

ALTERATIVE MEASURES OF  
STATE AND LOCAL GOVERNMENT FISCAL CONDITIONS

I. INTRODUCTION

A large share of federal **spending** each year is channeled through state and local **governments**, much of it in programs designed specifically to support state and local governments in providing ongoing services. As Congress considers the level of support for state and local governments, it may wish to evaluate the relative fiscal condition of recipient **jurisdictions**.<sup>1</sup> This memorandum describes alterative measures of the fiscal condition of state and local governments.

While the fiscal condition of a government cannot be simply or precisely measured, several characteristics of a jurisdiction help describe its financial status and allow comparisons between governments. Among the partial indicators of state and local **governments'** fiscal conditions are:

- o The Division of Service and Revenue Responsibilities. Identifying a government's service and revenue responsibilities is an important first step in assessing its fiscal condition. All states delegate **some** responsibilities to local governments for providing services and raising revenues, but the pattern varies among **jurisdictions**. Understanding these structural differences is important since a narrower range of responsibilities assumed by one **locality--other** things being **equal--could** mean less strain on its budget. **Similarly**, a locality with a broader range of service responsibilities will experience greater fiscal strain than others with similar **economic** conditions but fewer **responsibilities**.

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- o Resources Available. The resources available to governments for supporting a given level of services are a second indicator of the fiscal condition of jurisdictions. The resources available to provide public services come from two sources: revenues raised directly by a jurisdiction and funds transferred from other governments. The ability of a jurisdiction to raise revenues directly depends on both the prevailing level of income--upon which most other taxing sources are somewhat dependent--and the population base. The size of inter-governmental transfers depends principally on decisions made by other jurisdictions.
- o The Balance Between Revenues and Expenditures. A third way to assess the fiscal condition of governments is to measure their revenue and expenditure flows. Although a short-run mismatch between expenditure commitments and receipts may be acceptable--or even desirable if the shortfall is designed to stimulate a lagging economy--repeated shortfalls may signify underlying problems in a government's fiscal condition, particularly since most state and local governments are legally prohibited from incurring deficits in their general funds.

This memorandum examines these three aspects of the fiscal condition of state and local governments. Section II describes the division of service and revenue-raising responsibilities between state and local governments. Section III examines the resources--both own-source and intergovernmental--available to state and local governments to support public services. The final section describes the flow of funds into and out of the state and local sector and the budgetary condition of governments.

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1. The choice of fiscal condition measures for evaluating federal grant-in-aid programs would depend on the nature of the grant program. For a discussion of programs that aid state and local governments, see: The Congressional Budget Office, Community Development Block Grants: Reauthorization Issues, April 1980 and General Revenue Sharing: The Administration's Reauthorization Proposal and Other Options for Distributing Funds, September 1980.

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## II. RESPONSIBILITIES FOR RAISING REVENUES AND PROVIDING SERVICES

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An important first step in **determining a jurisdiction's** fiscal condition is to identify how the responsibilities for raising revenues and providing services are shared by a state and its local governments. Absolute comparisons across states are difficult because the types of services states provide and the prices they must pay vary greatly. It is possible, however, to compare how states divide with local governments the responsibility for providing and funding services, regardless of the level or type of service provided. This section first describes the distribution of general expenditure and revenue responsibilities between states **and their**-local **governments** and then examines in **more** detail **how** state and local **governments** raise revenues and what types of services they provide.

### DISTRIBUTION OF REVENUE AND EXPENDITURE RESPONSIBILITIES

In general, state governments collect most state and local revenues, and local governments provide most **services--a** pattern that has held through most of the 1970s. In 1977-1978, the typical state government raised 58 percent of state and local own-source **revenues** whereas local **governments** made 55 percent of total expenditures (see Table 1). The average state government's share of expenditures was about 45 percent of the total in both 1970 and 1977, while its revenue-raising responsibility increased from 56 to 58 percent of the total during that time. These aggregate figures mask much diversity in state fiscal structure, **however.**

Although individual state governments can be identified as either above average in the revenue and expenditure responsibilities they undertake, below average in both categories, or above average in one respect and below average in the other, few common characteristics seem to identify the states in each group. Twenty states, concentrated in the South but representing all other regions as well, are above the **median** both in the revenues they raise and in the expenditures they make. Twenty-one states are below the **median** in both their revenue and expenditure responsibilities. While many of these are large, industrialized states such as New York, New Jersey, Michigan, Ohio, and California, such

TABLE 1. PERCENTAGE OF TOTAL STATE AND LOCAL REVENUES RAISED AND EXPENDITURES MADE BY STATE GOVERNMENTS: 1977-1978

State (by Census Region)	Percent of State/Local Revenues Raised by State 1977-1978 <sup>a</sup>	Percent of State/Local Expenditures Made by State 1977-1978 <sup>b</sup>
<u>NORTHEAST</u>		
New England		
Connecticut	54.7	44.8
Maine	64.9	50.3
Massachusetts	52.5	42.5
New Hampshire	46.4	48.1
Rhode Island	63.0	55.8
Vermont	61.4	59.8
Mid Atlantic		
New Jersey	48.7	35.1
New York	45.2	23.7
Pennsylvania	58.3	44.6
<u>MIDWEST</u>		
East North Central		
Illinois	53.3	39.8
Indiana	60.9	37.5
Michigan	57.8	38.6
Ohio	51.5	35.9
Wisconsin	62.8	34.6
West North Central		
Iowa	56.1	39.6
Kansas	51.1	38.3
Minnesota	62.1	36.3
Missouri	51.2	40.0
Nebraska	47.9	38.4
N. Dakota	65.7	51.2
S. Dakota	52.4	53.9

(Continued)

TABLE 1. CONTINUED

State (by Census Region)	Percent of State/Local Revenues Raised by State <b>1977-1978<sup>a</sup></b>	Percent of State/Local Expenditures Made by State <b>1977-1978<sup>b</sup></b>
<u>SOUTH</u>		
South Atlantic		
Delaware	77.1	54.7
Florida	51.5	30.9
Georgia	53.1	42.4
Maryland	57.7	39.8
N. Carolina	66.9	40.2
S. Carolina	66.0	50.4
Virginia	60.3	47.9
W. Virginia	72.2	55.8
East South Central		
Alabama	64.6	50.2
Kentucky	73.7	57.9
Mississippi	65.4	45.0
Tennessee	55.5	43.2
West South Central		
Arkansas	65.6	50.7
Louisiana	65.8	48.4
Oklahoma	65.1	47.6
Texas	54.8	36.9
<u>WEST</u>		
Mountain		
Arizona	57.4	34.6
Colorado	50.1	36.0
Idaho	61.2	48.6
Montana	51.1	44.6
Nevada	49.3	38.0
New Mexico	79.7	50.1
Utah	62.5	48.0
Wyoming	55.5	40.6

(Continued)

TABLE 1. CONTINUED

State (by Census Region)	Percent of State/Local Revenues Raised by State 1977-1978 <sup>a</sup>	Percent of State/Local Expenditures Made by State 1977-1978 <sup>b</sup>
Pacific		
Alaska	72.8	60.0
California	51.4	31.6
Hawaii	80.2	77.8
Oregon	<u>53.6</u>	<u>41.3</u>
Washington	60.5	42.6
Median State	58.1	44.6
Range	45.2 - 80.2	23.7 - 77.8

**SOURCE:** CBO calculations from U.S. Department of Commerce, Bureau of the Census, Governmental Finances in 1977-78, Tables 5 and 12.

- a. Revenue responsibility is the percent of general state and local own-source revenues (taxes, user charges and fees) raised by the state government. Revenues raised by social insurance funds, utilities and liquor stores are excluded.
- b. Expenditure responsibility is the percent of state and local direct general expenditures made by the state government. Expenses for insurance trust funds, liquor stores, and utility operations are excluded.

smaller, principally rural states as **Kansas**, Nebraska, Nevada, and Wyoming also appear in this group. The remaining nine states in which the state is above average in one area of responsibility but below average in the other represent all but the Mid Atlantic and East North Central regions.

#### THE COMPOSITION OF STATE AND LOCAL OWN-SOURCE REVENUES

States and localities make varying use of taxes and user charges in raising revenues. In 1977, the average state drew nearly 82 percent of its own-source revenues **from** taxes and the balance from user charges, while local governments in the average state drew 69 percent of their own-source revenues from taxes with user charges providing the remainder. States and localities also differ in the types of taxes employed, with state governments depending principally on sales and income taxes, and local governments relying most heavily on property taxes.

#### State Government Revenues

Although the average state relied on taxes for nearly 82 percent of its 1977 own-source revenues, the pattern differs considerably by state (see Table 2). For example, North Dakota, South Dakota, New Hampshire, and New Mexico all received **approximately** one-third of their own-source revenues through user charges. In contrast, user charges accounted for less than 15 percent of own-source revenues in a number of states, including Pennsylvania, Ohio, Illinois, Florida and Texas.

The principal tax sources for the typical state government are sales and income tax collections, which accounted for 56 percent and 23 percent of tax receipts, respectively, in 1977 (see Table 2). An additional 8 percent of tax revenues is raised through corporate income taxes, and the remainder from a variety of sources including license and estate taxes and property and severance taxes. States differ considerably, however, in the extent to which they rely on different taxes. A number of states, including Texas, South Dakota, Nevada, Washington, Wyoming and Florida, did not tax individual income in 1977. In contrast, individual **income** tax collections in such largely industrial states as Connecticut, Massachusetts, New York, Wisconsin and Delaware accounted for over 40 percent of tax revenue.

TABLE 2. STATE GOVERNMENT REVENUE SOURCES, FISCAL YEAR 1977

State (By Census Region)	Own-Source Revenues		Major Taxes <sup>b</sup>			
	<b>Taxes</b> (Percent of Own-Source <b>Revenues</b> )	<b>Charges<sup>a</sup></b> (Percent of Own-Source <b>Revenues</b> )	Sales (Percent of Total Taxes)	Personal Income (Percent of Total Taxes)	Corporate Income (Percent of Total Taxes)	Severance Taxes (Percent of Total <b>Taxes</b> )
<b><u>NORTHEAST</u></b>						
New England						
Connecticut	79.6	20.4	72.3	4.1	13.9	--
Maine	80.7	19.3	63.2	16.0	7.5	--
Massachusetts	84.3	15.7	40.0	40.6	13.5	--
New Hampshire	68.5	31.5	57.0	3.5	16.5	0.1
Rhode Island	74.7	25.3	58.1	23.7	9.3	—
Vermont	76.2	23.8	49.1	30.4	7.4	--
<b>Mid Atlantic</b>						
New Jersey	80.3	19.7	50.8	22.9	10.7	--
New York	83.1	16.9	36.9	42.1	12.1	--
Pennsylvania	89.1	10.9	50.2	21.1	11.9	--
<b><u>MIDWEST</u></b>						
East North Central						
Illinois	88.1	11.9	56.7	26.6	7.2	--
<b>Indiana</b>	<b>81.1</b>	18.9	66.2	22.1	4.0	c
Michigan	84.0	16.0	44.7	30.2	16.3	0.2
Ohio	81.9	11.1	59.7	17.2	8.8	0.1
Wisconsin	86.0	14.0	38.5	41.9	9.2	c

(Continued)

TABLE 2. Continued

State (By <b>Census</b> Region)	Own-Source Revenues		Major <b>Taxes</b> <sup>b</sup>			
	Taxes (Percent of Own-Source <b>Revenues</b> )	<b>Charges</b> <sup>a</sup> (Percent of Own-Source Revenues)	<b>Sales</b> (Percent of Total <b>Taxes</b> )	Personal Income (Percent of Total Taxes)	Corporate Income (Percent of Total Taxes)	Severance Taxes (Percent of Total <b>Taxes</b> )
West North Central						
<b>Iowa</b>	83.0	17.0	44.2	34.6	7.1	—
Kansas	83.0	17.0	53.8	21.6	12.7	0.1
<b>Minnesota</b>	85.3	14.7	39.5	38.5	10.4	2.4
Missouri	86.8	13.2	58.1	24.4	6.6	—
Nebraska	81.9	18.1	56.0	27.9	6.9	0.2
North Dakota	65.6	34.4	55.7	18.6	7.4	5.2
South Dakota	66.2	33.8	87.0	—	1.5	0.4
<u>SOUTH</u>						
South Atlantic						
Delaware	78.2	21.8	17.6	43.0	7.4	—
Florida	88.6	11.4	73.7	—	5.9	1.4
Georgia	87.0	13.0	59.5	26.0	9.0	—
Maryland	79.9	20.1	46.5	37.9	5.4	—
North Carolina	85.3	14.7	47.3	32.8	8.6	—
South Carolina	79.1	20.9	59.8	24.4	9.0	—
Virginia	78.6	21.4	47.7	34.8	7.7	0
<b>West Virginia</b>	86.2	13.8	71.8	18.3	2.5	—

(Continued)

TABLE 2. Continued

State (By <b>Census</b> Region)	Own-Source Revenues		Major Taxes <sup>b</sup>			
	Taxes (Percent of Own-Source Revenues)	Charges <sup>a</sup> (Percent of Own-Source Revenues)	Sales (Percent of Total Taxes)	Personal Income (Percent of Total Taxes)	Corporate Income (Percent of Total Taxes)	Severance Taxes (Percent of Total Taxes)
East South Central						
Alabama	80.1	19.9	64.7	18.7	5.4	1.0
Kentucky	83.1	16.9	53.7	21.7	8.4	7.2
Mississippi	83.0	17.0	72.3	13.6	4.7	2.6
Tennessee	85.4	14.6	73.9	1.4	10.2	0.1
West South Central						
<b>Arkansas</b>	86.4	15.6	61.1	20.4	8.3	1.3
Louisiana	76.9	13.1	49.6	7.7	5.5	28.8
Oklahoma	75.7	14.3	43.3	19.1	6.2	16.8
Texas	79.0	11.0	67.0	—	—	19.1
<u>WEST</u>						
Mountain						
Arizona	86.1	13.9	61.3	16.5	4.5	—
Colorado	77.5	22.5	51.1	31.5	7.5	0.2
Idaho	85.1	14.9	47.8	30.4	8.4	0.1
Montana	78.2	21.8	26.6	35.9	8.0	13.9
Nevada	86.8	13.2	78.1	—	—	c
New Mexico	68.1	31.9	62.9	4.5	4.8	17.2
Utah	77.2	22.8	57.8	29.8	4.7	1.7
Wyoming	76.9	23.1	57.1	—	—	20.1

(Continued)

TABLE 2. Continued

State (By Census Region)	Own-Source Revenues		Major Taxes <sup>b</sup>			
	Taxes (Percent of Own-Source Revenues)	Charges <sup>a</sup> (Percent of Own-Source Revenues)	Sales (Percent of Total Taxes)	Personal Income (Percent of Total Taxes)	Corporate Income (Percent of Total Taxes)	Severance Taxes (Percent of Total Taxes)
<u>PACIFIC</u>						
Alaska	81.7	18.3	8.5	27.2	4.7	3.1
California	87.7	12.3	47.7	28.8	13.0	0.2
Hawaii	78.2	21.8	64.9	29.6	4.1	--
Oregon	72.6	27.4	16.3	57.8	9.4	0.4
<b>Washington</b>	84.2	15.8	75.7	--	--	1.4
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Median State	81.9	18.1	56.0	23.3	7.5	0.1
Range	65.6 - 88.6	11.0 - 34.4	8.5 - 87.0	0.0 - 57.8	0.0 - 13.0	0.0 - 28.8

SOURCE: CBO calculations from U. S. Department of **Commerce**, Bureau of the **Census**, State Government Finances 1977, Table 7.

- a. Charges include current charges, special assessments and all other revenue not classed as taxes.
- b. Other taxes not reported here Include license, death, and gift and property **taxes**.
- c. Severance tax collections in these **states** account for less than 0.05 percent of total tax receipts.

Although taxes remained a constant share of state own-source revenue during the 1970s, reliance on various taxes shifted. Between 1971 and 1977, taxes on sales and gross receipts declined from over 62 percent to 56 percent of the typical state's tax revenues. During that same period, reliance on individual income taxes increased by over 5 percentage points, and reliance on corporate tax collections increased by nearly 2 percentage points.<sup>1</sup>

#### Local Government Revenues

Tax collections account for a **smaller** share of local government own-source revenues in the typical state, but, again, the pattern differs by jurisdiction. As of 1977, local government tax collections typically accounted for 69 percent of own-source revenues while user charges provided the remaining 31 percent (see Table 3). Among central cities with populations above 300,000, tax collections varied **from** 92 percent of total own-source revenues in Newark to only 36 percent in Cincinnati (see Table 4).

The relative reliance on specific taxes also varies among local governments. In the typical state, property tax collections typically accounted for 85 percent of all local government tax receipts in 1977 with the remaining 15 percent collected from varying combinations of sales and individual income taxes as well as other taxes. For the typical central city with a population over 300,000, however, property tax collections accounted for 60 percent of all tax receipts in 1977, while sales taxes generated over 31 percent of all receipts. The reliance on these tax sources varied widely among individual cities. Property taxes, for example, accounted for over 95 percent of tax collections in Boston, Milwaukee and Indianapolis but less than 30 percent of tax receipts in **Columbus**, Cincinnati, **Philadelphia**, Birmingham and **Tulsa**. Of the thirty-nine central cities examined, twelve collected individual **income** taxes in 1977, relying on them for between 16 percent of total tax revenues in Pittsburgh and about 80 percent of total tax revenues in **Columbus** and Toledo. Between 1971 and 1977, the proportion of total local government tax receipts accounted for by property taxes decreased by 5 percentage points.

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1. CBO calculations from U.S. Department of Commerce, Bureau of the Census, State Tax Collections in 1970, Table 3 and Governmental Finances in 1976-77, Table 5.

TABLE 3. LOCAL GOVERNMENT REVENUE SOURCES, FISCAL YEAR 1977

State (By <b>Census</b> Region)	Own-Source Revenues		Major <b>Taxes</b> <sup>b</sup>		
	Taxes (Percent of Own-Source Revenues)	<b>Charges</b> <sup>a</sup> (Percent of Own-Source Revenues)	Property (Percent of Total Taxes)	Sales (Percent of Total Taxes)	<b>Personal</b> Income (Percent of Total Taxes)
<u>NORTHEAST</u>					
New England					
Connecticut	87.3	12.7	99.1	—	—
Maine	83.3	16.7	99.3	—	—
Massachusetts	86.7	13.3	99.4	—	—
New Hampshire	84.2	15.8	98.1	—	—
Rhode <b>Island</b>	91.6	8.4	99.1	—	—
Vermont	87.6	12.4	98.7	—	—
Mid Atlantic					
New <b>Jersey</b>	85.5	14.5	90.0	—	—
New York	79.7	20.3	68.4	14.5	11.4
Pennsylvania	76.5	23.5	66.2	—	21.7
<u>MIDWEST</u>					
East North Central					
<b>Illinois</b>	79.0	21.0	82.0	9.2	—
Indiana	70.9	29.1	96.7	—	2.7
Michigan	69.3	30.7	91.8	—	5.9
Ohio	70.4	29.6	77.9	2.1	16.8
Wisconsin	70.8	29.2	98.7	—	—

(Continued)

TABLE 3. Continued

State (By Census Region)	Own-Source Revenues		Major Taxes <sup>b</sup>		
	Taxes (Percent of Own-Source Revenues)	Charges <sup>a</sup> (Percent of Own-Source Revenues)	Property (Percent of Total Taxes)	Sales (Percent of Total Taxes)	Personal Income (Percent of Total Taxes)
West North Central					
Iowa	67.2	32.8	97.0		—
Kansas	68.3	31.7	94.1	1.7	—
Minnesota	62.1	37.9	96.2	0.3	—
Missouri	71.1	28.9	69.6	9.9	6.5
Nebraska	68.5	31.5	93.1	3.8	—
North Dakota	64.0	36.0	96.4		—
South Dakota	78.0	22.0	90.5	4.5	—
<u>SOUTH</u>					
West South Central					
Arkansas	53.8	46.2	91.0	0.3	—
Louisiana	60.3	39.7	50.1	42.3	—
Oklahoma	64.9	35.1	69.8	25.1	—
Texas	69.4	30.6	85.8	8.8	—
South Atlantic					
Delaware	59.3	40.7	85.0	—	10.5
Florida	56.7	43.3	84.3		—
Georgia	59.0	41.0	81.1	7.4	—
Maryland	75.5	24.5	65.6		24.2
North Carolina	66.6	33.4	82.4	15.5	—
Alabama	49.0	51.0	39.8	29.7	4.4

(Continued)

TABLE 3. Continued

State (By Census Region)	Own-Source Revenues		Major Taxes <sup>b</sup>		
	Taxes (Percent of Own-Source Revenues)	Charges <sup>a</sup> (Percent of Own-Source Revenues)	Property (Percent of Total Taxes)	Sales (Percent of Total Taxes)	Personal Income (Percent of Total Taxes)
South Carolina	58.4	41.6	93.1		
Virginia	78.5	21.5	69.0	10.3	--
<b>West</b> Virginia	65.0	35.0	81.9	--	--
East South Central					
Kentucky	64.0	36.0	66.7	--	25.3
<b>Mississippi</b>	48.0	52.0	94.2		
<b>Tennessee</b>	63.8	36.2	69.9	21.8	--
<u>WEST</u>					
Mountain					
Arizona	73.1	26.9	81.1	14.0	--
Colorado	73.2	26.8	75.9	18.9	--
Idaho	64.6	35.4	<b>97.2</b>		--
Montana	73.7	26.3	96.1	--	--
Nevada	60.0	40.0	67.3	7.9	--
New Mexico	57.0	43.0	81.7	6.7	--
Utah	72.6	27.4	81.7	13.5	--
Wyoming	66.4	33.6	91.8	6.0	--
Pacific					
Alaska	61.8	38.2	78.7	19.5	--
California	77.3	22.7	85.2	8.3	--

(Continued)

TABLE 3. Continued

State (By Census Region)	Own-Source Revenues		Major Taxes <sup>b</sup>		
	Taxes	Charges <sup>a</sup>	Property	Sales	Personal
	(Percent of Own-Source Revenues)	(Percent of Own-Source Revenues)	(Percent of Total Taxes)	(Percent of Total Taxes)	(Percent of Total Taxes)
Hawaii	78.8	21.2	80.0	--	--
Oregon	73.6	26.4	92.0	--	--
Washington	66.4	33.6	69.8	12.5	—
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<b>Median</b>	69.4	30.6	85.1	0.3	0.0
Range	48.0 - 91.6	8.4 - 52.0	39.8 - 99.4	0.0 - 42.3	0.0 - 25.3

SOURCE: CBO calculations from U. S. Department of Commerce, Bureau of the **Census**, Governmental Finances in 1976-77, Table 6.

- a. Charges include current charges, special assessments of all other revenue not classed as taxes.
- b. Other taxes not reported here include motor vehicle, death and gift taxes, and corporate income **taxes**.

TABLE 4. REVENUE SOURCES FOR CENTRAL CITIES WITH POPULATION GREATER THAN 300,000, FISCAL YEAR 1977

State (By Census Region)	Own-Source Revenues		Major Taxes <sup>b</sup>		
	Taxes (Percent of Own-Source Revenues)	Charges <sup>a</sup> (Percent of Own-Source Revenues)	Property (Percent of Total Taxes)	Sales (Percent of Total Taxes)	Personal Income (Percent of Total Taxes)
<b>Northeast</b>					
Boston	83.9	16.1	99.1		
Newark	91.8	8.2	74.2	14.6	—
New York City	80.0	20.0	54.2	21.8	22.2
Buffalo	75.7	24.3	95.9	2.4	
Philadelphia	79.9	20.1	26.7	1.3	64.3
Pittsburgh	84.6	15.4	55.8	9.3	15.8
<b>Midwest</b>					
Chicago	81.3	18.7	48.8	37.7	
Indianapolis	63.5	36.5	97.2	0.9	—
Columbus	61.8	38.2	12.4	1.2	82.7
Cincinnati	36.1	63.9	28.1	1.6	65.8
Cleveland	58.9	41.1	41.1	1.1	55.8
Milwaukee	66.1	33.9	96.0	0.8	
Minneapolis	69.5	30.5	86.0	8.9	—
Omaha	75.8	24.2	58.0	35.2	—
Detroit	72.2	27.8	50.9	9.2	37.7
Toledo	58.8	41.2	14.6	0.6	80.0
St. Louis	77.7	22.3	21.3	41.3	27.9
Kansas City	70.8	—	19.1	40.6	31.6

(Continued)

TABLE 4. Continued

State (By Census Region)	Own-Source Revenues		Major Taxes <sup>b</sup>		
	Taxes (Percent of Own-Source Revenues)	Charges <sup>a</sup> (Percent of Own-Source Revenues)	Property (Percent of Total Taxes)	Sales (Percent of Total Taxes)	Personal Income (Percent of Total Taxes)
<u>South</u>					
New Orleans	63.2	36.8	32.7	60.8	--
<b>Tulsa</b>	62.6	37.4	23.3	73.9	--
Oklahoma <b>City</b>	66.2	33.8	35.4	62.4	--
Austin	48.7	51.3	67.4	29.9	--
Dallas	74.5	25.5	66.2	31.8	--
El Paso	59.4	40.6	61.5	35.1	--
San Antonio	59.9	40.1	62.8	34.3	--
Forth Worth	63.5	36.5	64.7	32.2	--
Jacksonville	46.9	53.1	65.3	28.1	--
<b>Miami</b>	82.6	17.4	62.6	31.4	--
Atlanta	56.7	43.3	64.3	25.7	--
Baltimore	76.3	23.7	69.0	9.2	--
Birmingham	68.2	31.8	20.8	30.4	--
Louisville	60.1	39.9	31.5	4.1	61.8
Memphis	65.5	34.5	77.5	9.0	--
Nashville/Davidson	72.9	27.1	64.1	31.4	--
Houston	69.7	30.3	62.2	35.6	--
<b>Washington, D.C.</b>	89.1	10.9	22.4	35.2	34.7
<u>West</u>					
Phoenix	67.1	32.9	38.4	57.9	--
San Jose	65.5	34.5	41.4	40.0	--
Los Angeles	69.9	30.1	50.8	33.1	--

(Continued)

TABLE 4. Continued

State (By Census Region)	Own-Source Revenues		Major Taxes <sup>b</sup>		
	Taxes (Percent of Own-Source Revenues)	Charges <sup>a</sup> (Percent of Own-Source Revenues)	Property (Percent of Total Taxes)	Sales (Percent of Total Taxes)	Personal Income (Percent of Total Taxes)
San Francisco	73.6	26.4	67.8	17.5	—
San Diego	67.8	32.2	47.9	43.6	—
Honolulu	79.3	20.7	80.2	9.4	—
Portland	67.0	33.0	74.8	11.7	—
Seattle	57.9	42.1	39.2	39.2	—
<b>Denver</b>	57.8	42.2	40.2	<b>49.1</b>	—
Long Beach	48.1	51.9	51.0	37.1	—
Oakland	62.3	37.7	56.7	34.2	—
-----					
Median	67.0	33.0	59.8	31.6	0.0
Range	36.1 - 91.8	8.2 - 63.9	12.4 - 99.1	0.0 - 62.4	0.0 - 82.7

SOURCE: U.S. Department of Commerce, Bureau of the Census City Government Finances in 1976-77, Table 8.

- a. Charges include current charges, special assessments and all other revenue not classed as taxes.
- b. Other taxes not reported here include revenue from utilities and liquor stores and social insurance trust revenue.

THE COMPOSITION OF STATE AND LOCAL EXPENDITURES

Overall, local governments **make** slightly over half of all state and local government expenditures, but the responsibility for providing most individual services is not evenly divided between the two levels of government. Expenditures for elementary and secondary education, for example, occur almost exclusively at the local level (see Table 5). With only a few **exceptions--New York** being the **most notable--state** governments account for the vast majority of public welfare **expenditures**. By contrast, spending for highways and health programs is fairly evenly divided in the median state, but, again, the distribution varies considerably among states. The distribution of expenditure responsibilities remained fairly constant over the 1970s in most functional areas except highway construction and maintenance, where the average state's share declined from nearly 71 to less than 66 percent of total state and local **expenditures**.<sup>2</sup>

SUMMARY

When examining how states and localities divide service and revenue-raising **responsibilities**, the principal findings are that:

- o The median state increased its share of state and local revenues **from** 56 percent of the total in 1970 to 58 percent in 1978, while its share of total state and local expenditures remained constant at about 45 percent of the total.
- o The typical state government relies on taxes to raise over 80 percent of own-source revenues. Sales taxes accounted for 56 percent of the typical **state's** tax receipts in 1977, individual **income** taxes provided 23 percent of all taxes collected, and corporate income taxes provided an additional 8 percent. Severance and property tax collections accounted for most of the **remaining** state tax collections.

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2. CBO calculations from U.S. **Department** of Commerce, Bureau of the Census, Governmental Finances in 1970-71, Table 18, and Governmental Finances in 1977-78, Table 12.

TABLE 5. PERCENTAGE OF SELECTED STATE AND LOCAL EXPENDITURES MADE BY STATE GOVERNMENTS, FISCAL YEAR 1978

State (by Census Region)	Elementary and Secondary Education <sup>a</sup>	Highways <sup>b</sup>	Public Welfare <sup>c</sup>	Health and Hospitals <sup>d</sup>
<u>NORTHEAST</u>				
New England				
Connecticut	—	60.2	91.5	86.3
Maine	0.7	64.1	98.6	75.2
Massachusetts	—	56.1	97.3	63.1
New Hampshire	—	66.9	72.5	85.6
Rhode Island	—	58.6	94.0	98.6
Vermont	—	86.1	73.9	79.4
Mid Atlantic				
New Jersey	—	49.6	54.6	64.9
New York	—	40.9	0.3	47.4
Pennsylvania	0.3	65.6	88.4	73.2
<u>MIDWEST</u>				
East North Central				
Illinois	—	54.3	96.0	55.9
Indiana	—	56.0	57.9	44.2
Michigan	—	41.3	90.5	46.1
Ohio	—	51.3	73.2	53.6
Wisconsin	—	38.4	56.3	35.4
West North Central				
Iowa	—	49.1	85.4	<b>48.7</b>
Kansas	—	53.3	98.4	33.9
Minnesota	—	44.0	54.3	49.5
Missouri	—	68.1	96.8	49.4
Nebraska	—	50.2	84.8	46.5
N. Dakota	—	59.4	86.4	89.6
S. Dakota	—	64.0	96.4	81.7

(Continued)

TABLE 5. CONTINUED

State (by Census Region)	Elementary and Secondary Education <sup>a</sup>	Highways <sup>b</sup>	Public Welfare <sup>c</sup>	Health and Hospitals <sup>d</sup>
<u>SOUTH</u>				
South Atlantic				
Delaware	—	80.3	98.5	99.5
Florida	0.5	67.2	91.1	39.7
Georgia	1.6	70.2	98.3	29.7
Maryland	—	<b>49.1</b>	98.7	62.4
N. Carolina	1.4	84.7	44.1	51.5
S. Carolina	<b>4.9</b>	79.9	97.9	54.4
Virginia	—	86.1	73.9	79.4
W. Virginia	—	93.9	99.4	61.0
East South Central				
Alabama	2.2	68.5	97.7	48.8
Kentucky	0.8	88.7	97.9	52.2
Mississippi	0.6	49.6	97.5	37.9
Tennessee	—	55.9	96.0	38.6
West South Central				
Arkansas	—	73.8	98.7	45.5
Louisiana	<b>0.9</b>	72.4	98.7	60.4
Oklahoma	<b>0.7</b>	55.1	99.0	48.3
Texas	0.9	65.9	97.3	50.5
<u>WEST</u>				
Mountain				
Arizona	—	61.8	87.9	45.3
Colorado	—	56.9	52.0	49.3
Idaho	—	67.3	<b>45.9</b>	44.5
Montana	—	75.2	85.0	67.3
Nevada	—	75.8	81.5	24.1
New Mexico	0.9	<b>81.4</b>	97.0	75.3
Utah	—	68.6	98.3	68.7
Wyoming	—	77.3	93.3	31.6

(Continued)

TABLE 5. CONTINUED

State (by Census Region)	Elementary and Secondary <b>Education<sup>a</sup></b>	<b>Highways<sup>b</sup></b>	Public <b>Welfare<sup>c</sup></b>	Health and <b>Hospitals<sup>d</sup></b>
Pacific				
Alaska	25.5	88.4	99.9	64.6
California	0.2	47.8	53.3	31.9
Hawaii	99.8	66.0	99.5	96.3
Oregon	---	52.2	97.3	53.3
Washington	3.6	60.0	49.6	54.5
-----				
Median State	0.0	65.8	93.7	52.8
Range	0.0 - 99.8	40.9 - 88.7	0.3 - 99.9	24.1 - 99.5

SOURCE: CBO calculations from U.S. Department of Commerce, Bureau of the **Census**, Governmental Finances in 1977-78, Table 12.

- a. Elementary and secondary schools expenditures include all direct spending by local governments on schools excluding institutions of higher education.
- b. Highway spending includes funds spent on highways and streets, on structures necessary for their use, and on snow and ice **removal**.
- c. Public welfare expenditures include cash assistance payments to needy persons excluding pensions to **former** employees that are not contingent on need.
- d. Health and hospitals spending includes any services provided directly through state health and hospital agencies.

- o Local governments rely on taxes to collect nearly 70 percent of own-source revenues. Property tax collections accounted for 85 percent of all local tax collections in the typical state as of 1977. Sales and personal income taxes accounted for most of the remainder.
- o The composition of the typical large central **city's** tax sources differs from that of localities in general. As of 1977, property taxes raised 60 percent of local tax revenues and sales tax collections accounted for over 31 percent of tax revenues in the typical central city with a population over 300,000.
- o Local governments account for slightly over half of all funds expended by state and local governments, but the responsibility for providing particular services varies greatly. Public welfare expenditures are almost exclusively made at the state level, whereas elementary and secondary school expenditures are primarily made at the local level. Highway and health expenditures are more evenly divided between state and local governments.

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### III. RESOURCES AVAILABLE TO STATE AND LOCAL GOVERNMENTS

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The two **major** resources available to state and local governments to finance services are the funds they can raise through their own taxes and **monies** they receive as **intergovernmental** transfers. A **jurisdiction's** own resources depend on the economic vitality of the area and the resulting capacity of the tax base. The amount of intergovernmental aid available depends principally on decisions made at other levels of government.

#### STATE AND LOCAL OWN-SOURCE REVENUE CAPACITIES

Several measures of a **jurisdiction's** tax base are available, including population, income, and--for states--an indicator of representative tax capacity that **combines** numerous individual **factors**.

#### Population

Although the level of population does not directly indicate the resources available to a government, changing population affects both the demand for public services and the supply of taxable resources. Population growth may increase the demand for public services such as education, welfare, **sewage**, and police and fire protection. The added resources that accompany population **growth** may or may not be sufficient to cover the increased costs. Population loss may mean loss of **higher-income** families and thus a diminished ability to support services. Further, particularly for local governments, the loss of population is not automatically **accompanied** by a decline in capital facilities, which may require continued support by fewer residents.

From 1970 to 1977, the population of all but three states increased. On average, the population in these forty-seven states grew by 7.5 percent, while the major cities in those states lost about 1 percent of their **population**. The three other **states--** Pennsylvania, New York and Rhode **Island--lost**, on average, 1.2 percent of their population over this period while the population of the major cities in those states declined by nearly 9 percent (see Table 6).

TABLE 6. THE CHANGE IN POPULATION AND THE LEVEL AND CHANGE IN PER-CAPITA MONEY INCOME FOR STATES AND SELECTED MAJOR CITIES

States (by Census Region)	States			Selected Major Cities	Cities <sup>c</sup>		
	Population Change 1970-77 (Percent)	Per-Capita Money Level <sup>d</sup> 1975 (Dollars)	Income <sup>d</sup> Change 1969-75 (Percent)		Population Change 1970-77 (Percent)	Per-Capita Money Level 1975 (Dollars)	Income Change 1969-75 (Percent)
<b>NORTHEAST<sup>a</sup></b>	0.3	4,805	48.8		-8.6	4,564	48.7
-----							
New England							
Connecticut	2.2	5,571	43.4				
Massachusetts	1.2	4,964	45.7	Boston	-3.5	4,503	45.6
Maine	8.7	3,879	52.2				
Vermont	3.1	4,051	46.1				
New Hampshire	14.6	4,460	49.4				
Rhode Island	-1.5	4,769	65.9				
Mid Atlantic							
New York	-1.9	5,166	43.2	New York City	-7.6	5,222	41.2
				Rochester	-13.5	4,824	48.9
				Buffalo	-15.7	4,234	47.2
Pennsylvania	-0.1	4,786	56.1	Philadelphia	-8.8	4,660	54.5
				Pittsburgh	-15.0	4,919	60.2
New Jersey	2.1	5,600	52.4	Newark	-15.1	3,586	43.9
<b>MIDWEST<sup>a</sup></b>	2.3	4,722	58.1		-10.2	4,961	54.6
-----							
East North Central							
Illinois	0.9	5,334	52.6	Chicago	-9.1	4,984	46.5
Indiana	2.4	4,673	52.2	Indianapolis	-5.4	5,171	49.0
Michigan	2.9	4,884	45.5	Detroit	-14.8	4,661	45.7
Ohio	0.3	4,772	49.2	Akron	-11.3	4,802	46.7
				Toledo	-6.4	4,850	49.1
				Cincinnati	-10.7	4,843	54.6
				Cleveland	-18.9	4,084	44.8
				Columbus	-1.4	4,587	51.6
Wisconsin	4.8	4,722	55.7	Milwaukee	-8.9	4,902	54.0

(Continued)

TABLE 6. CONTINUED

States (by Census Region)	States			Selected Major <u>Cities</u>	Cities		
	<u>Population</u> Change 1970-77 (Percent)	<u>Per-Capita Money Income</u> <sup>b</sup> Level 1975 (Dollars)	<u>Change 1969-75</u> (Percent)		<u>Population</u> Change 1970-77 (Percent)	<u>Per-Capita Money Income</u> Level 1975 (Dollars)	<u>Change 1969-75</u> (Percent)
<b>West North Central</b>							
Iowa	2.0	4,640	60.9				
<b>Kansas</b>	3.2	<b>4,905</b>	24.8	Wichita	-3.1	5,403	65.8
<b>Minnesota</b>	4.3	4,825	58.8	Minneapolis	-17.8	5,514	58.3
				St. Paul	-14.1	5,336	57.1
<b>Missouri</b>	2.9	4,571	54.8	St. <b>Louis</b>	-16.8	4,278	56.9
				Kansas City	-9.6	5,197	56.1
Nebraska	4.5	4,722	68.8	Omaha	3.2	5,186	58.6
				Lincoln	9.6	5,223	62.3
North Dakota	4.8	4,487	81.7	Fargo	-9.4	5,321	71.3
South Dakota	3.0	4,131	73.1				
<b>SOUTH<sup>a</sup></b>	10.7	4,271	64.4		4.4	4,796	69.2
<b>West South Central</b>							
<b>Arkansas</b>	11.4	3,648	70.3	Little Rock	15.9	5,290	67.1
Louisiana	7.6	3,922	68.3	Baton Rouge	13.3	4,743	66.7
				New Orleans	-5.4	4,398	62.6
Oklahoma	9.7	4,469	65.9	<b>Tulsa</b>	1.2	5,839	67.2
				Oklahoma City	<b>0.9</b>	5,265	62.8
Texas	14.0	4,461	66.2	Dallas	0.0	5,715	54.6
				Houston	22.2	5,723	69.2
				San Antonio	21.3	3,990	64.8
				El Paso	22.7	3,726	55.9
				Ft. Worth	-6.5	5,078	56.9

(Continued)

TABLE 6. CONTINUED

States (by Census Region)	States			Selected Major Cities	Cities		
	Population Change 1970-77 (Percent)	Per-Capita Money Level 1975 (Dollars)	Income <sup>d</sup> Change 1969-75 (Percent)		i Population Change 1970-77 (Percent)	Per-Capita Money Level 1975 (Dollars)	Income Change 1969-75 (Percent)
South Atlantic							
Florida	23.6	4,908	60.5	Jacksonville	j 4.7	4,761	66.9
				Tampa	-4.6	4,535	63.2
				Miami	3.5	4,501	59.6
Georgia	9.4	4,227	60.1	Atlanta	-16.2	4,820	52.7
Maryland	5.1	5,626	60.2	Baltimore	i -11.2	4,577	59.1
Delaware	5.6	5,013	53.5				
North Carolina	8.2	4,044	63.5	Charlotte	22.6	5,218	59.9
South Carolina	10.8	3,819	65.8	Columbia	-2.5	4,430	70.4
Virginia	9.4	4,954	65.4	Norfolk	-8.4	4,377	56.8
<b>West Virginia</b>	5.8	<b>4,008</b>	71.8				
East South Central							
Alabama	7.0	<b>3,894</b>	68.1	Birmingham	-6.2	4,354	69.6
Kentucky	7.3	4,002	65.0	Louisville	-10.7	4,719	59.5
Mississippi	7.5	3,323	72.6	Jackson	24.0	4,713	65.5
Tennessee	9.0	4,015	63.0	Memphis	7.2	4,659	66.8
				<b>Nashville/</b>			
				Davidson	0.7	4,887	62.7
<b>WEST<sup>a</sup></b>	12.5	5,130	65.9		3.2	<b>5,582</b>	56.2
Mountain							
Arizona	28.6	4,670	59.0	Phoenix	17.7	<b>5,108</b>	57.0
				Tucson	14.5	4,454	54.7
Colorado	18.1	5,193	67.2	Denver	-7.7	6,032	70.7
Idaho	19.2	4,417	67.1				

(Continued)

TABLE 6. CONTINUED

States (by Census Region)	States			Selected Major Cities	Cities		
	Population Change 1970-77 (Percent)	Per-Capita Level 1975 (Dollars)	Money Income <sup>b</sup> Change 1969-75 (Percent)		Population Change 1970-77 (Percent)	Per-Capita Level 1975 (Dollars)	Money Income Change 1969-75 (Percent)
Utah	19.1	4,310	59.8	Salt Lake City	-5.1	5,435	66.6
Montana	9.7	4,463	65.5				
Nevada	29.2	5,493	54.6				
New Mexico	16.9	4,019	64.9				
<b>Wyoming</b>	21.6	5,094	76.0				
Pacific							
Alaska	35.9	7,969	113.9				
California	9.4	5,469	51.2	San Jose	30.9	5,340	57.3
				Los Angeles	-1.7	5,650	43.0
				San Francisco	-8.5	6,522	54.1
				Sacramento	2.9	5,293	56.5
				San Diego	14.8	5,357	52.3
				Oakland	-8.1	5,491	51.9
				Long Beach	-6.2	6,037	52.5
Hawaii	15.1	5,259	55.9	Honolulu	13.8	5,329	53.2
Oregon	13.5	4,963	57.7	Portland	1.0	5,661	60.2
Washington	7.9	5,369	59.9	Seattle	-7.9	6,441	59.0
<b>U.S. AVERAGE<sup>a</sup></b>	6.2	4,699	59.2		-3.3	4,996	60.0

SOURCE: U.S. Department of **Treasury**, Office of Revenue Sharing, Initial State and Local Data Elements, Entitlement Periods 1, 10; U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States, 1975, 1979, Tables 11, 24; U.S. Department of **Commerce**, City Government Finances in 1970-71, Table 7.

- U.S. regional aggregations and totals are averages weighted by area **population**.
- Money income includes wage and salary income, public assistance income, social security and railroad retirement **income**, and net self-employment **income**.
- Central cities with population greater than 300,000.

During the 1970s, the rate of population growth varied greatly among states, as did the pattern of population change within states. Between 1970 and 1977, the rate of growth varied from less than one-half of one percent in the Northeast and slightly over 2 percent in the Midwest to over 10 percent in the South, and more than 12 percent in the West. Among several large cities examined, those in the Northeast and Midwest almost uniformly lost population, with the losses ranging from 1.4 percent in Columbus, Ohio to 18.9 in Cleveland. Most central cities in the South and West gained, but individual cities' experiences varied widely, ranging from Atlanta's loss of 16.2 percent to San Jose's 30.9 percent growth. The experience of cities within individual states was mixed as well, as in Florida where Miami and Jacksonville grew while Tampa declined and in California where Los Angeles and San Francisco lost population while San Jose, San Diego, and Sacramento gained.

Some of the increase in city population is a result of the annexation of adjoining areas. The ability of cities to annex varies considerably by region. Between 1960 and 1970, cities in the South and West more frequently extended boundaries to capture population growth than did their Northeastern and Midwestern counterparts (see Table 7). It is not clear whether that pattern persisted in the 1970s.

TABLE 7. PERCENT CHANGE IN POPULATION OF CENTRAL CITIES FROM 1960 TO 1970 DUE TO ANNEXATION, BY REGION

Region	Actual Population Change Including Effects of Annexation	Population Change that Would Have Resulted Without Annexation
Northeast	-1.9	-2.1
Midwest	-0.3	-4.6
South	11.2	3.2
West	18.0	9.9
Total	5.3	0.5

SOURCE: Roger J. Vaughan, Mary Vogel, The Urban Impacts of Federal Policies; Vol. 4, Population and Residential Location, (Santa Monica, California: The Rand Corp., 1979). Original source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing; 1970, Table A.

### Per-Capita Money Income

Although it is not fully representative of the resources available to support **government** services, the level of **income** in a jurisdiction provides at least **some measure** of the jurisdiction's tax capacity. Further, sluggish **growth** in per-capita income can make it difficult for jurisdictions to continue supporting on-going services in the face of rising costs.

In **1969**, states in the Northeast had the highest average levels of per-capita money income, while **states** in the South had the lowest levels. From 1969 to 1975, when national per-capita income increased by more than 59 percent, states in the **West** experienced the highest average increases and states in the Northeast the lowest. **Thus**, by 1975, states in the West had the **nation's** highest average income levels, while states in the **South--despite** above-average **increases--remained** the poorest.

The experience of the selected central cities **examined** was somewhat different. **First**, as of **1975**, average **per-capita money income** was higher in the Southern, Western, and Midwestern cities examined than in those regions as a whole, whereas the Northeastern central cities examined were generally poorer than the region as a whole. Between 1969 and 1975, per-capita income grew most slowly in Northeastern cities.

### Representative Tax Capacity

A third **measure** of the economic condition of a state and its local jurisdictions is the representative tax capacity, a measure originated by the Advisory Commission on Intergovernmental Relations and developed further at the National Institute of Education. The representative tax system measure estimates how much tax revenue a state and its local jurisdictions would raise if national average rates were applied to seven commonly used tax **bases**. The taxes used to assess a state area's taxing capacity include sales and gross-receipts taxes, license taxes, individual income taxes, corporate income taxes, property taxes, death and **gift** taxes, and severance taxes.

In 1977, per-capita tax capacity as measured by the representative tax system indicator ranged from 44 percent above the national average in Alaska to 30 percent below the national average in Mississippi (see Table 8). States with above-average tax capacities were concentrated in the West where 8 of 13 states had above-average capacities. States in the Northeast and South often had capacities below the national average; only 3 out of 9 states in the Northeast and 6 out of 16 states in the South were at or above the national average.

TABLE 8. STATE AND LOCAL GOVERNMENT **PER-CAPITA** REPRESENTATIVE TAX **CAPACITY,<sup>a</sup>** BY STATE: SELECTED YEARS, 1962-1977 (U.S. Average - 100)

States	1962	1967	1972	1977
<u>NORTHEAST</u>				
New England				
Connecticut	111	117	112	112
Maine	79	81	84	82
<b>Massachusetts</b>	98	98	98	93
New Hampshire	99	110	115	102
Rhode Island	90	91	88	87
Vermont	81	88	102	91
Mid-Atlantic				
New Jersey	111	107	112	107
New York	119	108	106	95
Pennsylvania	91	91	95	98
<u>MIDWEST</u>				
East North Central				
Illinois	116	114	110	112
Indiana	95	99	97	99
Michigan	101	104	100	104
Ohio	101	100	96	103
Wisconsin	91	94	95	96
West North Central				
Iowa	96	104	99	103
Kansas	103	105	101	102
Minnesota	95	95	97	99
Missouri	96	97	96	94
Nebraska	109	110	106	98
North Dakota	88	92	86	94
South Dakota	90	91	89	87
<u>SOUTH</u>				
South Atlantic				
Delaware	128	123	122	123
Florida	105	104	112	104
Georgia	75	80	93	85

TABLE 8. CONTINUED

States	1962	1967	1972	1977
Maryland	98	101	101	100
North Carolina	74	78	87	83
South Carolina	64	64	74	77
Virginia	86	86	92	90
West Virginia	78	75	81	93
West South Central				
Arkansas	<b>76</b>	77	81	79
Louisiana	84	94	93	104
Texas	98	102	98	103
Oklahoma	94	98	99	113
East South Central				
Alabama	68	70	76	77
Kentucky	76	80	84	87
Mississippi	61	64	71	69
Tennessee	73	78	84	83
<u>WEST</u>				
Mountain				
Arizona	101	95	107	93
Colorado	104	104	106	108
Idaho	93	91	88	88
Montana	107	105	106	101
Nevada	155	171	156	153
New Mexico	98	94	92	97
Utah	95	87	83	89
Wyoming	137	141	125	155
Pacific				
Alaska	88	99	131	144
California	128	124	112	111
Hawaii	90	99	116	107
Oregon	105	106	106	102
Washington	106	112	101	99

SOURCE: Tax Wealth in Fifty States, 1977, (Washington, D.C.: The National Institute of **Education**, 1979), Table 7, p. 14.

- a. The representative tax capacity is a measure of how much revenue a state and its local governments could raise by applying U.S. average rates to seven commonly-used tax bases.

## INTERGOVERNMENTAL REVENUE

**Intergovernmental** transfers **augment** states' and localities' own-source revenues. According to estimates prepared by the Office of Management and Budget, state and local governments will receive \$91 billion in federal aid in fiscal year 1980,<sup>1</sup> **some** of which is funding for federal programs administered by state and local governments but **much** of it is funding that directly supports state and local services. In 1978, the volume of federal aid to state and local **governments** accounted for 22 percent of all state and local general revenues. In addition to the federal aid that goes directly to state and local governments, states pass **money--both** federal and **own-source--through** to localities. The combined federal and state **intergovernmental** transfers to localities accounted for over 40 percent of local government general revenues in the typical state in 1978.<sup>2</sup>

Reliance on intergovernmental aid varies considerably among both states and localities. As of fiscal year 1978, intergovernmental aid to state governments ranged from 22 **percent** of total general revenues in Indiana and Delaware to 40 percent or more of general revenues in Montana and Vermont (see Table 9). Intergovernmental aid to local governments varied from 25 percent of total local revenues in New Hampshire to more than two-thirds of total local revenues in New Mexico. While nearly all intergovernmental aid received by state **governments** is provided by the federal government, a large but **unmeasurable** share of the aid received by local governments is provided **by** state governments, accounting for much of the variance among localities in their reliance on fund transfers.

### SUMMARY

When **examining** the **resources--both** own-source and intergovernmental--**available** to state and local **governments**, the principal findings are that:

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1. Office of **Management** and Budget, Budget Review Division, Federal Government **Finances**, June 1980.
  2. U.S. Department of Commerce, Bureau of the Census, **Governmental** Finances in 1977-78, Table 4.

TABLE 9. INTERGOVERNMENTAL **TRANSFERS** AS A PERCENT OF TOTAL STATE AND LOCAL GENERAL REVENUE, FISCAL YEAR 1978

State (by <b>Census</b> Region)	Intergovernmental Transfers as <b>Per-</b> cent of Total General Revenue	
	State <b>Government<sup>a</sup></b>	Local <b>Governments<sup>b</sup></b>
<b><u>NORTHEAST</u></b>		
New England		
Connecticut	25	31
Maine	33	47
Massachusetts	32	35
New Hampshire	38	25
Rhode Island	31	40
Vermont	40	<b>32</b>
Mid Atlantic		
New Jersey	27	35
New York	33	45
Pennsylvania	27	42
<b><u>MIDWEST</u></b>		
East North Central		
Illinois	25	38
Indiana	22	47
Michigan	26	45
Ohio	27	42
<b>Wisconsin</b>	25	53
West North Central		
Iowa	27	45
Kansas	26	31
Minnesota	24	52
Missouri	30	38
Nebraska	28	28
North Dakota	31	45
South Dakota	38	29

(Continued)

TABLE 9. CONTINUED

State (by <b>Census</b> Region)	Intergovernmental Transfers as <b>Per-</b> cent of Total General Revenue	
	State <b>Government<sup>a</sup></b>	Local <b>Governments<sup>b</sup></b>
<u>SOUTH</u>		
South Atlantic		
Delaware	22	59
Florida	25	43
Georgia	32	39
Maryland	25	45
North Carolina	28	59
South Carolina	31	46
Virginia	28	32
West Virginia	33	55
East South Central		
Alabama	33	48
Kentucky	27	55
Mississippi	35	54
Tennessee	32	42
West South Central		
Arkansas	36	51
Louisiana	29	50
Oklahoma	28	47
Texas	25	38
<u>WEST</u>		
Mountain		
Arizona	23	46
Colorado	29	37
Idaho	32	43
Montana	41	39
Nevada	30	36
New Mexico	26	68
Utah	33	47
Wyoming	35	36

(Continued)

TABLE 9. CONTINUED

State (by Census Region)	Intergovernmental Transfers as Per- cent of Total General Revenue	
	State <b>Government</b> <sup>a</sup>	Local <b>Governments</b> <sup>b</sup>
Pacific		
Alaska	26	44
California	28	43
Hawaii	28	38
Oregon	31	42
Washington	25	44
Median State	28	44
Range	<b>22 - 41</b>	25 - 68

SOURCE: U.S. Department of Commerce, Bureau of the **Census**, Governmental Finances in 1977-78, Table 5.

- a. Includes aid received from federal and local **governments**.
- b. Includes aid received directly from the federal **government**, aid from the federal government passed through the state, and aid from the state government.

- o From 1970 to 1977, forty-seven states experienced average population growth of 7.5 percent, with major cities in those states losing about one percent of their population. The remaining three Northeastern states lost, on average, 1.2 percent of their population, while the major cities in those states lost nearly 9 percent of their population.
- o National per-capita **income** increased 60 percent between 1969 and 1975. As of 1977, Western states had the highest average **income** levels, while Southern **states--despite** above average **increases--remained** the poorest.
- o As of 1977, Western states had the most potential tax wealth as measured by a representative-tax-capacity indicator, with eight of thirteen states above the national average. Northeastern and Southern states had the least tax wealth, with only 3 of 9 Northeastern states and 6 of the 16 Southern states having tax capacities greater than the national average.
- o State **government** reliance on intergovernmental aid varied from 22 percent of total general revenues in Indiana and Delaware to over 40 percent in Montana and Vermont as of 1977. Intergovernmental aid to localities ranged from 25 percent of general revenues in New Hampshire to more than two-thirds of total local revenues in New Mexico.

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#### IV. THE FISCAL POSITION OF THE STATE AND LOCAL SECTOR

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Given their fiscal structures and underlying economic conditions, how well are state and local governments managing? **Commonly-used** measures of the status of the state and local sector include the national income and product accounts and various monitoring reports on state and local operating **budgets**. The income and product accounts report on the flow of income through all sectors of the economy, including the state and local government sector. As such, however, they do **not** reflect any accumulated surpluses or deficits. Reports on the operating funds of state and local governments attempt to assess both the flow and the accumulation of income in the accounts that support on-going **services**.

##### NATIONAL INCOME AND PRODUCT ACCOUNTS

The national income and product accounts are maintained by the Bureau of Economic **Analysis--an** agency of the Department of **Commerce--and** reported monthly in the Survey of Current **Business**. The accounts contain two **parts**: receipts, or income flows, and products, or expenditure flows. Receipts, which equal gross national income, are all payments to producers, both labor and capital. Product or expenditure flows measure the value of the total final nationwide output of goods and **services**. That portion of income collected by state and local governments as **taxes--** including all social insurance fund **collections--is** credited to the state and local sector as receipts, while expenditures for services and construction are shown on the debit side of the **accounts**.

The income accounts track the quarterly receipts and expenditures of the state and local sector, but several accounting conventions make their results difficult to interpret. First, expenditures by state and local governments for construction are counted in the year in which they occur rather than being depreciated over several years. Second, the income accounts exclude both revenues from the sale of **bonds--which** are often used to finance **construction--and** expenditures made to retire debt. Because of these accounting procedures, the overall position of the state and local sector is frequently reported to be in

deficit. In fact, the state and local sector has been reported in deficit in the **income** accounts for all but three years since 1959.

State and local **government** receipts and expenditures as **measured** by the **income** and product accounts grew less in 1979 than in 1978 (see Table 10). Purchases of goods and services, which account for 90 percent of state and local **expenditures**, grew by less than 10 percent in 1979, in contrast to the over 12 percent growth of the previous year. The annual increase in own-source receipts dropped from over 9 percent in 1978 to less **than** 8 percent **in** 1979, as a result, in part, of legislatively-mandated tax constraints and of slower growth in income and gasoline use taxes. The **most** dramatic change was in federal aid, which increased by less than 4 percent in 1979, in contrast to over 14 percent growth a year earlier. The overall decline in receipts was greater than the decline in **expenditures**, leaving the state and local sector with a nearly \$2 billion deficit in the 1979 **accounts**.<sup>1</sup>

According to the Bureau of **Economic** Analysis, the 1980 fiscal position of the state and local sector will continue to be in deficit, with the 1980 deficit expected to be larger than the one in 1979. Expenditures are expected to grow about 9 percent and receipts are expected to increase at least 7 percent. The latest Data Resources, Inc. forecast projects that state and local sector expenditures will increase by 8.5 percent in fiscal year 1980, while receipts are expected to grow by only 6.1 **percent**.<sup>2</sup> The restricted increase in receipts is again the product of both **legislatively-mandated** tax reductions that will become effective in 1980 and lower own-source tax receipts resulting from a projected **economic** downturn.

Since the income and product accounts track receipts and expenditures for the state and local sector as a whole, it is not usually possible to compare the performance of states to that of local governments. However, one special compilation of the **income**

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1. Because social insurance funds are not available for use by governments for operating expenses, they are excluded here when assessing the fiscal condition of these governments.
  2. The Data Resources Review of the U.S. Economy, August 1980, p. 1.60-1.62.

**TABLE 10. STATE AND LOCAL SECTOR RECEIPTS AND EXPENDITURES RECORDED IN THE NATIONAL INCOME AND PRODUCT ACCOUNTS, BY CALENDAR YEAR (Dollars in billions)**

	<u>1975</u>	<u>1976</u>		<u>1977</u>		<u>1978</u>		<u>1979</u>		<u>1980 - 1st Quarter<sup>d</sup></u>	
	Level	Level	Percent Change 1975-76	Level	Percent Change 1976-77	Level	Percent Change 1977-78	Level	Percent Change 1978-79	Level	Percent Change 1979-80:1
<b>Receipts</b>											
Own-Source	165.9	187.2	12.8	207.7	10.9	226.6	9.1	243.8	7.6	257.2	5.5
Federal Grants	54.6	61.1	11.9	67.5	10.5	77.3	14.5	80.1	<b>3.6</b>	86.0	7.4
Total Receipts <sup>a</sup>	236.8	268.0	13.1	298.8	11.5	331.0	10.8	354.6	7.1	<b>375.3</b>	5.8
<b>Expenditures</b>											
Purchases of Goods and Services	215.4	231.6	7.5	251.8	8.7	283.0	12.4	309.8	9.5	<b>331.0</b>	6.8
Transfer Payments to Individuals	24.5	27.4	11.8	30.2	10.2	33.3	10.3	<b>36.2</b>	9.0	38.4	6.1
Total Expenditures <sup>b</sup>	230.6	250.1	8.5	271.9	8.7	<b>303.6</b>	11.7	330.0	8.7	350.6	6.2
<b>Social Insurance Funds Balance<sup>c</sup></b>	12.4	15.7	26.6	19.6	24.8	23.2	18.4	26.6	14.7	28.8	8.3
<b>Surplus/Deficit (Net of Social Insurance Funds)<sup>c</sup></b>	<b>-6.2</b>	2.3	—	7.3	—	4.2	—	-1.9	—	<b>-4.2</b>	—

**SOURCE:** U.S. Department of Commerce, Bureau of the Census, Survey of Current Business, April, 1980, Table 13, p. 17. David Levin, "State and Local Government Fiscal Position in 1979," Survey of Current Business, January 1980, pp. 23-26. . 1980 data from unpublished Census data.

- The **sum** of own-source revenues plus federal grants are less than total **receipts** due to contributions received **from** social insurance funds.
- The **sum** of purchases and transfers exceed the expenditure total due to profits received from interest **payments** to state and **localities** and current surpluses of state and local enterprises (e.g., profits **made** on liquor stores, airports, utilities).
- When assessing the fiscal condition of the state and local sector, **social insurance funds are** customarily **excluded** since they cannot be used to finance on-going services.
- Preliminary Bureau of **Economic** Analysis data.

accounts did attempt to analyze separately the state and local sectors from 1959 to 1976. When comparing state and local governments' surplus or deficit figures (excluding social insurance funds) state governments were found to consistently enjoy a stronger fiscal position from 1959 to 1969 (see Table 11). From 1970 to 1976, however, local governments were reported as generally having relatively stronger fiscal positions than state governments.

TABLE 11. NATIONAL INCOME AND PRODUCT ACCOUNT ESTIMATES OF RECEIPTS NET OF EXPENDITURES, EXCLUDING SOCIAL INSURANCE FUNDS, FOR STATES AND FOR LOCAL GOVERNMENTS, 1959-1976, (Dollars in Millions)

Year	State Surplus/Deficit	Local Surplus/Deficit
1959	- 204	-2,260
1960	97	-2,331
1961	- 410	-2,407
1962	- 224	-1,896
1963	- 642	-1,710
1964	- 26	-2,167
1965	- 552	-2,886
1966	393	-3,869
1967	-2,256	-3,596
1968	- 463	-4,550
1969	- 800	-2,929
1970	-3,848	- 137
1971	-4,299	491
1972	3,243	2,371
1973	- 48	4,177
<b>1974</b>	-3,797	884
1975	-4,782	-1,440
1976	-1,271	2,637

SOURCE: David Levin, "Receipts and Expenditures of State Governments and of Local Governments, 1959-1976," Survey of Current Business, May 1978, pp. 15-21.

#### FISCAL POSITION OF STATE AND LOCAL OPERATING BUDGETS

A second means of assessing the status of state and local governments is to compare their annual ending balances to their

**volume** of annual **expenditures**. Since virtually all states and local jurisdictions are prohibited from running deficits in their operating accounts, year-end balances are generally budgeted to avoid deficits. (Municipal finance analysts often argue that a five percent reserve is necessary to insure a balanced account.) While year-end balances are a measure of the flexibility of a **government's** budget, they also reflect **management** choices. Funds may have extra resources that do not appear as part of the year-end balances, and actual deficits in accounts may be covered by short-term borrowing. Thus, year-end balances are not necessarily a conclusive measure of the fiscal condition of a **government**.

### State Year-End Balances

The ending balances of **states'** operating budgets are reported annually by the National Governors' Association in their Fiscal Survey of the States. The most recent survey reported that state governments ended fiscal year 1979 (for most states July 1, 1978 through June 30, 1979) with unobligated balances of nearly \$10 billion. The distribution of this surplus varied widely among individual states, however (see Table 12). Connecticut, Arkansas, Michigan, New York, **Pennsylvania**, Tennessee and Vermont all reported unobligated balances of less than 1 percent of expenditures, while Wyoming, Alaska, and North Dakota reported balances in excess of 40 percent of **expenditures**. The two states with the largest ending **balances--Alaska** and **Wyoming--increased** their balances from 1973 levels, whereas New York, Pennsylvania, Michigan, Tennessee, and Arkansas had ending balances of less than 1 percent in both 1978 and 1979.

### Year-End Balances for Major Cities

A survey of 30 large cities found that general fund revenues exceeded expenditures by about 1 percent during fiscal year 1978, down from the 3 percent aggregate surplus reported for fiscal year 1977 but still an improvement over the 2 percent aggregate deficit reported for 1976.<sup>3</sup> of the 30 cities **surveyed**, only **two--New**

3. From Table 2 of Philip Dearborn, "The Financial Health of Major U.S. Cities in 1978," unpublished working paper of the Urban Institute, November 1979. Because of its large size relative to other cities examined, New York City is excluded from group **comparisons**. Information for Dearborn's study is derived from the official published financial reports of 28 of the nation's largest cities; Chicago and Cleveland were **omitted** because such information was unavailable.

TABLE 12. STATE GOVERNMENT YEAR-END BALANCES,<sup>a</sup> FISCAL YEARS 1973 AND 1979

State (by Census Region)	Year-End Balances (\$ in Millions)		Year-End Balance as a Percent of Annual Fund Expenditures	
	Fiscal	Fiscal	Fiscal	Fiscal
	Year 1978	Year 1979	Year 1978	Year 1979
<u>NORTHEAST</u>				
New England				
Connecticut	93.7	1.0	4.9	0.4
Maine	35.2	26.4	8.4	5.5
Massachusetts	219.4	196.6	5.5	5.6
New Hampshire	24.0	28.6	11.3	13.2
Rhode Island	20.7	41.9	3.7	6.9
Vermont	5.0	0.0	2.5	0.0
Mid Atlantic				
New Jersey	269.8	218.0	7.0	4.9
New York	5.2	10.2	0.1	0.1
Pennsylvania	-38.0	30.5	-0.1	0.5
<u>MIDWEST</u>				
East North Central				
Illinois	86.0	390.0	1.3	5.8
Indiana	218.4	332.7	1.4	18.7
Michigan	22.3	30.1	0.6	0.7
Ohio	134.5	357.3	3.2	9.2
Wisconsin	360.0	280.6	9.0	9.0
West North Central				
Iowa	102.5	90.7	7.4	5.8
Kansas	154.9	196.0	18.4	20.3
<b>Minnesota</b>	26.0	258.7	1.0	7.8
Missouri	134.3	316.5	9.4	20.5
Nebraska	29.9	62.4	6.2	11.9
North Dakota	N/A	148.6	N/A	49.8
South Dakota	9.4	10.9	5.2	5.6
<u>SOUTH</u>				
East South Central				
Alabama	85.2	20.5	6.7	1.4
Kentucky	87.6	80.0	5.8	4.6
Mississippi	104.0	71.6	13.7	8.1

(Continued)

TABLE 12. CONTINUED

State (by Census Region)	Year-End Balances (\$ in Millions)		Balance as a <b>Percent</b> of Annual Fund Expenditures	
	Fiscal	Fiscal	Fiscal	Fiscal
	Year 1978	Year 1979	Year 1978	Year 1979
West South Central				
Tennessee	0.6	8.0	0.0	0.3
Arkansas	0.0	0.0	0.0	0.0
Oklahoma	72.6	98.4	10.8	13.4
Louisiana	61.5	407.0	1.6	15.1
Texas	675.9	620.8	20.2	17.9
South Atlantic				
Delaware	25.4	48.4	5.1	8.9
Florida	120.1	232.5	4.2	7.9
Georgia	136.9	107.9	6.0	3.9
Maryland	185.2	319.0	9.2	13.8
North Carolina	184.9	187.6	8.5	7.6
South Carolina	52.3	13.4	4.3	1.0
Virginia	39.7	137.9	1.9	5.7
West Virginia	53.1	47.0	5.9	4.9
<u>WEST</u>				
Mountain				
Arizona	32.3	117.1	3.1	11.0
Colorado	204.0	168.0	10.3	15.1
Idaho	0.0	10.1	0.0	3.2
Montana	33.6	28.6	15.4	12.0
Nevada	N/A	88.2	N/A	26.6
New Mexico	78.8	45.4	13.0	6.4
Utah	21.5	15.5	4.1	2.5
Wyoming	45.0	113.3	30.0	69.9
Pacific				
Alaska	651.1	668.4	58.4	60.8
California	3,686.1	2,680.1	31.0	16.5
Hawaii	2.4	66.9	0.3	7.5
Oregon	214.8	138.6	20.7	12.9
Washington	264.7	419.6	10.6	14.8
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Total	8,932.5	9,987.7		
Median State			5.9	7.7
Range			0.0 - 58.4	0.0 - 69.9

SOURCE: National **Governors'** Association, The Fiscal Condition of States, 1978-1979, 1979-1980 editions.

N/A - Not **available**.

a. Includes the accumulated reserves of state governments.

York and New Orleans--collected less than they spent during each of the three years (see Table 13). Eight **cities--Los Angeles, Dallas, Indianapolis, San Diego, Kansas City, Atlanta, Buffalo and Minneapolis--consistently** collected more in revenues than they expended. The largest fiscal year 1978 shortfalls were recorded by Detroit, Boston, New York and Houston, while the largest surpluses that year were reported by Seattle, Los Angeles, Philadelphia and Kansas City.

While a shortfall of annual revenues relative to expenditures may signal potential weakness in a city's financial position, it is not necessarily alarming if the **government** has reserves sufficient to cover its deficit. A more conclusive **measure**, therefore, is the accumulated balance in a city's general fund. Cities that lack assets to cover their liabilities will be subject at least to short-run stress and possibly to long-term problems as well. New York, Detroit, and **Boston--which** all had fiscal year 1978 revenue **shortfalls--also** lacked accumulated balances to cover the difference, while Houston had accumulated surpluses to cover its revenue **shortfall**.<sup>4</sup>

#### Comparisons Between States and Cities

When **comparing** central cities to states, where both the central cities surveyed and the states in which they are located had unobligated **balances**, 1978 balances generally represented greater shares of expenditures in the central cities than in states. In 9 of the 16 states where central cities were surveyed, the central cities had 1978 operating balances as a percent of annual expenditures equal to or greater than their state **government**. (see Table 14). In four **states--California, Missouri, Texas, and Wisconsin--the** state government's operating balances were greater. In two other **states--Michigan and New York--the** central cities surveyed had operating-account deficits while their state governments reported surpluses. These results reflect only some cities and states in one year; the relative position of states and local governments **may** differ, however, as different cities and states and other years are examined.

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4. Philip Dearborn, "The Financial Health of Major U.S. Cities in 1978", Table 4.

TABLE 13. NET **YEAR-END** GENERAL FUND **BALANCES,<sup>a</sup>** SELECTED CITIES:  
FISCAL YEARS 1976-1978 (Dollars in Millions)

City (by Census Region)	<u>Net General Fund Balances</u>		
	1976	1977	1978
<u>Northeast</u>			
Boston	-55.9	24.8	-13.5
New York City	-1,168.3	-1,038.8	-712.1
Philadelphia	<b>-67.6</b>	64.4	22.1
Pittsburgh	-3.8	4.4	-3.4
Buffalo	0.5	14.5	3.7
<u>Midwest</u>			
Indianapolis	5.9	0.8	7.3
Detroit	-16.0	51.5	-24.3
Columbus	-0.2	3.8	<b>-4.0</b>
Cincinnati	-7.8	3.2	7.8
Milwaukee	-11.8	<b>-0.1</b>	1.6
Minneapolis	0.3	3.2	3.4
<b>St. Louis</b>	2.5	-2.0	5.7
Kansas City	2.5	2.5	9.3
<u>South</u>			
Memphis	-1.8	6.8	4.6
Nashville	4.2	1.3	-3.0
Houston	3.7	5.2	-10.8
San Antonio	-4.6	0.6	-1.2
Dallas	6.2	10.6	4.2
Jacksonville	3.9	-4.2	8.5
Atlanta	2.1	9.4	6.4
Baltimore	-19.6	-21.3	0.8
New Orleans	-7.8	-2.3	-0.5
<u>West</u>			
Phoenix	2.4	4.2	-.6
Denver	6.5	11.7	-2.8
San Francisco	-16.6	6.1	-1.2
San Diego	7.0	2.3	7.4
Los Angeles	11.3	2.0	33.0
Seattle	-3.1	9.4	13.1

SOURCE: Philip Dearborn, "The Financial Health of Major U.S. Cities in 1978", Urban Institute Working Paper, November 1979, Table 3.

a. This total reports on the yearly flow of expenditures and revenues and does not report accumulated reserves.

**TABLE 14.** STATE AND MAJOR CITY YEAR-END BALANCES AS A PERCENT OF EXPENDITURES, FISCAL YEAR 1978.

State	Operating Balance As A Percent of Annual Expenditures <sup>a</sup>	Major City	Operating Balance As A Percent of Annual Expenditures <sup>a</sup>
Arizona	3	Phoenix	6
California	31	San Francisco	11
		San Diego	9
		Los Angeles	10
Colorado	10	Denver	13
Florida	4	Jacksonville	11
Georgia	6	Atlanta	17
Indiana	1	Indiannapolis	5
Louisiana	2	New Orleans	4
Michigan	1	Detroit	-1
Minnesota	1	Minneapolis	16
Missouri	9	St. Louis	3
New York	b	New York City	-27
		Buffalo	- 8
Ohio	3	Columbus	4
Pennsylvania	b	Pittsburgh	4
		Philadelphia	b
Tennessee	b	Memphis	8
		Nashville	10
Texas	20	Dallas	11
		San Antonio	1
		Houston	4
Wisconsin	9	Milwaukee	3

SOURCE: National Governors' Association, Fiscal Survey of the States, 1978-1979, Table A-2; Philip M. Dearborn, "The Financial Health of Major U.S. Cities in 1978," Urban Institute Working Paper, 1977, Table 4.

- a. These totals include the accumulated assets of each government.
- b. Balance was 0.5 percent or less of annual expenditures.

## SUMMARY

The fiscal position of the state and local sector as **measured** by the revenues collected and expenditures **made** shows that:

- o According to the national **income** and product account reports, state and local **government** receipts and expenditures grew less in 1979 than in 1978. The decline in growth for receipts was greater than the decline in **expenditures**, leaving the sector with a deficit of nearly \$2 billion in 1979. According to the Bureau of Economic Analysis and Data Resources, Inc., the decline in receipts may continue in 1980, thus increasing the reported deficit.
- o In fiscal year 1979, state governments year-end balances were nearly \$10 billion. The distribution of this surplus differs widely **among** states, however. Seven states, including Connecticut, **Arkansas**, Michigan, **New** York, Pennsylvania, Tennessee and Vermont, had unobligated balances of less than 1 percent of **expenditures**. Three other states, Wyoming, Alaska and **North** Dakota, reported balances greater than 40 percent of **expenditures**.
- o Of 30 cities whose year-end **balances** were **surveyed**, **two--New** York and **New Orleans--collected** less revenue than they spent over the 1976-1978 period. Eight other **cities--including** Los Angeles, Dallas, **Indianapolis**, San Diego, Kansas City, Atlanta, Buffalo and **Minneapolis--**collected more revenues than they expended.