STATE REVENUE REPORT

Fiscal Studies Program
The Nelson A. Rockefeller Institute of Government

September 2000
No. 41

Can We Call It a "Surprise" the Sixth Time It Happens?

Elizabeth I. Davis and Nicholas W. Jenny

HIGHLIGHTS

- ❖ Total tax revenue grew 11.4% from April-June 1999 to the same period this year — by far the fastest total growth for any quarter this decade.
- ❖ Personal income tax grew 18.8%, the second fastest growth in the decade.
- ❖ Sales tax remained strong, at 7.3%, and the corporation income tax grew 4.2%, both helping to boost (or at least failing to drag down) the total.
- ❖ So far tax year 2000 looks strong as well: both withholding and estimated tax payments remain in double-digit territory.
- ❖ With blue skies in all directions, states have had the seventh straight year of cutting taxes: $5.6 billion in cuts, several of which were "one-time" rebates.

TABLE OF CONTENTS

Figure 1. Total Quarterly Nominal Increase, 1991-2000

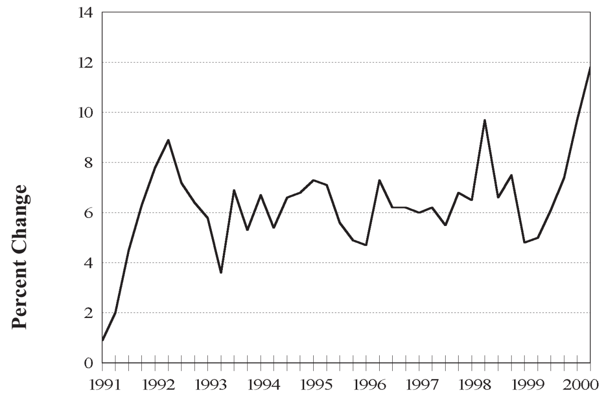


Figure 2. Real Quarterly Increase, 1991-2000

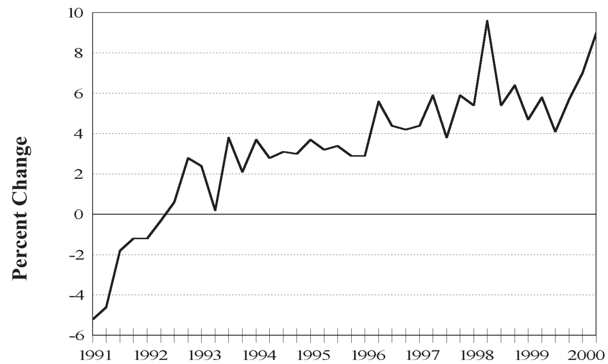


Table 1. Aggregate Change in Quarterly Tax Revenue, Adjusting for Legislated Tax Changes and Inflation

	Total Nominal Increase	*Adjusted Nominal Increase*	*Inflation Rate*	*Real Increase*
1994				
Jan.-Mar.	6.7%	6.3%	2.5%	3.7%
April-June	5.4	5.3	2.4	2.8
July-Sept.	6.6	6.1	2.9	3.1
Oct.-Dec.	6.8	5.8	2.7	3.0
1995				
Jan.-Mar.	7.3	6.6	2.8	3.7
April-June	7.1	6.4	3.1	3.2
July-Sept.	5.6	6.1	2.6	3.4
Oct.-Dec.	4.9	5.7	2.7	2.9
1996				
Jan.-Mar.	4.7	5.7	2.7	2.9
April-June	7.3	8.6	2.8	5.6
July-Sept.	6.2	7.4	2.9	4.4
Oct.-Dec.	6.2	7.5	3.2	4.2
1997				
Jan.-Mar.	6.0	7.4	2.9	4.4
April-June	6.2	8.3	2.3	5.9
July-Sept.	5.5	6.1	2.2	3.8
Oct.-Dec.	6.8	7.9	1.9	5.9
1998				
Jan.-Mar.	6.5	7.0	1.5	5.4
April-June	9.7	11.4	1.6	9.6
July-Sept.	6.6	7.1	1.6	5.4
Oct.-Dec.	7.5	8.0	1.5	6.4
1999				
Jan.-Mar.	4.8	6.5	1.7	4.7
April-June	5.0	8.0	2.1	5.8
July-Sept.	6.1	6.5	2.3	4.1
Oct.-Dec.	7.4	8.4	2.6	5.7
2000				
Jan.-Mar.	9.7	10.4	3.2	7.0
April-June	11.4	11.8	3.2	8.3

Note: Inflation is measured by the Consumer Price Index.
Please call Fiscal Studies Program for pre-1994 data.

Table 2. Change in Quarterly Tax Revenue by Major Tax

	PIT	*CIT*	*Sales*	*Total*
1994				
Jan.-Mar.	7.6%	6.2%	6.9%	6.7%
April-June	1.3	9.1	9.0	5.4
July-Sept.	4.2	18.9	7.8	6.6
Oct.-Dec.	4.2	12.5	9.1	6.8
1995				
Jan.-Mar.	6.4	13.2	9.0	7.3
April-June	8.3	14.3	6.1	7.1
July-Sept.	6.3	8.0	5.2	5.6
Oct.-Dec.	5.6	7.9	4.2	4.9
1996				
Jan.-Mar.	7.1	(4.8)	5.6	4.7
April-June	11.3	0.9	6.8	7.3
July-Sept.	6.9	4.0	5.8	6.2
Oct.-Dec.	9.1	(3.0)	6.1	6.2
1997				
Jan.-Mar.	7.1	9.6	4.7	6.0
April-June	8.8	7.6	4.3	6.2
July-Sept.	8.4	(2.8)	5.8	5.5
Oct.-Dec.	8.3	4.5	5.3	6.8
1998				
Jan.-Mar.	9.3	2.3	5.6	6.5
April-June	19.5	(2.1)	5.3	9.7
July-Sept.	8.9	(0.2)	5.9	6.6
Oct.-Dec.	9.5	5.2	5.5	7.5
1999				
Jan-Mar.	6.6	(2.6)	6.1	4.8
April-June	6.0	(2.1)	7.3	5.0
July-Sept.	7.6	1.4	6.7	6.1
Oct.-Dec.	9.1	3.8	7.3	7.4
2000				
Jan.-Mar.	13.6	8.0	8.2	9.7
April-June	18.8	4.2	7.3	11.4

Note: Please call Fiscal Studies Program for pre-1994 data.

Introduction

In recent years, April-June has been the quarter when most states found out if the trend of extremely strong revenue growth had continued. And although this publication has been referring to the windfalls of prior April income tax filing seasons as "surprises," it will come as no real surprise to most readers that the second quarter of 2000 was once again very strong. However the amounts just might qualify as startling, even to the jaded reader: 11.4 percent total revenue growth is unprecedented in the decade of this publication's tax revenue tracking, and personal income tax revenue growth of 18.8 percent was surpassed only by the second quarter of 1998.

Interestingly, although the personal income tax was once again the star of the revenue show, the sales tax, which has been steadily strengthening as consumers have reduced their savings rates, was also instrumental in boosting total revenue growth far beyond its recent growth rates.

Tax revenue growth would have been a little higher if there had been no legislated tax changes affecting April-June collections. However, as with last quarter, these effects were not as stark as they have been in previous second quarters.

Tax Revenue Growth April-June

As Table 1 shows, April-June's total tax revenue growth of 11.4 percent over the same period the year before was not only the highest since this series began, it was nearly two percentage points higher than any quarter in the series. It is true that the quarter was less affected by tax cuts than some prior April-June quarters have been. For example, April-June of 1998 had actual growth of 9.7 percent, but adjusted for the effects of a large number of significant tax cuts, that growth would have been 11.4 percent.[1] Nonetheless, April-June 2000's adjusted growth of 11.8 percent was higher than even that quarter.

As Table 3 shows, revenue growth was strong in every region, astoundingly so in some. The Far West had 24.3 percent growth, far and away the largest increase. California's 28.7 percent growth was the main driving force for this, but it didn't

Table 3. Change in Quarterly Tax Revenue by State, April-June, 1999 to 2000

	PIT	*CIT*	*Sales*	*Total*
United States	**18.8%**	**4.2%**	**7.3%**	**11.4%**
New England	**18.7**	**14.0**	**10.2**	**14.0**
Connecticut	19.6¶	16.9¶	8.2	12.7¶
Maine	6.4	(40.5)	12.0	1.5
Massachusetts	20.4	25.1¶	11.1	16.2
New Hampshire	NA	29.6*	NA	28.3*
Rhode Island[1]	14.9¶	(20.9)	9.2	13.4¶
Vermont	22.3¶	23.1	20.0¶	19.6¶
Mid-Atlantic	**14.6**	**12.8**	**5.1**	**10.3**
Delaware	(0.3)¶	7.8¶	NA	3.1¶
Maryland	14.5¶	19.5*	9.0	12.6
New Jersey[1]	21.7	17.8¶	7.3	13.9¶
New York	15.5	7.5	3.0	11.0
Pennsylvania	8.5	14.9¶	5.0	6.7¶
Great Lakes	**11.7**	**(10.4)**	**5.4**	**6.5**
Illinois	8.4	(2.7)	6.6	8.4
Indiana	(4.8)¶	(3.1)¶	9.5	1.0
Michigan	6.3	(19.1)¶	5.4	2.5¶
Ohio	24.0*	(15.1)	3.1	10.5*
Wisconsin	22.2*	(4.2)	2.8	10.9*
Plains	**13.7**	**3.3**	**7.9**	**9.2**
Iowa	12.5*	7.4	3.6	8.4
Kansas	22.5	25.5	1.4	14.2
Minnesota	10.5*	(7.2)*	9.8	6.7*
Missouri	ND	ND	ND	ND
Nebraska	14.1	9.7	27.0*	16.4*
North Dakota	10.6	(13.8)	(9.3)¶	1.3
South Dakota	NA	NA	7.4	8.4
Southeast	**12.1**	**(3.5)**	**5.1**	**6.3**
Alabama	22.7	1.8	1.7	11.1
Arkansas	4.4¶	2.8	4.7	4.4¶
Florida	NA	(11.0)	7.9	2.7
Georgia	20.8	(3.5)	5.4	12.6
Kentucky	12.5	(15.1)	3.1	6.0
Louisiana	6.3	1.2	3.6¶	4.5
Mississippi	4.7	(4.9)	0.6	0.6
North Carolina	7.3	(16.7)	1.1	1.2
South Carolina	14.0	(29.2)	6.1	4.1
Tennessee	NA	17.7*	4.6	10.7*
Virginia	12.5	52.9¶	6.5¶	13.4
West Virginia	5.3	(33.9)	4.1	3.2
Southwest	**3.5**	**(6.8)**	**7.7**	**6.5**
Arizona	4.9¶	(9.0)	8.4	4.0¶
New Mexico	13.2	(4.8)*	4.4	10.1
Oklahoma	(2.1)¶	(0.8)	3.3	4.6¶
Texas	NA	NA	8.2¶	7.0¶
Rocky Mountain	**12.5**	**4.2**	**7.2**	**8.8**
Colorado	11.1¶	(13.5)¶	6.8	8.1¶
Idaho	25.0	26.7	6.9	12.4
Montana	8.4*	10.9	NA	3.2*
Utah	12.5	18.3	6.9	10.5
Wyoming	NA	NA	14.7*	34.3
Far West	**37.0**	**19.1**	**12.2**	**24.3**
Alaska	NA	90.5	NA	59.9
California	39.5	17.5	14.9	28.7
Hawaii	0.8¶	40.9	7.8¶	7.0¶
Nevada	NA	NA	4.9	(4.5)
Oregon	21.1*	4.3	NA	18.6*
Washington	NA	NA	5.8	4.6*¶

Table 4. Change in Quarterly Tax Revenue, Adjusting for Legislated Tax Changes

	PIT	*Sales*	*Total*
1994			
Jan.-Mar.	7.4%	6.3%	6.3%
April-June	1.8	8.0	5.3
July-Sept.	4.4	6.8	6.1
Oct.-Dec.	4.4	7.5	5.8
1995			
Jan.-Mar.	6.1	7.5	6.6
April-June	7.5	5.1	6.4
July-Sept.	7.2	5.4	6.1
Oct.-Dec.	7.1	4.2	5.7
1996			
Jan.-Mar.	8.8	5.7	5.7
April-June	14.1	6.5	8.6
July-Sept.	9.1	5.9	7.4
Oct.-Dec.	11.2	6.4	7.5
1997			
Jan.-Mar.	10.0	5.0	7.4
April-June	12.8	5.0	8.3
July-Sept.	9.5	6.2	6.1
Oct.-Dec.	10.7	5.9	7.9
1998			
Jan.-Mar.	10.0	6.5	7.0
April-June	23.3	5.9	11.4
July-Sept.	9.3	6.4	7.1
Oct.-Dec.	10.2	5.9	6.9
1999			
Jan.-Mar.	9.9	6.2	6.5
April-June	12.4	7.3	8.0
July-Sept.	8.3	6.9	6.5
Oct.-Dec.	11.0	7.5	8.4
2000			
Jan.-Mar.	13.8	8.8	10.4
April-June	18.6	7.8	11.8

Note: The corporate income tax is not included in this table. The quarterly effect of legislation on this tax's revenue is especially uncertain. (See Technical Notes, page 14.)
For pre-1994 data, call CSS.

Key to Interpreting Tables

All percent change tables are based on year-over-year changes.
1 indicates data only through May
2 indicates data only through December 1999
* indicates legislation or processing/accounting changes significantly increased tax receipts (by one percentage point or more).
¶ indicates legislation or processing/accounting changes significantly decreased tax receipts.
NA means not applicable.
ND means no data.
Historical Tables (Tables 1, 2 and 4) have been shortened to provide data only back to 1994. For data through 1990, call the Fiscal Studies Program.

hurt that Alaska had nearly 60 percent growth, due to rebounding oil prices, and Oregon's 18.6 percent growth didn't put much of a drag on things, either. The least strong (one can hardly say weakest) region was the Southeast, where revenue growth was still a healthy 6.3 percent.

As has been the case for the past few years, the personal income tax has been the engine driving this extraordinary growth. Tables 2 and 4 show growth in the major tax sources – personal income, corporate income (Table 2 only), and sales and use – and total tax revenue, before and after adjusting for the effects of legislated tax changes. The personal income tax has been strong since April-June of 1995, generally alternating years of extraordinary growth with years of very strong growth. During that same period, the corporate income tax, which was quite strong in 1994 and 1995, has generally been quite weak. However, the second quarter of 2000 marks the fourth in a row of growth for that tax, even if the growth was not particularly brisk. Finally, the sales tax has been getting steadily stronger over the past three years, neither being as surprisingly weak as the corporate income tax nor as surprisingly strong as the personal income tax.

So, although personal income growth was quite strong indeed, the record-breaking total tax revenue growth was also due, in part, to the relative strength of the sales tax and the lack of a corporate income tax decline.

Personal Income Tax

April-June is when states with a heavy dependence on the personal income tax find out for sure whether they will have another boom year, or whether the bottom has, at long last, fallen out of the revenue ride. That is, of course, because April (or in some states, May) is the month when taxpayers file their final returns, either requesting refunds or paying the remainder of what they owe. This April-June was another blockbuster, thanks mainly to the strength of collections on those final returns, although withholding and estimated quarterly payments remained strong.

Second quarter personal income tax revenue grew 18.8 percent over the same quarter of 1999.

Figure 3
Percent Change in Tax Revenue by Region, Adjusted for Legislated Changes April-June, 1999 to 2000

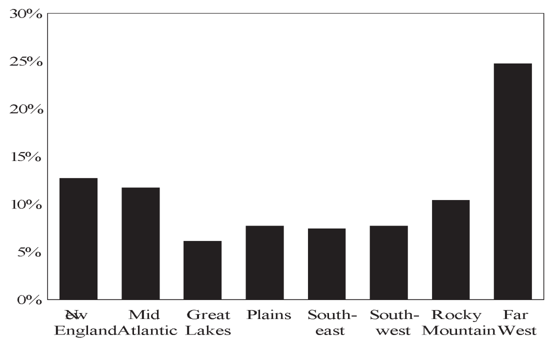


Figure 4
Change in Quarterly Tax Revenue by State, Adjusting for Legislated Changes, April-June, 1999 to 2000

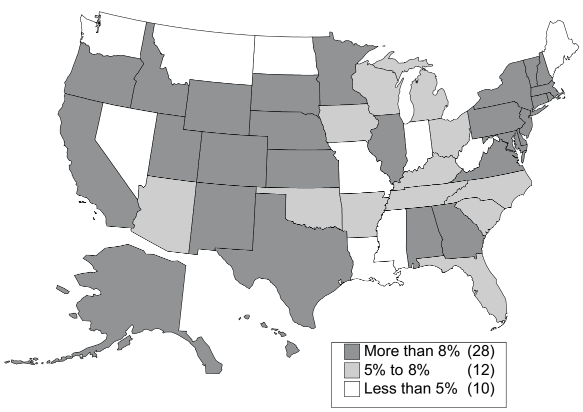
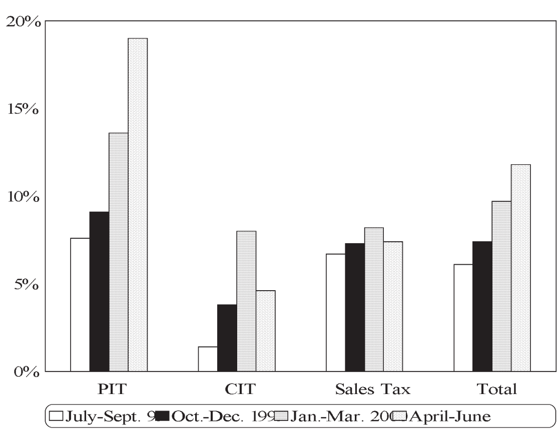


Figure 5
Change in Quarterly Tax Revenue by Tax, Last Four Quarters



That nearly tied the fastest growth of this report's ten-year history – April-June of 1998, when personal income tax grew 19.5 percent. Unusually, legislated tax changes did not depress personal income tax growth. Still, this quarter's 18.6 percent underlying growth was faster than any other quarter except the aforementioned, when personal income tax would have grown 23.3 percent over the prior year if there had been no legislated tax changes.

Nearly two-thirds of the states with broad-based personal income taxes saw double-digit growth in that revenue source.[2] California, particularly, stood out, with nearly 40 percent growth. Although four of these states – Massachusetts, Ohio, Oregon and Wisconsin – had legislated tax changes that boosted their growth rates, all of them would likely have had double-digit growth even without those boosts. Massachusetts and Ohio both had temporary, surplus-driven income tax rebates last year (Ohio had a smaller one this year as well), making revenue growth this year look larger by comparison. Although Oregon's court-imposed pension exclusion last year was permanent, it was also retroactive for several years, so its impact depressed last year's revenue far more than this year's. Wisconsin was the only one of the four with an actual legislated tax increase this year, rather than a one-time decrease last year – it repealed its property tax credit on the personal income tax. However, this repeal was so unpopular that the credit has been reinstated for tax year 2000.

On top of this, six of the states with double-digit growth had such growth despite the effects of significant legislated personal income tax cuts. These were: Colorado, Connecticut, Maryland, Rhode Island, South Carolina and Vermont. (Vermont's growth was, however, partly boosted by revenue processing delays in March.)

Amid all this rampant growth, the declines in Oklahoma and Indiana stand out, despite having been caused by legislated tax cuts. Even without those cuts, neither state would have had strong growth. Neither state's estimators are sure why, except in as much as they are both at full employment, and thus they suspect that withholding is not being boosted by employment growth.

Withholding

Table 5 shows year-over-year withholding growth for the four quarters of calendar 1999. Withholding is a good measure of current strength in personal income tax revenue, since it is based on current wages. It is also usually much less volatile than either of the other two components of the personal income tax, quarterly estimated / declared payments and final settlements.

In recent quarters, some states have seen a sizeable increase in withholding growth, and this quarter continued to be strong, with 10.2 percent growth. Although less than the 11.1 percent growth of the first quarter, this double-digit growth is still quite robust by comparison with even recent history. The fact that this acceleration has continued well past the traditional bonus season is baffling many estimators.

Estimated Payments

Just as final tax returns are a measure of the prior tax year's revenue-producing potential, and withholding measures current and ongoing trends, estimated tax payments offer a glimpse into revenue growth for tax year 2000, growth that won't be measurable until after April-June of 2001. Paid by higher-income taxpayers, and based on non-wage income, estimated tax collections are based on what some of the highest-income taxpayers believe they will owe in taxes for the tax year.

As Table 6 shows, the first two payments for tax year 2000 – due in April and June in most states – were quite strong once again, growing 17.7 percent over the same period in 1999. This may indicate that taxpayers anticipate another good year for investment and other non-wage income. However, it is difficult to draw conclusions from these early payments, since they are made before taxpayers have a clear idea of how high their liabilities will be for the year. Estimated taxpayers are granted safe harbor from penalties or fines for underpayment so long as early payments reflect a quarter of the prior year and final payments bring them within 90 percent of total liability, so April and June payments for 2000 are more likely to be a reflection of this

Table 5. Change in Personal Income Tax Withholding by State, Last Four Quarters

	1999		*2000*	
	July-Sep	*Oct-Dec*	*Jan-Mar*	*Apr-Jun*
United States	**7.7%**	**9.3%**	**11.1%**	**10.2%**
New England	**6.0**	**9.0**	**12.8**	**12.4**
Connecticut	6.2	9.7	8.9	11.8
Maine	5.1	15.9¶	11.2	14.3
Massachusetts	5.7¶	8.2¶	14.5	12.8
Rhode Island	7.4¶	5.4¶	NA	7.6
Vermont	6.0	15.0	11.1¶	12.1
Mid-Atlantic	**6.2**	**11.3**	**14.8**	**11.4**
Delaware	(4.8)¶	(7.4)¶	(7.0)¶	(5.7)¶
Maryland[1]	7.4	6.5¶	10.4	8.1
New Jersey[1]	(0.9)	14.3	11.2	20.9
New York	8.5	11.7¶	18.6	12.4
Pennsylvania	4.1	6.2	8.4	8.5
Great Lakes	**6.7**	**6.5**	**7.3**	**4.5**
Illinois	4.0	6.1	7.6	5.5
Indiana	7.0	7.6	5.2	4.8
Michigan	7.4	7.2	8.1¶	(0.1)¶
Ohio	6.6	5.9	7.5	5.2
Wisconsin	10.4	5.8	NA	8.1
Plains	**4.1**	**5.0**	**1.5**	**7.6**
Iowa	4.4	6.2	(1.2)	13.9
Kansas	4.8	9.3	9.6	10.7
Minnesota	3.9¶	(1.5)¶	(0.3)¶	0.6¶
Missouri[1]	3.7	8.4	(2.0)	15.9
Nebraska	5.2	8.6	11.0	9.4
North Dakota	4.7	7.2	7.9	10.2
Southeast	**7.6**	**8.8**	**6.0**	**9.0**
Alabama	4.3	4.0	3.3	9.3
Arkansas	1.0	3.2	5.1¶	6.4
Georgia	14.6	2.6	NA	14.5
Kentucky	NA	12.3	2.6	NA
Louisiana	0.2	4.4	11.1	8.9
Mississippi	7.8	9.0¶	5.9	5.7
North Carolina	4.2	8.2	7.6	8.1
South Carolina	5.6	8.5	6.7	5.6
Virginia	10.2	18.4	5.7	7.8
West Virginia	5.7	7.2	3.9	5.6
Southwest	**15.1**	**11.6**	**8.5**	**9.1**
Arizona	28.0	8.0	14.2	9.3
New Mexico	4.2	NA	NA	10.5
Oklahoma	6.5	16.3¶	2.2	8.4
Rocky Mountain	**7.6**	**4.4**	**9.5**	**8.6**
Colorado	4.7¶	2.7¶	8.4¶	7.3¶
Idaho	7.9	8.2	10.7	17.4
Montana	NA	9.2	4.2	6.3
Utah	10.8	4.8	13.0	7.4
Far West	**12.3**	**14.0**	**17.9**	**17.3**
California	14.0	17.3	19.7	19.0
Hawaii	(3.2)	(3.2)¶	(0.4)¶	6.6
Oregon	7.4	7.1¶	10.8	10.1

Note: Nine states — Alaska, Florida, New Hampshire, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming — have no personal income tax and are therefore not shown in this table.

Table 6. Change in Estimated Payments April-June, 1999 to 2000

	Percent
Average	**17.7%**
Alabama	37.2
Arizona	(46.3)
Arkansas	(0.8)
California	36.7
Colorado	19.7
Connecticut	6.4
Delaware	3.2
Georgia	18.3
Hawaii	1.5
Illinois	11.1
Indiana	19.2
Iowa	15.8
Kansas	13.1
Louisiana	8.9
Maine	8.3
Maryland	25.0
Massachusetts	21.5
Michigan	18.3
Minnesota	1.5
Mississippi	(1.4)
Missouri[1]	8.4
Montana	23.5
Nebraska	12.9
New Jersey[1]	17.7
New Mexico	7.3
New York	11.1
North Carolina	8.1
North Dakota	8.8
Ohio	22.9
Oklahoma	2.9
Oregon	7.6
Pennsylvania	6.5
Rhode Island	11.5
South Carolina	3.6
Vermont	18.9
Virginia	10.5
Wisconsin	22.1

April's final payments than a prediction for April 2001.

General Sales Tax

Sales tax gross was not quite as strong in the April-June quarter as it was in January-March, but continued to be robust. In fact, as Table 4 shows, the adjusted 7.8 percent growth is the second-highest growth since mid-1994, when states were bouncing back after the recession of the early 1990s..

Six states saw double-digit growth this quarter (compared with 11 last quarter): California, Maine, Massachusetts, Nebraska, Vermont and Wyoming. Of these, only Nebraska and Wyoming's growth were inflated by a legislated tax change. Nebraska had decreased taxes temporarily during fiscal year 1999, but reverted to the old rates starting in July. Wyoming removed the sales tax exempt status of cigarettes. Vermont achieved its strong growth despite eliminating taxes on clothing under $110. As mentioned above, however, a good deal of the growth was due to revenue processing delays in March, which inflated April and May receipts.

Only North Dakota had lower sales tax revenue than in the same quarter last year, due to its biennial sales tax filing speed up, which artificially increased last year's June revenue.

Corporate Income Tax

Corporate income tax collections rose 4.2 percent in the first quarter of 2000. Although this would not have been counted as strong growth in the early or mid-1990s, this tax source had not had four consecutive quarters without a decline from 1996 until now. Even 4.2 percent growth, however, is not exactly strong, especially for a source that often sports double-digit growth in periods of economic growth.

Although there is no adequate explanation for this persistent weakness, states have not, in general, been too concerned about it, since the corporate income tax represents a small share of most states' revenues, and since personal income tax growth has more than made up for this loss. At any rate, this is by far the most volatile of the major state-level taxes, since payments or refunds of a small number of companies often cause large fluctuations and often have little to do with the current situation of the company or with newly legislated tax provisions.

Figure 6
Change in Non-Farm Employment
April-June, 1999 to 2000

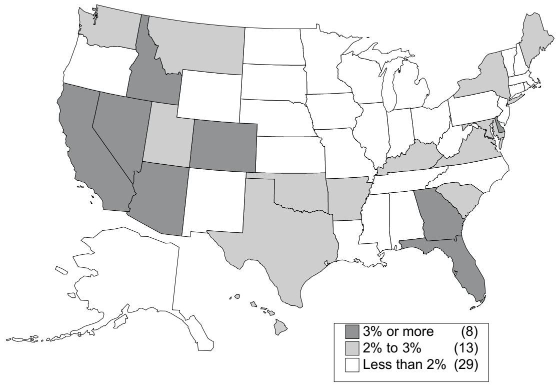


Table 7 shows year-over-year employment growth for each state and for the nation in each of the past four quarters. Figure 6 maps April-June's growth over the same period last year. According to the BLS's national data, the fourth quarter grew 2.2 percent over last year.

As has been the case during most of the recent recovery, employment growth has been fastest in the western regions of the country. The Southwest and Rocky Mountain states had the strongest growth, averaging 3.0 percent apiece, and the Far West was nearly as strong, at 2.9 percent. The Great Lakes states had the lowest average growth, at 1.0 percent. Eight states – Arizona, California, Colorado, Delaware, Florida, Georgia, Idaho and Nevada – saw growth of three percent or more. Only Mississippi's employment declined.

Underlying Reasons for Trends

These revenue changes reflect three kinds of considerations: differences in state economic growth rates, how this growth affects each state's tax system, and tax changes legislated recently.

State Economies

One of the primary factors that affect state revenue growth is, obviously, the strength of that state's economy. This can be relatively hard to measure except in retrospect, as most data on state economies is available only many months later. Non-farm employment, tracked by the Bureau of Labor Statistics, is about the only broad-based, timely, high-quality economic data available for all 50 states on a timely basis, and it provides a good measure of the "real" economy in the states.

There are some problems inherent in using these data as an indicator of revenue growth. For one thing, most taxes are based upon nominal measures such as income, wages, and profits, rather than employment, but these data are either not available at the state level, or not available on a timely basis. For another, employment data can be subject to large, retroactive revisions. In the past several years, these revisions have generally been upward.

Nature of the Tax System

Even if there were some perfect measure of the economy, states' tax systems do not all react to similar economies in the same way. States that rely heavily on the personal income tax tend to have larger increases during periods of economic growth. The more progressive the tax structure is, the faster tax revenue grows relative to income, especially if the state's tax brackets are not indexed to offset the effects of inflation. States that rely mostly on sales taxes do not see this same elastic revenue growth, and those few that rely almost exclusively on corporate income or severance taxes often see wild swings in revenue. Severance taxes are taxes on the removal of natural resources, such as oil and lumber.

This pattern has played out particularly strongly over the course of the past few years. Most states with personal income taxes have had extremely strong growth, partly because the incomes of upper-income (and thus upper-bracket) taxpayers have been growing at a much more rapid pace than those of middle-income taxpayers. Because their incomes are based upon volatile sources, such as stock options and capital gains, growth in the personal income tax has also been far more subject to wild swings than it would ordinarily be. A market downturn that affects relatively few wage earners could turn gains into losses for

Table 7. Non-Farm Employment Growth, April-June, 1999 to 2000

United States	**2.4%**
Sum of States	**2.1**
New England	**1.7**
Connecticut	1.4
Maine	2.7
Massachusetts	1.9
New Hampshire	1.2
Rhode Island	1.4
Vermont	1.7
Mid-Atlantic	**1.7**
Delaware	3.2
Maryland	2.5
New Jersey	1.8
New York	2.2
Pennsylvania	0.6
Great Lakes	**1.0**
Illinois	0.9
Indiana	0.8
Michigan	1.1
Ohio	0.8
Wisconsin	1.4
Plains	**1.3**
Iowa	1.5
Kansas	1.8
Minnesota	1.7
Missouri	0.9
Nebraska	0.5
North Dakota	0.3
South Dakota	1.5
Southeast	**2.6**
Alabama	1.6
Arkanas	2.7
Florida	4.5
Georgia	3.2
Kentucky	2.3
Louisiana	1.0
Mississippi	-0.1
North Carolina	1.6
South Carolina	2.7
Tennessee	1.7
Virginia	2.1
West Virginia	1.3
Southwest	**3.0**
Arizona	4.6
New Mexico	1.8
Oklahoma	2.1
Texas	2.9
Rocky Mountain	**3.0**
Colorado	3.3
Idaho	4.0
Montana	2.8
Utah	2.4
Wyoming	1.4
Far West	**2.9**
Alaska	1.7
California	3.2
Hawaii	2.1
Nevada	3.9
Oregon	1.7
Washington	2.1

investors, sharply contracting a hitherto rich source of revenue almost overnight.

Tax Law Changes Affecting This Quarter

The final element that affects trends in tax revenue growth is legislated tax changes. To the extent that states artificially boost or depress their revenue growth with tax increases or cuts, respectively, it is very difficult to draw any conclusions about their current fiscal condition.

The second quarter's revenue was hardly depressed by aggregate legislated tax changes at all. There were some large cuts, but several states had large legislated changes that had the effect of increasing revenue growth, even if they weren't outright tax increases. The total adjustment was not large: 11.4 percent growth would have been 11.8 percent if there had been no legislated tax changes.

Unlike in many prior quarters, legislated tax changes actually boosted personal income tax revenue growth a little. The biggest personal income tax cut by far was in Minnesota,[3] but this and numerous smaller cuts were offset by adjustments for legislated tax changes that increased personal income tax growth, such as last year's one-time tax cuts in Massachusetts, Ohio and Oregon, and Wisconsin's (already-repealed) tax increase.

Other large changes included New York's clothing exemption, Pennsylvania's assortment of business tax cuts and Florida's intangibles tax cut. Total net tax cuts affecting April-June were less than $500 million.

Tax Law Changes in 2000

The 2000 legislative sessions saw the states enacting net tax cuts for the seventh straight year. Fourteen states enacted significant tax cuts of more than one percent of general fund revenues, cutting taxes by $5.6 billion. This year saw many rebates and other temporary tax cuts, with eight states enacting some cut of this kind. States distributed the cuts across the spectrum of major taxes, including personal income tax cuts, sales tax cuts, business tax cuts, and property tax cuts. We covered many of these cuts in *State Revenue Report* No. 40, and

Table 8. Change in Tax Revenue by State, July-June, FY1999 to FY2000

	PIT	CIT	Sales	Total
United States	**12.8%**	**4.2%**	**7.4%**	**8.8%**
New England	**11.6**	**4.2**	**7.6**	**8.7**
Connecticut	11.5	(10.0)	5.6	6.7
Maine	7.1	3.4	6.9	6.1
Massachusetts	12.5	12.2	9.0	9.7
New Hampshire	NA	0.6	NA	22.0
Rhode Island[1]	7.9	(9.8)	11.5	7.7
Vermont	12.5	(10.9)	4.9	6.4
Mid-Atlantic	**11.6**	**1.9**	**7.2**	**8.0**
Delaware	(4.9)	14.0	NA	1.8
Maryland	10.7	4.7	7.8	9.9
New Jersey[1]	12.5	0.1	9.1	8.8
New York	14.0	(1.1)	6.8	9.1
Pennsylvania	5.7	7.8	6.2	5.2
Great Lakes	**8.3**	**(1.6)**	**7.0**	**6.4**
Illinois	6.4	10.3	7.4	7.3
Indiana	1.5	(5.7)	8.0	3.6
Michigan	6.1	(3.5)	6.6	5.1
Ohio	12.7	(10.6)	6.7	7.3
Wisconsin	13.7	1.4	6.9	9.5
Plains	**5.8**	**2.1**	**7.2**	**5.7**
Iowa	6.4	1.2	2.7	4.8
Kansas	9.5	10.1	3.1	6.0
Minnesota	3.5	2.5	9.8	5.1
Missouri[2]	6.2	(1.4)	3.0	3.7
Nebraska	9.4	3.7	20.8	13.2
North Dakota	7.7	(14.1)	(0.9)	3.8
South Dakota	NA	NA	6.2	5.7
Southeast	**8.9**	**(0.7)**	**5.9**	**6.1**
Alabama	14.5	2.3	4.2	9.3
Arkansas	2.8	(0.4)	6.4	4.2
Florida	NA	(4.4)	8.3	5.3
Georgia	11.7	(9.7)	7.3	8.3
Kentucky	6.7	(1.9)	4.8	5.0
Louisiana	4.5	(22.3)	2.7	3.4
Mississippi	5.8	(0.9)	3.9	4.3
North Carolina	7.0	6.0	(0.6)	3.6
South Carolina	6.3	(14.2)	5.6	3.1
Tennessee	NA	7.5	6.3	8.0
Virginia	12.2	34.8	6.6	11.2
West Virginia	5.7	(30.4)	2.4	1.1
Southwest	**5.0**	**(4.5)**	**7.1**	**7.1**
Arizona	9.1	(4.2)	9.8	8.0
New Mexico	8.3	NA	1.8	6.8
Oklahoma	(0.6)	(8.7)	1.1	4.1
Texas	NA	NA	7.6	7.4
Rocky Mountain	**10.7**	**8.7**	**6.9**	**8.1**
Colorado	9.9	(0.3)	8.6	8.6
Idaho	14.0	31.3	6.4	9.5
Montana	7.2	24.7	NA	3.0
Utah	12.7	(2.2)	4.0	7.8
Wyoming	NA	NA	14.7	22.7
Far West	**25.4**	**19.7**	**10.3**	**17.1**
Alaska	NA	12.6	NA	45.6
California	27.9	19.7	11.4	20.5
Hawaii	(0.4)	58.1	6.2	4.1
Nevada	NA	NA	6.1	6.1
Oregon	12.3	17.9	NA	12.3
Washington	NA	NA	9.2	3.3

will discuss the balance below. A forthcoming *State Fiscal Brief* will cover all significant tax changes enacted this year, as well as budget issues and ballot measures.

Ohio is once again reducing its personal income tax flat rate by an amount tied to its surplus. The state will cut the rate by 6.9 percent, or $610 million. Maine enacted a personal income tax exemption for pensions that will cost $23 million a year.

With the high gasoline prices this summer, some states enacted gas tax breaks. By far the largest was in Illinois, which suspended the sales tax on gas for six months, costing $175 million. Gov. O'Bannon (D) of Indiana, using powers under an emergency energy law, also suspended that state's gas sales tax for 60 days, costing up to $26 million.

California cut taxes by a total of $1.5 billion in FY 2001 and $2.0 billion in FY 2002. The largest segment of this cut is an acceleration of the vehicle license fee cut; the state will rebate $887 million in FY 2001 and $1.4 billion in FY 2002. California is also going to refund $665 million in unconstitutional "smog fees" for out-of-state cars.

Several ballot measures set for November could make significant tax changes. An initiative in Alaska would limit property tax rates to one percent of assessments and limit increases in assessments to two percent a year. Arizonans will vote on a referendum first proposed by Gov. Hull (R), to increase the sales tax by 0.6 percent to provide $447 million for education programs. Louisiana will have a referendum on a plan to increase personal income tax revenues by $730 million a year and eliminate the sales tax on food and utilities, costing $430 million a year. A referendum in Montana would eliminate the inheritance tax, costing $11 million a year. The legislature in Oklahoma has placed a referendum on the ballot that would reform car taxes, costing $23 million annually. An initiative in South Dakota would repeal the inheritance tax costing $22 million a year. An initiative in Washington would roll back property tax assessments to January 1, 1999 values and put a two percent annual cap on increases.

A referendum in Colorado would allow the state to spend $250 million a year of the surplus on education. An initiative with potentially major implications for Colorado's budget would reduce each taxpayer's bill for most state and local taxes by $25 a year, i.e. $50 the second year, $75 the third — eventually eliminating them.

Voters in Oregon will get to consider some hefty tax cutting initiatives. One would allow full deduction of federal income taxes from the state's income taxes and would cost $1 billion a year. A more limited referendum would raise the limit on the deduction. Another initiative would require referendums on all tax and fee increases above the rate of inflation and is retroactive to December 1998. The most sweeping initiative would limit state spending to 15 percent of the prior biennium's personal income, and would cut spending by $4.7 billion in the FY 2002-2003 biennium.

Conclusions

Once again, April has brought with it a series of more than pleasant surprises. Many states are so accustomed to this, of course, that they have begun to plan on it. Virginia is an example of a state that fell short of its double-digit forecast. However tempting it may be to plan budgets around double-digit growth, this revenue is from very volatile sources. So long as conditions are right, states are likely to unestimate revenues regularly. But when things turn around, and it is highly unlikely that we have a newly non-cyclical economy, states will have to retrench in a hurry.

Endnotes

1 A "significant" legislated change increases or decreases revenue by one percentage point or more.

2 These states were: Alabama, California, Colorado, Connecticut, Georgia, Idaho, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Minnesota, Nebraska, New Jersey, New Mexico, New York, North Dakota, Ohio, Oregon, Rhode Island, South Carolina, Utah, Vermont, Virginia and Wisconsin.

3 Missouri also had a large cut, but it is not included in the total. The state was unable to provide revenue data for the quarter, so including their legislated changes would skew the aggregated percent change.

Table 9: State Tax Revenue
April-June, 1999 and 2000 (millions)

	1999				*2000*			
	Personal Income	*Corporate Income*	*Sales*	*Total*	*Personal Income*	*Corporate Income*	*Sales*	*Total*
United States	**$53,050**	**$10,786**	**$39,892**	**$123,715**	**$63,005**	**$11,236**	**$42,798**	**$137,839**
New England	**4,209**	**568**	**1,965**	**8,050**	**4,998**	**647**	**2,166**	**9,175**
Connecticut	1,116	172	731	2,417	1,334	201	791	2,725
Maine	389	74	243	860	413	44	272	873
Massachusetts	2,426	258	849	4,019	2,921	323	943	4,671
New Hampshire	NA	46	NA	262	NA	60	NA	336
Rhode Island[1]	156	4	94	273	179	3	103	309
Vermont	123	12	48	219	151	15	58	262
Mid Atlantic	**11,387**	**1,878**	**5,135**	**21,519**	**13,045**	**2,119**	**5,396**	**23,740**
Delaware	213	48	NA	514	212	52	NA	530
Maryland	1,378	143	575	2,296	1,578	171	627	2,585
New Jersey[1]	1,569	353	852	3,258	1,911	415	915	3,712
New York	6,017	709	1,994	9,989	6,948	763	2,055	11,087
Pennsylvania	2,210	625	1,713	5,461	2,397	718	1,799	5,826
Great Lakes	**9,083**	**2,300**	**6,434**	**20,629**	**10,143**	**2,061**	**6,779**	**21,978**
Illinois	2,494	527	1,459	5,168	2,703	513	1,555	5,601
Indiana	1,260	435	847	3,194	1,200	421	928	3,226
Michigan	1,938	714	1,821	5,236	2,060	578	1,920	5,368
Ohio	1,924	445	1,481	4,313	2,387	378	1,526	4,767
Wisconsin	1,468	179	827	2,718	1,794	172	850	3,015
Plains	**2,894**	**501**	**2,325**	**6,371**	**3,292**	**518**	**2,507**	**6,955**
Iowa	657	115	393	1,286	739	124	407	1,393
Kansas	563	94	407	1,129	690	118	413	1,289
Minnesota	1,243	216	1,160	2,934	1,374	200	1,274	3,129
Missouri	ND	ND	ND	ND	ND	ND	ND	ND
Nebraska	357	44	182	648	407	48	232	754
North Dakota	74	32	84	233	82	28	76	236
South Dakota	NA	NA	99	141	NA	NA	106	153
Southeast	**9,093**	**2,456**	**10,348**	**26,740**	**10,189**	**2,371**	**10,880**	**28,434**
Alabama	634	86	424	1,507	778	88	431	1,674
Arkansas	534	107	403	1,115	557	110	422	1,164
Florida	NA	654	3,386	5,331	NA	582	3,653	5,476
Georgia	1,419	288	1,190	3,168	1,714	278	1,255	3,567
Kentucky	762	147	629	1,758	858	125	648	1,863
Louisiana	516	167	510	1,630	548	169	528	1,703
Mississippi	385	91	576	1,378	403	86	579	1,387
North Carolina	2,000	415	871	3,621	2,146	346	881	3,665
South Carolina	614	81	494	1,387	700	57	525	1,444
Tennessee	NA	169	1,108	2,033	NA	199	1,158	2,251
Virginia	1,914	191	519	3,012	2,152	293	553	3,414
West Virginia	316	61	237	802	333	40	246	827
Southwest	**1,548**	**384**	**5,302**	**11,082**	**1,602**	**358**	**5,712**	**11,804**
Arizona	601	253	689	1,561	631	230	746	1,624
New Mexico	295	59	282	748	334	56	294	824
Oklahoma	651	73	341	1,224	638	72	353	1,280
Texas	NA	NA	3,990	7,549	NA	NA	4,318	8,076
Rocky Mountain	**2,384**	**359**	**980**	**4,562**	**2,683**	**374**	**1,051**	**4,965**
Colorado	1,131	150	433	1,748	1,257	129	463	1,889
Idaho	284	45	175	658	355	56	187	739
Montana	480	90	NA	1,031	520	100	NA	1,064
Utah	490	75	323	1,002	551	89	346	1,108
Wyoming	NA	NA	48	123	NA	NA	55	165
Far West	**12,451**	**2,340**	**7,403**	**24,763**	**17,052**	**2,788**	**8,307**	**30,788**
Alaska	NA	76	NA	265	NA	145	NA	423
California	11,017	2,068	5,202	19,024	15,372	2,429	5,976	24,484
Hawaii	276	26	365	736	279	37	394	788
Nevada	NA	NA	478	605	NA	NA	501	577
Oregon	1,157	169	NA	1,363	1,402	177	NA	1,617
Washington	NA	NA	1,358	2,771	NA	NA	1,436	2,900

Table 10: State Tax Revenue
July-June, Fiscal Years 1999 and 2000 (millions)

	Fiscal Year 1999				*Fiscal Year 2000*			
	Personal Income	*Corporate Income*	*Sales*	*Total*	*Personal Income*	*Corporate Income*	*Sales*	*Total*
United States	**$170,986**	**$31,002**	**$153,344**	**$423,906**	**$192,828**	**$32,316**	**$164,688**	**$460,263**
New England	**13,273**	**1,835**	**7,400**	**27,215**	**14,814**	**1,912**	**7,965**	**29,596**
Connecticut	3,175	429	2,621	7,576	3,539	386	2,767	8,082
Maine	1,004	145	792	2,299	1,075	150	847	2,440
Massachusetts	8,037	1,009	3,270	14,235	9,042	1,132	3,565	15,615
New Hampshire	NA	165	NA	874	NA	166	NA	1,066
Rhode Island[1]	673	41	511	1,421	726	37	570	1,531
Vermont	384	46	206	810	432	41	216	862
Mid Atlantic	**38,167**	**6,901**	**20,562**	**78,212**	**42,596**	**7,032**	**22,041**	**84,467**
Delaware	771	93	NA	1,697	733	106	NA	1,727
Maryland	3,994	401	2,077	7,013	4,420	420	2,240	7,708
New Jersey[1]	5,555	1,167	4,132	13,024	6,251	1,168	4,507	14,165
New York	21,163	3,515	7,747	37,644	24,126	3,478	8,276	41,056
Pennsylvania	6,684	1,725	6,606	18,834	7,066	1,860	7,018	19,811
Great Lakes	**29,555**	**6,504**	**24,608**	**71,816**	**32,005**	**6,400**	**26,341**	**76,436**
Illinois	7,778	1,384	5,647	17,512	8,273	1,527	6,065	18,792
Indiana	3,699	1,007	3,415	10,599	3,753	950	3,687	10,981
Michigan	6,782	2,386	7,063	19,969	7,199	2,302	7,533	20,994
Ohio	6,417	1,084	5,545	14,553	7,232	969	5,914	15,618
Wisconsin	4,879	643	2,938	9,183	5,548	652	3,142	10,051
Plains	**12,213**	**1,771**	**9,476**	**25,816**	**12,923**	**1,808**	**10,154**	**27,280**
Iowa	2,234	322	1,620	4,527	2,376	326	1,663	4,745
Kansas	1,695	227	1,599	3,790	1,856	250	1,649	4,017
Minnesota	5,370	794	3,911	11,081	5,559	814	4,293	11,650
Missouri[2]	1,627	208	863	2,918	1,728	205	889	3,025
Nebraska	1,079	135	745	2,124	1,180	140	900	2,404
North Dakota	208	85	333	797	224	73	330	827
South Dakota	NA	NA	405	579	NA	NA	430	612
Southeast	**30,676**	**6,259**	**39,308**	**91,898**	**33,413**	**6,218**	**41,627**	**97,477**
Alabama	2,131	255	1,647	5,518	2,439	261	1,716	6,029
Arkansas	1,666	256	1,567	3,725	1,713	255	1,668	3,882
Florida	NA	1,472	12,707	17,958	NA	1,407	13,767	18,906
Georgia	5,697	817	4,486	12,029	6,365	738	4,814	13,026
Kentucky	2,532	312	2,462	6,293	2,702	306	2,581	6,610
Louisiana	1,423	289	1,861	4,828	1,487	224	1,911	4,992
Mississippi	1,187	330	2,201	4,900	1,256	327	2,287	5,113
North Carolina	6,736	1,129	3,376	12,374	7,209	1,197	3,355	12,814
South Carolina	2,296	240	1,699	4,884	2,441	206	1,794	5,037
Tennessee	NA	571	4,317	7,011	NA	614	4,590	7,574
Virginia	6,088	420	2,065	9,703	6,829	566	2,202	10,789
West Virginia	920	168	920	2,675	972	117	942	2,705
Southwest	**4,912**	**926**	**20,518**	**37,689**	**5,158**	**884**	**21,970**	**40,352**
Arizona	2,098	546	2,578	5,264	2,289	523	2,830	5,684
New Mexico	803	161	1,153	2,487	870	161	1,174	2,657
Oklahoma	2,011	219	1,376	4,242	1,999	200	1,391	4,414
Texas	NA	NA	15,411	25,696	NA	NA	16,575	27,597
Rocky Mountain	**6,651**	**745**	**3,896**	**13,555**	**7,360**	**810**	**4,166**	**14,659**
Colorado	3,344	301	1,701	5,511	3,676	300	1,848	5,986
Idaho	847	96	702	2,099	966	126	747	2,298
Montana	991	162	NA	2,085	1,062	202	NA	2,147
Utah	1,469	186	1,316	3,415	1,656	182	1,368	3,682
Wyoming	NA	NA	177	445	NA	NA	203	546
Far West	**35,540**	**6,061**	**27,576**	**77,705**	**44,559**	**7,253**	**30,425**	**90,996**
Alaska	NA	199	NA	758	NA	224	NA	1,104
California	30,761	5,495	19,010	57,862	39,328	6,579	21,169	69,710
Hawaii	1,069	43	1,447	2,854	1,065	68	1,536	2,972
Nevada	NA	NA	1,830	2.117	NA	NA	1,942	2,486
Oregon	3,710	324	NA	4,172	4,166	382	NA	4,686
Washington	NA	NA	5,289	9,717	NA	NA	5,778	10,038

Technical Notes

This report is based on information collected from state officials, most often in state revenue departments, but in some cases from state budget offices and legislative staff. This is the forty-first in a series of such reports published by the Rockefeller Institute's Fiscal Studies Program (formerly the Center for the Study of the States.)

In most states, revenue reported is for the general fund only, but in several states a broader measure of revenue is used. The most important category of excluded revenues in most states is motor fuel taxes. Taxes on health-care providers to fund Medicaid programs are excluded as well.

California: non-general fund revenue from a sales tax increase dedicated to local governments is included.

Michigan: The Single Business Tax, a type of value-added tax, is treated here as a corporation income tax.

Several caveats are important. First, tax collections during a period as brief as three months are subject to influences that may make their interpretation difficult. For example, a single payment from a large corporation can have a significant effect on corporate tax revenues.

Second, estimates of tax adjustments are imprecise. Typically the adjustments reflect tax legislation, however they occasionally reflect other atypical changes in revenue. Unfortunately, we cannot speak with every state in every quarter. We discuss tax legislation carefully with the states that have the largest changes, but for states with smaller changes we rely upon our analysis of published sources and upon our earlier conversations with estimators.

Third, revenue estimators cannot predict the quarter-by-quarter impact of certain legislated changes with any confidence. This is true of almost all corporate tax changes, which generally are reflected in highly volatile quarterly estimated tax payments; to a lesser extent it is true of personal income tax changes that are not implemented through withholding.

Finally, many other non-economic factors affect year-over-year tax revenue growth: changes in payment patterns, large refunds or audits, and administrative changes frequently have significant impacts on tax revenue. It is not possible for us to adjust for all of these factors.

This report contains second calendar quarter revenue data for 49 states. Missouri was still having problems with its new revenue tracking system and personnel turnover and should be back on track by next fiscal year.

Errata from *State Fiscal Brief #59,* "States Predict Slowing but Still Strong Growth for 2000"

In our *State Fiscal Brief #59,* our annual survey of states' key budgetary assumptions, we erroneously reported that California was forecasting a 4.8% increase in state employment for 2000 and a 4.7% increase for 2001. These were incorrectly reported to us, and we passed the information along to our readers without realizing the mistake. In fact, those numbers represented the correct unemployment rate figures (only very slightly different from the reported figures of 4.7% and 4.6%). These changes had only slight impacts on the final report, as listed below. They did not affect the median for either employment growth or unemployment rate projections. You may download a corrected version of the full report at: http://rockinst.org/publications/fiscal_studies/fb59.pdf

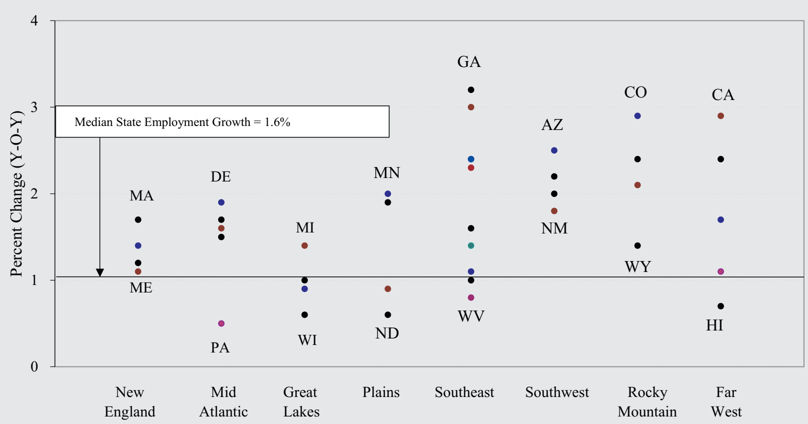
Specific changes to *State Fiscal Brief #59:*

P. 2 – Top, right-hand paragraph should read:

"As Figure 3 shows, there are definite regional differences in states' predictions of their own economies, mostly mirroring current economic trends. For example, New England states are all forecasting employment growth of slightly below or just about at the national median, while the Far West states are much more dispersed, with California forecasting one of the strongest employment growth rates in the nation and Hawaii forecasting one of the lowest. Many of the states whose economies and state coffers have been suffering recently have predicted below-average growth as well: Louisiana, North Dakota, Tennessee, and West Virginia are all in this group. Pennsylvania had the lowest forecast, although its economy and revenue have not been suffering. Given that that state has been consistently more conservative than average in its forecasts over the past few years of this survey, it seems likely that that tendency is behind the weak numbers here as well."

P. 3 – Figure 3 should be changed:

Figure 3
Regional Variation in Forecasts of 2000 State Employment Growth



P. 6 – Table 2, California Employment, 2000 = 2.9 (not 4.8), 2001 = 2.5 (not 4.7)

P. 7 – Table 2 (continued), California Unemployment Rate, 2000 = 4.8 (not 4.7), 2001 = 4.7 (not 4.6)

Fiscal Studies Program
The Nelson A. Rockefeller Institute of Government
State University of New York
411 State Street
Albany, New York 12203-1003

NONPROFIT
ORG.
U.S. POSTAGE
PAID
ALBANY, N.Y.
PERMIT NO. 21

The Nelson A. Rockefeller Institute of Government, the public policy research arm of the State University of New York, was established in 1982 to bring the resources of the 64-campus SUNY system to bear on public policy issues. The Institute is active nationally in research and special projects on the role of state governments in American federalism and the management and finances of both state and local governments in major areas of domestic public affairs.

The Institute's Fiscal Studies Program, originally called the Center for the Study of the States, was established in May 1990 in response to the growing importance of state governments in the American federal system. Despite the ever-growing role of the states, there is a dearth of high-quality, practical, independent research about state and local programs and finances.

The mission of the Fiscal Studies Program is to help fill this important gap. The Program conducts research on trends affecting all 50 states and serves as a national resource for public officials, the media, public affairs experts, researchers, and others. Donald J. Boyd, who has spent two decades analyzing state and local fiscal issues, is director of Fiscal Studies.

This report was written by Elizabeth I. Davis, the Program's Senior Policy Analyst. The section on tax cuts in 2000 was written by graduate assistant Nicholas Jenny, who also assisted with much of the data gathering and analysis. Michael Cooper, the Rockefeller Institute's Director of Publications, did the layout and design of this report, with assistance from Michele Charbonneau.

The Fiscal Studies Program can be reached at The Nelson A Rockefeller Institute of Government, 411 State Street, Albany, NY 12203-1003, (518) 443-5285 (phone), (518) 443-5274 (fax), fiscal@rockinst.org (e-mail).