

Issue Brief

# The State Fiscal Crisis, 2001-2004: Comparing Responses of Iowa and Other States

By Charles Bruner and Mike Crawford

September 2004

## Iowa Fiscal Partnership

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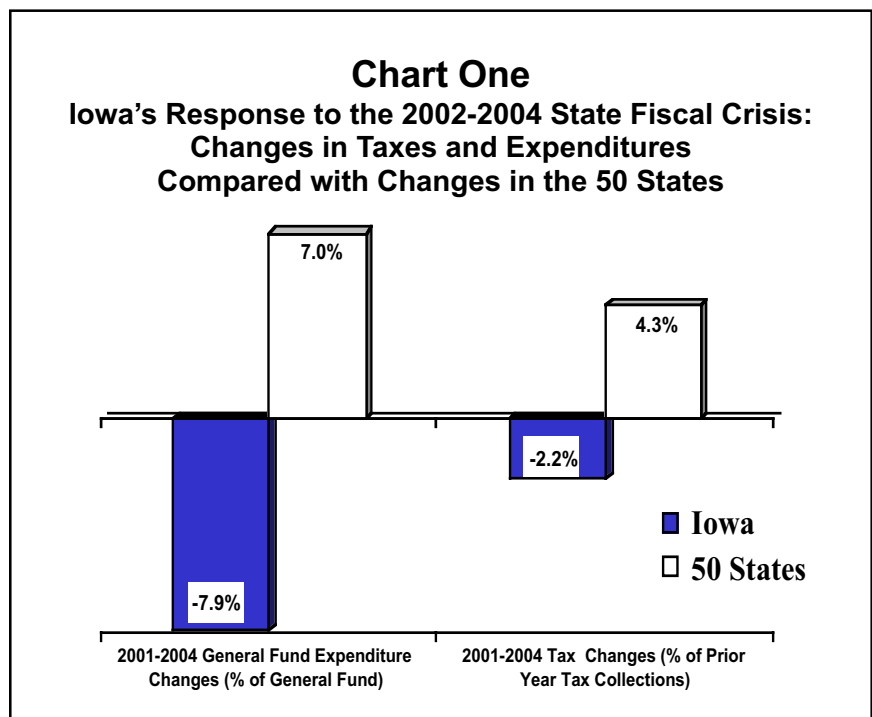
Like most states in the country, the recent economic recession has put severe strains on Iowa's budget and ability to fund services. The last three years (fiscal years 2002 through 2004) have often been referred to as years of "fiscal crisis in the states." After an eight-year economic boom in which states generally were able both to cut taxes and increase general fund spending, the abrupt economic slowdown sharply reduced most states' revenues for the last three fiscal years, requiring major budget adjustments such as:

- cutting spending.
- tapping reserve funds, including rainy day funds, or other non-general funds.
- raising taxes.

This report compares Iowa's response to that of other states, in terms of general fund expenditures, K-12 expenditures, and tax changes. It shows conclusively that Iowa has been at the extremes of state policy, cutting spending more than all but two other states and actually cutting taxes at a time when most states raised taxes. How far Iowa has been out of the mainstream is depicted in Chart One, which shows the percentage change in general fund expenditures and tax law changes for Iowa and for the 50 states as a whole from 2001 (which we take as the base year) through the fiscal crisis years of 2002-2004.<sup>1</sup>

While Iowa is often perceived as "about average" among states, Chart One shows that the responses to the state fiscal crisis in terms of tax and expenditure policies in Iowa

<sup>1</sup> The National Association of State Budget Officers, in conjunction with the National Governors Association, does an annual report of state general fund and other expenditures for the 50 states. The National Conference of State Legislatures does a similar report on enacted tax policies and their impacts upon state tax collections.



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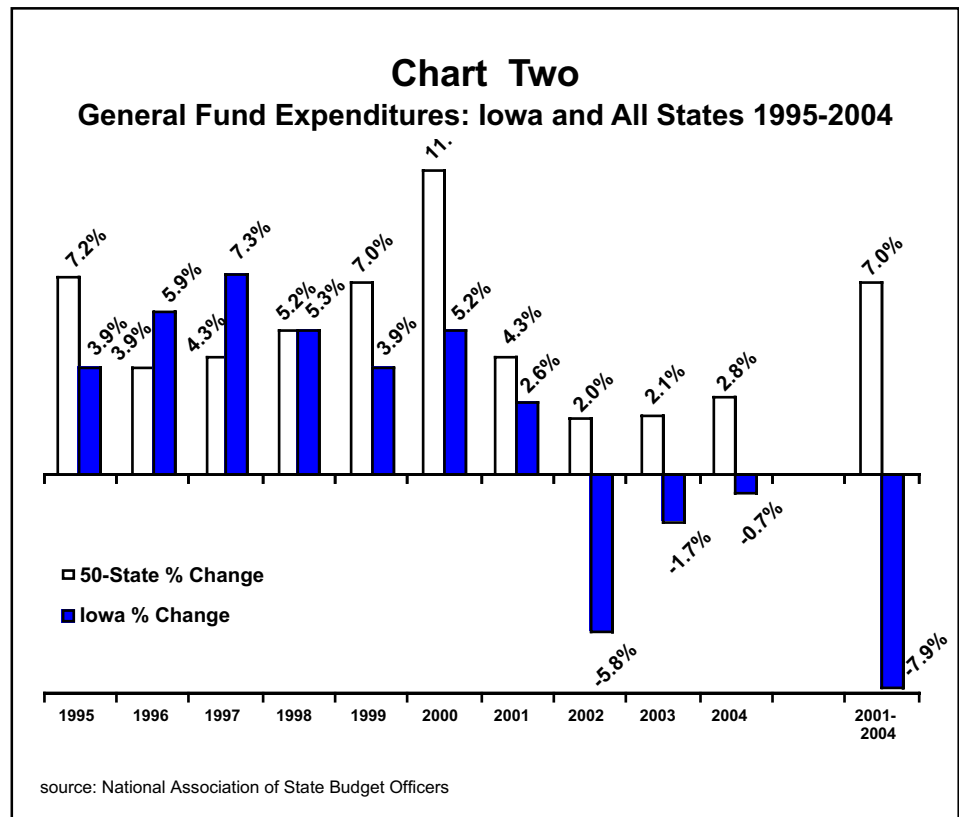
have been far from the mainstream. For all states in the aggregate, fiscal 2004 general fund spending was 7 percent higher than it had been in 2001, but Iowa actually cut spending almost 8 percent during that period. Similarly, the states as a whole raised taxes 4.3 percent between 2001 and 2004, while Iowa cut taxes 2.2 percent.

Since overall 50-state and Iowa data was available for general fund expenditures back to 1995 and for tax changes back to 1996, this report also provides a longer term perspective on Iowa taxing and spending in comparison with other states. Over the longer period, the same differences in taxing and spending remain, with Iowa enacting substantially greater tax cuts over this period while constraining spending substantially more than almost all other states.

### State General Fund Expenditure Changes

The National Association of State Budget Officers and the National Governors Association produce an annual report on state general fund expenditures.<sup>2</sup> This report is recognized as the best source for comparative state budget information across the 50 states. While different state general funds may include different state expenditures, these data are the best available for comparing state budget responses over time.<sup>3</sup>

Chart Two shows, for both Iowa general fund expenditures and the aggregate of all state government general fund expenditures, the year-to-year percentage changes in spending over the last decade (1995-2004). Iowa's general fund expenditures, like those in states across the country, increased every year between 1995 and 2001. Iowa increased spending by 39.5 percent over this seven-year period, but this amount was much less than the 51.6 percent increase for all states combined. [See full data in Table A-1 in Appendix.]



<sup>2</sup> The information provided in this section of the report is from annual reports from the National Association of State Budget Officers. All figures except the 2004 figures are actual final reported figures; figures for fiscal 2004 are estimated figures, based upon enacted state budgets, but not on audited state expenditures (which will not be available for a number of months).

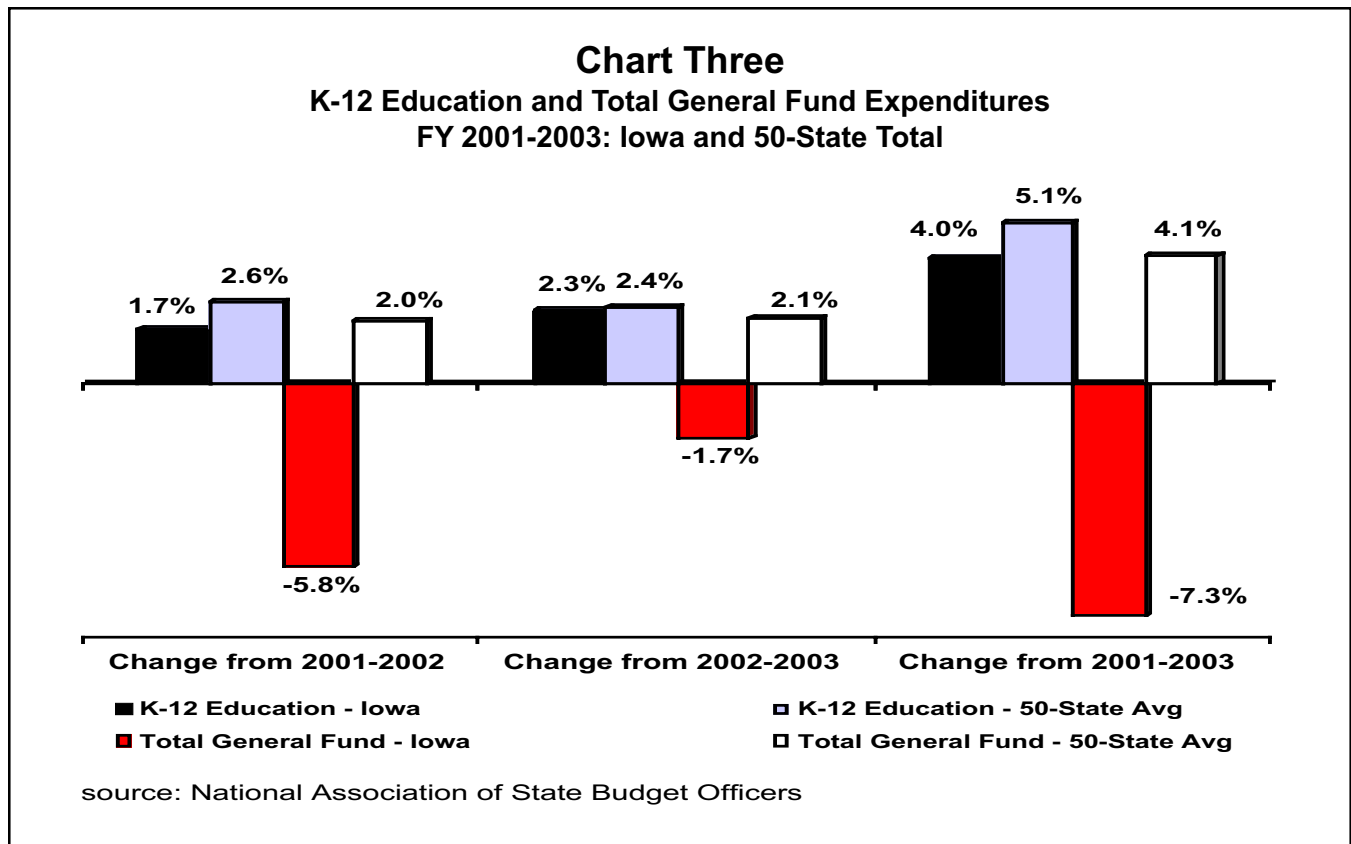
<sup>3</sup> States establish different non-general funds in addition to the general fund. In Iowa, for instance, transportation expenditures are largely through the road use tax fund, which is not part of the state general fund. Similarly, the tobacco trust fund, the senior living trust fund, and the rainy day funds all constitute trust funds outside the

In fiscal years 2002, 2003, and 2004, however, Iowa’s general fund expenditures actually declined each year, while for the 50 states, spending rose over 2 percent each year. If Iowa had been able to keep pace with other states in its overall general fund expenditure growth in the past three years, its 2004 expenditures would have been \$730 million greater.

Table A-2 in the Appendix provides state-by-state figures for the period from fiscal year 2001 to 2004. During this period, Iowa was one of only 10 states with actual reductions in state general fund expenditures. At 7.9 percent, Iowa’s decline was exceeded by only two states, Michigan (10.6 percent) and South Carolina (9.6 percent).

### State K-12 Education Expenditures

Expenditures on public primary and secondary (K-12) education constitute the largest single part of most state general fund budgets. Comparative state data also are available on state general fund K-12 expenditures through the National Association of State Budget Officers, but only through fiscal year 2003.



general fund. Some states rely more heavily than Iowa, and some rely less heavily, on non-general funds to support services. This report only addresses general fund expenditures, but these should be largely comparable within a state, over time, unless the state made major changes to its non-general fund expenditures. Further, state general fund expenditures only cover state expenditures, and not federal funds (including funds matching state general fund expenditures under Medicaid or Title IV-e) or local expenditures such as those covered for schools and community colleges to match state aid formulas. Differences in the manner in which states fund education, and K-12 education in particular, mean that state-only general fund comparisons do not necessarily reflect state commitments to K-12 education, although they can generally give a good indication of relative changes in funding commitments over time.

Chart Three shows changes in K-12 general fund expenditures over the 2001-2003 period for Iowa and the total of all 50 states. Education expenditures are contrasted with overall general fund expenditures (overall state-by-state data are provided in Table A-3 in the Appendix).

As Chart Three shows, while Iowa's K-12 general fund expenditure growth was lower than that for the country, K-12 expenditures fared significantly better than the general fund expenditures as a whole. Overall, states made generally greater commitments to K-12 education than to other parts of the budget, but the spread between general fund and K-12 expenditures was most pronounced in Iowa.

While Chart Three shows that Iowa protected K-12 education from reductions in general fund expenditures, Iowa's overall K-12 growth still fell below that of other states. In addition to comparisons by general fund expenditures, the National Education Association reports on state public education programs in terms of per-pupil spending and in terms of average teacher salaries, two measures of public commitment to education.<sup>4</sup> Table One shows changes over this period both in Iowa's actual per pupil expenditures and average teacher salaries, as well as Iowa's ranking among the 50 states on each.

**Table One**  
**Iowa Per Pupil Education Expenditures (based on Fall enrollments) and**  
**Average Teacher Salaries, with National Average and Iowa State Rank**

<i>Per Pupil Expenditure</i>	2001-2002	2003-2004
Iowa	\$ 6,819	\$ 7,098
National Average	\$ 7,548	\$ 8,156
Iowa Below Average By	\$ 729	\$ 1,058
Iowa's Rank Among States	33 <sup>rd</sup>	36 <sup>th</sup>
 <i>Average Teacher Salary</i>		
Iowa	\$ 38,230	\$ 39,432
National Average	\$ 44,683	\$ 46,826
Iowa Below Average By	\$ 6,453	\$ 7,394
Iowa's Rank Among States	34 <sup>th</sup>	37 <sup>th</sup>

Source: National Education Association. *Rankings of the States and Estimates of School Statistics, 2001-2 and 2003-4*

Table One indicates that, while Iowa has increased its overall per pupil expenditures and salaries have risen, its increases have not kept pace with those in the country as a whole over these "fiscal crisis" years. Iowa remained well below the national average in both categories, and the gap between Iowa spending and the national average spending, and between Iowa salaries and national salaries, actually widened substantially. As a result, Iowa's rank slipped three places on both measures.

<sup>4</sup> National Education Association. *Rankings of the States and Estimates of School Statistics, 2001-2002 and 2003-2004*.

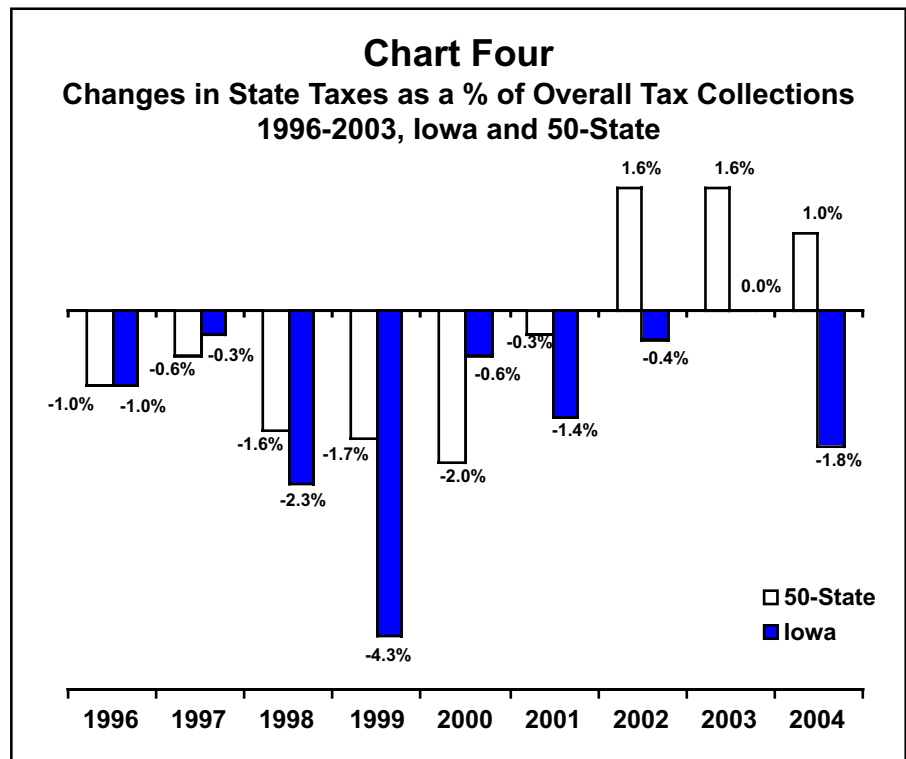
## State Tax Actions

As stated at the beginning of this report, states have taken a variety of actions to respond to the state fiscal crisis – cutting programs and expenditures, tapping reserve funds and other sources outside the general fund, and making changes in tax and revenue structures.

The National Conference of State Legislatures annually provides a special fiscal report on *State Tax Actions* that represents the best source for current information on tax law changes by each state. Complete reports are available for tax actions taken in 2002 and 2003, and a preliminary report is available for 2004.<sup>5</sup> Tax actions taken in a particular year generally have their impact in the next fiscal year, with the percentages used by NCSL based upon the prior year's overall tax collections.

Chart Four shows the changes in state taxes as a percentage of overall tax collections for the years 1996 through 2003, for both Iowa and the composite of all 50 states.<sup>6</sup> Both Iowa and other states enacted a substantial number of tax cuts over the period from 1996 through 2001, though Iowa cut taxes to a significantly greater degree than the average state. The cumulative effect of these tax cuts was to reduce tax collections by 8.9 percent for Iowa over this period and by 7.0 percent for states as a whole, compared to what they would have been had there been no change in tax law. Despite the cuts in taxes and tax rates, general fund revenue still grew because of the robust economy. [See Table A-4 in Appendix for complete Iowa information.]

The figures for 2002 and 2003 (and preliminary figures for 2004) show Iowa at much greater variance with other states, however. Iowa reduced its overall taxes at the same time that states, as a whole, were enacting quite significant tax increases. States raised taxes in these years so as to nearly offset the tax cuts in the earlier period, while Iowa continued to cut taxes. Between 1995 and 2004, the cumulative effect of all tax changes was to reduce taxes by just 2.3 percent across all states, but by 10.9 percent in Iowa.



<sup>5</sup> Rabol, M. (January, 2003). *State Tax Actions 2002*. Denver, CO: National Conference of State Legislatures. Rabol, M. (March, 2004). *State Tax Actions 2003*. Denver, CO: National Conference of State Legislatures. National Conference of State Legislatures (July, 2004). *State Budget and Tax Actions 2004: Preliminary Report*.

<sup>6</sup> Iowa data in this instance were not available through the National Conference of State Legislatures for all the years, so was adapted from an Iowa Department of Management report on tax cuts enacted since 1996. Iowa figures are shown in fiscal years, as shown in that report. These data are provided in a table in the Appendix.

Table A-5 in the Appendix provides summary data for the 50 states on net tax changes for 2002 and 2003, both in millions of dollars and as a percentage of tax collections. Sixteen states enacted tax increases in 2002 in excess of 1.0 percent of prior tax collections and 19 states enacted such tax increases in 2003. When the tax changes of the two years are combined, 42 states showed overall tax increases, while only four states showed tax declines, with Iowa in the latter category. The majority of states enacted significant tax increases over this period. Nationally, the average increase was 3.2 percent of tax collections. Overall, \$17.9 billion in net state tax increases occurred over this period.

While there is only preliminary data on 2004, with reports from 40 of the 50 states, Iowa was identified as the only state with a tax reduction of 1 percent or more, and seven states raised taxes by 1 percent or more.<sup>7</sup> Among the reporting 40 states, over \$2.8 billion in revenue was raised by tax increases.

Clearly, between 2001 and 2004, Iowa not only failed to raise taxes to address the state fiscal crisis, as the vast majority of states did, but actually stood as one of a very few states reducing taxes over this period.

The National Conference of State Legislatures' reports also show the locus of the tax changes by type of tax. These are shown in Table Two, by both total dollar amount and percent of total, for each of the three years (with 2004 still preliminary).

**Table Two**  
**Net Tax Increases Enacted in the 50 States by Type of Tax**

Type of Tax	2002		2003		2004	
	Millions of \$	% of Total	Millions of \$	% of Total	Millions of \$	% of Total
Personal Income	\$ 1,603.3	18%	\$ 2,720.2	31%	\$ 833.1	30%
Corporate Income	\$ 2,315.6	25%	\$ 958.0	11%	\$ 214.0	8%
Sales and Use	\$ 969.5	11%	\$ 2,715.1	31%	\$ 525.8	19%
Health Care	\$ 338.7	4%	\$ 400.7	5%	\$ 487.1	17%
Cigarette/Tobacco	\$ 3,018.1	33%	\$ 891.3	10%	\$ 330.4	12%
Motor Fuel	\$ 136.6	2%	\$ 338.7	4%	\$ -3.0	0%
Alcohol	\$ 7.0	0%	\$ 35.6	0%	\$ 0.0	0%
Other	\$ 708.7	8%	\$ 702.8	8%	\$ 413.2	15%
Total Net Increase	\$ 9,097.7	100%	\$ 8,762.8	100%	\$ 2,800.6	100%

Source: National Conference of State Legislatures

<sup>7</sup> *Preliminary Report, op.cit.* The seven states raising taxes by more than one percent were: Alabama, Arkansas, Louisiana, Maine, New Jersey, Rhode Island, and Virginia. The ten states not yet reporting were: California, Delaware, Illinois, Massachusetts, Michigan, New York, North Carolina, Ohio, Oklahoma, and Tennessee.



As Table Two shows, states made use of a variety of tax sources to address their fiscal crises. Over the three-year period, increases in state personal income taxes represented the largest source of additional revenue, with cigarette and tobacco taxes next, followed by sales and use and corporate income taxes. States used no single source of tax revenue, nor did states fail to tap any available tax sources.

### **Discussion and Implications**

The data presented here clearly show that states experienced fiscal crises in the last three fiscal years and responded by containing overall general fund expenditures and, in most instances, raising taxes. These actions occurred in sharp contrast to the previous seven years, during which states cut taxes significantly and concertedly and still experienced significant general fund revenue growth.

Iowa had already contained its general fund growth more than other states during the period from 1995 through 2001, enacting tax cuts from 1996 to 2001 that were somewhat larger than those in other states in the country as a whole.

Between 2001 and 2004, however, Iowa was at the extreme end among states both in:

- reducing general fund expenditures
- reducing (rather than raising) taxes.

Other states tackled their fiscal crises in an overall different manner and re-examined their tax systems and made tax changes. These involved increases in a variety of tax areas.

The result has been a near decade-long combination of tax cuts and expenditure containment in Iowa that has put Iowa well out of step with other states.

While this report clearly shows that Iowa's actions were out of step with those in other states, it does not go into the specific merits of the actions Iowa took. It does suggest, however, that Iowa has a great deal of room to adjust and raise taxes as a means to respond to state general fund expenditure needs, if those needs represent state services and obligations important to Iowa residents.

# Iowa Fiscal Partnership

The Iowa Fiscal Partnership is a joint initiative of the Iowa Policy Project and the Child & Family Policy Center, two nonprofit, nonpartisan Iowa-based organizations that cooperate in analysis of tax policy and budget issues facing Iowans. IFP reports are available on the web at <http://www.iowafiscal.org>.

**Appendix**

**Table A-1**  
**Net Tax Increases Enacted in the 50 States by Type of Tax**

	United States		Iowa	
	General Fund Expenditures (\$ in millions)	Yearly Change	General Fund Expenditures (\$ in millions)	Yearly Change
1994	\$322,162		\$3,503	
1995	\$345,216	7.2%	\$3,641	3.9%
1996	\$358,664	3.9%	\$3,855	5.9%
1997	\$374,099	4.3%	\$4,138	7.3%
1998	\$393,736	5.2%	\$4,359	5.3%
1999	\$421,470	7.0%	\$4,529	3.9%
2000	\$468,216	11.1%	\$4,763	5.2%
2001	\$488,458	4.3%	\$4,887	2.6%
2002	\$497,997	2.0%	\$4,605	-5.8%
2003	\$508,450	2.1%	\$4,529	-1.7%
2004	\$522,492	2.8%	\$4,499	-0.7%
Change from 1994 - 2001	51.6%		39.5%	
Change from 2001-2004	7.0%		-7.9%	
Change from 1994-2004	62.2%		28.4%	

Source: National Association of State Budget Officers

**Table A-2**  
**General Fund Expenditures in the 50 States, 2001-2005 (\$ millions)**

	2001 Actual Expenditures	2002 Actual Expenditures	2003 Actual Expenditures	2004 Est. Expenditures	2005 Rec. Expenditures	2001-04 %Change	2001-05 %Change
<b>NEW ENGLAND</b>							
Connecticut	\$11,883	\$12,187	\$12,120	\$12,562	\$13,154	5.7%	10.7%
Maine	2,571	2,584	2,533	2,556	2,662	-0.6%	3.5%
Massachusetts	22,133	22,800	22,439	21,930	22,979	-0.9%	3.8%
New Hampshire	1,070	1,174	1,336	1,376	1,390	28.6%	29.9%
Rhode Island	2,483	2,650	2,682	2,796	2,899	12.6%	16.8%
Vermont	867	881	888	905	939	4.4%	8.3%
<b>MID-ATLANTIC</b>							
Delaware	2,429	2,454	2,454	2,650	2,785	9.1%	14.7%
Maryland	10,238	10,572	10,347	10,262	11,234	0.2%	9.7%
New Jersey	20,811	21,997	23,568	23,854	25,708	14.6%	23.5%
New York	36,840	38,324	37,613	42,071	41,896	14.2%	13.7%
Pennsylvania	19,862	20,429	20,400	21,462	22,334	8.1%	12.4%
<b>GREAT LAKES</b>							
Illinois	17,961	17,831	21,893	22,766	23,416	26.8%	30.4%
Indiana	10,018	9,708	10,309	11,437	11,357	14.2%	13.4%
Michigan	9,859	9,298	8,735	8,813	8,655	-10.6%	12.2%
Ohio	21,143	21,627	22,653	23,778	24,752	12.5%	17.1%
Wisconsin	11,078	11,259	11,033	10,566	11,563	4.6%	4.4%
<b>PLAINS</b>							
Iowa	4,887	4,605	4,529	4,499	4,759	-7.9%	2.6%
Kansas	4,429	4,466	4,138	4,332	4,615	-2.2%	4.2%
Minnesota	12,755	12,333	13,894	13,966	14,108	9.5%	10.6%
Missouri	6,610	6,626	6,382	6,597	7,097	-0.2%	7.4%
Nebraska	2,479	2,599	2,619	2,603	2,757	5.0%	11.2%
North Dakota	819	862	860	884	920	7.9%	12.3%
South Dakota	793	848	884	934	976	17.8%	23.1%
<b>SOUTHEAST</b>							
Alabama	5,213	5,325	5,473	5,566	5,699	6.8%	9.3%
Arkansas	3,242	3,213	3,251	3,526	3,652	8.8%	12.6%
Florida	19,779	19,044	20,514	21,260	23,785	7.5%	20.3%
Georgia	14,644	15,014	16,025	16,175	16,125	10.5%	10.1%
Kentucky	6,969	7,082	7,179	7,281	7,418	4.5%	6.4%
Louisiana	6,280	6,484	6,617	6,505	6,711	3.6%	6.9%
Mississippi	3,398	3,304	3,458	3,591	3,540	5.7%	4.2%
North Carolina	13,446	13,741	13,856	14,799	15,505	10.1%	15.3%
South Carolina	5,422	5,179	4,995	4,901	4,996	-9.6%	7.9%
Tennessee	7,293	7,779	7,914	8,295	8,955	13.7%	22.8%
Virginia	11,270	11,129	12,118	12,301	13,148	9.1%	16.7%
West Virginia	2,547	2,817	2,933	3,226	3,078	26.7%	20.8%
<b>SOUTHWEST</b>							
Arizona	6,372	6,339	6,026	6,541	7,165	2.7%	12.4%
New Mexico	3,595	3,918	4,051	4,503	4,384	25.3%	21.9%
Oklahoma	4,770	4,882	4,653	4,699	4,716	-1.5%	1.1%
Texas	28,427	29,890	30,656	29,434	29,460	3.5%	3.6%
<b>ROCKY MOUNTAIN</b>							
Colorado	5,641	5,742	5,913	5,662	5,916	0.4%	4.9%
Idaho	1,829	1,980	1,926	1,994	2,084	9.0%	13.9%
Montana	1,268	1,353	1,283	1,290	1,323	1.7%	4.3%
Utah	3,906	3,625	3,536	3,614	3,770	-7.5%	3.5%
Wyoming	368	390	788	788	1,023	114.1%	178.0%
<b>FAR WEST</b>							
Alaska	NA	2,392	2,496	2,301	2,252	-3.8%	*5.9%
California	78,053	76,752	77,482	78,028	76,062	0.0%	2.6%
Hawaii	3,365	3,656	3,806	3,823	4,058	13.6%	20.6%
Nevada	1,691	1,817	2,037	2,320	2,545	37.2%	50.5%
Oregon	4,825	5,822	3,825	5,251	4,945	8.8%	2.5%
Washington	10,827	11,214	11,330	11,219	11,700	3.6%	8.1%
<b>TOTAL</b>	<b>\$488,458</b>	<b>\$497,997</b>	<b>\$508,450</b>	<b>\$522,492</b>	<b>\$536,970</b>	<b>7.0%</b>	<b>9.9%</b>

\* Alaska's Percent Change is from 2002

Source: National Association of State Budget Officers

**Table A-3**  
**Actual, Estimated Education Expenditures in the 50 States, 2001-2003 (\$ millions)**

	2001 Actual Expenditures	2002 Actual Expenditures	2003 Est. Expenditures	2001-03 %Change
<b>NEW ENGLAND</b>				
Connecticut	\$2,173	\$2,002	\$1,994	-8.2%
Maine	954	926	956	0.2%
Massachusetts	3,884	4,155	4,085	5.2%
New Hampshire	883	949	988	11.9%
Rhode Island	670	708	746	11.3%
Vermont	735	784	NA	6.7%
<b>MID-ATLANTIC</b>				
Delaware	1,130	1,202	1,245	10.2%
Maryland	3,026	3,172	3,395	12.2%
New Jersey	6,787	7,234	7,832	15.4%
New York	14,219	15,145	15,626	9.9%
Pennsylvania	6,482	6,714	6,995	7.9%
<b>GREAT LAKES</b>				
Illinois	6,035	6,025	6,397	6.0%
Indiana	4,210	3,891	4,231	0.5%
Michigan	11,297	11,268	11,399	0.9%
Ohio	6,669	7,164	7,378	10.6%
Wisconsin	4,948	5,125	5,359	8.3%
<b>PLAINS</b>				
Iowa	2,048	2,082	2,129	4.0%
Kansas	2,307	2,361	2,363	2.4%
Minnesota	4,382	4,478	5,647	28.9%
Missouri	3,522	3,614	3,699	5.0%
Nebraska	781	866	870	11.4%
North Dakota	313	321	343	9.6%
South Dakota	327	343	342	4.6%
<b>SOUTHEAST</b>				
Alabama	3,155	3,314	3,391	7.5%
Arkansas	1,770	1,790	1,894	7.0%
Florida	7,944	7,654	8,229	3.6%
Georgia	6,034	6,238	6,331	4.9%
Kentucky	2,952	2,990	3,061	3.7%
Louisiana	2,558	2,784	2,865	12.0%
Mississippi	1,756	1,772	1,891	7.7%
North Carolina	5,732	5,880	5,904	3.0%
South Carolina	2,459	2,432	2,505	1.9%
Tennessee	2,557	2,607	2,733	6.9%
Virginia	4,363	4,447	4,399	0.8%
West Virginia	1,448	1,491	1,587	9.6%
<b>SOUTHWEST</b>				
Arizona	2,557	2,955	3,002	17.4%
New Mexico	1,668	1,870	1,821	9.2%
Oklahoma	2,504	2,482	2,431	-2.9%
Texas	13,508	13,166	13,966	3.4%
<b>ROCKY MOUNTAIN</b>				
Colorado	2,278	2,553	2,763	21.3%
Idaho	974	1,005	1,020	4.7%
Montana	515	566	579	12.4%
Utah	1,637	1,735	1,699	3.8%
Wyoming	493	497	501	1.6%
<b>FAR WEST</b>				
Alaska	NA	NA	NA	NA
California	28,548	28,515	27,744	-2.8%
Hawaii	1,310	1,545	1,467	12.0%
Nevada	719	816	883	22.8%
Oregon	2,293	2,737	2,373	3.5%
Washington	4,845	5,077	5,197	7.3%
<b>TOTAL</b>	<b>\$194,359</b>	<b>\$199,447</b>	<b>\$204,255</b>	<b>5.1%</b>

\* Vermont's Percent Change is 2001-2002

Source: National Association of State Budget Officers

**Table A-4****Iowa Tax Cuts in Millions of Dollars and as a Percentage of Previous Year's Tax Collections  
Contrasted with Percentage Changes as the Result of Tax Law Changes in the 50 States**

	1996	1997	1998	1999	2000	2001	2002	2003	2004
10% Income Tax Cut			\$103.0	\$102.0					
Insurance Premium									\$12.2
Pension Tax	\$ 22.2			\$ 24.4					
Inheritance/Estate								\$15.2	\$12.5
Personal Exemption				\$ 28.8					
Capital Gains Increase				\$ 18.0					
Dependent Credit	\$ 16.5								
Health Ins. Deduct		\$11.8							
Chapter S				\$ 9.8					
Index Brackets	\$ 6.0								
Tuition/Textbook				\$ 3.8		\$ 7.9			
IPERS Pretax			\$ 4.4	\$ 4.4					
Other *		\$ 0.6	\$ 1.2	\$ 8.0		\$ 3.0			
Sales Tax on Utilities						\$ 45.0			
Sales Tax Holiday					\$ 5.8				
Hospitals Exemption				\$ 15.0	\$ 15.0	\$ 15.0			
Internet Sales					\$ 5.8				
M & E			\$ 4.0		\$ 1.4				
Other **	\$ 2.0	\$ 0.4	\$ 0.5	\$ 1.4	\$ 0.5				
New Cuts in Year	\$ 46.7	\$ 12.8	\$113.1	\$215.6	\$ 28.5	\$ 70.9		\$ 15.2	\$ 24.7
<b>Iowa Calculations</b>									
Pvs Year Tax Coll.	\$4,193.1	\$4,424.2	\$4,683.8	\$4,894.4	\$4,946.0	\$5,213.9	\$5,315.9	\$5,127.3	\$5,208.7
Cuts as % Pvs Year	98.9%	99.7%	97.6%	95.6%	99.4%	98.6%	99.6%	100.0%	98.2%
Cumulative % Red.	98.9%	98.6%	96.2%	92.0%	91.5%	90.2%	89.8%	89.8%	88.2%
Reduction 01-04									-2.2 %
<b>50-State Calculations</b>									
Cuts as % Pvs. Year	99.0%	99.4%	98.4%	98.3%	98.0%	99.7%	101.6%	101.6%	101.0%
Cumulative % Red.	99.0%	98.4%	96.8%	95.2%	93.3%	93.0%	94.5%	96.0%	97.0%
Increase 01-04									4.3 %

Notes on Table: The Iowa tax reductions are based upon an Iowa Department of Management report and are used to calculate the percentage tax reductions for the years 1996 through 2001. The gross tax collection data is taken from an Iowa Department of Revenue Report. While the tax changes from the Iowa Department of Management report are shown for 2002-04, the % changes are drawn from the National Conference of State Legislatures' report and are slightly different as to timing. The federal data are taken from the National Conference of State Legislatures' report, with the 2004 data only representing 40 of the 50 states.

**Table A-5**  
**State Tax Changes, 2002-2004 (\$ millions)**

	2002 Actions		2003 Actions		2004 Actions
	Net Tax Change	% of 2001 Taxes	Net Tax Change	% of 2001 Taxes	% State Tax Change
<b>NEW ENGLAND</b>					
Connecticut	\$ 73.6	0.7%	\$ 613.0	6.8%	No Change
Maine	25.7	1.0%	57.2	2.2%	+ 1 - 5%
Massachusetts	962.0	5.6%	140.0	0.9%	Not Applicable
New Hampshire	0.0	0.0%	- 58.2	- 3.1%	No Change
Rhode Island	30.1	1.3%	37.7	1.8%	+ > 5%
Vermont	39.8	2.6%	42.2	2.8%	No Change
<b>MID-ATLANTIC</b>					
Delaware	0.0	0.0%	119.6	5.5%	Not Applicable
Maryland	93.9	0.9%	52.3	0.5%	No Change
New Jersey	1,073.0	5.6%	452.4	2.5%	+ > 5%
New York	279.8	0.6%	2,979.9	6.9%	Not Applicable
Pennsylvania	729.6	3.2%	747.5	3.4%	No Change
<b>GREAT LAKES</b>					
Illinois	372.0	1.6%	453.0	2.0%	Not Applicable
Indiana	925.1	9.1%	-11.7	-0.1%	No Change
Michigan	231.4	1.0%	17.1	0.1%	Not Applicable
Ohio	404.0	2.1%	1,516.6	7.7%	Not Applicable
Wisconsin	-9.0	-0.1%	3.8	0.0%	No Change
<b>PLAINS</b>					
Iowa	-18.9	-0.4%	1.3	0.0%	- 1% or More
Kansas	270.0	5.4%	6.5	0.1%	No Change
Minnesota	16.2	0.1%	27.2	0.2%	No Change
Missouri	60.0	0.7%	8.6	0.1%	No Change
Nebraska	107.1	3.5%	29.4	1.0%	No Change
North Dakota	0.0	0.0%	1.5	0.1%	No Change
South Dakota	0.0	0.0%	6.4	0.7%	No Change
<b>SOUTHEAST</b>					
Alabama	126.5	2.0%	0.0	0.0%	+ 1 - 5%
Arkansas	0.0	0.0%	120.9	2.4%	+ > 5%
Florida	141.4	0.6%	-51.0	-0.2%	No Change
Georgia	-12.2	-0.1%	122.9	0.9%	No Change
Kentucky	0.0	0.0%	2.6	0.0%	No Change
Louisiana	-3.0	0.0%	0.0	0.0%	+ 1 - 5%
Mississippi	0.0	0.0%	-1.0	0.0%	No Change
North Carolina	129.6	0.8%	81.8	0.5%	Not Applicable
South Carolina	10.0	0.2%	-1.0	0.0%	No Change
Tennessee	755.6	9.7%	0.0	0.0%	Not Applicable
Virginia	1.0	0.0%	10.5	0.1%	+ 1 - 5%
West Virginia	-18.0	-0.5%	99.0	2.8%	No Change
<b>SOUTHWEST</b>					
Arizona	101.4	1.2%	69.7	0.8%	No Change
New Mexico	-5.6	-0.1%	45.3	1.2%	No Change
Oklahoma	101.0	1.6%	68.0	1.1%	Not Applicable
Texas	0.0	0.0%	15.0	0.1%	No Change
<b>ROCKY MOUNTAIN</b>					
Colorado	0.0	0.0%	0.0	0.0%	No Change
Idaho	0.0	0.0%	174.5	7.7%	No Change
Montana	0.0	0.0%	43.1	3.0%	No Change
Utah	11.9	0.3%	19.2	0.5%	No Change
Wyoming	0.0	0.0%	20.0	1.8%	No Change
<b>FAR WEST</b>					
Alaska	2.7	0.2%	0.9	0.1%	No Change
California	1,995.0	2.2%	100.0	0.1%	Not Applicable
Hawaii	-65.1	-1.9%	-16.0	-0.5%	No Change
Nevada	0.0	0.0%	413.0	10.5%	No Change
Oregon	176.0	3.0%	37.0	0.7%	No Change
Washington	-15.9	-0.1%	145.1	1.1%	No Change
<b>TOTAL</b>	<b>\$9,097.7</b>	<b>1.6%</b>	<b>\$8,762.8</b>	<b>1.6%</b>	<b>0.5%</b>

Source: National Conference of State Legislatures