

STATE REVENUE REPORT

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Strong Revenue Growth Continues in Most States

Nicholas W. Jenny

HIGHLIGHTS

- ❖ State tax revenue in the April-June 2005 quarter grew 13.3 percent compared to the same period in 2004. This was the fastest growth since at least 1991.
- ❖ After adjusting for inflation and legislated tax changes, growth was 8.1 percent.
- ❖ All three major tax sources showed strong growth, with the strongest gains recorded in the corporate income tax.
- ❖ Final personal income tax payments with returns were up 29.3 percent.
- ❖ Revenue growth was strongest in the Mid-Atlantic region (16 percent) and weakest in the Great Lakes and Southwest regions (9.1 percent).
- ❖ National employment growth was 1.6 percent in the quarter, with the strongest growth in the western and southern regions.

Tax Revenue Change

State tax revenue increased 13.3 percent in the April-June quarter of 2005 compared to the same quarter the year before. This is the strongest nominal revenue growth since the Rockefeller Institute of

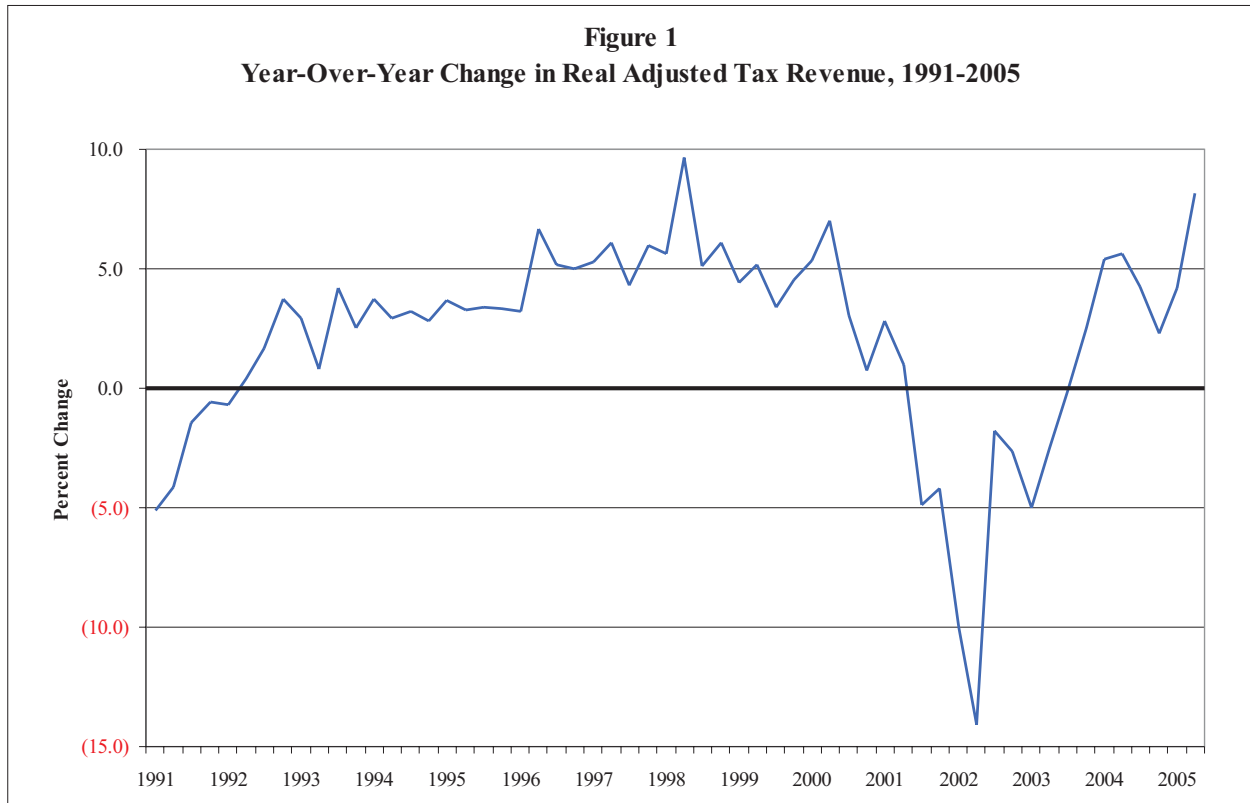
Government began to track state revenues in 1991. Corporate income tax growth was particularly strong, and personal income tax revenue also grew rapidly, in part reflecting lagging collections from stronger economic growth in 2004. Tax revenue changes for the last 30 quarters are shown in Table 1.

Table 1 Year-Over-Year Percent Change in Quarterly State Tax Revenue <i>Adjusted for Legislated Tax Changes and Inflation</i>				
	Total Nominal Change	Adjusted Nominal Change	Inflation Rate	Adjusted Real Change
2005				
April-June	13.3 %	13.0 %	4.5 %	8.1 %
Jan.-Mar.	11.4	9.5	5.1	4.2
2004				
Oct.-Dec.	7.8	7.3	4.9	2.3
July-Sept.	8.6	8.1	3.7	4.2
April-June	11.2	9.0	3.2	5.6
Jan.-Mar.	8.1	7.1	1.5	5.5
2003				
Oct.-Dec.	7.3	4.9	2.3	2.5
July-Sept.	4.5	2.6	2.8	(0.2)
April-June	3.2	0.4	3.0	(2.5)
Jan.-Mar.	1.4	(1.0)	4.2	(5.0)
2002				
Oct.-Dec.	1.9	0.3	3.0	(2.6)
July-Sept.	2.5	0.7	2.5	(1.8)
April-June	(10.6)	(12.1)	2.3	(14.1)
Jan.-Mar.	(7.8)	(8.2)	2.0	(10.0)
2001				
Oct.-Dec.	(2.7)	(2.2)	2.1	(4.2)
July-Sept.	(3.1)	(2.4)	2.6	(4.9)
April-June	2.5	4.2	3.2	1.0
Jan.-Mar.	5.1	6.3	3.4	2.8
2000				
Oct.-Dec.	4.0	5.0	4.2	0.8
July-Sept.	7.1	7.7	4.5	3.1
April-June	11.4	11.8	4.5	7.0
Jan.-Mar.	9.7	10.4	4.8	5.3
1999				
Oct.-Dec.	7.4	8.4	3.7	4.5
July-Sept.	6.1	6.7	3.2	3.4
April-June	5.0	8.0	2.7	5.2
Jan.-Mar.	4.8	6.5	2.0	4.4
1998				
Oct.-Dec.	7.5	8.0	1.8	6.1
July-Sept.	6.6	7.1	1.9	5.1
April-June	9.7	11.4	1.6	9.6
Jan.-Mar.	6.5	7.0	1.3	5.6
Inflation is measured by BEA State and Local Government Consumption Expenditures and Gross Investment Price Index.				

Tax increases and other processing changes made a relatively minor contribution to state tax collections in the April-June quarter, and were concentrated in a few states. Without net enacted tax increases and processing changes, state tax revenue growth would have been 13 percent. Inflation,

Table 2 Year-Over-Year Percent Change in Quarterly State Tax Revenue <i>By Major Tax</i>				
	PIT	CIT	Sales	Total
2005				
April-June	18.4 %	22.8 %	7.9 %	13.3 %
Jan.-Mar.	11.6	61.6	6.1	11.4
2004				
Oct.-Dec.	8.8	27.0	6.0	7.8
July-Sept.	8.3	23.2	5.8	8.6
April-June	15.6	13.6	7.1	11.2
Jan.-Mar.	8.7	15.2	8.3	8.1
2003				
Oct.-Dec.	6.6	11.1	6.6	7.3
July-Sept.	5.1	9.0	3.7	4.5
April-June	(0.9)	17.9	2.9	3.1
Jan.-Mar.	(3.1)	10.3	1.9	1.4
2002				
Oct.-Dec.	(0.7)	22.4	0.7	1.9
July-Sept.	(1.6)	4.8	3.8	2.5
April-June	(22.3)	(11.7)	1.5	(10.4)
Jan.-Mar.	(14.3)	(16.1)	(1.0)	(7.8)
2001				
Oct.-Dec.	(2.7)	(31.8)	1.0	(2.7)
July-Sept.	(3.7)	(24.0)	0.0	(3.1)
April-June	5.4	(13.1)	0.5	2.5
Jan.-Mar.	8.7	(9.1)	3.4	5.1
2000				
Oct.-Dec.	5.8	(7.7)	4.2	4.0
July-Sept.	11.0	5.7	4.6	7.1
April-June	18.8	4.2	7.3	11.4
Jan.-Mar.	13.6	8.0	8.2	9.7
1999				
Oct.-Dec.	9.1	3.8	7.3	7.4
July-Sept.	7.6	1.4	6.7	6.1
April-June	6.0	(2.1)	7.3	5.0
Jan.-Mar.	6.6	(2.6)	6.1	4.8
1998				
Oct.-Dec.	9.5	5.2	5.5	7.5
July-Sept.	8.9	(0.2)	5.9	6.6
April-June	19.5	(2.1)	5.3	9.7
Jan.-Mar.	9.3	2.3	5.6	6.5

however, remained relatively high this quarter at 4.5 percent.¹ If the effects of enacted tax increases and inflation are considered, real adjusted state tax revenue increased a strong 8.1 percent, as shown also in Table 1. This is the strongest quarter of real adjusted state tax revenue growth in seven years. The pattern of growth in state tax revenue, adjusted for inflation and enacted tax increases from 1991 to the present is illustrated in Figure 1.



All three major state taxes showed growth this quarter. The strongest growth was the 22.8 percent increase recorded by the corporate income tax — the seventh straight quarter of double-digit growth. Personal income tax revenue also had double-digit growth at 18.4 percent, the strongest growth in five years. Sales tax growth was faster than the previous four quarters at 7.9 percent. Table 2 shows the last 30 quarters of change in state collections of the major tax sources.

Federal receipts for the April-June quarter increased 21 percent. Like the state tax revenue growth this was driven by large gains in the federal individual and corporation income taxes. The federal government collects over 50 percent of its revenue from these sources, compared to less than 40 percent for the states. This, and a more progressive rate structure, probably accounts for the faster growth at the federal level.²

Every region experienced revenue growth in the April-June quarter. (See Table 3.) The Mid-Atlantic region had the strongest growth at 16 percent, just ahead of the Far West region’s 15.9 percent. The Great Lakes and Southwest regions

led for the slowest growth, but at a still-healthy 9.1 percent. Over two-thirds of the states recorded growth of more than ten percent. Only New Mexico had an actual revenue decline in this quarter; that state has been changing its revenue processing system, and this and some tax cuts accounted for much of the decline.

There were over \$400 million in net enacted tax increases in the April-June quarter. The Mid-Atlantic and Far West regions had the largest share of the tax increases. (See Figure 2.) The other regions had relatively small tax increases or cuts that had little effect on tax revenue growth. Table 4 shows the overall effect of legislated tax changes and processing variations. Table 5 shows the percentage change in each state’s total tax revenue, adjusted for legislated tax changes and inflation.

State specific data, including state rankings and percent change in tax revenue for the previous quarter are available at:

www.rockinst.org/rfs/statespecific_data_aprjune05.htm.

	PIT	CIT	Sales	Total
	%	%	%	%
United States	18.4	22.8	7.9	13.3
New England	15.9	13.1	4.8	11.7
Connecticut	15.0	19.3 ¶	4.8	12.4
Maine	15.6 ¶	18.2	2.9	0.2 ¶
Massachusetts ¹	15.8	(10.4)	4.4	10.5
New Hampshire	NA	13.4 *	NA	7.0
Rhode Island ¹	14.9 *	69.3 *	5.4	11.5 *
Vermont	28.6	19.3	16.7	31.0
Mid-Atlantic	24.2	25.2	3.8	16.0
Delaware	21.7	41.9	NA	10.5
Maryland	21.1	39.2 *	6.9	17.5 *
New Jersey	61.4 *	6.0	4.6	28.3 *
New York	19.9	65.0	3.0	17.0
Pennsylvania	14.4 *	11.5	3.3	6.7 *
Great Lakes	14.4	30.8	2.5	9.1
Illinois	13.0	43.8 *	5.1	10.2
Indiana	14.3	30.5	4.7	11.4
Michigan	17.6 ¶	21.4	1.8	7.8 ¶
Ohio	15.2	37.6 ¶	0.1	9.0
Wisconsin	12.1	14.8 ¶	1.9	6.9
Plains	16.2	41.5	3.8	11.4
Iowa	4.8	21.6	4.4 ¶	4.7 ¶
Kansas	14.1	109.3 *	5.4	14.3
Minnesota	28.0	62.9	0.3	13.0
Missouri	11.8	18.7 *	6.2	10.5
Nebraska	17.3	1.3	11.1	13.3
North Dakota	14.7	66.0	13.1	23.2
South Dakota	NA	NA	(2.2)	0.3
Southeast	13.6	44.5	9.4	14.1
Alabama	11.8	53.9	7.9	13.1
Arkansas	9.9	20.4	9.6 *	9.1
Florida	NA	43.3 ¶	15.1	19.3 ¶
Georgia	(0.4)	60.9	0.8	2.0
Kentucky	8.3	86.3 *	4.6	11.6 *
Louisiana	7.2	53.4	4.2	15.6
Mississippi	25.7	21.4	4.5	9.6
North Carolina ¹	31.4	183.6 ¶	14.0	27.7
South Carolina	17.3 ¶	26.4	6.4	11.0 ¶
Tennessee	NA	5.9	5.2	5.7
Virginia	17.9 *	21.5	15.4 *	17.4 *
West Virginia	16.0	40.7	6.0	25.3
Southwest	20.1	28.4	5.2	9.1
Arizona	54.6	18.0	13.6	25.5
New Mexico ¹	(34.9) ¶	82.3	4.8 *	(5.5) ¶
Oklahoma	7.0	49.6	5.8	5.5
Texas	NA	NA	3.6	7.1
Rocky Mountain	18.4	30.0	7.5	14.2
Colorado	15.3	26.1	5.5	12.8
Idaho	27.5	11.8	5.9	14.4
Montana	21.1	78.4	NA	13.8
Utah	18.3	30.8	9.5	16.3
Wyoming	NA	NA	16.1	16.0
Far West	20.5	3.9	17.5	15.9
Alaska	NA	9.4	NA	42.9
California	20.7 *	3.0	19.9	17.3
Hawaii	20.5	27.2	14.8 ¶	17.3
Nevada	NA	NA	15.6	15.4
Oregon	17.5	21.8	NA	16.3
Washington	NA	NA	9.2 ¶	1.6

See page 9 for notes.

Personal Income Tax

Personal income tax revenue grew 18.4 percent in the April-June quarter compared to the same quarter the year before. This was up from the previous quarter's 11.6 percent growth, and marks two straight years of growth after two years of decline. The strongest growth was the Mid-Atlantic region's 24.2 percent. The Southeast states had the slowest growth at "only" 13.6 percent. Growth was widespread, affecting 39 of the 41 states with broad-based personal income tax. New Jersey led with a remarkable 61.4 percent growth for two months of the quarter, aided by a legislated tax increase. Arizona's 54.6 percent growth was perhaps even more impressive since it was for all three months of the quarter, and was accomplished without a significant legislated tax increase. Thirty-two other states also had double-digit increases. The only exceptions to the growth pattern were Georgia and New Mexico. New Mexico declined 34.9 percent; however, we have only two months of data for that state, and it has recently changed its processing system, so the comparison may not be accurate.

We can get a better idea of what is really happening with the personal income tax by breaking it down into its major component parts: withholding, quarterly estimated payments, and final settlements.

Withholding

Withholding is a good indicator of the current strength of personal income tax revenue because it comes largely from current wages and is much less volatile than estimated payments or final settlements. Table 6 shows that withholding for the April-June 2005 quarter increased 5.8 percent over the same quarter of 2004. This was the same growth rate as in the previous quarter. This growth rate is only 1.3 percent faster than inflation. Clearly, this is much less than the overall growth for the personal income tax in this quarter, which suggests that much of that growth is coming not from wages but from

Strong Revenue Growth Continues in Most States

Table 4 Change in Quarterly State Tax Revenue Adjusting for Legislated Tax Changes			
	PIT	Sales	Total
2005			
April-June	17.9 %	7.8 %	13.0 %
Jan.-Mar.	11.2	6.0	9.5
2004			
Oct.-Dec.	8.3	5.7	7.3
July-Sept.	7.3	5.6	8.1
April-June	12.6	6.4	9.0
Jan.-Mar.	7.7	6.8	7.0
2003			
Oct.-Dec.	5.3	4.2	4.9
July-Sept.	3.9	1.9	2.6
April-June	(2.0)	1.3	0.4
Jan.-Mar.	(4.4)	1.0	(1.0)
2002			
Oct.-Dec.	(1.6)	0.7	0.3
July-Sept.	(2.1)	2.7	0.7
April-June	(22.5)	0.1	(11.9)
Jan.-Mar.	(14.5)	(2.4)	(8.4)
2001			
Oct.-Dec.	(2.1)	1.2	(2.3)
July-Sept.	(2.8)	0.4	(2.4)
April-June	7.9	0.6	4.2
Jan.-Mar.	10.1	3.7	6.3
2000			
Oct.-Dec.	6.5	5.0	5.0
July-Sept.	11.6	5.6	7.7
April-June	18.6	7.8	11.8
Jan.-Mar.	13.8	8.8	10.4
1999			
Oct.-Dec.	11.0	7.5	8.4
July-Sept.	8.3	6.9	6.7
April-June	12.4	7.3	8.0
Jan.-Mar.	9.9	6.2	6.5
1998			
Oct.-Dec.	10.2	5.9	8.0
July-Sept.	9.3	6.4	7.1
April-June	23.3	5.9	11.4
Jan.-Mar.	10.0	6.5	7.0

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.)

other sources. Enacted changes added only 0.1 percent to withholding this quarter.

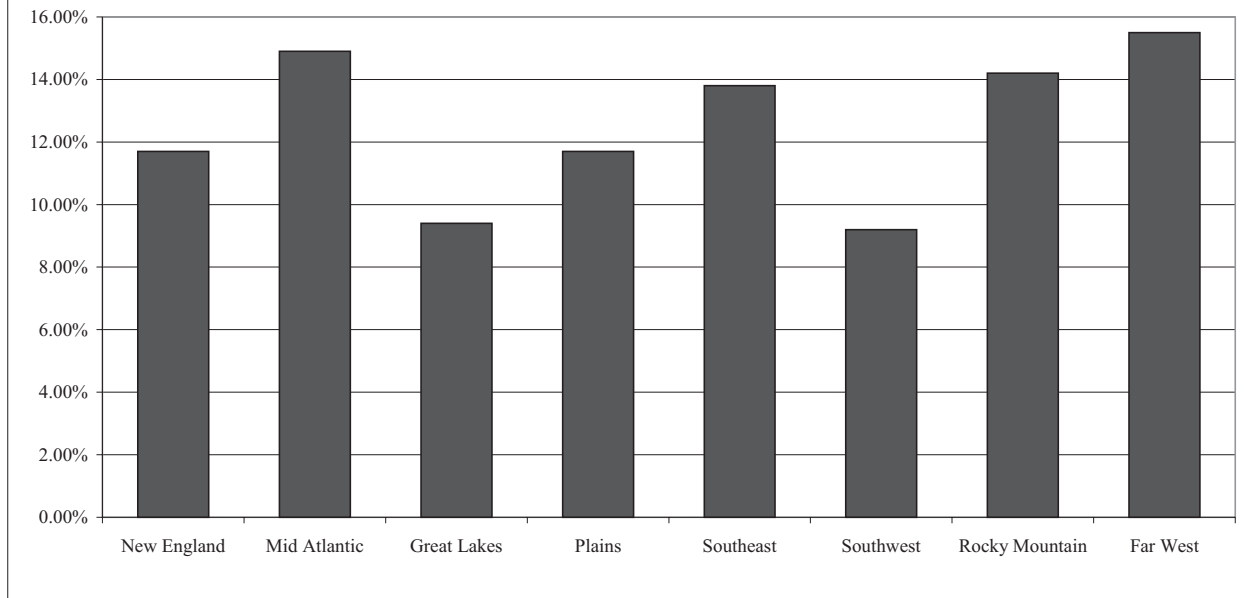
Estimated Payments

The highest-income taxpayers generally pay the most estimated tax payments (also known as declarations) on their income not subject to withholding tax. This income often comes from investments, i.e., capital gains realized in the stock market. A strong stock market should eventually translate into capital gains and higher estimated tax payments. Strong business profits also tend to boost these payments, as do corporate income taxes.

Table 5 Percent Change in Quarterly Total Tax Revenue by State, Adjusted for Legislation and Inflation April-June, 2004 to 2005	
United States	8.1 %
New England	
Connecticut	7.8
Maine	(3.2)
Massachusetts ¹	5.7
New Hampshire	1.9
Rhode Island ¹	2.8
Vermont	25.4
Mid Atlantic	10.0
Delaware	5.7
Maryland	11.1
New Jersey	17.6
New York	12.1
Pennsylvania	1.1
Great Lakes	
Illinois	5.1
Indiana	6.6
Michigan	4.1
Ohio	4.8
Wisconsin	2.4
Plains	
Iowa	1.6
Kansas	9.4
Minnesota	8.1
Missouri	5.7
Nebraska	8.4
North Dakota	17.9
South Dakota	(3.5)
Southeast	
Alabama	7.6
Arkansas	3.6
Florida	15.4
Georgia	(2.3)
Kentucky	5.0
Louisiana	10.7
Mississippi	4.9
North Carolina ¹	22.3
South Carolina	7.6
Tennessee	1.1
Virginia	8.9
West Virginia	19.9
Southwest	
Arizona	20.1
New Mexico ¹	(7.3)
Oklahoma	1.0
Texas	2.5
Rocky Mountain	
Colorado	7.9
Idaho	9.5
Montana	8.9
Utah	11.2
Wyoming	11.0
Far West	
Alaska	36.2
California	11.6
Hawaii	12.8
Nevada	10.4
Oregon	11.3
Washington	(2.2)

Inflation is measured by BEA State and Local Government Consumption Expenditures and Gross Investment Price Index. See page 9 for notes.

Figure 2
Percent Change in Tax Revenue by Region, Adjusted for Legislated Changes,
April-June, 2004 to 2005



In the 34 states for which we have complete data, growth in estimated tax payments in the April-June quarter was 23.8 percent compared to the year before. (See Table 7.) For most states, the first two quarterly estimated payments for the 2005 tax year were due this quarter — in April and June. The strong growth indicates that most of those who receive non-wage income are expecting it to be higher this year than last. In addition, since there was strong growth in final payments for last year's income (see below), many estimated tax-payers need to pay more just to match their total payments for last year, as required to avoid penalties. If estimated tax payments remain this strong for the rest of the year, it also points to another strong round of final payments next April.

Final Settlements

Final settlements are payments that taxpayers make or refunds they receive when filing their annual tax returns. In most states, the filing deadline is on or before April 15th, but some states have later deadlines or do not finish processing final settlements until May or even June. A survey of state collections in April indicates that final settlements

this year have grown 29.3 percent from the year before. Of 38 states in the survey, 31 reported growth in final payments compared to the year before, with median growth at 23 percent. Meanwhile, refunds grew only slightly compared to the year before.

This growth in overall collections from final settlements is generally stronger than states had anticipated, and is getting back into the range of the growth in final settlements that states experienced regularly from the mid 1990s though 2001. With this favorable "April surprise," the strong growth in final returns this year has put many states into surplus on their budgets.

General Sales Tax

Sales tax revenue in the April-June quarter increased 7.9 percent over the same quarter the year before. This is an increase from the 6.1 percent growth the previous quarter.

Sales tax revenue grew fastest in the Far West region at 17.5 percent. The weakest growth was in the Great Lakes region, where revenue increased 2.5 percent (about one-half the national rate of in-

Table 6				
Change in Personal Income Tax Withholding by State, Last Four Quarters				
	<i>2004</i>		<i>2005</i>	
	<i>July-Sept</i>	<i>Oct.-Dec.</i>	<i>Jan-Mar.</i>	<i>Apr.-June</i>
United States	5.5 %	6.3 %	5.8 %	5.8 %
New England	4.9	6.4	4.3	4.4
Connecticut	3.9	12.1	4.0	7.4
Maine	3.7	6.0	7.8	0.7
Massachusetts	4.7	4.3	4.1	3.5
Rhode Island	11.5 *	3.2 *	3.7 *	4.8 *
Vermont	7.4	5.0	3.8	5.1
Mid-Atlantic	6.6	4.4	5.5	10.8
Delaware	4.3	9.9	8.2	3.4
Maryland	6.8 *	(5.1)	(7.4)	37.3
New Jersey ¹	6.4 *	7.0 *	10.6 *	11.2 *
New York	4.4	4.9	8.0	4.7
Pennsylvania	14.4 *	13.9 *	8.1 *	4.6 *
Great Lakes	4.1	4.6	4.1	4.0
Illinois	2.8 *	4.6 *	5.0 *	5.1 *
Indiana	5.3	4.5	5.5	6.0
Michigan	1.1	1.9 ¶	(2.0) ¶	2.5 ¶
Ohio	5.2	4.8	7.4	2.8
Wisconsin	8.1	7.8	4.8	4.5
Plains	2.6	5.0	6.2	4.8
Iowa	5.5	5.8	7.3	ND
Kansas	4.2	5.6	7.7	6.6
Minnesota	0.5	4.7	8.1	2.6
Missouri	1.8	4.5	1.5	6.5
Nebraska	5.5	6.4	7.0	6.7
North Dakota	9.3	3.5	19.0	4.6
Southeast	6.4	7.5	6.3	2.9
Alabama	4.6	6.5	9.2	5.8
Arkansas	5.7	6.4	9.5	5.8
Georgia	7.6	12.6	2.6	(10.2)
Kentucky	4.1	5.2	7.0	8.9
Louisiana	5.6	11.2	5.3	7.2
Mississippi	5.5	17.1	6.5	7.0
North Carolina	4.6	4.3	7.5	7.1
South Carolina	4.4	7.8	5.6 ¶	7.1
Virginia ¹	10.1	5.8	7.0	5.9
West Virginia	5.7 *	4.3	6.7	9.2
Southwest	4.8	7.0	10.1	7.5
Arizona	9.2	7.9	16.3	ND
New Mexico ¹	(3.9)	8.7	(2.1)	(1.5)
Oklahoma	4.1	5.5	8.1	8.1
Rocky Mountain	5.5	6.2	5.7	7.1
Colorado	5.3	6.7	6.5	5.3
Idaho	5.9	7.7	3.3	11.6
Montana	7.5	2.1	10.6	3.6
Utah	5.1	5.2	4.1	9.1
Far West	6.0	10.1	7.4	5.0
California	6.1	11.0	7.0	5.0
Hawaii	6.4	9.4	19.8	3.3
Oregon	5.2	4.0	6.9	5.4

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.
See page 9 for notes.

flation). Eleven states had double-digit growth, with California leading the way at 19.9 percent. South Dakota sales tax revenue declined by 2.2 percent; it was the only state with a decline.

Corporate Income Tax

Corporate income tax revenue grew 22.8 percent in the April-June quarter, down from the previous quarter's 61.6 percent. This quarter still represented a continuation of the strong growth in the corporate income tax that the states have enjoyed for the previous eleven quarters. The corporate income tax is a volatile tax source, growing and declining very rapidly. Of late, however, this tax source has been moving in one consistent direction — up — and very rapidly. The corporate income tax represented 7.3 percent of total tax collections in the states over the last year, up from a share of 5.3 percent three years ago.

Gasoline Taxes

Recent significant increases in gas prices may ultimately have an impact on state revenues, though perhaps not in the expected way. Overall, state excise taxes on motor fuels accounted for 5.7 percent of all state tax collections in 2004.³ Most states calculate their excise tax on gasoline as a certain number of cents per gallon — ranging between 7.5 cents and 31 cents. Therefore, if higher gas prices result in lower consumption, then state gas tax collection will actually decline. Conversely, some states also collect a sales tax on gasoline that is a percentage of the actual purchase price; this should produce a windfall for those states as gas prices increase.

Some states are suspending their gas taxes to alleviate the effects of higher prices on consumers. Georgia, for instance, has suspended both its 7.5 cents/gallon gas tax and its 4 percent tax on gasoline purchases. Other states are considering similar steps.

Underlying Reasons for Trends

These revenue changes result from three kinds of underlying forces: differences in state economies, how these differences affect each state's tax system, and recently legislated tax changes.

	April-June 2005 (First Two Payments for 2005)	
Average (Mean)	23.8	%
Median	17.2	
Alabama	25.0	
Arkansas	18.5	
California	25.4	
Colorado	27.6	
Connecticut	19.9	
Delaware	25.2	
Georgia	23.9	
Hawaii	35.4	
Illinois	13.8	
Indiana	24.3	
Kansas	12.9	
Kentucky	5.1	
Louisiana	9.0	
Maine	16.6	
Maryland	11.5	
Massachusetts	8.4	
Michigan	9.0	
Minnesota	(6.1)	
Mississippi	(30.4)	
Missouri	11.0	
Montana	20.0	
Nebraska	14.3	
New York	42.0	
North Carolina	19.6	
North Dakota	17.0	
Ohio	17.3	
Oklahoma	65.1	
Oregon	16.3	
Pennsylvania	19.9	
Rhode Island	0.5	
South Carolina	19.5	
Vermont	21.3	
West Virginia	14.5	
Wisconsin	(4.4)	

State Economies

The national economy is now experiencing sustained growth, though still with some areas of continued weakness. The Bureau of Economic Analysis' (BEA's) preliminary estimate for the real Gross Domestic Product (GDP) showed growth of 3.3 percent for the second quarter of 2005.⁴ The national unemployment rate was 5.1 percent for the second quarter, down from 5.3 per-

cent the previous quarter, and a point lower than the post-recession peak two years before.⁵

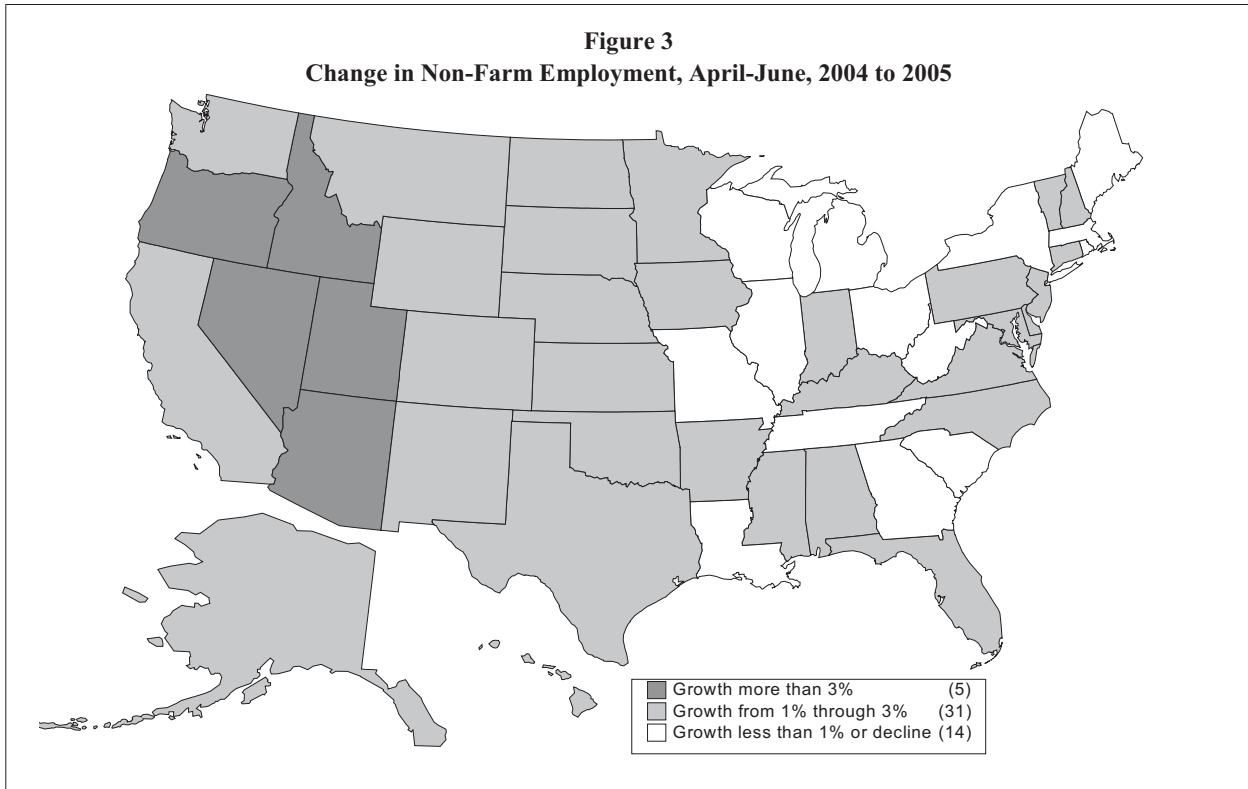
The difficulty with assessing state economies in a report such as this is a general lack of timely state indicators. Data on non-farm employment, tracked by the Bureau of Labor Statistics (BLS), are the only broad-based, timely, high-quality state-level economic indicators available. Yet, these data are far from ideal indicators of revenue growth. Most taxes are based on nominal measures such as income, wages, and profits, rather than employment. Unfortunately, state-level data on these nominal measures — when they are available at all — usually are reported too late to be of much use in analyzing recent revenue collections.

Table 8 shows year-over-year employment growth for the nation and for each state for the last four quarters using BLS data. Figure 6 maps the change in second quarter 2005 employment compared to the same period in 2004. By this measure, employment in the April-June 2005 quarter grew 1.6 percent compared to the year before. Employment growth was strongest in the Rocky Mountain region at 2.5 percent; the weakest growth — 0.4 percent — was in the Great Lakes region. Employment grew in every state except Michigan. Thirty-seven states had employment growth of one percent or more, down from 44 the previous quarter. Nevada continues to lead the country strongly with 6.5 percent growth. Four other states — Arizona, Idaho, Oregon, and Utah — also had strong growth of over three percent.

Overall, the employment picture has shown solid growth for the previous several quarters, and this has continued into the second quarter of 2005, though growth was slightly weaker than in the first quarter of the year. The states with the strongest growth are concentrated in the southern and western sections of the country, the pattern seen before the recent recession, and consistent with the overall pattern of population growth. The only state with persistent employment declines is Michigan.

Nature of the Tax System

Even if economic growth affected all regions and states to exactly the same degree and at exactly the same time, the impact on state revenue would



still vary because the tax systems used by the states react differently to similar economic situations. States that rely heavily on the personal income tax will tend to see stronger growth in good times, since they benefit from growth in income earned by the highest income individuals. This is most evident in states with more progressive income tax structures, since higher incomes are at the highest rates. The sales tax is also very responsive to economic

conditions, but is historically less elastic than the personal income tax, dropping more slowly in bad times and increasing more slowly in good times. States that rely heavily on corporate income taxes or severance taxes often see wild swings in revenue that are not necessarily related to general economic conditions. (Severance taxes are levied on the removal of natural resources, such as oil and natural gas.)

Key to Interpreting Tables

- All percent change tables are based on year-over-year changes.
- 1 indicates data through May only.
- * 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 indicates not applicable.
- ND indicates no data.
- Historical Tables (Tables 1, 2 and 4) have been shortened to provide data only back to 1998. For data through 1991 call the Fiscal Studies Program.

Because high-end incomes are based more heavily upon volatile sources such as stock options and capital gains, growth in personal income tax revenue is far more subject to dramatic fluctuations than it would be if it were based entirely on wages and salaries. Over the last couple of years we have seen growth in the stock market and strong growth in other business-related income. This is leading to the personal income tax growing faster than the general economy. In the recent recession, we saw the downside of this volatility. As the stock market and other investments declined, it pushed personal income tax collections down much faster than the economy, and created large holes in almost every state's budget.

States also have learned more about how sales tax revenue responds to an economic slowdown.

Table 8
Year-Over-Year Percentage Change In Non-Farm
Employment by State, Last Four Quarters

	2004		2005	
	July-Sept.	Oct.-Dec.	Jan.-Mar.	Apr.-June
United States	1.4	1.6	1.7	1.6
Sum of States	1.4	1.5	1.6	1.4
New England	0.5	0.8	1.2	1.0
Connecticut	0.7	1.1	1.4	1.3
Maine	1.1	1.1	0.9	0.6
Massachusetts	0.1	0.5	1.0	0.7
New Hampshire	1.3	1.3	2.0	1.8
Rhode Island	0.8	0.6	1.4	1.0
Vermont	1.3	1.4	1.7	1.4
Mid Atlantic	0.8	0.9	1.3	1.2
Delaware	2.2	2.0	2.3	2.2
Maryland	1.0	1.8	1.9	2.2
New Jersey	0.6	0.9	1.6	1.3
New York	0.7	0.7	1.0	0.9
Pennsylvania	0.7	0.8	1.1	1.1
Great Lakes	0.5	0.4	0.8	0.4
Illinois	0.1	0.3	0.6	0.6
Indiana	1.6	1.4	2.2	1.2
Michigan	(0.2)	(0.4)	(0.1)	(0.6)
Ohio	0.4	0.4	0.7	0.3
Wisconsin	1.6	1.1	1.2	0.8
Plains	1.0	1.1	1.5	1.1
Iowa	1.3	1.1	1.0	1.1
Kansas	1.3	1.5	1.9	1.2
Minnesota	0.7	1.2	1.8	1.1
Missouri	0.6	0.9	1.1	0.8
Nebraska	1.4	1.1	1.8	1.1
North Dakota	1.6	1.2	1.9	1.5
South Dakota	1.5	1.5	1.8	1.5
Southeast	2.1	2.0	1.9	1.4
Alabama	1.9	1.9	2.1	1.6
Arkansas	1.4	1.1	1.2	1.1
Florida	3.7	3.8	3.4	2.9
Georgia	1.3	1.2	0.8	0.5
Kentucky	0.8	0.8	1.1	1.0
Louisiana	0.6	0.4	0.6	0.3
Mississippi	1.0	0.9	1.2	1.0
North Carolina	2.0	1.5	1.6	1.4
South Carolina	1.3	1.4	1.0	0.1
Tennessee	1.6	1.5	1.2	0.8
Virginia	2.8	2.7	2.5	1.5
West Virginia	1.3	1.2	1.3	0.9
Southwest	1.8	1.9	1.9	1.8
Arizona	3.6	3.9	4.1	3.9
New Mexico	1.9	2.0	1.9	2.1
Oklahoma	1.1	1.4	1.8	1.8
Texas	1.5	1.4	1.4	1.2
Rocky Mountain	2.3	2.5	2.9	2.5
Colorado	1.7	2.1	2.5	2.1
Idaho	3.1	3.0	3.0	3.3
Montana	2.9	3.5	2.4	1.4
Utah	3.2	2.9	3.7	3.3
Wyoming	1.5	1.9	2.2	2.1
Far West	1.9	2.1	2.3	2.1
Alaska	1.6	1.6	1.5	1.4
California	1.5	1.7	1.7	1.7
Hawaii	2.8	3.1	2.8	2.8
Nevada	6.3	6.4	6.7	6.5
Oregon	2.7	3.0	4.0	3.1
Washington	1.8	1.8	2.3	2.0

Source: Bureau of Labor Statistics.

There has been some fear that as states have removed more stable elements of consumption such as groceries and clothing from their bases, their sales taxes were more subject to plunges as consumers became nervous about spending on optional and big-ticket items. Most state sales taxes also do not capture spending on services well. In the latest economic downturn, however, the sales tax generally maintained slow growth. It is now growing more rapidly as general economic conditions improve, though less rapidly than the personal income or corporate income taxes.

Oil has been a wild card in state tax revenue in recent years. When the price of oil increases, oil-producing states such as Alaska, Oklahoma, and Wyoming benefit through their severance taxes. Conversely, when the price falls, these states' revenue tends to follow suit. This dynamic often operates largely independently of the general economy. Now that we are seeing the price of oil moving toward historic highs, it is likely that this will constitute a drag on most states' economies, as well as a significant increase in state expenses.

Tax Law Changes Affecting This Quarter

The final element affecting trends in tax revenue growth is changes in states' tax laws. When states boost or depress their revenue growth with tax increases or cuts, it can be difficult to draw any conclusions about their current fiscal condition from nominal collections data. That is why this report attempts to note where such changes have significantly affected each state's revenue growth. We also occasionally note when tax processing changes have had a major impact on revenue growth, even though these are not due to enacted legislation, as it helps the reader to understand that the apparent growth or decline is not necessarily indicative of underlying trends.

During the April-June 2005 quarter, enacted tax changes and processing variations increased state revenue by an estimated net of over \$400 million compared to the same period in 2004. There now have been net enacted state tax in-

Strong Revenue Growth Continues in Most States

Table 9
Change in Tax Revenue by State, July-June, FY 2004 to FY 2005

	PIT	CIT	Sales	Total
United States	12.3 %	32.5 %	6.5 %	10.6 %
New England	10.8	21.0	4.5	9.0
Connecticut	11.9	34.2	4.1	10.7
Maine	9.8	21.8	2.6	4.9
Massachusetts ¹	10.1	9.4	4.2	7.6
New Hampshire	NA	22.3	NA	5.9
Rhode Island ¹	10.7	65.3	4.4	10.0
Vermont	16.3	33.9	21.7	19.8
Mid Atlantic	15.1	16.9	4.6	11.0
Delaware	13.0	40.8	NA	9.1
Maryland	11.9	98.4	7.2	13.5
New Jersey ¹	30.6	(2.3)	4.0	14.0
New York	12.6	19.0	5.2	11.4
Pennsylvania	13.1	14.5	3.5	7.4
Great Lakes	8.1	15.3	3.8	5.9
Illinois	7.7	12.3	4.1	5.9
Indiana	10.6	27.9	5.1	7.7
Michigan	0.9	5.9	3.0	2.6
Ohio	11.7	30.0	3.9	7.6
Wisconsin	9.5	17.2	3.1	7.2
Plains	9.0	32.0	4.4	7.5
Iowa	7.3	19.6	4.6	6.2
Kansas	8.6	60.1	3.6	7.9
Minnesota	11.4	47.7	2.7	7.7
Missouri	6.3	7.5	3.8	5.5
Nebraska	12.0	18.5	10.5	11.7
North Dakota	11.3	24.2	11.3	15.6
South Dakota	NA	NA	5.1	4.7
Southeast	10.0	36.9	8.2	10.7
Alabama	9.1	28.7	7.2	10.0
Arkansas	10.1	27.4	7.5	9.0
Florida	NA	28.6	11.9	14.7
Georgia	6.6	44.0	7.2	7.5
Kentucky	8.6	57.8	4.4	8.7
Louisiana	9.0	61.0	6.4	12.2
Mississippi	10.2	16.0	4.5	5.6
North Carolina ¹	11.3	62.5	5.2	10.5
South Carolina	10.6	23.5	5.1	7.9
Tennessee	NA	15.9	4.6	5.2
Virginia	13.1	44.9	15.0	15.7
West Virginia	9.0	54.7	4.2	13.3
Southwest	17.2	52.1	6.1	9.8
Arizona	28.9	42.1	11.1	19.4
New Mexico ¹	10.7	108.4	8.4	14.7
Oklahoma	7.5	40.5	5.2	4.3
Texas	NA	NA	5.1	8.1
Rocky Mountain	12.8	34.1	7.5	10.7
Colorado	10.7	33.5	5.1	9.0
Idaho	15.8	35.5	9.1	11.4
Montana	17.7	45.1	NA	11.3
Utah	13.5	29.5	8.8	11.8
Wyoming	NA	NA	11.8	16.4
Far West	15.1	53.5	9.2	15.8
Alaska	NA	38.0	NA	41.1
California	15.6	55.7	8.8	17.2
Hawaii	18.2	51.0	12.4	16.0
Nevada	NA	NA	15.6	17.5
Oregon	10.0	1.8	NA	8.0
Washington	NA	NA	6.9	6.5

See Page 9 for notes.

creases for every quarter since the beginning of 2002.

Enacted tax changes increased personal income tax collections by a net of over \$300 million. New Jersey raised its top personal income tax rate, boosting revenue by almost \$200 million this quarter. California suspended a tax credit for teachers, adding over \$100 million to its personal income tax collections this quarter.

Virginia raised the sales tax on non-food items, increased the tobacco tax, and made several other tax changes for a net increase of over \$100 million in this quarter. There were also many other smaller tax increases and cuts in other states.

Conclusions

As had been expected, the economic recovery, and especially strong growth in the incomes of top earners, resulted in a very good result from personal income final payments, most of which arrived in the April-June quarter. Legislation had very little effect on tax collections in this quarter, with few states either cutting or hiking taxes. Inflation is still affecting states in a significant way, but tax revenues are easily outpacing its effects.

The current fast revenue growth is helping state budgets and putting many states into surplus positions. States still have some hangover from the measures they took to get through the most recent recession, but this extra revenue can only help with that. It also offers some good news for the states as they face what is otherwise a troubling fiscal future, with growth in Medicaid and other programs likely to continue, and the federal government considering many policy changes that could hurt state finances.

Table 10
State Tax Revenue, April-June, 2004 and 2005 (\$ in millions)

	2004				2005			
	Personal Income	Corporate Income	Sales	Total	Personal Income	Corporate Income	Sales	Total
United States	\$58,803	\$10,990	\$47,975	\$143,090	\$69,621	\$13,500	\$51,776	\$162,155
New England	4,410	367	1,895	8,691	5,110	415	1,986	9,709
Connecticut	1,651	162	776	3,060	1,899	194	813	3,440
Maine	428	46	303	1,039	494	54	311	1,040
Massachusetts ¹	2,009	69	624	3,027	2,327	62	652	3,344
New Hampshire	NA	68	NA	409	NA	77	NA	437
Rhode Island ¹	182	4	129	354	209	7	136	394
Vermont	140	18	63	804	180	22	74	1,053
Mid-Atlantic	12,670	2,133	6,391	25,400	15,740	2,669	6,635	29,476
Delaware	222	39	NA	635	271	55	NA	702
Maryland	1,577	159	735	2,739	1,910	222	786	3,218
New Jersey	1,592	777	1,037	4,094	2,570	824	1,085	5,250
New York	6,797	519	2,637	11,440	8,152	857	2,717	13,381
Pennsylvania	2,481	638	1,981	6,493	2,837	712	2,047	6,925
Great Lakes	9,123	1,672	7,715	21,106	10,435	2,186	7,910	23,036
Illinois	2,470	425	1,598	5,435	2,791	611	1,680	5,991
Indiana	1,217	331	1,203	3,158	1,390	432	1,259	3,519
Michigan	1,452	488	1,958	4,303	1,707	592	1,994	4,636
Ohio	2,545	260	1,983	5,353	2,933	358	1,986	5,836
Wisconsin	1,439	168	972	2,856	1,613	193	991	3,053
Plains	4,627	482	3,305	9,553	5,376	682	3,432	10,646
Iowa	761	87	439	1,422	798	105	459	1,489
Kansas	630	55	453	1,272	719	114	477	1,454
Minnesota	1,345	134	1,275	3,461	1,721	219	1,278	3,910
Missouri	1,420	124	637	2,182	1,588	147	677	2,412
Nebraska	383	63	282	786	449	63	313	891
North Dakota	88	20	90	255	101	33	102	315
South Dakota	NA	NA	129	175	NA	NA	126	175
Southeast	10,034	2,018	12,386	30,852	11,400	2,916	13,556	35,193
Alabama	836	100	490	1,889	934	155	529	2,137
Arkansas	560	74	464	1,269	616	89	508	1,384
Florida	NA	476	4,161	6,246	NA	683	4,788	7,448
Georgia	2,092	191	1,377	4,038	2,083	307	1,389	4,119
Kentucky	826	120	732	2,116	895	224	765	2,362
Louisiana	762	150	569	1,987	817	230	593	2,297
Mississippi	344	87	726	1,532	432	106	758	1,680
North Carolina ¹	1,435	103	701	2,809	1,885	291	799	3,587
South Carolina	679	59	584	1,508	797	75	622	1,675
Tennessee	NA	352	1,477	2,778	NA	373	1,554	2,936
Virginia	2,148	231	831	3,737	2,532	280	959	4,387
West Virginia	353	75	274	944	410	105	290	1,182
Southwest	1,619	303	6,166	12,796	1,945	388	6,487	13,957
Arizona	677	226	864	1,962	1,047	267	982	2,463
New Mexico ¹	261	22	249	661	170	40	260	624
Oklahoma	681	55	393	1,403	728	82	416	1,481
Texas	NA	NA	4,660	8,770	NA	NA	4,829	9,390
Rocky Mountain	2,112	263	1,204	4,254	2,501	342	1,294	4,860
Colorado	1,054	115	476	1,675	1,215	145	502	1,890
Idaho	302	53	264	770	386	59	280	881
Montana	229	28	NA	581	278	50	NA	662
Utah	527	67	388	1,108	623	88	425	1,288
Wyoming	NA	NA	75	120	NA	NA	87	139
Far West	14,208	3,753	8,916	30,438	17,116	3,901	10,477	35,279
Alaska	NA	18	NA	478	NA	20	NA	684
California	12,641	3,568	6,245	23,477	15,264	3,676	7,490	27,528
Hawaii	336	37	483	947	405	47	555	1,111
Nevada	NA	NA	666	855	NA	NA	769	987
Oregon	1,232	130	NA	1,450	1,448	158	NA	1,686
Washington	NA	NA	1,522	3,232	NA	NA	1,663	3,284

See page 9 for notes.

Strong Revenue Growth Continues in Most States

Table 11
State Tax Revenue, July to June, Fiscal Year 2004 and Fiscal Year 2005 (\$ in millions)

	FY 2004				FY 2005			
	Personal Income	Corporate Income	Sales	Total	Personal Income	Corporate Income	Sales	Total
United States	\$196,932	\$30,253	\$186,463	\$498,532	\$221,061	\$40,091	\$198,544	\$551,315
New England	14,996	1,626	8,131	31,361	16,619	1,967	8,501	34,194
Connecticut	4,642	454	2,830	9,528	5,194	609	2,946	10,546
Maine	1,157	112	917	2,727	1,270	136	941	2,861
Massachusetts ¹	7,975	793	3,392	14,180	8,777	867	3,533	15,257
New Hampshire	NA	173	NA	1,405	NA	211	NA	1,488
Rhode Island ¹	793	51	737	1,834	878	84	769	2,018
Vermont	430	45	256	1,688	500	60	311	2,023
Mid-Atlantic	45,798	6,688	25,620	94,470	52,705	7,819	26,811	104,904
Delaware	781	81	NA	1,966	882	114	NA	2,146
Maryland	4,915	447	2,635	8,737	5,499	888	2,824	9,918
New Jersey	6,221	2,051	5,129	16,396	8,122	2,004	5,335	18,699
New York	26,147	2,431	10,128	44,212	29,455	2,892	10,653	49,269
Pennsylvania	7,734	1,678	7,729	23,159	8,747	1,921	8,000	24,872
Great Lakes	30,501	5,299	29,841	75,847	32,958	6,111	30,976	80,320
Illinois	8,235	1,379	6,366	19,297	8,873	1,548	6,627	20,428
Indiana	3,808	645	4,721	10,620	4,213	825	4,960	11,437
Michigan	5,912	1,809	7,708	18,428	5,962	1,917	7,938	18,904
Ohio	7,697	809	7,531	17,738	8,599	1,052	7,827	19,088
Wisconsin	4,850	657	3,516	9,764	5,311	769	3,624	10,463
Plains	16,269	1,569	12,502	33,885	17,735	2,071	13,051	36,425
Iowa	2,592	235	1,732	4,926	2,782	281	1,812	5,231
Kansas	1,888	141	1,827	4,261	2,051	226	1,892	4,598
Minnesota	5,710	628	4,376	12,878	6,359	927	4,496	13,870
Missouri	4,580	330	2,574	7,483	4,866	354	2,672	7,892
Nebraska	1,250	167	1,114	2,719	1,400	198	1,231	3,037
North Dakota	249	68	372	919	277	84	414	1,062
South Dakota	NA	NA	508	701	NA	NA	534	734
Southeast	35,114	5,370	47,179	108,550	38,632	7,351	51,043	120,114
Alabama	2,636	305	1,870	6,731	2,877	392	2,005	7,401
Arkansas	1,890	227	1,842	4,354	2,081	290	1,980	4,746
Florida	NA	1,345	15,754	21,546	NA	1,730	17,622	24,704
Georgia	6,832	495	4,928	13,552	7,281	712	5,282	14,574
Kentucky	2,796	303	2,877	7,769	3,036	479	3,003	8,445
Louisiana	2,196	233	2,152	6,113	2,393	374	2,290	6,861
Mississippi	1,066	317	2,476	5,222	1,174	368	2,587	5,516
North Carolina ¹	6,805	671	3,886	14,158	7,575	1,090	4,086	15,641
South Carolina	2,434	174	1,996	5,254	2,691	214	2,097	5,667
Tennessee	NA	695	5,786	9,109	NA	806	6,050	9,579
Virginia	7,385	426	2,562	11,598	8,352	617	2,946	13,417
West Virginia	1,075	182	1,051	3,144	1,172	281	1,095	3,563
Southwest	5,422	732	24,009	44,873	6,352	1,113	25,470	49,264
Arizona	2,306	494	3,295	6,547	2,974	702	3,661	7,819
New Mexico ¹	906	113	1,306	2,937	1,004	236	1,415	3,369
Oklahoma	2,210	125	1,538	4,932	2,375	175	1,617	5,146
Texas	NA	NA	17,870	30,457	NA	NA	18,776	32,930
Rocky Mountain	6,617	564	4,710	13,971	7,463	756	5,065	15,460
Colorado	3,405	237	1,902	5,694	3,770	316	2,000	6,207
Idaho	908	104	1,029	2,562	1,051	141	1,122	2,853
Montana	605	68	NA	1,379	712	98	NA	1,534
Utah	1,699	155	1,502	3,880	1,929	201	1,634	4,336
Wyoming	NA	NA	277	456	NA	NA	310	531
Far West	42,213	8,405	34,471	95,575	48,596	12,903	37,628	110,636
Alaska	NA	44	NA	1,219	NA	61	NA	1,720
California	36,773	7,987	23,908	71,731	42,516	12,433	26,014	84,071
Hawaii	1,169	57	1,900	3,446	1,381	86	2,137	3,998
Nevada	NA	NA	2,496	3,184	NA	NA	2,884	3,741
Oregon	4,271	318	NA	4,956	4,699	323	NA	5,354
Washington	NA	NA	6,166	11,038	NA	NA	6,593	11,752

See page 9 for notes.

Endnotes

- 1 We use the Bureau of Economic Analysis' State and Local Government Consumption Expenditures and Gross Investment Price Index as an inflation measure, since it reflects the pressures of inflation on state governments better than the Consumer Price Index.
- 2 U.S. Department of the Treasury, Financial Management Service, *Monthly Treasury Statement of Receipts and Outlays of the United States Government, June 2005*.
- 3 U.S. Census Bureau, Governments Division.
- 4 United States Department of Commerce, Bureau of Economic Analysis News Release, August 31, 2005.
- 5 United States Department of Labor, Bureau of Labor Statistics, *Labor Force Statistics From the Current Population Survey*, www.bls.gov.

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 latest 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 many 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 corporate income tax.

Missouri: The total taxes are the sum of the three major taxes.

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.

**About The Nelson A. Rockefeller Institute of Government's
Fiscal Studies Program**

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 Nicholas W. Jenny, a senior policy analyst with the Program. Michael Cooper, the Rockefeller Institute's Director of Publications, did the layout and design of this report, with assistance from Michele Charbonneau. Barbara Stubblebine edited the report.

You can contact the Fiscal Studies Program 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).

Fiscal Studies Program

**The Nelson A. Rockefeller
Institute of Government**

State University of New York
411 State Street
Albany, New York 12203-1003

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