

How the SECA States Fared in 2005: A Fiscal Report

Each year the National Governor's Association (NGA) and the National Association of State Budget Officers (NASBO) prepare *The Fiscal Survey of the States*. This report is compiled based on the figures provided by the Governor's budget officer in each of the 50 states. The field survey for this report was conducted by NASBO from January through June 2005.

BACKGROUND INFORMATION TO HELP YOU UNDERSTAND THE INFORMATION IN THIS REPORT

1. All SECA states except Alabama and Texas begin their fiscal years in July and end them in June.
2. Alabama operates on an October-September fiscal year.
3. Texas operates on a September-August fiscal year.
4. For those states who operate on the July-June fiscal year, the 2006 fiscal year has just started. The end of June concluded the 2005 fiscal year.
5. In fiscal 2005, state spending grew at 6.6% above prior year levels. This closely mirrors the historical state spending trends. (The 27-year average is 6.5%)
6. The state revenue picture for most states improved dramatically in fiscal 2005 and that trend is expected to continue into fiscal 2006.
7. Year-end-balances are fluctuating from year to year. These balances are used by states to provide flexibility and are critical to states during tight fiscal times. Over the three years covered in the report, balances are declining.
8. The most persistent pressures in state expenditures in fiscal 2005 were Medicaid, elementary & secondary education, accounting changes related to post employment benefits and pension systems.
9. In this report, the fiscal 2004 data represent actual figures, the 2005 fiscal data represent estimated figures and the 2006 data reflect recommended figures.



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At the end of this summary, you'll find some general questions to ask your state budget offices about how revenue is allocated within your state budget. As advocates for better services for young children, it's important that you understand how your state budget process works and how to effectively campaign for support of programs for young children.

The following charts will give you information on the revenue and expenditures collected in your states in FY 2004 and 2005 and the anticipated revenue for 2006. You'll also find charts that outline the changes that were enacted in 2005 to the tax systems in some of the SECA states. All of these actions cause revenue gain or loss, depending upon the type of change enacted.

State General Funds/Revenue (in millions)			
State	FY 2004 Actual	FY 2005 Estimated	FY 2006 Recommended
Alabama	5,635	6,029	6,223
Arkansas	3,526	3,630	3,790
Florida	23,202	24,200	24,851
Georgia	16,073	16,568	17,415
Kentucky	7,156	7,559	7,813
Louisiana	6,765	6,972	7,104
Mississippi	3,583	3,881	4,014
North Carolina	14,691	15,645	16,897
Oklahoma	5,124	5,375	5,584
South Carolina	5,116	5,331	5,429
Tennessee	8,865	9,126	9,392
Texas	30,828	31,320	31,143
Virginia	12,574	13,904	14,312
West Virginia	3,083	3,072	3,263

Source: *The Fiscal Survey of States*, June 2005, Tables A-1, A-2, A-3. National Governor's Association & National Association of State Budget Officers, Washington DC.



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State General Funds/Expenditures (in millions)			
State	FY 2004 Actual	FY 2005 Estimated	FY 2006 Recommended
Alabama	5,483	6,005	6,527
Arkansas	3,526	3,630	3,790
Florida	21,427	24,669	26,448
Georgia	16,352	16,568	17,415
Kentucky	7,294	7,744	8,187
Louisiana	6,745	6,850	7,104
Mississippi	3,452	3,836	3,810
North Carolina	14,704	15,918	16,897
Oklahoma	4,699	4,716	5,357
South Carolina	5,082	5,173	5,277
Tennessee	8,175	9,343	9,465
Texas	29,390	29,015	N/A
Virginia	12,387	13,972	14,512
West Virginia	3,019	3,337	3,263

Source: *The Fiscal Survey of States*, June 2005, Tables A-1, A-2, A-3. National Governor's Association & National Association of State Budget Officers, Washington DC.

Estimated FY 2005 Tax Collections Compared with FY 2005 Budget (Millions)						
State	Sales Tax Budget	Sales Tax Collections	Personal Income Tax Budget	Personal Income Tax Collections	Corporate Income Tax Budget	Corporate Income Tax Collections
Alabama	1,745	1,796	2,100	2,306	250	300
Arkansas	1,886	1,911	1,726	1,814	180	194
Florida	16,491	17,250	N/A	N/A	1,435	1,446
Georgia	5,310	5,250	7,187	7,242	533	537
Kentucky	2,577	2,577	2,947	2,947	398	398
Louisiana	2,461	2,496	2,307	2,338	206	278
Mississippi	1,544	1,580	1,100	1,120	321	357
NCarolina	4,369	4,480	8,106	8,053	881	988
Oklahoma	1,561	1,560	2,290	2,436	134	182
SCarolina	2,250	2,267	1,979	2,054	120	146
Tennessee	6,097	6,032	142	146	1,146	1,207
Texas	15,432	15,990	N/A	N/A	N/A	N/A
Virginia	2,852	2,938	7,774	7,868	408	479
WVirginia	952	955	1,099	1,138	175	228

Source: *The Fiscal Survey of States*, June 2005, Table A-6. National Governor's Association & National Association of State Budget Officers, Washington DC.



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FY 2005 Tax Collections Compared with Projections Used for FY 2006 Budget						
State	Sales Tax FY 2005	Sales Tax FY 2006	Personal Income Tax FY 2005	Personal Income Tax FY 2006	Corporate Income Tax FY 2005	Corporate Income Tax FY 2006
Alabama	1,796	1,873	2,306	2,405	300	314
Arkansas	1,911	1,994	1,814	1,844	194	201
Florida	17,250	18,206	N/A	N/A	1,446	1,780
Georgia	5,250	5,638	7,242	7,748	537	564
Kentucky	2,577	2,717	2,947	3,089	398	331
Louisiana	2,496	2,526	2,338	2,418	278	313
Mississippi	1,580	1,622	1,120	1,197	357	371
North Carolina	4,480	4,810	8,053	8,499	988	975
Oklahoma	1,560	1,624	2,436	2,466	182	183
South Carolina	2,267	2,354	2,054	2,113	146	142
Tennessee	6,032	6,303	146	153	1,207	1,212
Texas	15,990	16,558	N/A	N/A	N/A	N/A
Virginia	2,938	3,021	7,868	8,319	479	497
West Virginia	955	972	1,138	1,153	228	245

Source: *The Fiscal Survey of States*, June 2005, Table A-7 National Governor's Association & National Association of State Budget Officers, Washington DC.

FY 2006 Proposed Revenue Changes/Sales Taxes			
State	Description	Effective Date	Revenue Changes (in Millions)
Florida	Reflects the Community Contribution Tax Credit	7/05	-7.5
	Reflects a sales tax holiday on clothing, school supplies & books	7/05	-29.7
	Reflects the communications services tax treatment of substitute communications	7/05	-0.6
	Exempts machinery & equipment for expanding manufacturers	7/05	-26.8
	Exempts machinery & equipment for research & development	7/05	-25.9
	Reflects hydrogen initiatives	7/05	-2.1
N Carolina	Streamlines and modernizes the sales tax.	9/05	106.2
Virginia	Completes the planned reduction in the sales tax on food.	7/05	-99.1

Source: *The Fiscal Survey of States*, June 2005, Table A-8. National Governor's Association & National Association of State Budget Officers, Washington DC.



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FY 2006 Revenue Changes/ Personal Income Taxes			
State	Description	Effective Date	Revenue Changes (in Millions)
Arkansas	Repeals the 3 percent surcharge on income tax liability.	1/05	-48.2
S Carolina	Reduces the top 7 percent marginal rate by 0.225 percent per year until a top marginal rate of 4.75 percent is achieved.	1/06	-7.0
West Virginia	Reflects elimination of new capital company tax credits.	7/05	2

Source: *The Fiscal Survey of States*, June 2005, Table A-8. National Governor's Association & National Association of State Budget Officers, Washington DC.

FY 2006 Revenue Changes/ Corporate Income Taxes			
State	Description	Effective Date	Revenue Changes (in Millions)
Arkansas	Repeals the 3 percent surcharge on income tax liability.	1/05	-5.6
West Virginia	Reflects elimination of new capital company tax credits.	7/05	2

Source: *The Fiscal Survey of States*, June 2005, Table A-8. National Governor's Association & National Association of State Budget Officers, Washington DC.

FY 2006 Revenue Changes/ Cigarette and Tobacco Taxes			
State	Description	Effective Date	Revenue Changes (in Millions)
North Carolina	Increases the cigarette tax rate from 5 cents per pack to 40 cents per pack.	9/05	171.4

Source: *The Fiscal Survey of States*, June 2005, Table A-8. National Governor's Association & National Association of State Budget Officers, Washington DC.

FY 2006 Revenue Changes/ Alcoholic Beverages			
State	Description	Effective Date	Revenue Changes (in Millions)
Florida	Eliminates the beverage surtax.	7/05	-32.4

Source: *The Fiscal Survey of States*, June 2005, Table A-8. National Governor's Association & National Association of State Budget Officers, Washington DC.



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FY 2006 Revenue Changes/ Other Taxes			
State	Description	Effective Date	Revenue Changes (in Millions)
Florida	Phases-out the Intangibles Tax over one year.	7/05	-235.0
N Carolina	Increases the estate tax exemption from \$1.5 million to \$2 million.	1/06	30.7
W Virginia	Reflects elimination of new capital company tax credits	7/05	6.0

Source: *The Fiscal Survey of States*, June 2005, Table A-8. National Governor's Association & National Association of State Budget Officers, Washington DC.

Recommended Revenue Measures, Fiscal 2006			
State	Description	Effective Date	FY 2006 Recommended Changes (Millions)
Florida	Reflects distributions for fiscally constrained counties under the Rural Counties Initiative.	7/05	-15.0
	Redirects Beverage Tax revenues from trust funds to general revenue.	7/05	30.0
	Redirects Documentary Stamp Tax revenues from trust funds to general revenue.	7/05	438.6
Louisiana	Reflects provider fees on non-state, non-rural hospitals.	7/05	75.0
N Carolina	Maintains the current sales tax rate of 4.5 percent, which was to sunset June 30, 2005.	7/05	413.4
Oklahoma	Increase the retirement exemption to \$10,000 of income.	1/05	-5.1
W Virginia	Reflects transfers to the old Workers Compensation Fund and decoupling from federal personal income tax treatment of the deduction for domestic manufacturing income.		-29.5
	Reflects transfers to the old Workers Compensation Fund and decoupling from federal corporate income tax treatment of the deduction for domestic manufacturing income.		9.5

Source: *The Fiscal Survey of States*, June 2005, Table A-9. National Governor's Association & National Association of State Budget Officers, Washington DC.



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Total Balances (Millions)			
State	Fiscal 2004	Fiscal 2005	Fiscal 2006
Alabama	451	561	257
Arkansas	0	0	0
Florida	3,424	2,987	1,572
Georgia	1,065	1,065	1,065
Kentucky	300	241	50
Louisiana	283	253	253
Mississippi	41	84	15
North Carolina	556	114	152
Oklahoma	230	905	1,078
South Carolina	80	239	391
Tennessee	762	501	315
Texas	1,813	3,059	0
Virginia	614	546	433
West Virginia	344	79	79

Source: *The Fiscal Survey of States*, June 2005, Table A-10. National Governor's Association & National Association of State Budget Officers, Washington DC.

Questions to Ask in Your State

1. If your state revenue statistics reflect an increase over expected 2005 revenues, how will that increase be allocated?
2. Are there any legislated initiatives that will be in line for funding if revenue is more than projected in 2005? In 2006?
3. If transfers are occurring from trust funds into the state budget, what trust fund programs will be affected by the shortfall? Is the trust fund transfer from a state "rainy day" fund that isn't utilized until revenues do not meet projections?
4. Is the anticipated revenue increase being allocated within the 2006 budget according to your priorities?
5. How will the 2006 budget initiatives be met if revenue collections begin to fall below projections? Is there a legislated plan on how to fund programs when revenue does not meet projections?
6. If new taxes were enacted in FY 2005, are they earmarked for certain purposes or do they go into the general revenue fund?



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