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Strong Finish for Many States' Fiscal Years

Preliminary April-June Quarterly State Tax Revenue Data

State Fiscal News: Vol. 4, No. 7

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August 2004

State tax revenue grew by 11.4 percent in the April-June 2004 quarter compared to the year before, according to preliminary data collected by the Rockefeller Institute of Government. When adjusted for the effects of legislation and inflation, this increase was 6.7 percent. This is the third straight quarter of real, adjusted state tax revenue growth. Revenue performance has been improving for five quarters. The April-June quarter finishes the fiscal year for 46 of the states, so this accelerating growth has helped many states to meet or exceed their revenue targets.[1] (See Figure 1.)

While state tax revenue growth is healthy again, real state revenue levels still have a way to go before they have fully recovered from the recession, even though it ended over two years ago. Figure 2

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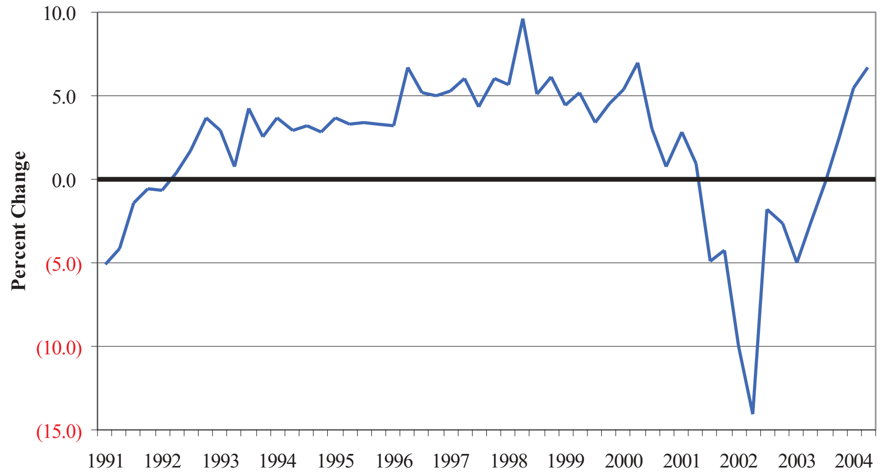
1 The states that do not use a July 1 to June 30 fiscal year are: New York — April 1 to March 31, Texas — September 1 to August 31, Alabama and Michigan — October 1 to September 30.

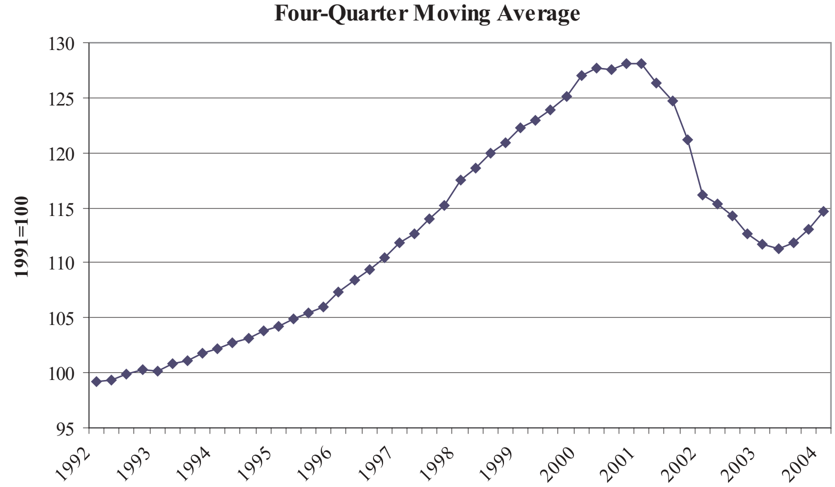
Figure 1.
Year-Over-Year Change in Total Tax Collections,
Adjusted for Legislation and Inflation, 1991-2004



Source: The Nelson A. Rockefeller Institute of Government. Inflation measured by the Bureau of Economic Analysis' State and Local Government

shows the legislation and inflation adjusted data from Figure 1, indexed for population growth, and using a four-quarter moving average to smooth out the quarter-to-quarter variations. It provides a clearer picture of what has happened to underlying state tax revenue growth from just after the recession that ended in 1991 to the most recent quarter. Adjusted per-capita state tax revenue is definitely growing, but has a long ways to go to reclaim the levels that it reached before the 2001 recession.

Figure 2.
Per-Capita State Tax Revenue, Indexed to 1991
Adjusted for Legislation and Inflation,
Four-Quarter Moving Average



Source: The Nelson A. Rockefeller Institute of Government. Inflation measured by the Bureau of Economic Analysis' State and Local Government Price Index; population increases are from Bureau of the Census estimates.

Table 1.
Percent Change in Quarterly Total Tax Revenue by Region, adjusted for legislation and inflation, April-June 2003 to 2004 (preliminary)

Far West	10.9
Mid Atlantic	9.6
Southwest	6.9
New England	6.7
United States	**6.7**
Rocky Mountain	6.1
Southeast	5.4
Plains	2.9
Great Lakes	1.3

Source: The Nelson A. Rockefeller Institute of Government. Inflation measured by the Bureau of Economic Analysis' State and Local Government Price Index, it is assumed that inflation affects all regions equally.

As can be seen in Table 1, state tax revenue growth in the April-June quarter, adjusted for legislation and inflation, was the strongest in the Far West region at 10.9 percent – this region is rebounding from significant declines in previous two years. This is the third straight quarter that all regions had real adjusted tax revenue growth. The Great Lakes region had the smallest growth at 1.3 percent.

Updated and expanded state tax revenue numbers, including state-by-state data, will be available in the forthcoming *State Revenue Report* #57, covering the April-June quarter.

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