growth. And there is no sign of a spending slowdown. Since 1996 state general fund spending has accelerated to 3.1 percent of real growth per year, compared to the 1.7 percent per year growth rate from 1990 to 1996.⁷

The Biggest Spending States

The nationwide spending totals for the states mask the huge diversity in budget trends among the states. Table 2 shows that the spending trends in individual states varied from a high of 58.8 percent in Oregon to Alaska's 0.6 percent *decline* in real spending. Alaska was the only state with an absolute decline in spending, and that was a result of the drop in oil prices, which has severely reduced the state's oil tax revenues.

- Three states increased real spending by more than 50 percent from 1990 to 1997: Oregon (58.8 percent), Texas (52.9 percent), and Mississippi (51.5 percent).
- Three other states increased real spending by less than 10 percent from 1990 to 1997: Alaska (0.6 percent *decline*), Wyoming (5.5 percent), and Rhode Island (8.1 percent).

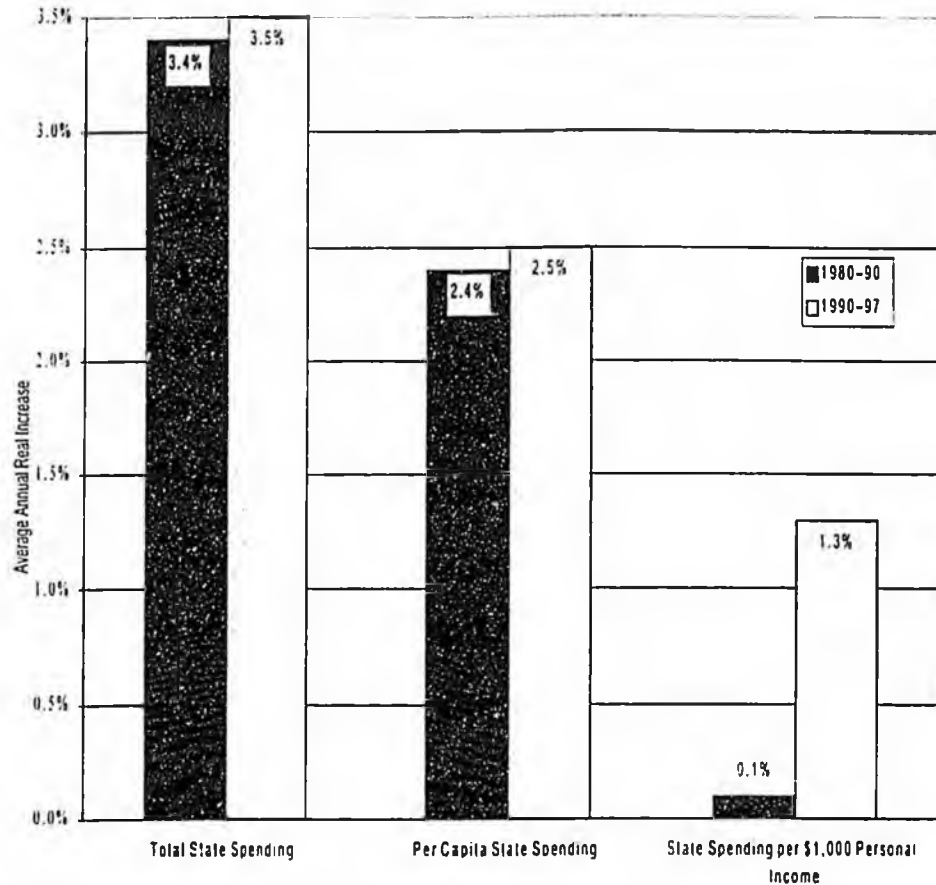
To control for differences in state populations, government spending and tax figures are often measured on a per capita basis. Table 3 shows the 10 states where real per capita state spending increased the most

In the 1990s state outlays have grown at an annual rate of 1.3 percent above income growth.

Table 1
Shifting Spending Priorities: State Spending by Function (in millions of 1997 dollars)

	1980	1990	1997	1980-97 Real Increase	
				Mil. \$	Percentage
Education	\$171,420	\$226,694	\$275,821	\$104,401	61%
Public welfare	\$86,198	\$128,957	\$203,204	\$117,006	136%
Health and hospitals	\$34,805	\$52,411	\$63,193	\$28,388	82%
Highways	\$48,819	\$54,360	\$60,204	\$11,385	23%
Correction	\$8,673	\$21,212	\$29,043	\$20,370	235%
Governmental administration	\$13,624	\$22,556	\$28,656	\$15,033	110%
Interest on general debt	\$13,183	\$26,452	\$26,310	\$13,127	100%
Natural resources	\$8,471	\$12,173	\$12,909	\$4,437	52%
Police protection	\$4,412	\$6,346	\$7,501	\$3,089	70%
Parks and recreation	\$3,012	\$3,432	\$3,900	\$888	29%
Other and unallocable	\$52,262	\$69,332	\$77,434	\$25,173	48%

Figure 5
State Spending Growth Up Slightly in the 1990s



The spending trends in individual states varied from a high of 58.8 percent in Oregon to Alaska's 0.6 percent decline in real spending.

from 1990 to 1997 and the 10 states where it increased the least.

- Real per capita spending grew by more than 35 percent in four states: Mississippi (43.0 percent), Oregon (39.9 percent), Arkansas (38.2 percent), and West Virginia (36.3 percent). Mississippi moved from the 41st highest spending state in 1990 to the 26th in 1997. Oregon moved up 16 rankings: from the 29th to the 13th highest spending state.
- Real per capita spending *declined* in three states: Alaska (9.8 percent), Arizona (1.2 percent), and Wyoming (0.3 percent) and grew by less than 6 percent in two others: Nevada (3.6 percent) and Vermont (5.8 percent). Arizona's per capita spending ranking improved from 26th to 46th in the nation. Nevada's per capita spending

position improved from 19th highest to 32nd highest.

Another way to express government spending and tax figures, which controls for differences in the size of state economies, is on a per \$1,000 of personal income basis. Table 4 shows the 10 states where state spending per \$1,000 of personal income increased the most from 1990 to 1997—led by once-frugal New Hampshire—and the 10 states where it increased the least.

- State spending per \$1,000 of personal income grew by more than 20 percent in six states: New Hampshire (24.5 percent), West Virginia (22.2 percent), Oregon (22.1 percent), Mississippi (21.9 percent), Missouri (21.8 percent), and Arkansas (21.0 percent).

Table 2
Total State Expenditure (millions of 1997 dollars), 1990-97

State	Increase, 1990-97	Rank	1997	Rank	1990	Rank
U.S. Total	27.2%	---	\$893,827	---	\$702,591	---
Oregon	58.8%	1	\$12,388	27	\$7,803	29
Texas	52.9%	2	\$48,887	3	\$31,974	3
Mississippi	51.5%	3	\$9,006	31	\$5,943	31
Arkansas	48.1%	4	\$7,685	32	\$5,188	34
Georgia	46.5%	5	\$21,975	13	\$15,004	14
Idaho	46.1%	6	\$3,674	43	\$2,515	44
Utah	43.9%	7	\$6,818	36	\$4,738	37
Nevada	42.6%	8	\$5,130	39	\$3,598	41
Florida	40.4%	9	\$37,464	5	\$26,687	8
Missouri	39.1%	10	\$14,230	21	\$10,229	22
Tennessee	38.4%	11	\$14,284	20	\$10,323	21
West Virginia	38.1%	12	\$7,145	34	\$5,174	35
North Carolina	37.9%	13	\$22,864	11	\$16,576	12
New Mexico	37.7%	14	\$7,059	35	\$5,125	36
New Hampshire	37.2%	15	\$3,324	45	\$2,423	46
Colorado	35.8%	16	\$10,861	28	\$7,998	28
Kentucky	35.6%	17	\$12,949	23	\$9,548	26
Nebraska	35.5%	18	\$4,802	40	\$3,544	42
Washington	33.2%	19	\$22,207	12	\$16,667	11
Minnesota	32.2%	20	\$18,443	15	\$13,950	16
South Carolina	32.2%	21	\$12,847	25	\$9,717	25
Pennsylvania	30.4%	22	\$39,296	4	\$30,136	5
Delaware	30.2%	23	\$3,404	44	\$2,614	43
Illinois	30.2%	24	\$35,302	8	\$27,115	7
Alabama	30.0%	25	\$12,945	24	\$9,961	24
Montana	29.9%	26	\$3,204	46	\$2,466	45
Wisconsin	29.8%	27	\$18,200	16	\$14,025	15
Kansas	29.7%	28	\$7,496	33	\$5,780	32
Hawaii	29.4%	29	\$6,093	37	\$4,708	38
Indiana	28.0%	30	\$16,370	17	\$12,794	18
Michigan	27.2%	31	\$36,092	7	\$28,376	6
South Dakota	25.4%	32	\$2,070	50	\$1,651	50
Virginia	24.3%	33	\$19,287	14	\$15,518	13
Louisiana	23.4%	34	\$14,286	19	\$11,572	20
Arizona	22.3%	35	\$12,419	26	\$10,154	23
California	21.4%	36	\$117,643	1	\$96,888	1
Ohio	20.7%	37	\$37,407	6	\$31,004	4
Iowa	20.5%	38	\$9,348	30	\$7,760	30
Oklahoma	19.9%	39	\$9,593	29	\$8,004	27
Maine	18.8%	40	\$4,441	41	\$3,740	39
Maryland	16.7%	41	\$16,200	18	\$13,877	17
New York	14.6%	42	\$83,243	2	\$72,652	2
Connecticut	13.8%	43	\$13,826	22	\$12,145	19
North Dakota	12.5%	44	\$2,426	47	\$2,156	47
Massachusetts	12.0%	45	\$25,791	10	\$23,017	10
New Jersey	11.7%	46	\$29,450	9	\$26,356	9
Vermont	10.4%	47	\$2,123	49	\$1,923	49
Rhode Island	8.1%	48	\$4,002	42	\$3,703	40
Wyoming	5.5%	49	\$2,127	48	\$2,016	48
Alaska	-0.6%	50	\$5,722	38	\$5,759	33

Between 1990 and 1996 the number of state and local government employees grew from fewer than 15.4 million to nearly 16.8 million.

Table 3
Per Capita Total State Expenditure (1997 dollars), 1990-97

State	Increase, 1990-97	Rank	1997	Rank	1990	Rank
U.S. Total	18.6%	---	\$3,340	---	\$2,817	---
<i>Greatest Spending Increase</i>						
Mississippi	43.0%	1	\$3,298	26	\$2,306	41
Oregon	39.9%	2	\$3,819	13	\$2,730	29
Arkansas	38.2%	3	\$3,046	33	\$2,204	45
West Virginia	36.3%	4	\$3,935	12	\$2,887	21
Texas	34.1%	5	\$2,515	50	\$1,876	50
Missouri	32.0%	6	\$2,634	48	\$1,995	49
New Hampshire	30.1%	7	\$2,834	42	\$2,179	46
Nebraska	29.2%	8	\$2,898	38	\$2,242	44
Pennsylvania	29.0%	9	\$3,269	29	\$2,533	32
Kentucky	28.1%	10	\$3,313	24	\$2,586	30
<i>Smallest Spending Increase</i>						
Alaska	-9.8%	50	\$9,392	1	\$10,412	1
Arizona	-1.2%	49	\$2,726	46	\$2,760	26
Wyoming	-0.3%	48	\$4,433	5	\$4,446	2
Nevada	3.6%	47	\$3,059	32	\$2,953	19
Vermont	5.8%	46	\$3,605	19	\$3,406	9
New Jersey	7.6%	45	\$3,655	16	\$3,398	11
Maryland	9.9%	44	\$3,180	30	\$2,893	20
Rhode Island	10.0%	43	\$4,053	9	\$3,686	8
Massachusetts	10.2%	42	\$4,216	7	\$3,825	6
North Dakota	11.9%	41	\$3,785	14	\$3,383	12

* State spending per \$1,000 of personal income *declined* in six states: Wyoming (10.7 percent), Alaska (9.3 percent), Nevada (8.2 percent), Arizona (7.2 percent), North Dakota (6.4 percent), and South Dakota (0.4 percent). In Wyoming and Alabama that decline in spending has been attributable to the decline in oil prices.

State and Local Bureaucracies in the 1990s

Between 1990 and 1996 the number of state and local government employees grew from fewer than 15.4 million to nearly 16.8 million.^a That is an increase of 9.2 percent, or 1.5 percent per year. As Figure 6 shows, state and local bureaucracies are growing faster in

the 1990s than they did in the 1980s. In contrast, private-sector nonfarm employment growth has been slower than it was in the 1980s.

- The number of state and local government employees increased by 1.28 percent per year in the 1980s. In the 1990s state employment has accelerated to 1.48 percent per year.
- Total nonfarm private-sector employment growth *declined* from 1.91 percent per year in the 1980s to 1.46 percent per year in the 1990s.
- In the 1980s state and local government employment growth lagged behind total nonfarm employment growth (1.28 to

Table 4
Total State Expenditure per \$1,000 Personal Income, 1990-97

State	Increase, 1990-97	Rank	1997	Rank	1990	Rank
U.S. Total	9.3%	---	\$139.46	---	\$127.64	---
<i>Greatest Budget Increase</i>						
New Hampshire	24.5%	1	\$108.14	50	\$86.84	50
West Virginia	22.2%	2	\$216.62	3	\$177.31	6
Oregon	22.1%	3	\$169.60	14	\$138.90	26
Mississippi	21.9%	4	\$190.91	7	\$156.66	15
Missouri	21.8%	5	\$117.31	43	\$96.33	47
Arkansas	21.0%	6	\$163.08	18	\$134.79	32
Texas	19.5%	7	\$114.91	46	\$96.13	48
Pennsylvania	17.5%	8	\$133.05	33	\$113.19	40
Florida	16.7%	9	\$109.02	49	\$93.39	49
Kentucky	15.1%	10	\$171.32	12	\$148.80	18
<i>Smallest Budget Increase</i>						
Wyoming	-10.7%	50	\$205.77	4	\$230.45	2
Alaska	-9.3%	49	\$388.98	1	\$429.04	1
Nevada	-8.2%	48	\$123.83	40	\$134.94	31
Arizona	-7.2%	47	\$133.00	34	\$143.33	20
North Dakota	-6.4%	46	\$185.67	8	\$198.64	4
South Dakota	-0.4%	45	\$136.92	32	\$137.42	29
Vermont	0.1%	44	\$163.21	17	\$163.00	9
Colorado	1.2%	43	\$111.10	48	\$109.74	44
New Jersey	1.8%	42	\$119.02	42	\$116.91	36
Washington	2.7%	41	\$161.17	19	\$156.96	14

1.91 percent per year).

• In the 1990s the growth of state and local government bureaucracies is outpacing total nonfarm employment growth (1.48 to 1.46 percent per year).

While total U.S. state and local employees increased by 1.48 percent per year from 1990 to 1996, as Table 5 shows, the record in individual states varied widely from a high of 5.58 percent per year in Nevada to New York's 0.88 percent per year decline.

• Six states increased their state and local bureaucracies by more than 3 percent per

year from 1990 to 1996: Nevada (5.58 percent), Arizona (4.48 percent), Idaho (3.67 percent), Utah (3.49 percent), Texas (3.06 percent), and New Mexico (3.04 percent).

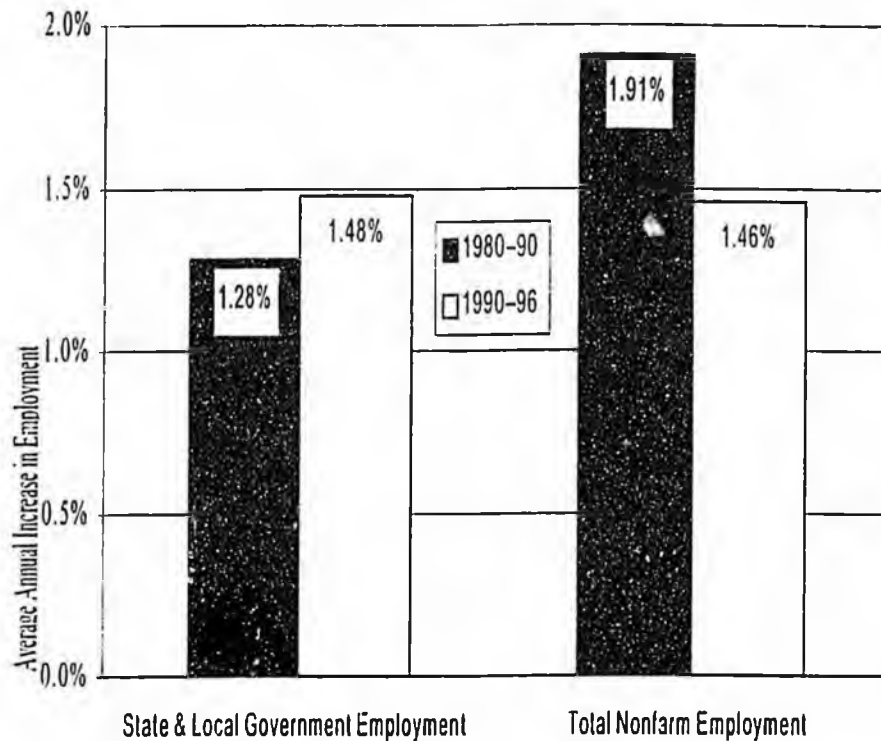
• State and local government employment has *declined* in two states: New York (0.88 percent per year) and Rhode Island (0.20 percent); it has grown by less than 0.5 percent per year in three others: New Jersey (0.21 percent per year), Massachusetts (0.28 percent), and Michigan (0.42 percent).

The increased growth in the size of state

The privatization trend should lead to reduced bureaucracies, not expanded ones.

States increased their tax burdens by an unprecedented amount in 1990 and 1991.

Figure 6
State and Local Bureaucracies Outpace Growth of the Private Sector in the 1990s



and local bureaucracies has come at a time when more and more governments are turning to contracting out and other forms of privatization. The privatization trend should lead to reduced bureaucracies, not expanded ones. In addition, numerous states have imposed so-called hiring freezes, yet their payrolls continue to expand. For instance, Arkansas has been under a hiring freeze for more than a decade now, but the state added 2,000 additional employees a year from 1990 to 1996. Total state employment there increased by 20 percent over those six years.¹¹

What Drives Spending? Revenue Growth

The first half of the 1990s was a period of economic stagnation, steeply rising tax burdens, and rising state expenditures on welfare and health care.¹² States increased their tax burdens by an unprecedented amount in 1990 and 1991. Moreover, rates of income taxes, the most destructive of state taxes,¹³ were raised substantially in many states. Govs. Pete Wilson of California, James Florio of New

Jersey, Lowell Weicker of Connecticut, Bruce Sundlun of Rhode Island, Bob Casey of Pennsylvania, and George Voinovich of Ohio all enacted "soak the rich" income tax increases. Those states suffered substantial losses of jobs, income, and investment capital relative to the rest of the nation following those tax hikes.¹⁴

In 1995 the trend was dramatically reversed. Twenty-eight states enacted tax cuts that year, "[Nineteen ninety-five] was the largest tax-cutting year for states in a decade," concluded economists Arthur Laffer and Victor Canto in their annual report ranking the tax competitiveness of the states.¹⁵ In 1996 another 28 states cut their tax burdens, and in 1997 and 1998, 30 states cut taxes.

In Michigan John Engler has cut taxes more than 20 times in eight years in office and is now planning to cut the state income tax from 4.3 to 3.9 percent starting in 2000. New Jersey's Christine Todd Whitman cut income taxes by 30 percent in 1995. Wisconsin's Tommy Thompson has cut income and prop-

Table 5

Average Annual Change in State and Local Employment and Nonfarm Employment, 1980-90 and 1990-96

State	State & Local Government Employment				Total Nonfarm Employment			
	1990-96	Rank	1980-90	Rank	1990-96	Rank	1980-90	Rank
U.S. Total	1.48%	---	1.28%	---	1.46%	---	1.91%	---
Nevada	5.58%	1	3.11%	3	5.22%	1	4.50%	1
Arizona	4.48%	2	2.73%	5	4.18%	4	3.87%	3
Idaho	3.67%	3	1.74%	17	4.19%	3	1.55%	32
Utah	3.49%	4	2.29%	9	4.73%	2	2.77%	10
Texas	3.06%	5	2.70%	6	2.53%	14	1.95%	24
New Mexico	3.04%	6	2.21%	11	3.02%	8	2.23%	19
Washington	2.78%	7	2.44%	8	1.99%	26	2.91%	8
Kentucky	2.65%	8	1.12%	30	2.15%	21	1.97%	22
South Dakota	2.54%	9	0.75%	36	3.21%	6	1.95%	23
Arkansas	2.48%	10	1.30%	24	2.73%	11	2.21%	20
Colorado	2.43%	11	1.41%	22	3.75%	5	1.97%	21
North Carolina	2.37%	12	1.86%	14	2.21%	19	2.74%	11
Tennessee	2.25%	13	1.81%	16	2.44%	15	2.30%	18
Minnesota	2.25%	14	1.22%	27	2.26%	17	1.85%	26
Oregon	2.22%	15	0.95%	31	2.83%	9	1.79%	27
Missouri	2.20%	16	0.92%	33	1.50%	34	1.76%	28
Wisconsin	2.07%	17	0.65%	39	2.14%	22	1.69%	31
Louisiana	2.06%	18	0.82%	34	2.19%	20	0.07%	48
North Dakota	1.97%	19	0.74%	37	2.53%	13	0.81%	45
Florida	1.95%	20	3.15%	2	2.32%	16	4.18%	2
Kansas	1.95%	21	1.42%	21	2.03%	24	1.43%	35
South Carolina	1.91%	22	1.97%	12	1.37%	35	2.66%	13
Delaware	1.90%	23	0.57%	41	1.35%	37	2.98%	7
Montana	1.81%	24	0.16%	45	3.19%	7	0.59%	46
Georgia	1.74%	25	2.22%	10	2.79%	10	3.31%	5
New Hampshire	1.70%	26	2.50%	7	1.63%	32	2.80%	9
Hawaii	1.63%	27	1.94%	13	0.03%	46	2.72%	12
Alabama	1.60%	28	1.21%	28	1.84%	27	1.89%	25
Mississippi	1.50%	29	0.66%	38	2.56%	12	1.22%	39
Connecticut	1.40%	30	1.22%	26	-0.42%	49	1.30%	37
Illinois	1.38%	31	0.18%	44	1.19%	39	0.87%	43
Virginia	1.30%	32	1.23%	25	1.30%	38	2.99%	6
Nebraska	1.30%	33	0.93%	32	2.25%	18	1.52%	33
West Virginia	1.29%	34	-0.54%	49	1.73%	30	-0.25%	49
Oklahoma	1.28%	35	1.61%	19	2.09%	23	0.50%	47
Wyoming	1.25%	36	3.03%	4	1.84%	28	-0.57%	50
Alaska	1.09%	37	3.47%	1	1.68%	31	3.46%	4
Indiana	1.06%	38	1.13%	29	1.84%	29	1.71%	30
Ohio	1.04%	39	0.45%	42	1.36%	36	1.12%	41
Iowa	1.03%	40	0.63%	40	1.99%	25	1.00%	42
California	1.00%	41	1.82%	15	0.36%	42	2.41%	16
Pennsylvania	0.93%	42	-0.43%	48	0.44%	41	0.84%	44
Vermont	0.91%	43	1.50%	20	1.09%	40	2.55%	14
Maine	0.73%	44	1.64%	18	0.16%	45	2.49%	15
Maryland	0.63%	45	-0.58%	50	0.26%	44	2.41%	17
Michigan	0.42%	46	0.05%	46	1.52%	33	1.43%	34
Massachusetts	0.28%	47	-0.39%	47	0.29%	43	1.18%	40
New Jersey	0.21%	48	0.78%	35	0.02%	47	1.74%	29
Rhode Island	-0.20%	49	0.30%	43	-0.35%	48	1.25%	38
New York	-0.88%	50	1.30%	23	-0.61%	50	1.31%	36

Source: Samuel Ehrenhalt, "The New Geography of Government Jobs: Hiring in State and Local Government Shifts to South and West, and to Medium and Small States," Center for the Study of the States, Albany, N.Y., Government Employment Report no. 2, December 1997

Table 6
America's Tax-Cutting Governors

Governor	State	Tax Cut
Jane Hull	Arizona	\$120 million business tax cut
Mike Huckabee	Arkansas	\$80 million income tax cut
John Rowland	Connecticut	10 percent income tax cut
Tom Carper	Delaware	17 percent reduction in top income tax rate
Zell Miller*	Georgia	Cut income tax & phased out sales tax on food
Benjamin Cayetano	Hawaii	18 percent reduction in top income tax rate
Philip Batt*	Idaho	\$40 million property tax cut
Terry Branstad*	Iowa	10 percent income tax rate cut
Bill Graves	Kansas	Property & income tax cuts
Parris Glendening	Maryland	10 percent income tax cut
Paul Cellucci	Massachusetts	\$1 billion income tax cut
John Engler	Michigan	24 tax cuts, including 10 percent income tax cut
Arne Carlson*	Minnesota	20 percent property tax cut
Kirk Fordice	Mississippi	Capital gains & income tax cuts
Ben Nelson*	Nebraska	Income tax rate cuts
Christine Whitman	New Jersey	30 percent income tax rate cut
Gary Johnson	New Mexico	Income tax rate cut & gas tax cut
George Pataki	New York	20 percent income tax rate cut
James Hunt	North Carolina	Cuts in income tax & sales tax on food
Frank Keating	Oklahoma	Income tax rate cut
Tom Ridge	Pennsylvania	\$2 billion income tax cuts
Lincoln Almond	Rhode Island	10 percent income tax rate cut
David Beasley*	South Carolina	Phaseout of car tax
William Janklow	South Dakota	25 percent property tax cut
Don Sundquist	Tennessee	Blocked income tax
George W. Bush	Texas	\$1 billion property tax cut
Michael Leavitt	Utah	Property & sales tax cuts
Howard Dean	Vermont	Income tax cut
Jim Gilmore	Virginia	Phaseout of car tax
Tommy Thompson	Wisconsin	15 percent income tax rate cut

*Left office in 1999.

By fiscal year 1997, real per capita state revenues had reached a high of \$3,884.

erty taxes. George W. Bush of Texas enacted a \$1 billion property tax cut in 1997. Table 6 shows the tax cuts enacted by the governors in recent years.

Despite the accolades that governors have received for their tax-cutting campaigns, our analysis suggests that, in most cases, recent tax cuts have not offset the legislated tax increases of the early 1990s. Table 7 shows that there

are 11 states that have higher personal income tax rates today than they did at the start of the decade. There are eight more states that have higher statutory corporate tax rates.

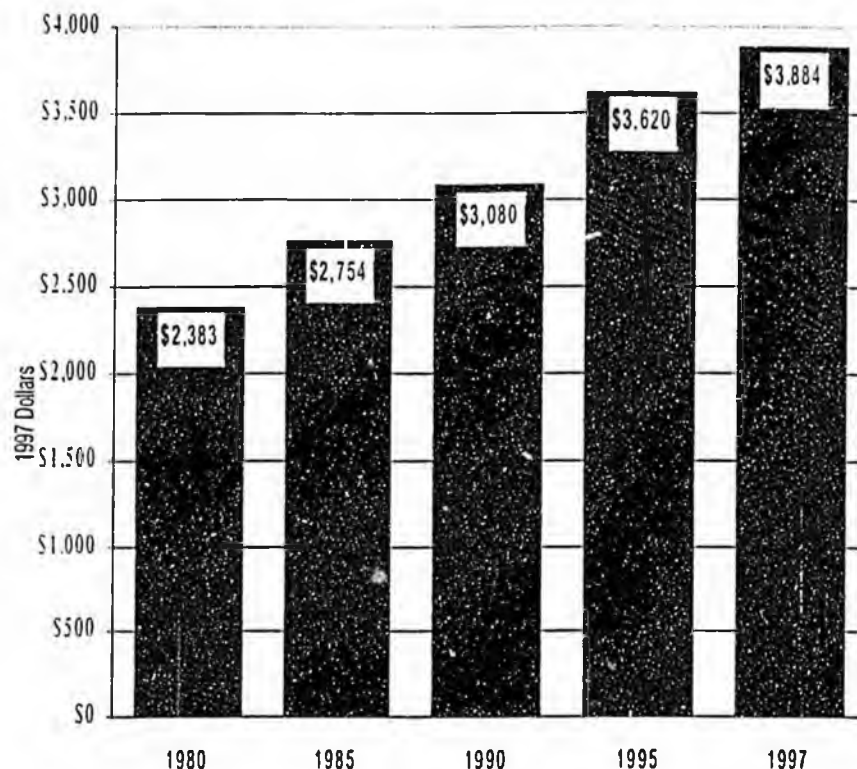
California's fiscal situation in the 1990s is illustrative. In 1991 Gov. Pete Wilson enacted a \$7 billion increase in income and sales taxes—the largest tax increase of any state in the nation ever. But in the mid and late 1990s

Table 7
State Top Income Tax Rates, 1990 vs. Today

State	Personal Income Tax			Corporate Income Tax		
	1990	Today	%change	1990	Today	%change
Alabama	5	5	0%	5	5	0%
Alaska	0	0	0%	9.4	9.4	0%
Arizona	7	5.17	-26.1%	9.3	9	-3.2%
Arkansas	7	7	0%	6	6.5	+8.3%
California	9.3	9.3	0%	9.3	8.84	-4.9%
Colorado	5	5	0%	5.5	5	-9.1%
Connecticut	0	4.5	New Tax	11.5	3.5	-26.1%
Delaware	7.7	6.4	-16.9%	3.7	8.7	0%
D.C.	9.5	9.5	0%	10	9.975	-0.3%
Florida	0	0	0%	5.5	5.5	0%
Georgia	6	6	0%	6	6	0%
Hawaii	10	8.75	0%	6.4	6.4	0%
Idaho	8.2	8.2	0%	8	8	0%
Illinois	3	3	0%	7.3	7.3	0%
Indiana	3.4	3.4	0%	7.9	7.9	0%
Iowa	9.98	8.98	-10.0%	12	12	0%
Kansas	5.95	6.45	+8.4%	6.75	7.35	+8.9%
Kentucky	6	6	0%	8	8.25	+3.1%
Louisiana	6	6	0%	8	8	0%
Maine	8.5	8.5	0%	8.93	8.93	0%
Maryland	5	4.85	-3.0%	7	7	0%
Massachusetts	5.95	5.95	0%	9.5	9.5	0%
Michigan	4.6	4.4	-4.3%	2.35	2.3	-2.1%
Minnesota	8	8.5	+6.3%	9.8	9.8	0%
Mississippi	5	5	0%	5	5	0%
Missouri	6	6	0%	5	6.25	+25.0%
Montana	11	11	0%	6.75	6.75	0%
Nebraska	6.41	6.68	+4.2%	7.24	7.81	+7.9%
Nevada	0	0	0%	0	0	0%
New Hampshire	0	0	0%	8	7	-12.5%
New Jersey	3.5	6.37	+82.0%	9	9	0%
New Mexico	8.5	8.2	-3.5%	7.6	7.6	0%
New York	7.875	6.85	-13.0%	9	9	0%
North Carolina	7	7.75	+10.7%	7	7	0%
North Dakota	3.92	5.544	+41.4%	10.5	10.5	0%
Ohio	6.9	7.201	+4.4%	8.9	8.5	-4.5%
Oklahoma	7	6.75	-3.6%	6	6	0%
Oregon	9	9	0%	6.6	6.6	0%
Pennsylvania	2.1	2.8	+33.3%	8.5	9.99	+17.5%
Rhode Island	6.4288	10.494	+63.2%	9	9	0%
South Carolina	7	7	0%	5	5	0%
South Dakota	0	0	0%	0	0	0%
Tennessee	0	0	0%	6	6	0%
Texas	0	0	0%	0	0	0%
Utah	7.2	7	-2.8%	5	5	0%
Vermont	7.84	9.9	+26.3%	8.25	9.75	+18.2%
Virginia	5.75	5.75	0%	6	6	0%
Washington	0	0	0%	0	0	0%
West Virginia	6.5	6.5	0%	9.375	9	-4.0%
Wisconsin	6.93	6.77	-2.3%	7.9	7.9	0%
Wyoming	0	0	0%	0	0	0%

Because state income tax codes have a graduated rate structure, unless state lawmakers are continually cutting taxes, tax burdens will automatically rise.

Figure 7
Per Capita State Revenues, 1980-97



California has cut taxes under Wilson. Yet, as the *Los Angeles Times* reported, "Wilson the tax cutter has not come close to matching Wilson the tax raiser. Tax increases at the start of Wilson's administration in 1991 hover at \$3.6 billion a year above recent cuts."¹¹ The overall tax burden is far higher now than in 1990. Even in Arizona, a state that led the nation in income tax cuts in the 1990s under former governor Fife Symington, tax revenues have outpaced population growth and inflation.

Figure 7 shows that by fiscal year 1997, real per capita state revenues had reached a high of \$3,884. That represents an increase of 26.1 percent since 1990, a growth rate of 3.4 percent per year compared to the lower 1980s growth rate of 2.6 percent per year. This revenue tide is mainly attributable to strong national economic growth. In recent years as the economy has picked up steam, revenue growth has accelerated. In fiscal year 1996 state tax revenues increased by 5.4 percent over the prior year; in FY97 they rose by 6.2

percent; and in FY98 they rose by 7.4 percent.¹²

Because state income tax codes have a graduated rate structure, meaning that revenues rise faster than income growth, unless state lawmakers are continually cutting taxes, tax burdens will automatically rise. That has indeed been the case over the last two years, as personal income has lagged behind revenue, growing only about 5 percent per year over that period. Population has grown by 1 percent per year over that period.

The States' \$75 Billion Revenue Bonanza

A reasonable benchmark for state tax revenue collections is the growth of a state's population plus inflation. In fact, several states cap spending or taxes, or both, at that level.

In this section we estimate the size of excess tax collections by states by measuring how much states' actual revenue intake has exceeded inflation plus population growth over the course of the current economic

Table 8
\$75 Billion Revenue Windfall in 1998 (tax revenue figures in millions of dollars)

State	Actual Tax Revenue 1992	Actual Tax Revenue 1998	Actual 1992-98 Increase	1992-98 Population Growth	1992-98 CPI-U Growth	1992-98 Population Growth + Inflation	Est. 1998 Revenue with Pop. Growth + Inflation Cap	1993 Revenue Windfall	1998 per Capita Revenue Windfall	1998 Rank
U.S. Total	\$327,822	\$476,250	45.3%	6.0%	16.3%	22.3%	\$401,004	\$75,246	\$278	
Michigan	\$11,279	\$21,263	88.5%	3.7%	16.3%	20.0%	\$13,540	\$7,723	\$787	1
New Mexico	\$2,238	\$3,971	77.5%	9.9%	16.3%	26.2%	\$2,824	\$1,148	\$661	2
Minnesota	\$7,450	\$11,797	58.4%	5.7%	16.3%	22.0%	\$9,088	\$2,708	\$573	3
Connecticut	\$6,059	\$8,804	45.3%	0.1%	16.3%	16.4%	\$7,051	\$1,752	\$535	4
Wisconsin	\$6,911	\$11,056	60.0%	4.4%	16.3%	20.7%	\$8,341	\$2,715	\$520	5
Kansas	\$2,802	\$4,667	66.6%	4.4%	16.3%	20.7%	\$3,383	\$1,285	\$489	6
Mississippi	\$2,494	\$4,282	71.7%	5.4%	16.3%	21.8%	\$3,037	\$1,245	\$452	7
Massachusetts	\$9,903	\$14,497	46.4%	2.6%	16.3%	18.9%	\$11,776	\$2,721	\$443	8
Delaware	\$1,340	\$1,972	47.2%	7.8%	16.3%	24.1%	\$1,662	\$310	\$417	9
Missouri	\$5,131	\$8,250	60.8%	4.7%	16.3%	21.0%	\$6,211	\$2,038	\$375	10
North Dakota	\$755	\$1,113	47.5%	0.4%	16.3%	16.8%	\$881	\$232	\$364	11
California	\$46,128	\$68,237	47.9%	5.9%	16.3%	22.2%	\$56,367	\$11,871	\$363	12
Rhode Island	\$1,276	\$1,826	43.1%	-1.2%	16.3%	15.1%	\$1,470	\$357	\$361	13
Colorado	\$3,533	\$5,992	69.6%	14.7%	16.3%	31.1%	\$4,631	\$1,361	\$343	14
Indiana	\$6,476	\$9,740	50.4%	4.5%	16.3%	20.8%	\$7,822	\$1,918	\$325	15
Ohio	\$12,115	\$17,961	48.3%	1.9%	16.3%	18.2%	\$14,320	\$3,641	\$325	16
Illinois	\$13,463	\$19,929	48.0%	3.6%	16.3%	19.9%	\$16,142	\$3,787	\$314	17
North Carolina	\$9,010	\$13,792	53.1%	10.4%	16.3%	26.8%	\$11,421	\$2,370	\$314	18
Utah	\$1,988	\$3,279	64.9%	15.4%	16.3%	31.8%	\$2,619	\$659	\$314	19
Virginia	\$7,025	\$10,626	51.2%	6.4%	16.3%	22.7%	\$8,620	\$2,006	\$295	20
Georgia	\$7,267	\$11,590	59.5%	13.0%	16.3%	29.4%	\$9,401	\$2,188	\$286	21
Florida	\$14,412	\$22,385	55.3%	10.5%	16.3%	26.8%	\$18,273	\$4,112	\$276	22
Nevada	\$1,817	\$3,152	73.5%	31.1%	16.3%	47.4%	\$2,679	\$473	\$271	23
Kentucky	\$5,081	\$7,214	42.0%	4.7%	16.3%	21.1%	\$6,151	\$1,063	\$270	24
Arkansas	\$2,748	\$4,017	46.2%	6.0%	16.3%	22.3%	\$3,362	\$654	\$258	25
Tennessee	\$4,526	\$6,991	54.5%	8.3%	16.3%	24.7%	\$5,642	\$1,349	\$248	26
Maryland	\$6,502	\$9,127	40.4%	4.7%	16.3%	21.1%	\$7,872	\$1,256	\$245	27
Nebraska	\$1,890	\$2,670	41.3%	3.8%	16.3%	20.1%	\$2,269	\$400	\$241	28
Montana	\$951	\$1,383	45.4%	7.0%	16.3%	23.4%	\$1,173	\$210	\$238	29
Oregon	\$3,313	\$4,950	49.4%	10.4%	16.3%	26.7%	\$4,197	\$753	\$229	30
Iowa	\$3,602	\$4,902	36.1%	2.0%	16.3%	18.3%	\$4,261	\$642	\$224	31
South Carolina	\$3,936	\$5,669	44.1%	6.6%	16.3%	22.9%	\$4,837	\$833	\$217	32
Idaho	\$1,391	\$2,091	50.4%	15.3%	16.3%	31.6%	\$1,830	\$261	\$212	33
Washington	\$8,468	\$11,914	40.7%	10.6%	16.3%	27.0%	\$10,750	\$1,164	\$205	34
Oklahoma	\$3,874	\$5,361	38.4%	4.4%	16.3%	20.8%	\$4,679	\$682	\$204	35
Louisiana	\$4,250	\$5,857	37.8%	2.3%	16.3%	18.6%	\$5,041	\$816	\$187	36
South Dakota	\$565	\$810	43.3%	3.2%	16.3%	19.6%	\$676	\$134	\$182	37
Vermont	\$763	\$1,014	32.9%	3.7%	16.3%	20.0%	\$916	\$98.2	\$166	38
Maine	\$1,664	\$2,146	29.0%	0.8%	16.3%	17.1%	\$1,949	\$197	\$158	39
Texas	\$17,031	\$24,664	44.8%	11.9%	16.3%	28.2%	\$21,833	\$2,831	\$143	40
West Virginia	\$2,352	\$3,000	27.6%	0.3%	16.3%	16.6%	\$2,743	\$257	\$142	41
Alabama	\$4,218	\$5,742	36.1%	5.2%	16.3%	21.5%	\$5,125	\$617	\$142	42
Arizona	\$4,827	\$7,176	48.7%	20.7%	16.3%	37.0%	\$6,615	\$562	\$120	43
Pennsylvania	\$16,270	\$20,310	24.8%	0.2%	16.3%	16.5%	\$18,953	\$1,358	\$113	44
New York	\$30,110	\$37,059	23.1%	0.5%	16.3%	16.9%	\$35,185	\$1,873	\$103	45
New Jersey	\$12,803	\$15,555	21.5%	3.7%	16.3%	20.0%	\$15,365	\$190	\$23	46
New Hampshire	\$856	\$1,026	19.8%	6.4%	16.3%	22.7%	\$1,051	-\$25	-\$21	47
Hawaii	\$2,710	\$3,174	17.1%	3.6%	16.3%	19.9%	\$3,250	-\$76	-\$63	48
Wyoming	\$646	\$704	8.9%	3.8%	16.3%	20.1%	\$776	-\$72	-\$150	49
Alaska	\$1,603	\$1,157	-27.8%	4.7%	16.3%	21.0%	\$1,939	-\$782	-\$1,273	50

Sources: Cato Institute; Bureau of the Census; and Center for the Study of the States.

If every state had strictly adhered to a revenue cap from 1992 through 1998, taxpayers would have saved a combined total of \$75 billion.

expansion that began in early 1992. The answer is provided in Figure 4. If every state had strictly adhered to such a revenue cap from 1992 through 1998, taxpayers would have saved a combined total of \$75 billion, or \$278 per capita, in 1998 alone. In other words, even if states had passed \$75 billion in tax cuts in 1998, their revenues still would have grown by about 22 percent, or 3.4 percent per year—the level of inflation and population growth. Instead, state tax collections climbed by 45 percent (6.4 percent per year).

As Table 8 shows, the size of the revenue windfall varies substantially from state to state. Taxpayers in five states would have saved more than \$500 per capita in 1998: Michigan (\$787), New Mexico (\$661), Minnesota (\$573), Connecticut (\$535), and Wisconsin (\$520). There were only four states

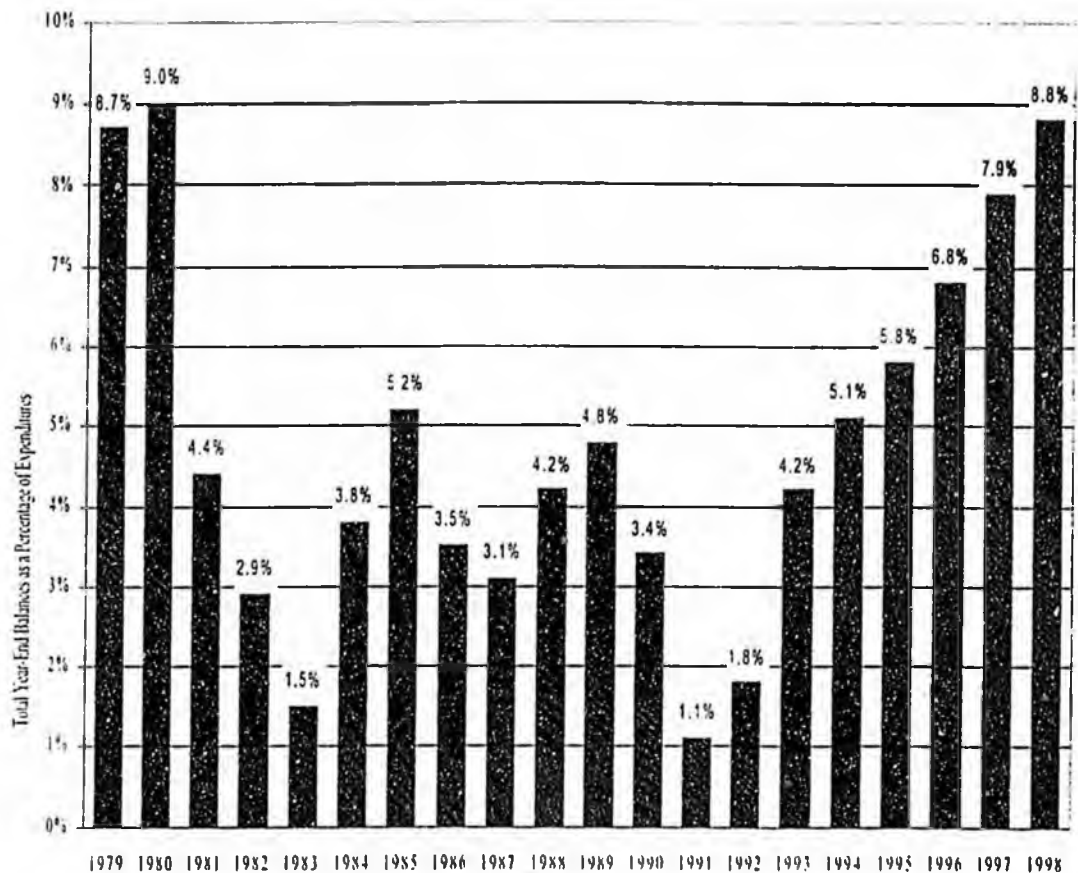
where tax revenues grew more slowly than population and inflation from 1992 to 1998: Alaska, Wyoming, Hawaii, and New Hampshire.¹⁶

Whatever Happened to the Taxpayers' Surplus?

One of the most contentious issues in state capitals today is what to do with the huge revenue surpluses. As Figure 8 shows, year-end balances in the states are at their highest levels in nearly two decades. The states closed their books on FY98 with a combined surplus of \$36 billion, or 9 percent of expenditures.¹⁷

Many budget experts believe that those reserves are larger than is fiscally necessary.

Figure 8
State Budget Surpluses, 1979–98



Source: National Governors' Association and National Association of State Budget Officers, *The Fiscal Survey of the States*, December 1998 and previous editions.

1998 and previous editions.

Table 9
21 States with 1998 Reserves of 10%
or More

State	Balance as Percentage of Expenditures
Alaska	142.3%
Nebraska	29.2%
Delaware	28.4%
Indiana	23.0%
Minnesota	21.5%
Iowa	20.4%
Kansas	19.7%
Colorado	17.4%
Nevada	15.7%
Arizona	15.5%
Oregon	15.2%
Maryland	13.3%
North Dakota	13.3%
Mississippi	13.1%
Michigan	12.9%
Wyoming	12.6%
Texas	11.5%
Oklahoma	11.2%
South Carolina	10.5%
Maine	10.0%
Rhode Island	10.0%

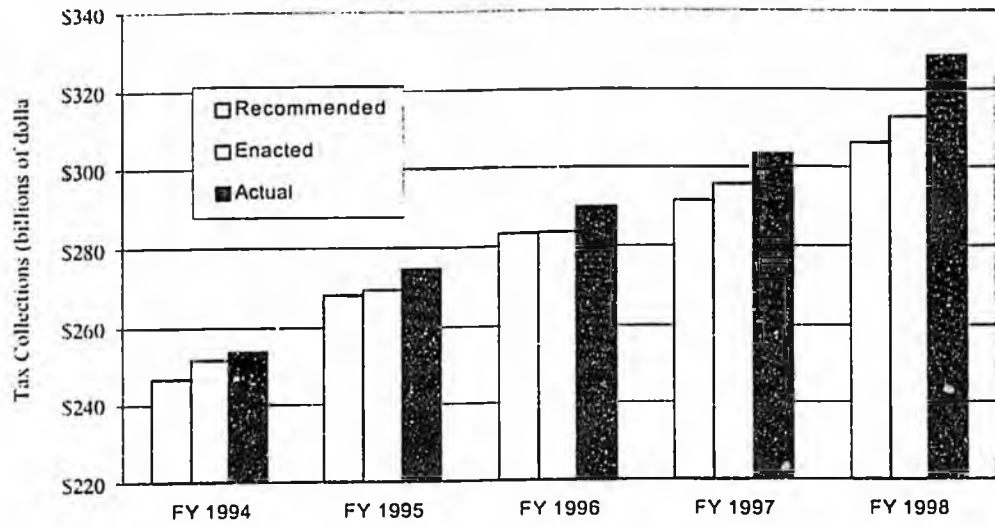
While financial analysts do take state reserves into account when assigning state bond ratings, most recommend a reserve in the range of 3 percent to 5 percent.¹⁸ Forty states had reserves larger than 5 percent in FY98, and 21 of those had reserves that were 10 percent or larger (Table 9).¹⁹ Greater-than-expected revenues are the cause of the large accumulating surpluses. Over the past four years, state tax collections—from sales, personal income, and corporate income taxes, the three main sources of state revenue—have exceeded expectations by a total of \$30 billion.²⁰ Figure 9 illustrates that, in each of the last five fiscal years, projected state tax collections have steadily risen over the course of the budget cycle. The aggregate revenue surplus over revenues recommended in the governors'

budgets came to \$54.4 billion. Those rising revenues have coincided with rising spending increases (Figure 10). That is, as revenue poured in faster than expected, spending increased right along with it. The aggregate excess spending over levels recommended by the governors was \$63.7 billion from 1994 to 1998.

Take FY98, for example. In early 1997 when governors put forth their recommended budgets for FY98, they projected that tax collections would come in at \$306 billion, and they proposed increasing spending by 3.6 percent. Later in 1997, when FY98 budgets were enacted by the state legislatures, tax collection estimates had risen to \$317 billion. Those enacted budgets called for an increase in spending of 5.5 percent. The final numbers for FY98

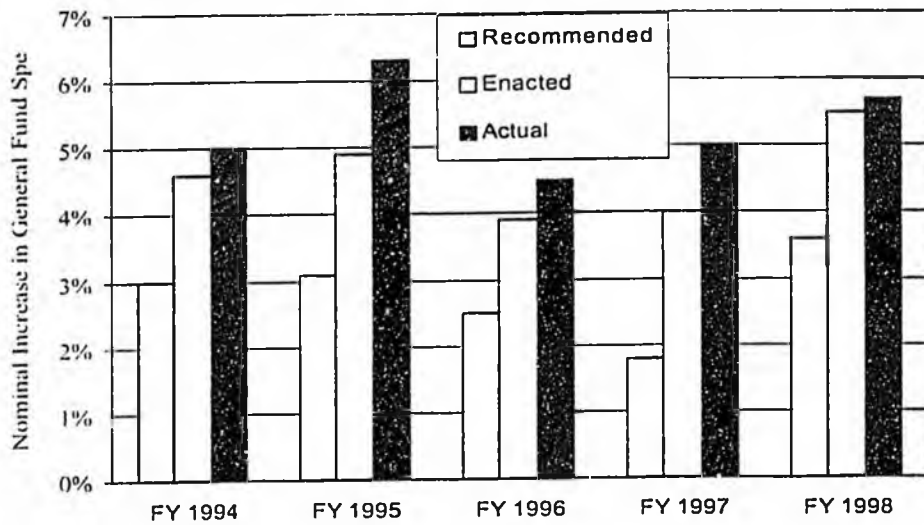
As revenue poured in faster than expected, spending increased right along with it.

Figure 9
Increasing Tax Collections



Source: National Governors' Association and National Association of State Budget Officers, *The Fiscal Survey*

Figure 10
Increasing Spending Hikes



Source: National Governors' Association and National Association of State Budget Officers, *The Fiscal Survey of the States*, May 1998 and previous editions.

reported by the states indicated that tax collections came in at \$328 billion, a \$22 billion windfall over and above the original estimate of \$306 billion. Furthermore, although the governors had originally called for only a 3.6 percent increase in spending in FY98, when all was said and done, spending rose by 5.7 percent.

As a result, instead of increasing spending by \$13.8 billion in FY98, as the governors had originally proposed, the states increased spending by \$22.1 billion. That amounts to more than \$8 billion in unexpected spending hikes in a single year. In addition, by allowing their budget reserves to rise well above the recommended level of 3 to 5 percent of expenditures, state governments held onto another \$16 billion of taxpayer funds. So, while many state legislators argue that tax cuts are "unaffordable," last year they collected about \$25 billion of unexpected tax receipts—more than \$350 per family of four—that could have been used to provide additional tax relief, but were not.

Why State Budgets Should Be Falling, Not Rising

State lawmakers allege that their budgets are rising because they are facing increased demands to spend in the 1990s. For example, state policymakers typically argue that with the renewed emphasis on states' rights and federalism under the Republican Congress, the federal government is devolving more spending responsibilities to the states—for example, in the areas of welfare and criminal justice—without a commensurate increase in resources.

The truth is, however, that federal spending on grants to states and localities has been growing, not falling. Federal grants to state and local governments did decline in the 1980s, from \$155.7 billion in 1980 to \$144.7 billion in 1990 after adjusting for inflation—a reduction of 7.1 percent. But as Figure 11 indicates, the largest reductions occurred in the first two years of the Reagan administration, 1981 and 1982. Real federal aid remained level throughout the mid-1980s and has surged since 1987. From 1990 to 1998, federal aid rose by

almost half in real terms, from \$144.7 billion to \$215.9 billion.¹ So real federal aid is about 40 percent higher now than it was in 1980.

It is not even clear that federal aid is an unmixed blessing for states as they attempt to balance their budgets. Federal dollars almost always come with costly strings attached. The federal government collects those dollars from taxpayers all over the country, skims some off the top for administrative and other costs, and then sends the remainder to the 50 states with numerous one-size-fits-all restrictions on how the money can be spent. Invariably, that creates enormous winners and losers among the states, often attributable primarily to the political seniority of each state's congressional representatives. In fact, in Mississippi and West Virginia, homes of influential Sens. Trent Lott and Robert Byrd, the federal government spends more than \$1.50 for every dollar of federal taxes paid by residents.⁴ In contrast, federal spending in Connecticut and New Jersey amount to only about 70 cents for every dollar of federal taxes paid by the residents.

It is true that there are certain high-priority areas of state budgets for which the public is demanding more funding. One of those areas is law enforcement. As the public continues to adopt a "lock 'em up" attitude toward criminals, state spending on prisons, police, and the courts has more than roughly doubled.

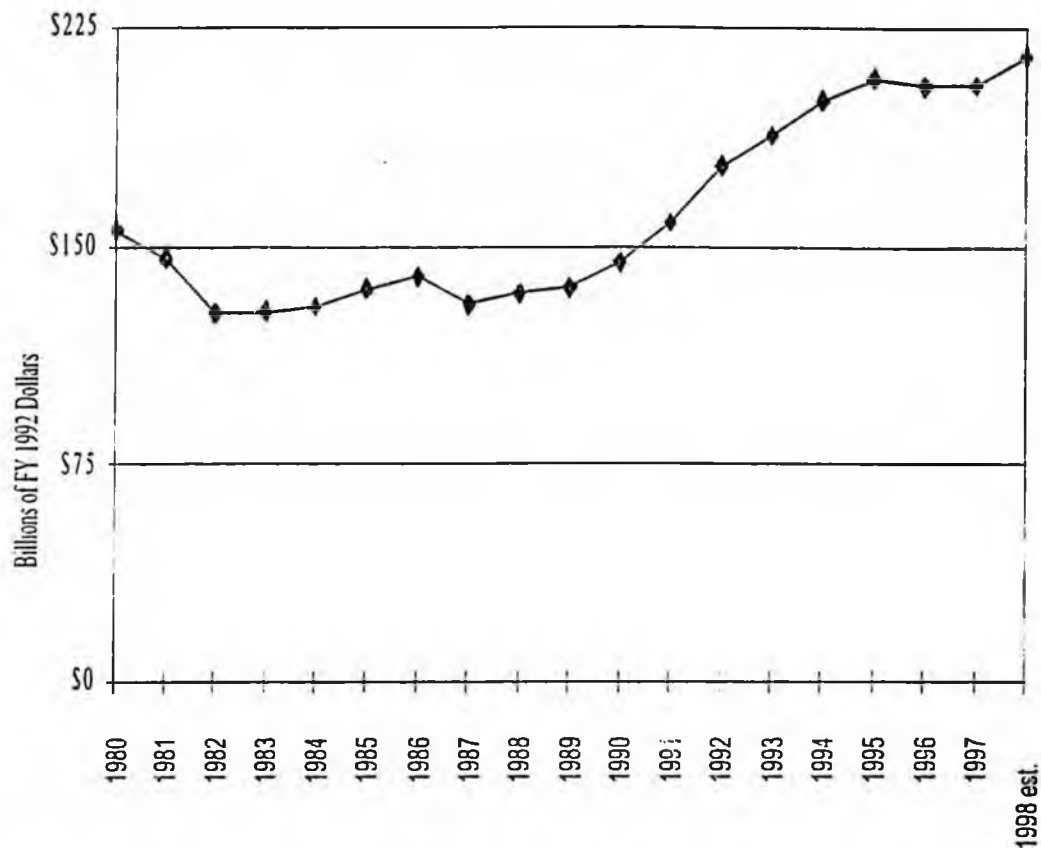
Yet there is a series of factors that have generated substantial budgetary savings for states in the 1990s and should be contributing to shrinking state budgets. Most of those factors are related to the robust U.S. economy.

The first factor is declining interest rates. States are large net borrowers. They borrow to fund highways, school construction, prisons, and other capital spending. In 1997 state governments spent \$26.3 billion on interest payments. But long-term interest rates over the past six years have fallen by more than 200 basis points. Therefore, as Table 1 indicated, after doubling in the 1980s from \$13.2 billion to \$26.5 billion, interest payments on state debt (in real terms) have actually declined slightly in the 1990s. Hence, debt service has cost states less in recent years.

From 1990 to 1998, federal aid rose by almost half in real terms, from \$144.7 billion to \$215.9 billion.

**Welfare rolls
have fallen
by 42 percent
nationwide
since 1994.**

Figure 11
Real Federal Grants to State and Local Governments, 1980-98



Source: *Budget of the U.S. Government—Historical Tables, FY 1999, Table 12.1, pp.203-4.*

The second factor has been the impact of a strong economy and welfare reform legislation on welfare caseloads. Welfare reform has been an astonishing success story in the states and at the national level. Following the lead of the states, the federal government in 1996 adopted work requirements, time limits, and new eligibility restrictions for welfare benefits. The result has been that welfare rolls have fallen by 42 percent nationwide since 1994.²¹ In that year there were 14.4 million Americans on welfare; by the end of 1998 the number had dipped to 8.4 million.²¹ Since welfare is the second largest item in state budgets, reduced welfare payments have saved billions of dollars.²² Unfortunately, states have misallocated much of those savings to new areas of spending, such as day care and job training, where governmental programs are of dubious efficacy.

A third factor that should be restraining state expenditures has been the dramatic slowdown in health care cost increases in recent years. As the private sector has moved to greater reliance on patient cost sharing, managed care, and competition, the inflation rate for health care in the United States has fallen from 9 to about 3 percent since 1990. This too has generated an unexpected fiscal benefit for states, because aside from the federal government, the states are the largest purchasers of health care services. If medical inflation were as high today as it was in 1990, states would be spending \$5 billion to \$10 billion more per year on Medicaid and other health and hospital services.

A final economic factor benefiting the states has been the steady decline in unemployment. Each year states spend about \$20

billion on unemployment benefits.⁴⁶ Today the unemployment rate is at its lowest level in 20 years, and the problem in many states is not a shortage of jobs but a shortage of workers. The increase in the number of workers paying into unemployment compensation systems and the decline in the number of unemployed drawing benefits have created huge and in some cases unprecedented surpluses in state unemployment insurance trust funds.

When those four factors are taken together, it would be reasonable to expect that state spending would be flat or even declining slightly—even without a long-overdue reconsideration of the scope of state government. Instead, the budgetary savings have simply helped finance an explosion of expenditures in other areas of state budgets.

The Economic Case for State Tax Cuts

There is increasing evidence that their tax and budget policies can have a significant impact on the relative economic performance of states. Studies have consistently shown that states with high and rising tax burdens are more likely to suffer economic decline, while those with lower and falling tax burdens are more likely to enjoy robust economic growth.⁴⁷ For example, a 1996 study by the Federal Reserve Board of Atlanta examined state economic performance from 1960 to 1992 and found that "tax rates [average and marginal] are negatively related to growth and are sufficiently variable over time to reasonably explain variations in growth rates."⁴⁸

A study by the Joint Economic Committee of Congress examined the economic growth records of the 10 states that had raised taxes the most in fiscal years 1990 through 1993 and the 10 states that had cut taxes the most during that same period. The top 10 tax-hiking states experienced a net gain of only 3,000 new jobs, an increase in the unemployment rate of 2.2 percentage points, and a \$484 real decline in personal income per family of four.⁴⁹ In contrast, the top 10 tax-cutting states saw 653,000 net new jobs, an increase in the unem-

ployment rate of only 0.6 percentage points, and a \$300 real increase in personal income per family of four.

The contrast was even greater when only income tax changes were considered. The top 10 income-tax-hiking states experienced the net loss of 182,000 jobs, a 2.3 percentage point increase in the unemployment rate, and a \$613 real decline in personal income per family of four. The top 10 income-tax-cutting states saw 975,000 net new jobs, an increase in the unemployment rate of only 0.3 percentage points, and a \$148 real increase in personal income per family of four. Other studies have found similar correlations between high taxes and slow economic growth.

We have updated the 1993 Joint Economic Committee analysis using Census Bureau data through 1997. We find that the negative relationship between taxes and growth at the state level is still as pronounced as ever. Table 10 shows our findings. The 10 states with the highest per capita state tax burdens in 1990 experienced economic growth that was at most half the rate of that of the 10 states with the lowest per capita state tax burdens.

- Population growth was 10.5 percent in the lowest tax states vs. only 5.5 percent in the highest tax states.
- Real personal income grew by 23.7 percent in the lowest tax states but by only 9.9 percent in the highest tax states.
- Job growth was 14.9 percent in the lowest tax states, compared to only 3.9 percent in the highest tax states.

Is Cutting State Taxes Fiscally Irresponsible?

In recent years proposals to reduce or even cap state taxes have been resisted for two reasons. First, opponents maintain that state tax cuts will deplete state treasuries of funds needed to pay the bills and keep the budget in balance. Second, opponents claim that the highest priority for any unexpected tax revenues should be to fix the schools, rather than to cut taxes. This section examines the validity of each of those claims.

The first issue is whether tax reductions

States with high and rising tax burdens are more likely to suffer economic decline, while those with lower and falling tax burdens are more likely to enjoy robust economic growth.

Table 10
1990s Economic Growth in 10 Highest Tax States and 10 Lowest Tax States

State	1990		Population		Real Personal Income		Employment	
	per Capita State Tax Revenue (1997 \$) Rank	U.S. Rank	U.S. Growth 1990-97 Rank	U.S. Growth 1990-97 Rank	U.S. Growth 1990-97 Rank	U.S. Growth 1990-97 Rank	U.S. Growth 1990-97 Rank	
U.S. Total	\$1,446		7.3%		16.5%		9.1%	
<i>High-Tax States</i>								
Alaska	\$3,435	1	10.2%	13	6.1%	47	15.8%	12
Hawaii	\$2,578	2	6.7%	23	3.6%	50	3.8%	43
Delaware	\$2,074	3	9.3%	16	17.3%	21	7.0%	35
Connecticut	\$1,968	4	-0.6%	49	10.0%	40	-6.0%	50
New York	\$1,953	5	0.8%	47	7.5%	46	-1.6%	49
Massachusetts	\$1,913	6	1.7%	43	11.2%	36	3.2%	46
Minnesota	\$1,910	7	6.8%	21	18.1%	17	11.9%	20
Washington	\$1,861	8	14.5%	7	25.5%	10	18.0%	7
California	\$1,782	9	7.8%	18	7.7%	45	4.5%	42
Wyoming	\$1,657	10	5.8%	28	13.4%	34	6.7%	37
High-Tax States Total			5.5%		9.9%		3.9%	
<i>Low-Tax States</i>								
New Hampshire	\$658	50	5.5%	30	15.2%	29	5.6%	40
South Dakota	\$882	49	5.9%	26	17.9%	18	14.1%	14
Texas	\$1,061	48	14.0%	8	27.0%	8	15.8%	11
Tennessee	\$1,066	47	9.8%	15	24.6%	11	13.3%	16
Colorado	\$1,141	46	17.8%	5	34.3%	3	24.6%	4
Mississippi	\$1,142	45	5.9%	25	22.8%	13	9.1%	30
Alabama	\$1,159	44	6.7%	22	18.2%	16	17.3%	8
Nebraska	\$1,176	43	4.8%	35	15.1%	30	10.9%	24
Arkansas	\$1,180	42	7.2%	20	21.9%	14	9.5%	29
Missouri	\$1,184	41	5.4%	33	15.4%	26	13.2%	17
Low-Tax States Total			10.5%		23.7%		14.9%	

Revenue growth is often faster than anticipated in tax-cutting states and slower than anticipated in tax-raising states.

lead to a subsequent deterioration in a state's fiscal condition. The evidence from the 1990s indicates that they do not. If tax cuts contribute to fiscal deterioration, then the bond ratings of states that cut taxes should be worse than those of states that raise them. A comparison of tax-raising and tax-cutting states in the early 1990s found that the average Moody's bond rating in 1995 of the tax-cutting states was between Aaa and Aa. The average Moody's bond rating of the tax-raising

states was between Aa and A1. Moreover, the tax-cutting states had much larger budget reserves (7.1 percent of state expenditures) than the tax-increasing states (1.7 percent).¹⁰

Because state tax cuts can stimulate economic development in a state, whereas state tax hikes can retard it, revenue growth is often faster than anticipated in tax-cutting states and slower than anticipated in tax-raising states. After California's record \$7 billion tax hike in 1991, actual revenue growth came in

below projections in each of the next three years. The same was true in New Jersey. New York is perhaps the most amazing story of all. Tax increases in the late 1980s produced anemic revenue growth for the state treasury. But revenues have been climbing so rapidly since Gov. George Pataki's tax cuts in 1995 that, according to the Empire Foundation, a New York taxpayer watchdog group, "Even when the final and deepest phase of New York's income cut was implemented [in 1997], the state's resurgent economy generated more income tax revenue under Gov. George Pataki than it ever did under former Gov. Mario Cuomo."¹¹

An analysis by state budget analyst Michael Flynn of the American Legislative Exchange Council finds that the New York experience was not unique. Table 11 shows that in the 15 states that cut income taxes by at least \$75 million between 1995 and 1998, income tax revenues climbed by a robust 10 percent or more in every state except Michigan (where income tax revenues fell by 18 percent). In 8 of the 15 states income tax revenue growth was at or above the rate for all 50 states (29 percent).¹² Clearly, tax cuts can be an act of fiscal prudence and provide an economic stimulus for states.

The second objection to tax cuts is that money should be reserved for underfunded public schools. It is understandable that politicians are sensitive to this argument. Public opinion polls consistently show that education is a top priority in our society. But the reality is that school funding already has been rising dramatically for a very long time. In 1970 spending on the public schools was roughly \$3,400 per pupil (in today's dollars).¹³ By 1997 per pupil expenditures had nearly doubled to \$6,600, even after adjusting for inflation. Smaller class sizes are the latest fad in public education. But class sizes have been steadily declining for the past quarter century. Since 1970 the number of pupils per teacher has declined by 23 percent, from 22.6 to 17.3.

There is no evidence that greater funding has led to better schools.¹⁴ If more money were the answer to improving education,

then the highest spending states would have the finest education systems in the land, and the lowest spending states would be performing poorly. But state officials who believe that increased education funding is the key to better school performance may be interested to learn that in 1997 the 10 highest spending states spent twice as much as the 10 lowest spending states, but average SAT scores in the more frugal states were 16 percent higher than in the big-spending states.¹⁵

As does any monopoly, the government's educational monopoly tends to provide poor service for its customers and have inflated costs. Per pupil spending in our public school system is nearly double the average tuition at America's private schools.¹⁶ That private tuition figure includes all of the nation's most expensive nonsectarian private schools, like Sidwell Friends where Washington's elite send their children. When those exclusive high-cost schools are omitted, the contrast between the cost of public and private schools is even greater. Public education spending per student is more than two and a half times the average tuition at Catholic schools, many of which are in the inner cities, and double the tuition at other religious schools.¹⁷ For a fraction of the price, those schools provide a better education than do most government-run schools. They spend less because they have less bureaucracy, concentrate on the basics, impose discipline, and are held accountable for their performance by parents and students who are there by choice.

There is no debate that America's schools need to do a better job of educating our children if the nation is to remain internationally competitive in the next century. Spending more money on the public schools, however, has been tried in earnest for decades, and it has yielded at best mixed results. As education analysts John Chubb and Terry Moe of the Brookings Institution have noted:

As for money, the relationship between it and effective schools has been studied to death. The unani-

Tax cuts can be an act of fiscal prudence and provide an economic stimulus for states.

Per capita savings on taxes would have been \$278 this year if every state had implemented a population plus inflation tax cap.

**Table 11
Revenue Growth in Tax-Cutting States (\$ millions)**

State	FY95-98 Personal Income Tax Cuts	FY95-98 Personal Income Tax Revenue Growth	
		Amount	Percentage
Arizona	-\$408	\$396	28%
California	-\$431	\$8,433	48%
Connecticut	-\$533	\$1,160	52%
Georgia	-\$140	\$1,226	34%
Iowa	-\$154	\$724	48%
Massachusetts	-\$395	\$1,823	32%
Michigan	-\$462	-\$1,003	-18%
Minnesota	-\$465	\$1,076	31%
Nebraska	-\$84	\$248	35%
New Jersey	-\$752	\$865	19%
New York	-\$4,046	\$2,469	15%
North Carolina	-\$226	\$1,454	34%
Ohio	-\$721	\$535	10%
Oregon	-\$343	\$696	27%
Pennsylvania	-\$81	\$1,299	27%

mous conclusion is that there is no connection between school funding and school performance.²⁸

New solutions, including choice in education, charter schools, teacher pay for performance, and ending tenure to get rid of bad teachers, would seem to be much more promising ways to improve the schools than simply writing larger checks to an ailing public school system.

Simple Rules for Restoring Fiscal Discipline to the States

Over the past several years state politicians have proven themselves either unwilling or unable to return their multi-billion-dollar revenue windfalls to taxpayers through tax

relief. With more surpluses likely on the way in 1999, states should consider the following steps to restore fiscal discipline.

Tax and Expenditure Limitations

One successful strategy employed by some states to prevent squandering budget surpluses has been to constitutionally require excess tax revenues to be returned to taxpayers. Such measures are called tax and expenditure limitations. The evidence suggests that states with tax and expenditure limitations have done a better job of restraining state government growth than have states without such disciplining measures.²⁹ California, Colorado, Missouri, and Washington each have constitutional tax limitations that restrict the growth of revenues to the rate of population growth plus inflation. Those states generally require that any revenue in excess of that amount be rebated to

the people. For example, in 1997 Colorado rebated \$142 million in tax revenues to taxpayers, while Missouri gave back \$318 million in rebate tax credits.¹³

As the data in Table 8 (discussed earlier) indicated, the per capita savings on taxes would have been \$278 this year if every state had implemented a population plus inflation tax cap prior to the current expansion.

Cut Anti-Growth Income and Corporate Tax Rates First

Most of the economic evidence indicates that not all tax cuts are the same. States with no or flat-rate income taxes have outperformed their neighbors in terms of job growth, population growth, and income gains. The real personal income growth in states with no or low income taxes was 223 percent between 1962 and 1994, but it was only 175 percent in states with high income tax rates.¹⁴ The first priority of states in cutting taxes should be to reduce excessive personal and corporate income tax rates.

Supermajority Vote Requirement to Raise Taxes

Thirteen states, including Arizona, California, and Nevada, have adopted measures requiring that any tax increase by the legislature must pass by a supermajority vote in both houses. Most require a two-thirds vote, but others require three-fourths or three-fifths. Those measures have been highly effective at deterring routine tax increases during nonemergencies.¹⁴ Supermajority requirements are most effective when they are applied to *all* tax increases—whether in income taxes, business taxes, sales taxes, or excise taxes.

Pass Tobacco Settlement Funds Back to Taxpayers

Last November 46 states reached an agreement with the tobacco industry on a \$206 billion settlement of their suit over the medical treatment costs of smoking-related illnesses.¹⁵ Previously, four other states—Florida, Minnesota, Mississippi, and Texas—

had reached separate agreements worth \$40 billion. State coffers will soon start to see the impact of this huge settlement, with total annual payments starting at \$4.5 billion and rising to \$9 billion.

At least six states have already decided to spend this windfall on things such as children's programs and nursing homes, having approved legislation even before the settlement was final.¹⁶ That is the wrong approach. Ultimately, the tobacco settlement payments will be borne by consumers in the form of higher prices. Thus, the windfall to state treasuries should be rebated to all state taxpayers or returned to smokers via a reduction in tobacco taxes.

Conclusion

Gov. Jesse Ventura's improbable victory in November was propelled in part by his promise to pass back surpluses to taxpayers. Few others have followed his lead. Republican governors have boasted of their tax cutting, but those tax cuts have in almost all cases been insufficient to return to taxpayers the excess money that states have garnered from the economic expansion. Nationwide, only one-third of the surplus money has been dedicated to tax cuts. State legislators have irresponsibly treated the excess tax collections as if they were lottery winnings.

The states should restrain spending and pass back revenue surpluses to the American workers and businesses who created them in the first place.

Notes

1. National Association of State Budget Officers, "Tax Outlook for Fiscal 1999," Washington, February 1998 and May 1998.
2. National Governors' Association and National Association of State Budget Officers, *The Fiscal Survey of States*, December 1998.
3. Stephen Moore, "State Spending Splurge: The Real Story behind the Fiscal Crisis in State Government," Cato Institute Policy Analysis no.

Thirteen states have adopted measures requiring that any tax increase by the legislature must pass by a supermajority vote in both houses.

- 152, May 23, 1991.
4. National Governors' Association and National Association of State Budget Officers. *The Fiscal Survey of States*. December 1998.
 5. Details for individual states are available at www.cato.org or by written request.
 6. Moore. "State Spending Splurge."
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 9. Jonathan Walters. "Did Somebody Say Downsizing?" *Governing*, February 1998, pp. 17-20.
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 12. Moore. "Taxing Lessons from the States."
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 14. Dan Morain. "Tax Increases under Wilson Exceed Cuts." *Los Angeles Times*, December 7, 1997.
 15. Elizabeth I. Davis and Donald J. Boyd. "Tax Cuts Dampened Strong Fiscal 1997 Revenue." Center for the Study of the States, Albany, N.Y., State Fiscal Brief no. 48, January 1998; and Elizabeth I. Davis and Donald J. Boyd. "Third April 'Surprise' Hits New Highs." Center for the Study of the States, Albany, N.Y., State Revenue Report no. 33, August 1998.
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 17. National Governors' Association and National Association of State Budget Officers. *The Fiscal Survey of States*, December 1998.
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 25. Ibid.
 26. George C. Leaf. "Unemployment Compensation: The Case for a Free Market Alternative." *Regulation* 21, no. 1 (Winter 1998): 19-26.
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 31. Empire Foundation newsletter, Albany, N.Y., April 1997.
 32. Flynn.
 33. U.S. Department of Education, National Center for Education Statistics. *Digest of Education Statistics, 1997*, Table 169, p. 172.
 34. See for instance, Eric Hanushek. "Impact of Differential Expenditures on School Performance." *Educational Researcher*, May 1989.
 35. U.S. Department of Education, Tables 133, 168, pp. 136, 171. The 10 highest spending jurisdictions by 1994-95 per pupil spending were New Jersey, New York, the District of Columbia, Alaska, Connecticut, Rhode Island, Massachusetts,

Maryland, Pennsylvania, and Delaware. The 10 lowest spending states were Utah, Mississippi, Idaho, Tennessee, Alabama, Arkansas, New Mexico, Louisiana, North Dakota, and South Dakota.

36. U.S. Department of Education. Tables 61, 169. pp. 72, 172.

37. Ibid.

38. John Chubb and Terry Moe. "Letting Schools Work" *NY: The City Journal*, Autumn 1990, cited in David Boaz, ed., *Liberating Schools: Education in the Inner City* (Washington: Cato Institute, 1991), p. 6.

39. For a comprehensive examination of the effectiveness of state tax and expenditure limitations, see Dean Stansel, "Taming Leviathan: Are Tax and Spending Limits the Answer?" Cato Institute Policy Analysis no. 213, July 25, 1994.

40. "State Tax Cuts," *Wall Street Journal*, October 29, 1987, p. A1.

41. Vedder.

42. See Stansel.

43. Constitutional scholar Robert Levy has argued that those tobacco settlements are inconsistent with justice and the rule of law. "Most damning," says Levy, "the settlement rewards attorneys general and their co-conspirators in the plaintiffs' bar, who have retroactively subverted the law to punish the sale of a legal product by a deep-pocketed and unpopular industry—without notice, opportunity for fair trial, or evidence. By eliminating the requirement to prove that smoking caused a particular injury, and by rejecting all claims that smokers are personally responsible, the states have effected a shakedown—no better than extortion—grounded on this repugnant rule: the states need money; the industry has money; ergo, the industry pays and the states collect." Robert Levy, "Tobacco Extortion: Round 3," *San Diego Tribune*, November 29, 1998. Another problem with the tobacco settlements is that they are inconsistent with justice and the rule of law. See Robert A. Levy, "Tobacco Medicaid Litigation: Snuffing Out the Rule of Law," Cato Institute Policy Analysis no. 275, June 20, 1997.

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