



## State Revenues Up Dramatically, Economic Programs for Business Remain Strong

The ability of states to strengthen their economic development programs got a boost from solid revenue gains during the mid-2004 to mid-2005 period.

State revenues soared for the fiscal year ending in 2005, the National Governors Association (NGA) reported recently. Sales, personal and corporate income increased because of the improving economy. Accordingly, state revenues – which consist mostly of sales, personal income and corporate income taxes – also rose.

The NGA's report was based upon a survey conducted this spring by the association and the National Association of State Budget Officers.

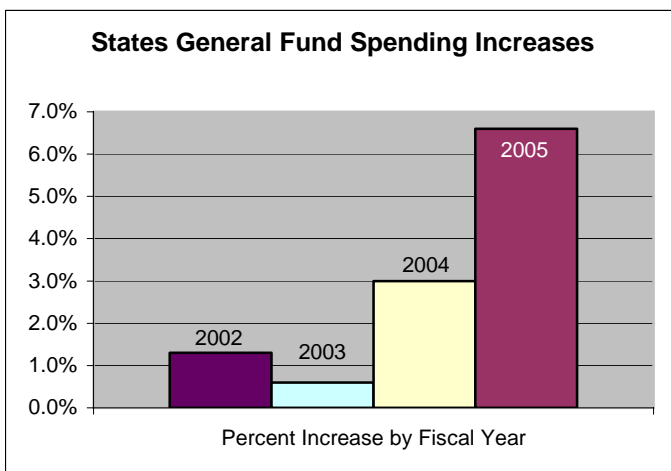
"The revenue picture for most states improved dramatically in fiscal 2005," the report stated. "Revenues exceeded original budget projections in 42 states, and five others met their targets. Only three states' revenues were below their budget projections." The majority of states end their fiscal years on June 30.

### Revenues vs. Budgets

| Number of States | Revenues vs. Budgets |
|------------------|----------------------|
| 42               | Exceeded             |
| 5                | Met                  |
| 3                | Below                |

In the 2005 fiscal year, revenues flowing into states' general funds rose 4.7 percent to \$521 billion. According to the survey, state budget officers expect an increase of 3.6 percent, to nearly \$540 billion in fiscal 2006.

"Collections of sales, personal income and corporate income taxes exceeded budgeted amounts in nearly every state," the governors said. "Sales taxes were 1.1 percent higher, personal income taxes were 2.1 percent higher and corporate income tax collections were 8.8 percent above original estimates."



State spending is on the rise with the resurgence of tax collections. In the 2005 fiscal year, spending from state general funds grew 6.6 percent since 1979, when state officials began tracking such data. In the last five years, spending from state general funds increased more slowly, by an average of 3.9 percent a year.

In our next newsletter we will provide the results of a survey of states' economic development budgets and programs.