

April's tax revenues fall, offering states no respite from budget woes

(AP) — States' income tax revenue fell by more than a fifth in April compared with a year before, a bad sign for governors and lawmakers who already struggled to balance this year's budgets, a new report says.

The weak performance increases the likelihood that more states will need to consider mid-year spending cuts for the second year running, budget officials told the National Conference of State Legislatures, which conducted the survey with several other groups.

The report, released Tuesday, discovered widespread weakness in states' revenue from individual income tax filings, the largest single source of money for state governments. The findings include:

—Total individual income tax collections in April alone fell by 21.4 percent, or \$8.5 billion, from April 2001. From January through April, collections fell by 14 percent, or \$14.5 billion, compared with the year before.

—At least 40 states reported that personal income tax collections were below projections, 12 of them more than 10 percent below. Only two states, Georgia and West Virginia, reported they were on target or above.

—Income tax refunds increased by nearly 14 percent so far this year, with states paying out \$2.5 billion more in refunds this year than last. Officials figured layoffs and

reduced working hours spurred the rise in refunds.

"April sort of clinches it," said Arturo Perez, a senior analyst with the National Conference of State Legislatures. "The numbers don't reflect anything that would cheer a state official up."

Other sources of revenue — sales taxes and corporate taxes — have also been weak this year. A preliminary report found corporate income taxes fell by 18 percent in the first quarter.

Though the recession officially ended last year, economists say states' financial woes will continue as unemployment remains higher than in recent years.

Most states have returned to their budgets and cut spending over the past year, and budget writers have adjusted their projections downward.

But the new report found that, for the overwhelming majority, even the conservative estimates weren't gloomy enough.

State are "looking now at a potentially out-of-balance budget in the upcoming year," Perez said. "There's a lot of misery shared among the states."

This is not isolated to one or two states, or just one region of the country.

States have faced budget shortfalls in the billions of dollars over the fiscal year that ends for all but four states this month. Nearly all have rejected general tax increases, choosing instead a

Income tax slump

State individual income tax collections for April were down more than 20 percent from 2001.

State individual income tax collection in billions*



*Totals for the 41 states that collect income tax and District of Columbia

SOURCE: National Conference of State Legislatures

mix of spending cuts and tax hikes, such as higher cigarette taxes or corporate taxes. Kansas, however, raised sales taxes.

State leaders are also seeking help from Washington, hoping that the federal government will take on a larger share of the cost of Medicaid, the health care program for the poor, and other multibillion dollar initiatives through block grants.

The survey was conducted by the NCSL, the Federation of State Tax Administrators, the National Association of State Budget Officers, and the Nelson Rockefeller Institute of Government.

Mexican village buries 26 people

SANTIAGO XOCHILTEPEC, Mexico (AP) — The little cemetery under the piney mountains was filled to overflowing. Even some of the graves were cut extra-wide in the muddy red earth so that brother could be buried beside brother.

With weeping, wailing and anger, Santiago Xochiltepec buried 26 men on Sunday, most of them young, all victims of a Friday evening massacre that grew out of a land dispute residents say is nearly seven decades old.

The Oaxaca state attorney general's office announced that federal troops and state police had arrested 16 people from the neighboring district of Santo Domingo Teojomulco, most from the village there known as Las Huertas, population 390.

Abdias Hernandez, 66, said there had been clashes since 1935 on the edges of this settlement of 640 people that repeated federal and state interventions had failed to solve.

"If we had guns, we'd go and do the same thing to them, but we don't, which is why we stand here with our arms crossed," Hernandez said, though he admitted to knowing the local price for an AK-47.

"If the government does nothing, the dispute will continue. There will be more massacres," he added.

Xochiltepec, about 215 miles southeast of Mexico City, is one of hundreds of settlements with apparently ageless rival claims to land. The federal agrarian reform department has reported 600 ongoing community disputes over land in Oaxaca, Mexico's most heavily Indian state.

In 1998, a battle between Teojomulco and another village killed at least 14. A 1986 battle involving nearby Amoltepec and Zaniza killed 10. One of the men convicted of homicide in that case is now Amoltepec's mayor, three years after being imprisoned.

Most conflicts in the impoverished region related in some way to land. Competing cultures have battled over land since before Spanish conquest 500 years ago. Officials say the latest violence has no exception.

"This attack was an act of vengeance by one community toward another" because of a 1986 ruling that Xochiltepec owned hundreds of acres also claimed by Teojomulco, the state attorney general's office said.

Xochiltepec is a Zapotec settlement. Las Huertas is a mestizo village.

The victims worked at a settlement in nearby San Pedro el Alto, some there from Monday to Friday returning each weekend with their pay.

Survivors said the men had hitched a ride on a dump truck for the arduous, several-hour ride home. At a spot known as Agua Fria — Water — downed tree trunks and rocks from driver Alberto Antonio Perez to stop and guard the truck.

Perez says they ordered him and his son to leave — the two were from San Pedro rather than Xochiltepec — and then opened fire with automatic weapons.

Twenty-six men died and four survived, buried by the bodies of the dead.

"If the government does nothing, the dispute will continue. There will be more massacres."

— Abdias Hernandez
Massacre Witness

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NEWS IN BRIEF

Philippine military wants further help fighting terror

TABIAWAN, Philippines (AP) — The Philippines would like U.S. military trainers to work alongside Filipino soldiers to battle terrorists, a top general said Monday, embracing a sensitive proposal by the Pentagon to expand its mission.

General Ernesto Carolina, head of his country's southern command, was joined by other Filipinos, including business leaders, in urging Deputy Defense Secretary Paul Wolfowitz to recommend an expansion of the U.S. mission on the southern island of Basilan.

The Philippine military would like to have U.S. trainers work with smaller units of Filipino soldiers, said Carolina. "It's very important because then we can do more," he said.

U.S. trainers currently work with larger groups of soldiers at area headquarters and do not accompany the Filipinos on patrols and other small-unit missions.

Wolfowitz, the No. 2 Pentagon official, said the proposal is one of several possible changes being considered by Defense Secretary Donald H. Rumsfeld.

Buckingham Palace rocks with concert for the queen

LONDON (AP) — Buckingham Palace rocked Monday night with screaming guitars, cheering fans and pop stars led by Paul McCartney and Eric Clapton in a concert celebrating Queen Elizabeth II's 50 years on the throne.

An estimated 1 million people thronged the parks and roads around the palace, including the thousands who waved the Union Jack flag in the plaza directly below.

The crowd cheered wildly, starting with the opening act of "The Party at the Palace" — guitarist Brian May of the group Queen, who stood on the palace roof with his long hair flying and sang "God Save the Queen." They were still hollering when the queen came out to address the crowd at the end of the concert, which closed the third day of the four-day jubilee.

Puerto Rican singer Ricky Martin went straight into "Cup of Life" with a brief address from Mis-Teeq, and then sang "Livin' La Vida Loca."

More than three hours later, the concert ended with McCartney singing a medley of Beatles' classics, such as "You Need Love," "Sgt. Pepper's Lonely Hearts Club Band" and "Hey Jude."

Some of the songs McCartney sang alone, some with rock stars from his generation such as Clapton, Rod Stewart, Mick Jagger, and two of the finest with the many other performers from the gala.

His performance for the served monarch also began with a tongue-in-cheek with a Beatles song that includes the line, "Her majesty's a pretty nice girl, but she doesn't have much to say."