

**AMERICAN LEGISLATIVE EXCHANGE COUNCIL**  
**1998 REPORT CARD ON FISCAL POLICY IN THE STATES**

**Report Card on Total State Expenditures as a Share of State personal Income\***

<b>State</b>	<b>Grade</b>	<b>State</b>	<b>Grade</b>	<b>State</b>	<b>Grade</b>	<b>State</b>	<b>Grade</b>
<b>New England</b>		<b>Great Lakes</b>		<b>Southwest</b>		<b>Rocky Mountain</b>	
Connecticut .....	D	Illinois .....	A	Arizona .....	C	Colorado .....	A
Maine .....	F	Indiana .....	B	New Mexico .....	F	Idaho .....	B
Massachusetts .....	B	Michigan .....	B	Oklahoma .....	C	Montana .....	D
New Hampshire .....	A	Ohio .....	D	Texas .....	A	Utah .....	D
Rhode Island .....	F	Wisconsin .....	F	<b>Region .....</b>	<b>B</b>	Wyoming .....	F
Vermont .....	B	<b>Region .....</b>	<b>B</b>	<b>Southeast</b>		<b>Region .....</b>	<b>B</b>
<b>Region .....</b>	<b>C</b>	<b>Plains</b>		Alabama .....	D	<b>Far West</b>	
<b>Mid-Atlantic</b>		Iowa .....	F	Arkansas .....	F	Alaska .....	F
Delaware .....	F	Kansas .....	D	Florida .....	C	California .....	B
Maryland .....	B	Minnesota .....	D	Georgia .....	B	Hawaii .....	F
New Jersey .....	B	Missouri .....	A	Kentucky .....	F	Nevada .....	C
New York .....	C	Nebraska .....	C	Louisiana .....	F	Oregon .....	F
Pennsylvania .....	B	North Dakota .....	C	Mississippi .....	C	Washington .....	D
<b>Region .....</b>	<b>B</b>	South Dakota .....	A	North Carolina .....	C	<b>Region .....</b>	<b>C</b>
		<b>Region .....</b>	<b>C</b>	South Carolina .....	D	<b>United States .....</b>	<b>C</b>
				Tennessee .....	A		
				Virginia .....	C		
				West Virginia .....	D		
				<b>Region .....</b>	<b>C</b>		

\*The measure used is the average of total state expenditures as a share of state personal income over the period 1994-1996. Total state expenditures, capturing both operating and capital expenses, is from National Association of State Budget Officers, 1996 State Expenditures Report, April 1997, table 1, p.7. State personal income data is from the U.S. Census, Bureau of Economic Analysis, Regional Accounts Data, Personal Income Tables for 1994-1996.

**A REPORT CARD ON CHANGES IN THE AMOUNT OF GENERAL FUND STATE EXPENDITURE AS A SHARE OF STATE PERSONAL INCOME\*\***

<b>State</b>	<b>Grade</b>		<b>State</b>	<b>Grade</b>		<b>State</b>	<b>Grade</b>				
	<b>1994-96</b>	<b>1996-98</b>	<b>1994-98</b>		<b>1994-96</b>	<b>1996-98</b>	<b>1994-98</b>				
<b>New England</b>			<b>Southeast</b>			<b>Rocky Mountain</b>					
Connecticut .....	C	B	C	Alabama .....	C	C	B	Colorado .....	D	C	D
Maine .....	B	B	A	Arkansas .....	D	C	D	Idaho .....	D	B	C
Massachusetts .....	F	D	F	Florida .....	C	C	C	Montana .....	C	A	A
New Hampshire .....	B	B	B	Georgia .....	C	D	D	Utah .....	D	D	D
Rhode Island .....	D	B	C	Kentucky .....	C	D	D	Wyoming .....	A	B	A
Vermont .....	C	B	B	Louisiana .....	D	C	D	<b>Region .....</b>	<b>D</b>	<b>C</b>	<b>C</b>
<b>Region .....</b>	<b>F</b>	<b>C</b>	<b>F</b>	Mississippi .....	F	C	F	<b>Far West</b>			
<b>Mid-Atlantic</b>			<b>Southwest</b>			Alaska .....	A	A	A		
Delaware .....	D	F	F	Arizona .....	C	D	D	California .....	D	C	D
Maryland .....	C	B	B	New Mexico .....	C	B	B	Hawaii .....	B	A	A
New Jersey .....	B	B	B	Oklahoma .....	C	D	D	Nevada .....	C	D	D
New York .....	C	B	B	Texas .....	F	C	F	Oregon .....	C	D	D
Pennsylvania .....	C	B	B	<b>Region .....</b>	<b>D</b>	<b>C</b>	<b>D</b>	Washington .....	B	C	B
<b>Region .....</b>	<b>C</b>	<b>B</b>	<b>B</b>					<b>Region .....</b>	<b>C</b>	<b>C</b>	<b>C</b>
<b>Great Lakes</b>			<b>United States .....</b>			<b>D</b>	<b>B</b>	<b>C</b>			
Illinois .....	F	C	F								
Indiana .....	C	C	C								
Michigan .....	C	B	B								
Ohio .....	C	C	C								
Wisconsin .....	C	D	D								
<b>Region .....</b>	<b>D</b>	<b>C</b>	<b>D</b>								
<b>Plains</b>											
Iowa .....	B	C	C								
Kansas .....	C	C	B								
Minnesota .....	B	D	C								
Missouri .....	F	C	F								
Nebraska .....	B	C	B								
North Dakota .....	C	C	C								
South Dakota .....	B	C	B								
<b>Region .....</b>	<b>C</b>	<b>C</b>	<b>C</b>								

\*\* The measure used is the change in the amount of general fund state expenditures as a share of state personal income over the two sub-periods 1994-1996, and 1996-1998, and for the period as a whole 1994-1998. General fund state expenditures are used here rather than total state expenditures because of the availability of data on general fund expenditures for the more recent period. General fund state expenditures data is from National Association of State Budget Officers, *The Fiscal Survey of States*, Nov. 1996, April 1997 and Dec. 1997. State personal income data is from the U.S. Census, Bureau of Economic Analysis, Regional Accounts Data, Personal Income Tables for 1994-1998.

**AMERICAN LEGISLATIVE EXCHANGE COUNCIL**  
**1998 REPORT CARD ON FISCAL POLICY IN THE STATES**

**NEW ENGLAND REGION**

**Report Card on Total State Expenditures as a Share of State Personal Income<sup>i</sup>**

United States.....	C
Connecticut.....	D
Maine.....	F
Massachusetts.....	B
New Hampshire.....	A
Rhode Island.....	F
Vermont.....	B
<b>Region.....</b>	<b>C</b>



Since 1996, the New England states, with the exception of Massachusetts, have exhibited a return to fiscal discipline, reducing state spending as a share of personal income.

Connecticut, Rhode Island and Maine have exhibited the most dramatic turnaround. All three began the period as profligate states, spending more than 10 percent of residents' income. Since 1996, however, all three have cut the share of personal income consumed by government.

In Massachusetts, however, state spending continues to outpace the growth in personal income. Since 1994, state spending as a share of personal income increased more than 28 percent.

In 1998, New England states collected almost \$240 more from every resident than they would have if revenues had simply kept pace with inflation and population growth.<sup>iii</sup>

**Report Card on Changes in the Amount of General Fund as a Share of State Personal Income<sup>ii</sup>**

	1994-1996	1996-1998	1994-1998
United States.....	D	B	C
Connecticut.....	C	B	C
Maine.....	B	B	A
Massachusetts.....	F	D	F
New Hampshire.....	B	B	B
Rhode Island.....	D	B	C
Vermont.....	C	B	B
<b>Region.....</b>	<b>F</b>	<b>C</b>	<b>F</b>

**MID-ATLANTIC REGION**

**Report Card on Total State Expenditures as a Share of State Personal Income<sup>i</sup>**

United States.....	C
Delaware.....	F
Maryland.....	B
New Jersey.....	B
New York.....	C
Pennsylvania.....	B
<b>Region.....</b>	<b>B</b>



The Mid-Atlantic is the nation's "Turnaround Region," displaying the most dramatic shift towards fiscal discipline since 1996.

Since 1996, with the exception of **Delaware**, all states have reduced spending as a share of personal income. Already the region's most profligate state, **Delaware's** government spending relative to personal income increased by 23 percent since 1994.

Led by **New York's** over \$5 billion in tax cuts since 1994, the Mid-Atlantic states have matched their spending reductions with tax cuts. The Mid-Atlantic states' excess revenue collections are less than half the national average, at \$116 per resident.<sup>iii</sup>

**Report Card on Changes in the Amount of General Fund as a Share of State Personal Income<sup>ii</sup>**

	1994-1996	1996-1998	1994-1998
United States.....	D	B	C
Delaware.....	D	F	F
Maryland.....	C	B	B
New Jersey.....	B	B	B
New York.....	C	B	B
Pennsylvania.....	C	B	B
<b>Region.....</b>	<b>C</b>	<b>B</b>	<b>B</b>

<sup>i</sup>The measure used is the average of total state expenditures as a share of state personal income over the period 1994-1996. Total state expenditures, capturing both operating and capital expenses, is from National Association of State Budget Officers, 1996 State Expenditures Report, April 1997, table 1, p.7. State personal income data is from the U.S. Census, Bureau of Economic Analysis, Regional Accounts Data, Personal Income Tables for 1994-1996.

<sup>ii</sup>The measure used is the change in the amount of general fund state expenditures as a share of state personal income over the two sub-periods 1994-1996, and 1996-1998, and for the period as a whole 1994-1998. General fund state expenditures are used here rather than total state expenditures because of the availability of data on general fund expenditures for the more recent period. General fund state expenditures data is from National Association of State Budget Officers, *The Fiscal Survey of States*, Nov. 1996, April 1997 and Dec. 1997. State personal income data is from the U.S. Census, Bureau of Economic Analysis, Regional Accounts Data, Personal Income Tables for 1994-1998.

<sup>iii</sup>*Issue Analysis: State Tax Windfalls: Per Capita 1994-1998*, by Michael Flynn, American Legislative Exchange Council, January 1998

**AMERICAN LEGISLATIVE EXCHANGE COUNCIL**  
**1998 REPORT CARD ON FISCAL POLICY IN THE STATES**

**GREAT LAKES REGION**

**Report Card on Total State Expenditures as a Share of State Personal Income<sup>i</sup>**

United States.....	C
Illinois .....	A
Indiana .....	B
Michigan .....	B
Ohio .....	D
Wisconsin.....	F
<b>Region .....</b>	<b>B</b>



With the exception of **Michigan**, the Great Lakes has witnessed one of the greatest expansions of state government spending. **Michigan** already was one of the more frugal states, spending just 8 percent of residents' income. Since 1996, **Michigan** has reduced residents' burden even more. If this trend continues, **Michigan** will likely enter the new century as the most fiscally responsible state in the Great Lakes region. Not only did **Michigan** reduce state spending, through tax cuts and tax reform, it actually collected over \$3 billion less than it would have if revenues had kept pace with inflation and population growth. In 1998, this amounted to a savings in state general taxes of over \$370 for every man, woman and child in the state.

**Report Card on Changes in the Amount of General Fund as a Share of State Personal Income<sup>ii</sup>**

	1994-1996	1996-1998	1994-1998
United States.....	D	B	C
Illinois .....	F	C	F
Indiana .....	C	C	C
Michigan .....	C	B	B
Ohio .....	C	C	C
Wisconsin.....	C	D	D
<b>Region .....</b>	<b>D</b>	<b>C</b>	<b>D</b>

**Wisconsin**, one of the nation's most profligate state, has steadily increased the amount of residents' income consumed by government. In 1998, **Wisconsin** collected from taxpayers over \$1 billion more than it would have if revenues had simply kept pace with inflation and population growth.

Although it began the period as one of the most fiscally responsible states, **Illinois** has pursued a course of dramatically increasing the share of residents' income consumed by government, earning the region's only F. **Illinois** also has the dubious distinction of having raised taxes by \$300 million while it had a \$900 million surplus. In 1998 alone, **Illinois** collected \$1.5 billion more than it would have if revenues had simply kept pace with inflation and population growth.<sup>iii</sup>

**PLAINS REGION**

**Report Card on Total State Expenditures as a Share of State Personal Income<sup>i</sup>**

United States.....	C
Iowa .....	F
Kansas .....	D
Minnesota .....	D
Missouri .....	A
Nebraska .....	C
North Dakota .....	C
South Dakota .....	A
<b>Region .....</b>	<b>C</b>



Every Plains state, except **Missouri**, has decreased state spending relative to personal income since 1994.

**Missouri** is, in fact, one of the few states to earn an F over the entire period 1994-1998, increasing state spending relative to personal income by over 10 percent. Not surprisingly, **Missouri** collected the most excess revenue in 1998, \$1.4 billion, than any other state in the region.<sup>1</sup> If **Missouri's** revenue collections had simply matched inflation and population growth, each **Missouri** resident would have had an extra \$263 in 1998.<sup>iii</sup>

Beginning the period as one of the most profligate states in the country, **Iowa**, has slowly reduced state spending relative to personal income.

**Report Card on Changes in the Amount of General Fund as a Share of State Personal Income<sup>ii</sup>**

	1994-1996	1996-1998	1994-1998
United States.....	D	B	C
Iowa .....	B	C	C
Kansas .....	C	C	B
Minnesota .....	B	D	C
Missouri .....	F	C	F
Nebraska .....	B	C	B
North Dakota .....	C	C	C
South Dakota .....	B	C	B
<b>Region .....</b>	<b>C</b>	<b>C</b>	<b>C</b>

<sup>i</sup>The measure used is the average of total state expenditures as a share of state personal income over the period 1994-1996. Total state expenditures, capturing both operating and capital expenses, is from National Association of State Budget Officers, 1996 State Expenditures Report, April 1997, table 1, p.7. State personal income data is from the U.S. Census, Bureau of Economic Analysis, Regional Accounts Data, Personal Income Tables for 1994-1996.

<sup>ii</sup>The measure used is the change in the amount of general fund state expenditures as a share of state personal income over the two sub-periods 1994-1996, and 1996-1998, and for the period as a whole 1994-1998. General fund state expenditures are used here rather than total state expenditures because of the availability of data on general fund expenditures for the more recent period. General fund state expenditures data is from National Association of State Budget Officers, *The Fiscal Survey of States*, Nov. 1996, April 1997 and Dec. 1997. State personal income data is from the U.S. Census, Bureau of Economic Analysis, Regional Accounts Data, Personal Income Tables for 1994-1998.

<sup>iii</sup>Issue Analysis: State Tax Windfalls: Per Capita 1994-1998, by Michael Flynn, American Legislative Exchange Council, January 1998

**AMERICAN LEGISLATIVE EXCHANGE COUNCIL**  
**1998 REPORT CARD ON FISCAL POLICY IN THE STATES**

**SOUTHEAST REGION**

**Report Card on Total State Expenditures as a Share of State Personal Income<sup>i</sup>**

United States.....	C
Alabama .....	D
Arkansas .....	F
Florida .....	C
Georgia.....	B
Kentucky.....	F
Louisiana.....	F
Mississippi.....	C
North Carolina .....	C
South Carolina .....	D
Tennessee .....	A
Virginia.....	C
West Virginia.....	D
<b>Region .....</b>	<b>C</b>



The Southeast is the worst-performing region in the country.

Of the twelve states in the Southeast region, only **Alabama** and **West Virginia** decreased state spending relative to personal income. This is especially troubling because the region began the period with three of the most profligate states in the country; **Arkansas, Kentucky, and Louisiana**. Each of these states increased the share of residents' income consumed by state government.

In 1998, the region collected over \$7 billion more from taxpayers than it would have if revenues had simply kept pace with inflation and population growth.<sup>iii</sup>

**Report Card on Changes in the Amount of General Fund as a Share of State Personal Income<sup>ii</sup>**

	1994-1996	1996-1998	1994-1998
United States.....	D	B	C
Alabama .....	C	C	B
Arkansas .....	D	C	D
Florida .....	C	C	C
Georgia.....	C	D	D
Kentucky.....	C	D	D
Louisiana.....	D	C	D
Mississippi.....	F	C	F
North Carolina .....	B	D	C
South Carolina .....	C	D	D
Tennessee .....	C	C	C
Virginia.....	D	D	D
West Virginia.....	D	B	C
<b>Region .....</b>	<b>C</b>	<b>C</b>	<b>C</b>

**SOUTHWEST**

**Report Card on Total State Expenditures as a Share of State Personal Income<sup>i</sup>**

United States.....	C
Arizona.....	C
New Mexico.....	F
Oklahoma.....	C
Texas .....	A
<b>Region .....</b>	<b>B</b>



In the Southwest, only **New Mexico** reduced state spending relative to personal income over the entire period 1994-1998.

**Arizona** and **Oklahoma** both increased spending relative to personal income. Although **Texas** slightly reduced state spending relative to personal income in 1996-1998, its increase from 1994-1996 was so dramatic that it earned an F for the entire period 1994-1998.

**Texas** had the lowest excess revenue collection in 1998, taking just \$42 more from every resident than it would have if revenues had simply kept pace with inflation and population growth.<sup>iii</sup> This is largely due to the fact that **Texas** has no income tax.

**Report Card on Changes in the Amount of General Fund as a Share of State Personal Income<sup>ii</sup>**

	1994-1996	1996-1998	1994-1998
United States.....	D	B	C
Arizona.....	C	D	D
New Mexico.....	C	B	B
Oklahoma.....	C	D	D
Texas .....	F	C	F
<b>Region .....</b>	<b>D</b>	<b>C</b>	<b>D</b>

<sup>i</sup>The measure used is the average of total state expenditures as a share of state personal income over the period 1994-1996. Total state expenditures, capturing both operating and capital expenses, is from National Association of State Budget Officers, 1996 State Expenditures Report, April 1997, table 1, p.7. State personal income data is from the U.S. Census, Bureau of Economic Analysis, Regional Accounts Data, Personal Income Tables for 1994-1996.

<sup>ii</sup>The measure used is the change in the amount of general fund state expenditures as a share of state personal income over the two sub-periods 1994-1996, and 1996-1998, and for the period as a whole 1994-1998. General fund state expenditures are used here rather than total state expenditures because of the availability of data on general fund expenditures for the more recent period. General fund state expenditures data is from National Association of State Budget Officers, *The Fiscal Survey of States*, Nov. 1996, April 1997 and Dec. 1997. State personal income data is from the U.S. Census, Bureau of Economic Analysis, Regional Accounts Data, Personal Income Tables for 1994-1998.

**AMERICAN LEGISLATIVE EXCHANGE COUNCIL**  
**1998 REPORT CARD ON FISCAL POLICY IN THE STATES**

**ROCKY MOUNTAIN REGION**

**Report Card on Total State Expenditures as a Share of State Personal Income<sup>i</sup>**

United States.....	C
Colorado .....	A
Idaho .....	B
Montana .....	D
Utah.....	D
Wyoming.....	F
<b>Region .....</b>	<b>B</b>



Although the Rocky Mountain region began the period as one of the more fiscally responsible, it has witnessed a steady growth in the size of state government relative to personal income for the entire period 1994-1998. **Utah** and **Colorado** both dramatically expanded state spending relative to personal income over the period 1994-1998.

Only **Montana** and **Wyoming** actually reduced state spending relative to personal income. This is important because both states began the period among the most profligate, with **Montana** consuming almost 10 percent of personal income and **Wyoming** consuming over 14 percent.

**Utah**, which began the period with a D, will likely see its grade drop further as the state has steadily increased the size of state government in both periods studied.

In 1998, revenue collections in both **Colorado** and **Utah** were over \$200 per capita higher than they would have been if collections had simply kept pace with inflation and population growth.<sup>iii</sup> This excess revenue collection is largely fueling the expansion of government in these states.

**Report Card on Changes in the Amount of General Fund as a Share of State Personal Income<sup>ii</sup>**

	1994-1996	1996-1998	1994-1998
United States.....	D	B	C
Colorado .....	D	C	D
Idaho .....	D	B	C
Montana .....	C	A	A
Utah.....	D	D	D
Wyoming.....	A	B	A
<b>Region .....</b>	<b>D</b>	<b>C</b>	<b>C</b>

**FAR WEST REGION**

**Report Card on Total State Expenditures as a Share of State Personal Income<sup>i</sup>**

United States.....	C
Alaska .....	F
California .....	B
Hawaii .....	F
Nevada .....	C
Oregon .....	F
Washington .....	D
<b>Region .....</b>	<b>C</b>



The Far West exhibits the most divergent trends in fiscal discipline. Three states—**Hawaii**, **Washington** and **Alaska**—have been downsizing their state governments, resulting in significant decreases in state spending relative to personal income.

In contrast, **California**, **Oregon** and **Nevada** have significantly increased state spending relative to personal income.

**Alaska's** turnaround is significant, because it had been the most profligate of states, with state spending consuming 25 percent of personal income. The same is true of **Hawaii**, where state spending had equaled almost 20 percent of personal income.

**California's** spending increases have largely been fueled by excess revenue collection. In 1998, the state collected over \$260 more from every man, woman and child than it would have if collections had simply kept pace with inflation and population growth.<sup>iii</sup>

**Report Card on Changes in the Amount of General Fund as a Share of State Personal Income<sup>ii</sup>**

	1994-1996	1996-1998	1994-1998
United States.....	D	B	C
Alaska .....	A	A	A
California .....	D	C	D
Hawaii .....	B	A	A
Nevada .....	C	D	D
Oregon .....	C	D	D
Washington .....	B	C	B
<b>Region .....</b>	<b>C</b>	<b>C</b>	<b>C</b>

<sup>i</sup> The measure used is the average of total state expenditures as a share of state personal income over the period 1994-1996. Total state expenditures, capturing both operating and capital expenses, is from National Association of State Budget Officers, 1996 State Expenditures Report, April 1997, table 1, p.7. State personal income data is from the U.S. Census, Bureau of Economic Analysis, Regional Accounts Data, Personal Income Tables for 1994-1996.

<sup>ii</sup> The measure used is the change in the amount of general fund state expenditures as a share of state personal income over the two sub-periods 1994-1996, and 1996-1998, and for the period as a whole 1994-1998. General fund state expenditures are used here rather than total state expenditures because of the availability of data on general fund expenditures for the more recent period. General fund state expenditures data is from National Association of State Budget Officers, *The Fiscal Survey of States*, Nov. 1996, April 1997 and Dec. 1997. State personal income data is from the U.S. Census, Bureau of Economic Analysis, Regional Accounts Data, Personal Income Tables for 1994-1998.