

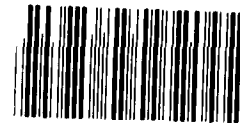
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Fact Sheet for the Honorable Jack Brooks
Chairman, Committee on Government
Operations, House of Representatives

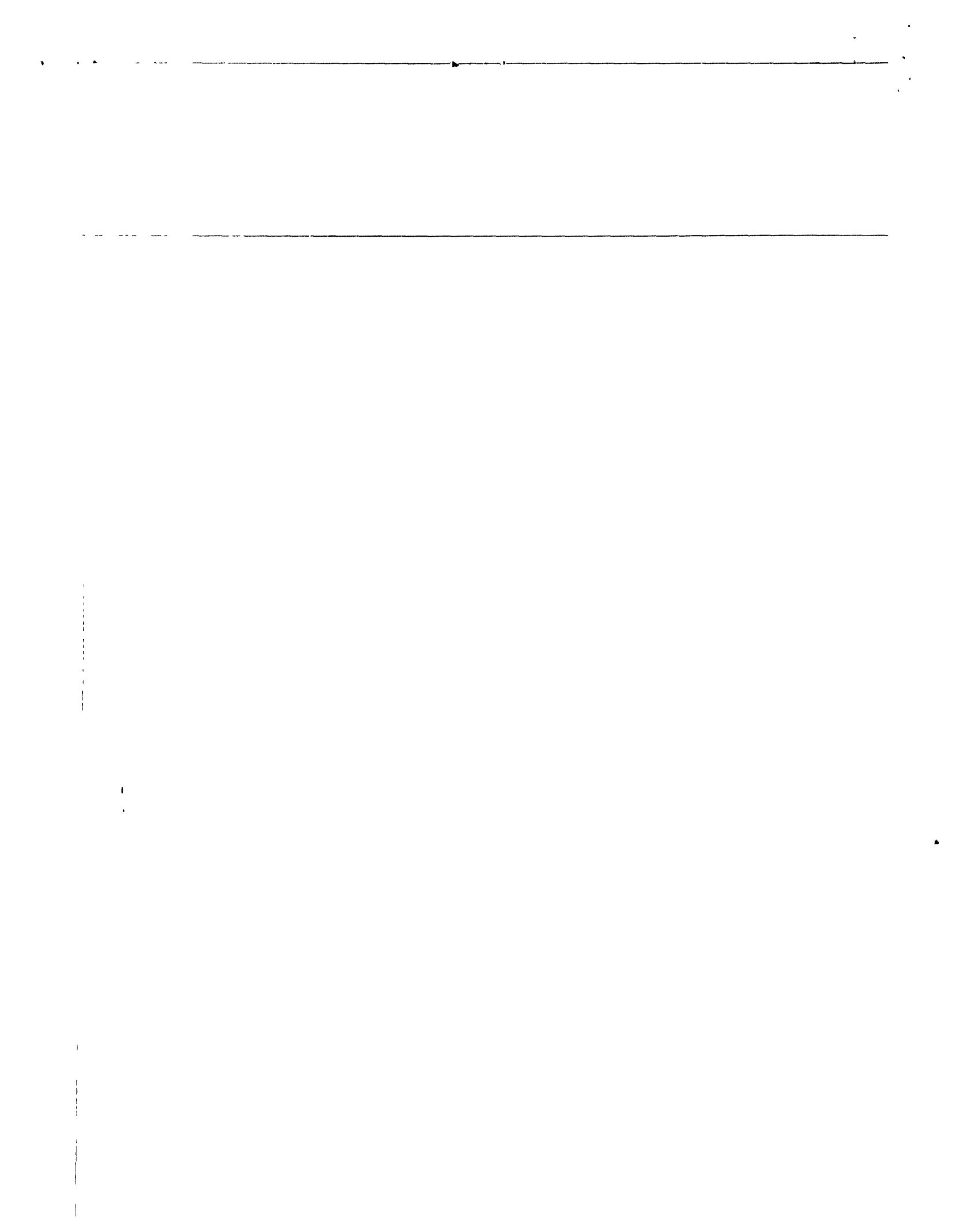
July 1986

BUDGET ISSUES

Capital Budgeting Practices in the States



130472





UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

ACCOUNTING AND FINANCIAL
MANAGEMENT DIVISION

B-223368

July 15, 1986

The Honorable Jack Brooks
Chairman, Committee on
Government Operations
House of Representatives

Dear Mr. Chairman:

Your April 15, 1985, letter asked us, in part, to document state budgeting practices. In later discussions with your staff, we agreed to concentrate our efforts at this time on obtaining information on the states' capital budgets. You indicated that this information could assist the Congress in evaluating the appropriateness of developing an alternative to the federal government's unified budget, which combines programs in the budget regardless of the sources of their funding. We have also completed another segment of your request to document budgeting practices of selected foreign governments. That report will be issued at a later date.

To obtain information on state budgeting practices, we sent a questionnaire to all 50 states in November 1985. It was designed to obtain information on the states' capital budgeting and financing practices. Specifically, it focused on identifying the following about the states:

- whether they have a separate capital budget,
- whether they link long-term borrowing to the life of the asset,
- how they fund capital and noncapital (current/operating) expenditures, and
- how they report and fund principal and interest payments for capital expenditures.

We received responses from 45 states. We reviewed these responses to ensure their consistency and to aggregate overall responses to each question.

Our review of the responses disclosed the following:

--Thirty-seven of the 45 states that responded to our survey indicated they have a distinct capital budget. A distinct capital budget exists where the capital and noncapital amounts are reported separately either within an overall budget or as separate budgets. Of the 37 states,

- (a) 17 do not combine their capital and operating amounts into an overall unified budget total,
- (b) 13 combine their capital and operating amounts into an overall unified budget total, and
- (c) 7 use various other procedures to report their capital budget amounts. (See appendix I.)

--Among the 37 states with distinct capital budgets, the three largest sources of revenue for capital expenditures are general taxes, long-term borrowing, and federal funds. (See appendix I.)

--Of the 37 states that indicated they have a capital budget, 15 reported that long-term borrowing is not linked to the life of the asset, while 19 said the life of the asset was linked to the borrowing term. For three of the states, we could not determine from their questionnaire responses whether long-term borrowing is linked to the life of the asset. (See appendix I.)

--Twenty-two of the 37 states report the principal and interest payments on their capital debt specifically within their noncapital budget, while 3 report these payments in both their capital and noncapital budgets. Principal and interest payments are primarily funded by the states' general revenues and special funds. (See appendix I.)

The information we are reporting in the tables comes directly from responses state budget officials provided. Appendix I summarizes state-by-state responses on whether or not the states have a separate capital budget; how amounts for capital budgets are reported; revenue sources for capital expenditures; whether long-term borrowing is linked to the asset life; and how principal and interest payments are funded and reported. Appendix II summarizes state-by-state responses on revenue sources for noncapital budgets.

As agreed with your staff, we plan to release this report to other interested parties and make it available to others upon request. I would be pleased to discuss this information with

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you at your convenience. If you or your staff have any questions about the results of our work, please call me on 275-9487.

Sincerely yours,

A handwritten signature in cursive script that reads "John R. Cherbini". The signature is written in black ink and is positioned above the typed name.

John R. Cherbini
Associate Director

Table I.1: Information on the States' Capital BudgetsHow states report amounts used for their capital budget

<u>State</u>	<u>Do you have a distinct capital budget?</u>	<u>Do you combine in an overall budget?</u>	<u>Do you keep separate from overall budget?</u>	<u>Do you use other procedures?</u>
Alabama	No			
Alaska	Yes		Yes	
Arizona	Yes		Yes	
Arkansas	Yes		Yes	
California	Yes			Yes
Colorado	Yes	Yes		
Connecticut	Yes		Yes	
Florida	Yes	Yes		
Georgia	Yes			Yes
Hawaii	Yes			Yes
Idaho	Yes	Yes		
Illinois	Yes	Yes		
Indiana	No			
Iowa	No			
Kentucky	Yes		Yes	
Louisiana	Yes	Yes		
Maine	No			
Maryland	Yes			Yes
Michigan	Yes		Yes	
Minnesota	Yes		Yes	
Mississippi	No			
Missouri	Yes	Yes		

How states report amounts used for their capital budget

<u>State</u>	<u>Do you have a distinct capital budget?</u>	<u>Do you combine in an overall budget?</u>	<u>Do you keep separate from overall budget?</u>	<u>Do you use other procedures?</u>
Montana	Yes		Yes	
Nebraska	Yes		Yes	
New Hampshire	Yes		Yes	
New Jersey	Yes	Yes		
New Mexico	Yes		Yes	
New York	Yes	Yes		
North Carolina	Yes		Yes	
North Dakota	No			
Ohio	Yes			Yes
Oklahoma	No			
Oregon	Yes	Yes		
Pennsylvania	Yes			Yes
Rhode Island	Yes		Yes	
South Carolina	Yes		Yes	
South Dakota	Yes			Yes
Tennessee	Yes	Yes		
Texas	No			
Utah	Yes	Yes		
Vermont	Yes		Yes	
Virginia	Yes		Yes	
Washington	Yes		Yes	
Wisconsin	Yes	Yes		
Wyoming	Yes	Yes		

Table I.2: Revenue Sources for Capital Expenditures

<u>State</u>	<u>Three largest sources identified by the states</u>			<u>Is long-term borrowing linked to asset life?</u>
Alaska	General tax revenues	Federal funds	Special funds	No
Arizona	Special funds	Trust funds	General tax revenues	a
Arkansas	a	a	a	No
California	General tax revenues	Federal funds	Special funds	No
Colorado	Long-term borrowing	Short-term borrowing	Trust funds	No
Connecticut	Long-term borrowing	Special funds	a	Yes
Florida	Long-term borrowing	Trust funds	General tax revenues	Yes
Georgia	Long-term borrowing	General tax revenues	a	Yes
Hawaii	Long-term borrowing	Federal funds	Special funds	No
Idaho	General tax revenues	Federal funds	Donations	No
Illinois	Special funds	Long-term borrowing	Federal funds	Yes
Kentucky	Long-term borrowing	Federal funds	Investment income	Yes
Louisiana	Long-term borrowing	Federal funds	Gas tax	No
Maryland	Long-term borrowing	a	a	No
Michigan	General tax revenues	Special funds	Federal funds	a
Minnesota	Trust funds	Federal funds	Long-term borrowing	No
Missouri	Long-term borrowing	General tax revenues	Trust funds	No
Montana	General tax revenues	Long-term borrowing	Federal funds	No
Nebraska	a	a	a	No
New Hampshire	a	a	a	Yes

^aUnable to determine from questionnaire returned by the state.

<u>State</u>	<u>Three largest sources identified by the states</u>			<u>Is long-term borrowing linked to asset life?</u>
New Jersey	General tax revenues	Long-term borrowing	Federal funds	Yes
New Mexico	Long-term borrowing	General tax revenues	a	Yes
New York	Federal funds	Miscellaneous revenues and repayments	General tax revenues	Yes
North Carolina	General tax revenues	Long-term borrowing	Special funds	No
Ohio	Federal funds	Long-term borrowing	Trust funds	No
Oregon	Dedicated funds	General tax revenues	Federal funds	Yes
Pennsylvania	Federal funds	Long-term borrowing	Special funds	Yes
Rhode Island	Long-term borrowing	Special funds	General tax revenue	Yes
South Carolina	Long-term borrowing	Special funds	Revenues and reserves	Yes
South Dakota	Federal funds	State highway funds	General tax and tuition	a
Tennessee	a	a	a	Yes
Utah	Fuel tax	Federal funds	General tax revenues	No
Vermont	Long-term borrowing	General tax revenues	a	Yes
Virginia	General tax revenues	Higher education fund	Trust, special, highway maintenance, and construction funds	Yes
Washington	General tax revenues	Long-term borrowing	Federal funds	Yes
Wisconsin	General tax revenues	Trust funds	Special funds	Yes
Wyoming	General tax revenues	a	a	Yes

^aUnable to determine from questionnaire returned by the state.

Table I.3: How States Report and Fund Principal and Interest Payments

<u>State</u>	<u>Reported in</u>	<u>Funded through</u>
Alaska	Noncapital budget	General revenues and special funds
Arizona	a	a
Arkansas	Not reported	General revenues, special funds, and cash
California	Noncapital budget	General revenues
Colorado	a	a
Connecticut	Noncapital budget	General revenues and special funds
Florida	a	Trust funds
Georgia	Capital and noncapital budgets	General revenues and long-term borrowing
Hawaii	Noncapital budget	General revenues and other funds
Idaho	Noncapital budget	General revenues and special funds
Illinois	Noncapital budget	General revenues and special funds
Kentucky	Noncapital budget	General revenues and special funds
Louisiana	Noncapital budget	General revenues and special funds
Maryland	Noncapital budget	General revenues and special funds
Michigan	a	a
Minnesota	Capital and noncapital budgets	General revenues and special funds
Missouri	Noncapital budget	General revenues

^aUnable to determine from questionnaire returned by the state.

<u>State</u>	<u>Reported in</u>	<u>Funded through</u>
Montana	Special legislation	General revenues and federal, trust, and special funds
Nebraska	a	a
New Hampshire	Noncapital budget	General revenues, special funds, and trust funds
New Jersey	Noncapital budget	General revenues
New Mexico	Capital budget	General property taxes and special funds
New York	Debt service budget	General revenues
North Carolina	Noncapital budget	General revenues
Ohio	Noncapital budget	General revenues and special funds
Oregon	Noncapital budget	General revenues and trust, federal, and special funds
Pennsylvania	Capital and noncapital budgets	General revenues and special fund
Rhode Island	Noncapital budget	General revenues
South Carolina	Noncapital budget	General revenues, special funds, and federal funds
South Dakota	a	a
Tennessee	Noncapital budget	General revenues and trust funds
Utah	Capital budget	General revenues and fuel tax
Vermont	Noncapital budget	General revenues

^aUnable to determine from questionnaire returned by the state.

<u>State</u>	<u>Reported in</u>	<u>Funded through</u>
Virginia	Noncapital budget	General revenues and trust, special, federal, and higher education funds
Washington	Noncapital budget	Long-term borrowing
Wisconsin	Noncapital budget	General revenues and trust funds
Wyoming	a	a

^aUnable to determine from questionnaire returned by the state.

Table II: Revenue Sources for Noncapital Budgets

<u>State</u>	<u>Three largest sources identified by the states</u>		
Alabama	a	a	a
Alaska	General tax	Special funds	Federal funds
Arizona	General tax	Special funds	Trust funds
Arkansas	General tax	Federal funds	Special funds
California	General tax	Federal funds	Special funds
Colorado	General tax	Special funds	Federal funds
Connecticut	General tax	Special funds	a
Florida	General tax	Trust funds	Federal funds
Georgia	General tax	Special funds	Other funds
Hawaii	General tax	Special funds	Federal funds
Idaho	General tax	Federal funds	Dedicated funds
Illinois	General tax	Special funds	Federal funds
Indiana	a	a	a
Iowa	General tax	Special funds	a
Kentucky	General tax	Federal funds	Special funds
Louisiana	General tax	Federal funds	Special funds
Maine	General tax	Federal funds	Other funds
Maryland	General tax	Federal funds	Special funds
Michigan	General tax	Dedicated funds	Federal funds
Minnesota	General tax	Federal funds	Special funds
Mississippi	General tax	Special funds	Federal funds
Missouri	General tax	Other	Federal funds

^aUnable to determine from questionnaire returned by the state.

<u>State</u>	<u>Three largest sources identified by the states</u>		
Montana	Federal funds	General tax	Special funds
Nebraska	General tax	Cash	Federal funds
New Hampshire	General tax	Special funds	Federal funds
New Jersey	a	a	a
New Mexico	General tax	Federal funds	Interest earnings
New York	General tax	Federal funds	Other
North Carolina	a	a	a
North Dakota	Federal and special funds	General tax	a
Ohio	General tax	Federal funds	Special funds
Oklahoma	General tax	Special funds	Federal funds
Oregon	Dedicated funds	General tax	Long-term borrowing
Pennsylvania	General tax	Federal funds	Special funds
Rhode Island	General tax	Federal funds	Restricted receipts
South Carolina	General tax	Federal funds	Special funds
South Dakota	Federal funds	General tax	Special funds
Tennessee	a	a	a
Texas	General tax	Federal funds	Interest
Utah	General tax	Federal funds	Property tax
Vermont	General tax	Federal funds	Special funds
Virginia	General tax	Highway maintenance and construction fund	Federal funds

^aUnable to determine from questionnaire returned by the state.

<u>State</u>	<u>Three largest sources identified by the states</u>		
Washington	General tax	Special funds	Federal funds
Wisconsin	General tax	Federal funds	Special funds
Wyoming	Other	General tax	Federal funds

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