

Staff Information Report

**THE AGRICULTURAL RECESSION:
ITS IMPACT ON THE FINANCES
OF STATE AND LOCAL GOVERNMENTS**

**A Short-Term
Reconnaissance Study**

June 1986

**Advisory
Commission on
Intergovernmental
Relations**
Washington, D.C.



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PREFACE AND ACKNOWLEDGMENTS

At its meeting on December 4, 1985, the Commission approved a request to have the ACIR staff assist the Senate Subcommittee on Intergovernmental Relations in its examination of the effects of the farm crisis on state and local governments. This ACIR staff report--a reconnaissance study--is responsive to that request.

ACIR staff members--Susannah Calkins, Michael Lawson, and Bruce McDowell--prepared this report. They were assisted by Karen Kirkwood, who participated in a state survey of local property tax conditions.

John Shannon
Executive Director

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**THE AGRICULTURAL RECESSION:
ITS IMPACT ON THE FINANCES OF STATE AND LOCAL GOVERNMENTS**

Highlights

The agricultural recession has been widely reported. Although much has been written about its causes and its effects upon individual farmers and their communities, little attention has been paid to its effects upon the financial health of state and local governments.

However, Senator David Durenberger has observed that:

My experience in Minnesota and throughout the country strongly suggests that the current agricultural recession, and its effects on the broader rural economy, are beginning to affect--and will increasingly hamper--the abilities of local governments in rural areas to raise sufficient revenues to finance basic public services like education, public safety, and transportation.

In December 1985, Senator Durenberger and other members of the Advisory Commission on Intergovernmental Relations asked the staff of the ACIR to make a quick reconnaissance study. It was suggested that this study could provide a basis for the more detailed analysis about to be undertaken by the newly-formed Commission on Agricultural Policy. The ACIR staff was directed to examine intergovernmental issues and analyze readily available sources of data. In addition, the staff was instructed to identify issues which the new Commission might wish to examine and data sources which might be relevant to their work.

This brief ACIR study focuses on ten sample farm-dependent states in the North Central, Plains, and South regions. As an integral part

of the study, a series of indicators was chosen to show the degree of fiscal stress experienced by state and local governments in these states. On the basis of the indicators, the study finds that:

- o Local governments in North Dakota and Montana show signs of fiscal stress, and the state governments in these two states are facing financial strains that may limit their ability to help shield their localities from the combined effects of the farm recession and the drop in energy prices.
- o Local governments in Iowa and Nebraska also show signs of fiscal stress; in addition, their state governments are experiencing some financial stress. State help in dealing with local conditions stemming from the farm crisis is more likely here than in North Dakota and Montana, but the states will not find it easy.
- o Local governments in Missouri apparently are fiscally stressed, but the state is not. Thus, the state may be in a better position to help shield its local governments from the farm recession.
- o Localities in Arkansas, Minnesota, and Mississippi show few signs of increasing fiscal stress, although the state governments in these three cases do appear to be financially strained. If further local stress should develop, state help might be problematic.
- o Localities in Georgia appear to be relatively trouble free, and so does the state.
- o Local governments in the heavily farm-dependent counties of the ten sample states will be hurt more than those in other counties by the planned termination of federal revenue sharing later this year. These governments--as is typical of smaller governments--receive a larger proportion of federal grants in the form of general revenue sharing, rather than categorical grants-in-aid.
- o Most of the farm counties are more dependent on state aid than their nonfarm counterparts.

- o Because of the inherent "stickiness" of property tax assessment levels, most farm counties in the sample have yet to register substantial drops in property tax revenue. However, over time, the significant deterioration in the property tax base will be reflected in diminished property tax collections.
- o In striking contrast to the relative stability of local property tax revenues, major state revenue sources--especially the general sales and income taxes--exhibit a high degree of sensitivity to the changes in the state economy. The vulnerability of state revenue systems to the decline in the farm economy is strikingly illustrated by the recent sharp drop in revenue flows in Nebraska, North Dakota, and Montana.
- o Because of the high sensitivity of state revenue systems to economic fluctuations, the most immediate threat posed by the farm crisis for local governments will come in the form of reductions in state aid to localities. Reductions in aid to local school systems have already taken place in several states--Iowa, Nebraska, Arkansas, and Montana.

THE AGRICULTURAL RECESSION:
ITS IMPACT ON THE FINANCES OF STATE AND LOCAL GOVERNMENTS

Defining Fiscal Stress

Fiscal stress is certainly an arguable concept; it can be defined in a variety of ways. Viewed in absolute terms, fiscal stress of an individual government would be apparent if that government were unable to provide an adequate level and quality of public services at a reasonable level of taxation. However, this definition raises further questions: what are adequate levels of services or reasonable levels of taxation? Viewed in relative terms, a fiscally-stressed government would be unable to provide services that are roughly equivalent to services available to citizens in other jurisdictions--at roughly equivalent levels of taxation. Yet, relative stress can be viewed in a more pragmatic way--fiscal stress is apparent when a rather sudden decline in revenue receipts forces the jurisdiction to cut its expenditure levels. This view of fiscal stress has been adopted.

Methodology

In sorting through many diverse sources of information about the condition of the ten sample states (selected in consultation with the staff of the Senate Intergovernmental Relations Subcommittee), it became apparent that several indicators of present or potential fiscal

stress could be pulled together for each of the states, for their local governments in general, and for the local governments in the most farm-dependent counties in those states. While recognizing that the best indicators of fiscal stress would be significant decreases in the levels of local services, such indicators are not available. Most of the indicators used are revenue data, which serve as crude proxies for potential cuts in services.

Three tables summarizing these measures of fiscal stress led to the general findings stated in the Highlights at the beginning of this report. Data presented in these three tables are examined in greater detail in this section of the report, after a brief description of the sample drawn for this quick study.

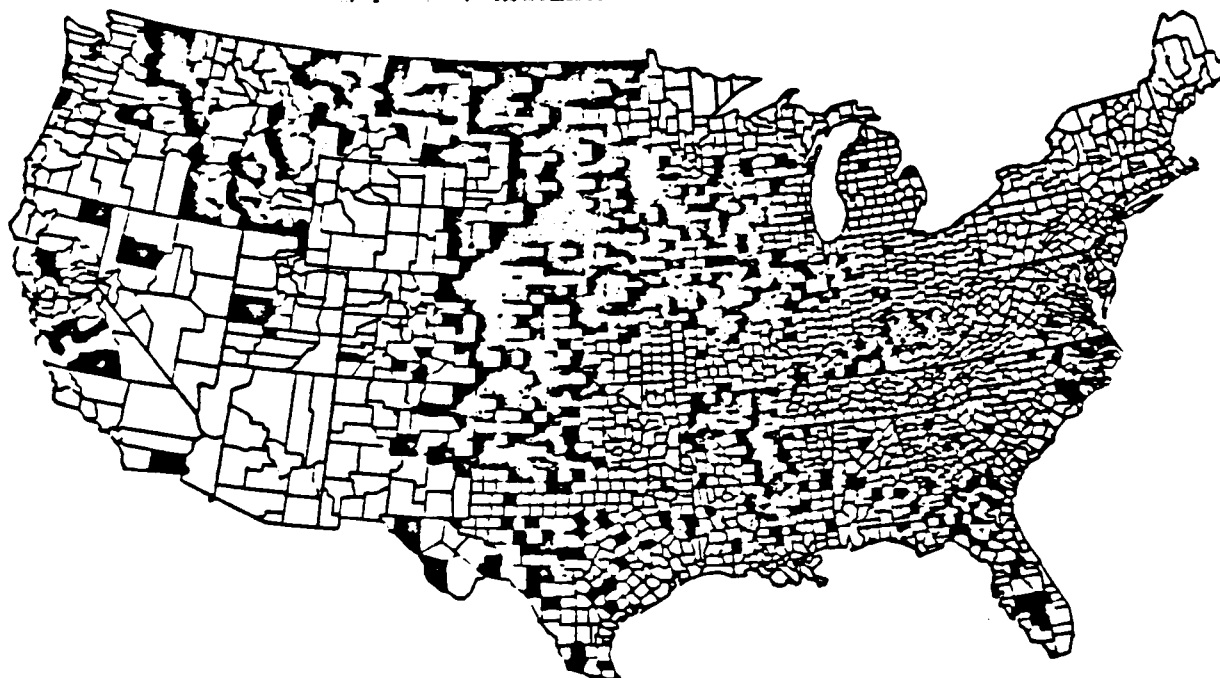
Nationwide, there are 702 counties that derived 20% or more of their total labor and proprietor income from farming/ranching during 1975-79 (Exhibit A). As the exhibit shows, these counties are largely in the North Central, and Plains states, with others scattered in the Northwest and throughout the South. Of the 10 states chosen for this preliminary analysis, seven are in the main concentration in the mid-section of the nation, while the other three are in the south.

The farm-dependent counties in the sample North Central and Plains states (Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, and North Dakota) were chosen for their concentrations on grain—among the hardest hit sector of the agricultural economy. The southern

EXHIBIT A

702 FARMING-DEPENDENT COUNTIES

20 percent or more of total labor and proprietor income
was from production farming/ranching during 1975-79.



Source: Economic Research Service, U.S. Department of Agriculture.

states were added to the sample to provide some comparison with other types of farming and different traditions of state and local government.

Even these sample states and counties vary from one another considerably in their degree of farm-dependence. Table 1 (page 8) ranks the ten states by their percentage of all personal income in each state that comes from farms (ranging from almost 10% in North Dakota to less than one percent in Montana, against a national average of 1.43%), and Table 3 (page 15) shows the proportion of counties in each state meeting the farm dependency criteria (ranging from 72% in North Dakota to 20% in Georgia).

Indicators of State Fiscal Stress

Local finances are closely linked with state finances because local governments unable to raise revenues sufficient to provide necessary services from their own revenue sources are likely to turn to their state governments for fiscal assistance. The extent to which states can assist their troubled governments depends on both the financial well-being of the state as a whole and the institutional arrangements between state and local governments--e.g., state aid to local governments, the formulas on which those grants are based, and the historical pattern of state assistance to local governments. Table 1 examines this second topic.

The states are arrayed in order of the importance of farm income as a percentage of all state personal income (column 1). The data in column 1 indicate the degree of exposure of the state government to

Indicators of Fiscal Stress for 10 Selected State Governments

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
State [Ranked on the Basis of Farm Dependence]	Percentage of all State Personal Income From Farms	Percent Change in State Revenue		Energy & Mineral Rev. as a % of Own-Source Gen. Revenue	State Budget Cuts Since FY86 Budget Adopted	Changes in State Funding for Education Since 1986 Budget Adopted	Fiscal Stress Apparent
		1984-85	1985est.				
U.S. Average	1.43%	9.1%	4.9%	n.a.	17	n.a.	n.a.
North Dakota	9.88	1.1	-19.5	22.0	X	Decreased	Yes
Iowa	6.96	2.9	4.4	0.4	X	Decreased	Yes
Nebraska	6.88	-2.7	7.9	1.5	X	Decreased	Yes
Arkansas	4.91	13.2	3.3	1.5	X	Decreased	Yes
Kansas	4.02	6.8	1.4	5.4		Increased	Yes
Georgia	3.37	14.4	7.7	0.1		Increased	No
Minnesota	3.34	3.0	-4.3	1.3	X	Increased	Yes
Mississippi	3.28	4.1	7.7	5.3	X	No Change	Yes
Missouri	1.30	9.8	6.4	2.6		Increased	No
Montana	0.91	9.8	-4.2	21.1	X	Decreased	Yes

- Indicator of actual or potential fiscal stress.

Sources: Farm income data based on Bureau of Economic Analysis, Survey of Current Business, August 1985; Percentage increase in state tax revenue for 1985 based on Census, State Tax Revenue in 1985, February 1986; Percentage change in state general fund revenue in FY 86 and information on state aid to education based on telephone conversations with state officials, March 1986. All 1986 estimates made between November 1985 and March 1986. ACIR staff compilation and calculations.

Notes:

- KS:** Estimates made as of November 1986 and incorporate a drop in oil prices from \$27/bbl. to \$20/bbl. Because oil prices have fallen well below \$20/bbl., the 1986 estimate is probably too high.
- MN:** There was a 10% surcharge on individual income tax still in effect for the first half of FY 85, making the 1986 decrease more pronounced than it otherwise would be.
- NE:** Estimates made as of February 1986 and assume an increase in the individual income tax from 19% to 20% of federal tax liability.

financial problems experienced by many farmers and farm-related businesses. However, a high percentage of personal income derived from farming is not necessarily an indication of state fiscal stress. For example, a state that has a significant percentage of its personal income derived directly from farming also may have an even greater percentage of its personal income from economic sectors that are enjoying robust economic growth. Furthermore, it must be recognized that some farmers—particularly those carrying large high-interest debts—are affected more adversely than others by the current farm recession.

The data in columns 2 and 3 display the rate of growth in state revenues during the last two years; they may be compared with the national average which is given at the top of the column. If a state's revenues do not keep pace with population growth, inflation, and the traditional demand for public services, undoubtedly the fiscal stress of a state government will increase. The fact that a number of the selected states have rates of revenue growth well below the national average gives a strong indication that the revenue bases of these states were not growing at a rate necessary to continue full financing of many state and local programs. In fact, North Dakota, Nebraska, and Montana have experienced actual reductions in state revenues without reductions in state tax rates. Among the states surveyed, only Minnesota enacted a reduction in state tax rates (after an earlier increase) and experienced a drop in collections.

The inclusion of data on energy and mineral revenue as a percentage of own source general revenue (column 4) initially may seem incongruous with this attempt at identifying the fiscal stress in agriculturally dependent states. However, several of the sample states--most notably North Dakota and Montana, but also Kansas and Mississippi--derive significant portions of their state revenues either directly from oil and energy industries in the form of severance taxes or royalty fees, or indirectly from the economic resources that energy industries provide in the state. With the recent dramatic drop in oil prices, governments in states with a high dependence on energy industries will be affected adversely. The problems caused by drops in state revenue due to falling energy prices will be particularly acute for states already affected by the agricultural recession.

Cuts in the FY 1986 budget made after the budgets were enacted (columns 5 and 6) present direct measures of the fiscal stress of the selected states. Note that of the 17 states nationwide that have enacted such cuts, seven are represented in the ten states selected for this study (column 5). Cuts in state aid to education (column 6) provide an even better measure of fiscal stress because education is generally considered to be the most popular state-local program--drawing large amounts of support from middle class taxpayers and various education interest groups. Typically, education is one of the last government functions to be cut in austere times.

Based on these data, it appears that only two of the states in the ten-state sample are not experiencing some degree of fiscal stress--Georgia and Missouri (Table 1, column 7). Based on the factors identified in columns 1-6, North Dakota and Montana are facing fiscal stress on two fronts. In the case of North Dakota, not only does it have one of the highest percentages of state personal income derived from farming, but it also has one of the nation's highest percentages of state own-source revenue drawn from severance taxes and royalty fees. The overall budget cuts and the cuts in aid to education were forced by the precipitous drop in state revenues in FY 86 as evidenced in column 3. While Montana's indicators read much the same as North Dakota's, its lesser dependence on agriculture makes its fiscal position slightly better than that of North Dakota.

According to the indicators, the states of Iowa, Nebraska, Arkansas, Kansas, Minnesota, and Mississippi also exhibit some fiscal stress. All of these states have sluggish rates of growth in their state revenues, and all but Kansas have made cuts in their FY 1986 budgets.

Indicators of Local Fiscal Stress.

The fiscal condition of local governments in the 10 sample states is set forth in Table 2. One key indicator of existing local fiscal stress is shown: the change in local revenue is shown both for own-source general revenue and for tax revenue. Four indicators of potential vulnerability to fiscal stress

TABLE 2

Fiscal Profiles of Local Governments in Ten Selected States

Local Govts. in Selected States	Stress Indicators		Potentials for Increased Stress									
	Change In Local Revenues 1982-84 1/		Federal Aid as % of All Local General Revenue 1984 2/	State Aid Dependence: 1984 (% of General Revenue) 3/				Property Tax as % Own- Source Revenues 1984 4/	Fiscal Home Rule 5/		State Fiscal Stress Apparent 6/	Local Fiscal Stress Apparent
	Own- Source Revenue	Tax Revenue		All Local	County Only	Muni. Only	School Only		City	Co.		
U.S. Avg.	20.4%	19.1%	6.5%	32.7	32.0	19.6	51.6	47.1%	3.2	3.7	n.a.	n.a.
North Dakota	10.1%	12.3%	7.6%	41.1	33.4	16.8	56.4	54.1%	3.5	4.0	YES	YES
Iowa	11.4%	12.9%	5.2%	33.2	23.0	14.2	50.4	61.1%	4.5	4.5	YES	YES
Nebraska	17.0%	16.0%	4.6%	20.6	18.1	13.7	28.0	52.4%	3.5	5.0	YES	YES
Arkansas	17.1%	22.4%	6.5%	38.5	17.2	14.6	60.5	37.7%	3.0	3.0	YES	NO
Oklahoma	15.8%	18.0%	4.7%	23.6	7.9	5.9	42.9	48.6%	3.0	3.0	YES	NO
Georgia	22.1%	22.5%	8.1%	25.8	12.5	4.5	58.7	35.1%	3.0	3.0	NO	NO
Minnesota	24.9%	38.9%	5.0%	39.0	46.0	19.9	55.1	47.5%	4.0	3.0	YES	NO
Mississippi	25.2%	21.0%	5.5%	41.3	16.5	25.1	70.3	36.4%	4.0	4.0	YES	NO
Missouri	13.4%	10.2%	7.7%	25.7	10.7	7.4	42.3	36.3%	3.0	5.0	NO	YES
Montana	35.2%	7.0%	6.6%	22.7	7.4	5.5	38.5	52.7%	5.0	4.0	YES	YES

Actual or potential fiscal stress; see notes 1/ thru 6/ for interpretations.

Local revenue growth of 16% or less indicates fiscal stress.

The more dependent that local governments are on federal aid, the more likely they are to experience increased fiscal stress from federal aid cuts.

These indicators must be read together. The amount of future state aid depends on the degree of fiscal stress at the state level. Local governments can expect state aid to shield them from fiscal stress only if the state itself is fiscally healthy.

A larger than average dependence of local governments on the property tax makes them more vulnerable to sagging agricultural land values (at least in the long run, as property assessments gradually reflect the decline).

On a scale of 1 to 5, 1 is greatest freedom from state control and 5 is least. The less freedom that local governments have from state control concerning their fiscal affairs, the less likely the local governments are to be able to cope with their own fiscal stresses. An index of 4.0 or greater indicates potential difficulty.

Source: ACIR Staff Compilation based on ACIR, Significant Features of Fiscal Federalism, 1985-86, various tables, and on ACIR, Measuring Local Discretionary Authority, report M-131, November 1981, various tables.

(dependence on the property tax, fiscal home rule, state aid dependence, and federal aid dependence) are also displayed. In addition, Table 2 summarizes the indicators of fiscal conditions of local governments and repeats the summary findings on state fiscal distress in the 10 sample states, for purposes of comparison.

This rating of local fiscal conditions is riskier than the rating of states, because the data do not go beyond 1984 and the farm situation has further deteriorated since that time. Nevertheless, this table can be interpreted in conjunction with the more recent data in Table 1 to yield a general sense of current fiscal stress at the local level. The established relations between the fiscal affairs of the states and their localities usually do not change rapidly or dramatically.

Table 2 shows that growth in local revenue during 1982-84 lagged behind the national average in six of the ten states, either in total own-source revenues, or tax collections or both. If that lag continues for a long time, it could mean either reduced services, higher tax rates, or increased dependence upon state or federal aid.

Local governments in North Dakota, Georgia, and Missouri are more dependent than average on federal aid. This makes them vulnerable to cuts in federal aid-- including the termination of general revenue sharing.

Local governments with a high degree of dependence on state aid-- such as those in North Dakota, Arkansas, Minnesota, and Mississippi-- are vulnerable to reductions brought about by fiscal stress at the

state level. Because the state governments in these states are exhibiting symptoms of fiscal stress, they may find it difficult to maintain or increase their current levels of aid to local government.

Greater than average dependence on the property tax shows up in Table 2 for local governments in North Dakota, Iowa, Nebraska, and Montana. This dependence on the property tax makes local governments in these states vulnerable to drops in property tax revenues caused by falling farm assessments.

These states--North Dakota, Iowa, Nebraska, and Montana--also provide less than average fiscal home rule authority to their cities, or counties, or both. Absence of fiscal home rule restricts the ability of these jurisdictions to raise tax rates or tap additional revenue sources--particularly relevant for local governments with a high degree of dependence on a property tax base that is declining. Lack of fiscal home rule is also a problem for cities in Minnesota, counties in Missouri, and both cities and counties in Mississippi.

The overall ratings indicate that local governments in five of the ten states are exhibiting signs of fiscal stress: North Dakota, Iowa, Nebraska, Missouri, and Montana.

Indicators for Farm-Dependent Local Governments.

Table 3 compares the sources of revenue available to local governments in the farm dependent counties vis-a-vis local governments in all other counties in the 10 sample states. 1/ Unlike Tables 1

1/ These data represent county level aggregates for all types of governments within each county--i.e., county, city, and township governments as well as school districts and special districts.

Table 3

Local Government Revenues in Farm-Dependent vs.
All Counties in Ten Sample States, 1982

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Percentage of All Counties Ag-Dependent	Total General Revenue	Federal General Revenue Sharing	All Other Federal Aid	State Aid	Property Taxes	Other Taxes, Charges & Misc. Gen. Rev.
U.S. PCT. DIST ALL LOCAL	100.0%	1.6%	5.9%	33.9%	28.1%	30.4%
North Dakota: Non-Ag.	100.0	1.5	5.6	39.2	26.2	27.6
North Dakota: Ag.	100.0	2.2	3.4	46.0	28.1	20.4
Iowa: Non Ag.	100.0	1.5	4.3	33.4	36.1	24.7
Iowa: Ag.	100.0	1.9	2.2	34.6	38.3	23.1
Nebraska: Non-Ag.	100.0	1.5	5.2	19.6	35.4	38.3
Nebraska: Ag.	100.0	2.3	2.3	22.6	45.7	27.1
Arkansas: Non-Ag.	100.0	2.3	5.9	35.5	21.9	34.2
Arkansas: Ag.	100.0	2.8	6.8	47.3	16.8	26.2
Kansas: Non-Ag.	100.0	1.5	4.6	24.3	33.5	36.0
Kansas: Ag.	100.0	1.7	1.7	17.5	49.8	29.3
Georgia: Non-Ag.	100.0	1.8	6.6	25.4	23.7	42.5
Georgia: Ag.	100.0	3.4	2.9	43.6	22.7	27.5
Minnesota: Non Ag.	100.0	1.5	5.1	44.6	22.4	26.4
Minnesota: Ag.	100.0	1.9	2.6	44.8	22.3	28.4
Mississippi: Non-Ag.	100.0	2.5	5.2	39.0	17.4	35.9
Mississippi: Ag.	100.0	4.1	2.0	59.6	14.5	19.8
Missouri: Non-Ag.	100.0	1.8	7.9	24.8	25.4	40.2
Missouri: Ag.	100.0	2.2	4.6	30.2	26.9	36.0
Montana: Non-Ag.	100.0	1.8	5.6	25.2	44.1	23.3
Montana: Ag.	100.0	2.0	3.9	17.3	54.4	22.5

Source: List of counties that have 20% or more of all personal income directly from farming obtained from Economic Research Division of the U.S. Department of Agriculture; Government finance data from U.S. Bureau of the Census, 1982 Census of Governments, Compendium of Government Finance, Vol. 4, No. 5, Table 50. ACIR staff compilation and computations.

and 2, information contained in this table does not provide direct indicators of fiscal condition. It does, however, indicate exposure of agriculturally-dependent governments to reductions in state and federal aid. Table 3 also gives an indication of the reliance of these governments on the property tax and other local own-source revenue.

The first observation about Table 3 is that agriculturally dependent local governments tend to rely more heavily on general revenue sharing than other governments (column 3). The termination of this program in September 1986 will hurt agriculturally dependent governments more than other governments. Furthermore, because GRS funds were available to general purpose governments only, the impact of the discontinuation of this program will have a greater effect on these governments than the figures in Table 3 would suggest, since included in these figures are data which include data for school districts and special districts.

Secondly, in eight of the 10 states surveyed, agriculturally dependent local governments are relying more heavily on state aid than other governments (column 5). Thus, cuts in state aid would be more likely to hurt governments in agriculturally dependent areas than in other areas. Agriculturally dependent governments in North Dakota, Arkansas, Minnesota and Mississippi receive between 44 and 60 percent of their general revenue from their respective state governments. State governments in all of these states are exhibiting signs of fiscal stress.

Finally, agriculturally dependent local governments in six of the ten states examined rely more heavily on the property tax than do other governments. This, however, is an ambiguous indicator. Although we know that there have been substantial decreases in the value of farm land, we cannot assume a significant decline in property tax revenue in the short run. Property tax revenues tend to be fairly stable because (1) the drop in assessed values of farm land usually occurs with a significant time lag after the actual drop in the price of farm land, (2) in the absence of tax rate limitations, reduced assessments reflecting market conditions can trigger increased mill rates designed to maintain needed revenues, and (3) when land is assessed on the basis of use value rather than market value the fluctuations in use value tend to be considerably less than the fluctuations in market value.

Because the property tax is considered by public finance experts to be one of the most stable sources of revenue, a high degree of dependence on this tax source tends to act as insurance for local governments against economic downturns. Despite the increased property tax burden placed on financially-strained taxpayers, the stability of the property tax tends to protect local governments from vagaries of the local economy in the short run.

In all likelihood, the farm-dependent counties eventually will be faced with a downturn in their most important revenue source—the property tax. Thus, they will be faced with the need to cut expenditures and service levels or seek additional revenues, or both.

AN EXPLORATION OF THE DATA AND DATA SOURCES

In addition to requesting a preliminary analysis of the inter-governmental aspects of the farm recession, Senator Durenberger asked the ACIR staff to identify sources of data which would be useful in the studies of the newly-created Commission on Agricultural Policy. This section of the report responds to his request by identifying sources of data collected nationally. It does not include the wide variety of data that are collected by the individual states.

Values of Farm Land

Data Sources and Availability. The U.S. Department of Agriculture annually surveys the market values of farm land in each state. The survey results are reported in the publication Agricultural Land Values and Markets: Outlook and Situation Report. Results of the surveys done in the spring are published in the late summer of the same year. (See Appendix Table 1 for farm market values by state for 1979-86.)

County-by-county assessment data are published by the U.S. Bureau of the Census in its Census of Governments series every five years. The most recent data are for 1981. Data for 1986 will not be available for several years.

In an effort to obtain more up-to-date assessment information, the ACIR staff has participated with staff of the Senate Subcommittee on Intergovernmental Relations in a telephone survey of the sample counties. Results of the survey will be made public by the Subcommittee.

Relevance of the Data. Market values of farm property are often cited as important indicators of the general state of the farm economy. However, property tax assessments and collections--the basis of most local government own-source revenues--are not closely tied to market values. There are several reasons. First, property tax assessments have always lagged market values. Most states do not attempt annual reassessments; for example, Indiana reassesses every eight years. In addition, a large number of states now assess some or all farm property on the basis of its use value rather than its market value. Definitions of use value and the extent to which property is assessed on the basis of use value vary from state to state. All of these factors combine to give property tax collections greater stability than one might expect, given the recent volatility in the price of farm land.

Property Tax Rates

Data Sources and Availability. The Economic Research Service of the U.S. Department of Agriculture publishes effective property tax rates for agricultural land in a document entitled Farm Real Estate: Historical Series 1950-85, December 1985. (See Appendix Table 2.) Effective rates for farm property are reported at the state level only and are published with a two-to-three year lag. This report also contains other agricultural real estate data through 1985 (e.g., number of farms, value of land, value of buildings, farm debt).

Relevance of the Data. This tax rate information, reported as property tax payments per \$100 of market value of the land, is quite helpful in making state-by-state comparisons of property taxes during a particular year or examining property taxes within a single state over a period of time. However, as with any property tax data, any conclusions drawn from effective rates of property must be carefully guarded and clearly explained. For example: From the data in Appendix Table 2, one could correctly conclude that, nationwide, 1978 effective property tax rates of farm land were actually higher than they were in 1983—the effective rate dropped from \$.59 per \$100 of market value to \$.54. However, such a statement requires further clarification. In the short run, property owners pay taxes out of current income rather than from the value of the property. Effective property tax rates (property tax liabilities expressed as a percentage of the market value of property) could be decreasing at the same time that the property tax liabilities, expressed as a percentage of a farm income, are increasing. Therefore, if one examined the effective property tax data in the USDA report and found that effective property tax rates were decreasing in a state, one could not necessarily conclude that the burden of the property tax on individual farmers was decreasing. Taxes on property are clearly decreasing in this example, but it remains to be determined whether burdens on individuals are decreasing.

(This example also holds for many non-farm property taxpayers as well--e.g., the elderly, unemployed petroleum workers.)

Property Tax Collections and Delinquencies

Data Sources and Availability. Although the Bureau of the Census publishes property tax collections on an annual basis in its Government Finance series, it does not do so for units of government with populations less than 50,000--the same governments that would be of most interest in examining the effect of the agricultural recession on local governments. Like the assessment data, the Census Bureau publishes collections information on all units of local government in its Census of Governments series.

Property tax revenues for all units of general purpose governments are available from Census' general revenue sharing tape on an annual basis. These data are more current than those found in the five-year Census of Governments series. This data series will be dropped with the termination of general revenue sharing.

To the best of our knowledge, delinquency data are not collected by the federal government. Some, but not all, states collect this information. Because these data are not readily available, the ACIR staff working with the Senate subcommittee staff has attempted to compile them for the sample states in its telephone survey.

Relevance of the Data. Clearly, for ascertaining the financial health of local governments, property tax collection data are essential.

Laggardly growth or an actual decline in property tax revenues may indicate sluggish growth (or decline) in the tax base, the inability of local officials to raise tax rates sufficiently to compensate for the sluggish growth (or decline) in the tax base, or both.

Increases in delinquency rates clearly reflect rising economic distress in the community. Growing delinquency rates are likely to make it impossible for local governments to maintain existing services.

Local Revenue Systems

Sources of Data and Availability. In addition to property taxes discussed above, local governments obtain revenue from other sources locally and from state and federal aid. Published in Census' annual government finance series are data on various tax revenues, user charges and intergovernmental aid—but these annual data are only available for governments with populations greater than 50,000 and local government data aggregated at the state level. Such data are published approximately 12-18 months following each government's fiscal year. Again, the five-year Census of Governments contains information on all units of government but there is a substantial lag in the publication of such data. Data for all units of general purpose governments are available from Census' general revenue sharing tape. (See Appendix Table 3 for state-by-state distribution of local revenue by source; see Appendix Table 4 for the nationwide percentage change in local revenues over time.)

Relevance of the Data. The degree of dependence on particular revenue sources indicates the exposure of local governments to economic fluctuations and reductions in intergovernmental aid. The more diverse the sources of revenue, the easier it becomes for local governments to weather economic storms.

Information on state aid to local governments indicates the availability of assistance from this source. However, if numerous local governments in a state are experiencing difficulties and the state government itself is experiencing difficulties, the state government may not have sufficient revenues to help these local governments. Local governments are less dependent on federal aid than on state aid. Anticipated cuts in federal aid could add to these pressures.

State Revenue Systems

Sources of Data and Availability. Data on state government revenue are found in the Census publications cited above. In addition, quarterly data for state tax revenue are available from the Bureau approximately five months after the end of each calendar quarter. Note that this quarterly information does not include data for federal aid, user charges and miscellaneous general revenue. (See Appendix Table 5 for distribution of state revenue sources; see Appendix Table 6 for the nationwide percentage change in state revenue over time.)

The National Association of State Budget Officers (NASBO), located in Washington, D.C., compiles data on state general fund revenues and

expenditures for recent years and publishes estimates for future fiscal years. The National Conference of State Legislatures, headquartered in Denver, Colorado, also tracks state revenues and expenditures and is an excellent source of descriptive as well as analytic material. (See Appendix Tables 7 and 8 for examples of the information that is published in NASBO's Fiscal Survey of the States.)

Relevance of the Data. Because local governments in most states receive a significant portion of their revenue from state governments and would look to the state for additional assistance in times of crisis, the financial condition of state governments is an important factor in assessing the fiscal health of local governments. The sources of state revenue must be examined carefully to determine the impact that changes in economic activity in certain industrial or service sectors would have on state coffers—e.g., the agricultural recession or the recent drop in energy prices. These particular downturns not only effect individual and corporate income tax collections but collections of general sales taxes and severance taxes as well.

State-Local Tax Burden

Data Sources and Availability. Per capita state-local tax collections or taxes as a percentage of state personal income can be obtained from Census' annual Government Finance series. These data are published approximately 12-18 months after the conclusion of the state fiscal

years. Data for state government only can be calculated from figures published in the State Government Tax Collections series and this information is published six-to-nine months after the conclusion of the state fiscal years. (These data are also published in ACIR's annual Significant Features of Fiscal Federalism; see Appendix Tables 9, 10, and 11.)

Relevance of the Data. State-local tax burden figures give a relative measure of the burden borne by taxpayers in each state. However, conclusions made from such data have to be drawn carefully. A state with a relatively high tax burden may find it very difficult to raise additional revenue to compensate for shortfalls resulting from the agricultural recession. Yet, the same high tax burden may also lead to the conclusion that citizens from the state have a higher tolerance for taxes and may not resist a tax increase. Data on tax burdens must be examined in the context of the political culture.

A second point must be made with regard to tax burden figures: in some states a significant portion of state-local taxes may be exported to citizens in other states. Per capita taxes in states like Alaska and Wyoming are quite high, yet a large portion of these taxes represent taxes on energy--taxes that are paid by corporations, stockholders and energy consumers in other states. The tax burden borne by residents is much less than the figures would indicate. States that enjoy a considerable amount of tourist travel (e.g., Nevada and Florida) not only derive revenue from the taxes imposed on the purchases

of residents but on the purchases of visitors as well. Collections from these taxes help ease the overall tax burden on residents. (It should be noted that the presence of visitors or energy-related industries imposes service costs upon the host states.)

Trends in Service Delivery

Data Sources and Availability. To assess the trends in local demands for services (and, indirectly, demand for revenues to finance the services), there are several measures available: two of the more important are local expenditures for education and for general assistance.

The National Education Association's Estimates of School Statistics provides state-by-state estimates of enrollment, receipts, and expenditures for education. It also shows the distribution of sources of funding among federal, state, and local governments. Preliminary data for the current school year are available in the middle of that year. (The distribution of revenue for educational purposes by level of government is also published in ACIR's Significant Features; see Appendix Table 12.)

The Social Security Bulletin, published monthly by the Social Security Administration of the U.S. Department of Health and Human Services, provides monthly data on a wide range of cash payment programs under Social Security, public assistance, black lung, and unemployment insurance programs, including related state and local programs. Among these data are figures on "general assistance" from 40 states that voluntarily report them. The published state-by-state data for

general assistance (number of cases and number of recipients) run about 20 months behind the publishing date. The "Annual Statistical Summary" of the Bulletin carries average monthly figures and amounts of payments dating back to 1936, but only for the nation as a whole.

Relevance of the Data. Measures of local service delivery would be preferable to measures of revenue; service levels measure the outputs of governments while revenues only measure the inputs. Although data on the total service demands are not available, data on funding in specific programmatic areas assist in assessing the overall service demands on particular governments.

In making state-by-state comparisons, researchers should be particularly attentive to the wide variations in the assignment of functions between state and local governments. For example, the state government in Hawaii provides 100% of the state-local funding for education, whereas the state of New Hampshire provides less than 10% of such funding. (See Appendix Table 13.)

State and Local Government Responses to Fiscal Crises

One valuable indicator of fiscal stress at the state or local level can be the actions of the governments themselves to respond to changes in economic circumstances. Particularly significant are increases in tax rates (or changes in tax bases), budget cuts, and reductions in governments employment.

CHANGES IN TAX RATES. State tax actions are recorded on a timely basis in State Tax Review, published weekly by Commerce Clearing House. Changes are also recorded in the individual state volumes of CCH's State Tax Reporter. In addition, groups such as the National Association of State Budget Officers, the National Conference of State Legislatures and the ACIR publish information on changes in income, general sales, and certain excise taxes. (See Appendix Table 14.)

BUDGET ACTIONS. The National Association of State Budget Officers publishes information on state budget actions in its annual Fiscal Survey of the States. A particularly valuable indicator of fiscal stress is the information on states which have been forced to make cuts in previously-adopted budgets. (See Appendix Table 15.)

GOVERNMENT EMPLOYMENT. The U.S. Bureau of the Census publishes data on state and local government employment with a lag of less than a year in its Public Employment series. Annual figures are reported for state governments and larger local governments. Figures for all units of government are published in the five-year Compendium of Public Employment (figures for 1982 were published in 1984). (These state-by-state data are compared to each state's population in ACIR's Significant Features; see Appendix Table 16.)

Indicators of General Economic Conditions

Although this is not intended to be an all-inclusive list, the following data give a general picture of state-wide (and, in a few instances, local) economic conditions.

PERSONAL INCOME. A basic indicator of economic health is per capita personal income. Every August the Bureau of Economic Analysis publishes state personal income for the prior calendar year in its Survey of Current Business. County-by-county data are also published in the Survey with a lag of approximately 16 months. (State-by-state per capita personal income are published in ACIR's Significant Features; see Appendix Table 17.)

BEA also publishes income by sector--including farm income. Due to the inclusion of inventory adjustments and federal transfer payments (such as agricultural price supports), the BEA's farm income figures are not particularly useful indicators of year-to-year changes.

The Economic Research Service of the U.S. Department of Agriculture publishes farm income data from 1955-84 in its report Economic Indicators of the Farm Sector: State Financial Summary, 1984, March 1986. In addition to other data, state-by-state statistical information is available on cash receipts from farm marketings, government payments, farm production expenses and changes in farm inventories.

UNEMPLOYMENT RATES. Each month the Bureau of Labor Statistics releases state and area employment and labor force data in its Employment and Earnings publication. Unfortunately, information on payrolls and industries are available only for non-agricultural workers; these data provide an overall measure only. These data do not reflect directly the "employment" situation of many farmers because they are typically owner-operators of their own businesses.

TOPICS FOR FURTHER INTERGOVERNMENTAL INQUIRY

There are a variety of additional topics that the Commission on Agricultural Policy should consider as it analyzes the effect of the agricultural crisis on state and local governments. Although the list below certainly is not exhaustive, it does point to areas of research that would be relevant to the Commission's work.

State and Local Economic Development

Economic development often is discussed as a panacea for many of the financial problems that befall government. Clearly, reality falls well short of that. Nonetheless, government officials should fully explore the current panoply of tax provisions, zoning regulations, and state technical and financial assistance that affect local economic development. To the extent that government and business decisionmakers can expand and diversify local and state tax bases, local governments will be better able to provide the services needed by their citizens.

One source that might be helpful in further studies of these matters is ACIR, The States and Distressed Communities: Final Report, Report A-101 (Washington, DC: ACIR, 1985).

The Role of State Aid

State officials, in close consultation with local policymakers, should examine the state-local intergovernmental aid system in their state. To the extent that these officials deem appropriate and feasible, state assistance should take into account the financial capacity of local governments. In operational terms, this might, for example, involve changing some state-to-local transfers from a return-to-source basis to a power-equalizing basis. A brief exploratory analysis of the factors now used in ten sample states is offered in Appendix 2 of this report.

ACIR has studied this issue at least twice in the past (State Aid to Local Government, Report A-34, April 1969; and The State of State-Local Revenue Sharing, Report M-121, December 1980), and the Commission is currently pursuing research on intergovernmental aid formulas. ACIR also provides several studies of state and local fiscal capacities.

Fiscal Home Rule

In many cases, revenue options for local governments are constrained by their respective state governments. Statutory or constitutional strictures on property tax rates, annual increases, or annual changes in

assessments exist in many states. In addition, prohibitions against or limits imposed on local income or sales taxes restrict the ability of communities to diversify their revenue bases.

ACIR's most recent survey of local home rule is Measuring Local Discretionary Authority, Report M-131, November 1981; ACIR's most recent summary of limits on local taxing, spending and debt appears in Significant Features of Fiscal Federalism, 1985-86, Report M-146, February 1986. Both provide a basis for further work.

State Role in Local Government Financial Management

In the 1985 ACIR report on local financial emergencies, state oversight of local government finances was suggested as a means of identifying local fiscal problems before they get to the crisis stage. State oversight also encourages standardized accounting practices among local governments, allowing local officials themselves to assess more adequately the financial condition of their respective governments. In the event state oversight pinpoints potential fiscal problems for a particular government, qualified state personnel can be made available to provide the technical expertise necessary for the local government to resolve its own problems--expertise that all-too-often is unavailable to small local governments. The 1985 ACIR report (Bankruptcies, Defaults, and Other Local Government Financial Emergencies, Report A-99), and suggested state legislation available from the Commission, provide a basis for further work in this field.

APPENDIX 1
TABLES ON DATA SOURCES

APPENDIX TABLE 1

Farm Real Estate Values: Average Value Per Acre of Land and Buildings, by State, Grouped by Farm Production Region, Feb. 1, 1979-81; April 1, 1982-85; and Feb. 1, 1986 1/

State	1979	1980	1981	1982	1983	1984	1985	1986
Dollars								
New England								
Connecticut	2,227	2,387	2,517	2,610	2,655	2,814	3,208	3,721
Maine	538	594	642	680	708	750	856	993
Massachusetts	1,443	1,608	1,752	1,874	1,963	2,081	2,372	2,752
New Hampshire	919	1,004	1,078	1,136	1,174	1,244	1,419	1,646
Rhode Island	2,370	2,523	2,646	2,729	2,760	2,926	3,335	3,869
Vermont	660	721	774	815	842	893	1,017	1,180
Mideast								
Delaware	1,500	1,798	1,928	1,787	1,829	1,866	1,642	1,757
Maryland	1,800	2,238	2,530	2,376	2,121	2,185	2,097	1,887
New Jersey	2,701	2,947	3,040	3,181	3,140	3,234	3,525	3,913
New York	670	720	773	821	817	842	808	824
Pennsylvania	1,273	1,464	1,568	1,513	1,520	1,642	1,510	1,450
Great Lakes								
Illinois	1,858	2,041	2,188	2,023	1,837	1,800	1,314	1,143
Indiana	1,589	1,863	2,031	1,804	1,610	1,594	1,259	1,058
Michigan	975	1,111	1,289	1,278	1,223	1,223	1,052	936
Ohio	1,483	1,730	1,831	1,629	1,504	1,444	1,126	1,013
Wisconsin	856	1,004	1,152	1,144	1,113	1,046	847	711
Plains								
Iowa	1,550	1,840	1,999	1,889	1,684	1,499	1,064	841
Kansas	501	587	619	628	601	583	466	387
Minnesota	901	1,086	1,281	1,272	1,165	1,083	823	609
Missouri	726	902	990	945	856	856	659	606
Nebraska	525	635	729	730	701	617	444	364
North Dakota	347	405	436	455	439	439	360	317
South Dakota	256	292	329	349	348	338	250	215
Southeast								
Alabama	639	780	910	885	826	809	769	761
Arkansas	770	918	1,056	1,096	972	933	849	705
Florida	1,149	1,381	1,565	1,518	1,576	1,608	1,527	1,435
Georgia	777	896	971	926	929	910	865	822
Kentucky	861	976	1,033	1,058	1,049	1,007	906	870
Louisiana	1,001	1,256	1,454	1,414	1,351	1,351	1,256	1,005
Mississippi	681	819	1,034	981	894	939	835	752
North Carolina	1,051	1,219	1,340	1,297	1,314	1,380	1,242	1,130
South Carolina	773	900	972	980	946	927	899	872
Tennessee	860	976	1,070	1,040	1,014	1,044	982	992
Virginia	930	1,028	1,118	1,096	1,125	1,114	1,091	1,146
West Virginia	592	669	681	723	688	667	554	537
Southwest								
Arizona	199	267	287	302	289	295	265	231
New Mexico	143	185	192	195	178	182	163	134
Oklahoma	512	614	681	725	699	699	566	481
Texas	386	436	468	539	544	593	652	541
Rocky Mountain								
Colorado	322	387	434	451	454	468	435	357
Idaho	585	698	774	839	814	814	749	644
Montana	196	235	251	271	259	264	222	204
Utah	400	530	567	589	560	571	514	478
Wyoming	144	161	180	193	193	197	177	154
Far West 1/								
California	1,186	1,424	1,732	1,900	1,918	1,918	1,726	1,571
Nevada	191	248	262	268	249	254	229	199
Oregon	504	587	668	705	705	698	579	521
Washington	692	736	877	922	933	961	923	812
48 States	628	737	819	823	788	782	679	596

1/ These values are based on land-value benchmarks obtained from the Census of Agriculture.

SOURCE: Economic Research Service, U.S. Department of Agriculture, Outlook and Situation Summary, Agricultural Resources, April 9, 1986, p. 5.

APPENDIX TABLE 2

Farm Real Estate Taxes Per \$100 Market Value

State	1983	1982	1981	1980	1978	1973	1968
United States Average	0.54	0.49	0.48	0.50	0.59	0.96	1.01
New England							
Connecticut	0.84	0.82	0.79	0.81	0.94	1.14	1.44
Maine	1.09	1.08	1.07	1.06	1.08	1.49	2.08
Massachusetts	1.21	1.21	1.28	1.38	1.57	2.13	2.15
New Hampshire	1.04	1.00	0.97	0.96	1.02	1.33	2.02
Rhode Island	1.38	1.27	1.25	1.21	1.26	1.69	1.75
Vermont	1.22	1.09	1.16	1.10	1.13	1.48	1.95
Mideast							
Delaware	n.a.	0.13	0.11	0.12	0.17	0.27	0.37
Maryland	0.37	0.31	0.28	0.30	0.40	0.70	0.83
New Jersey	0.81	0.75	0.73	0.70	0.76	1.27	1.51
New York	2.23	2.06	2.04	1.94	1.86	1.85	1.75
Pennsylvania	0.89	0.79	0.68	0.63	0.73	1.06	1.33
Great Lakes							
Illinois	0.78	0.71	0.66	0.65	0.72	1.55	1.36
Indiana	0.57	0.47	0.40	0.41	0.39	1.22	1.06
Michigan	2.08	1.87	1.67	1.62	1.47	1.47	1.30
Ohio	0.66	0.57	0.48	0.50	0.64	0.98	0.98
Wisconsin	1.50	1.31	1.31	1.28	1.33	1.50	2.08
Plains							
Iowa	0.56	0.48	0.53	0.54	0.63	1.19	1.26
Kansas	0.58	0.49	0.48	0.47	0.64	0.98	1.21
Minnesota	0.60	0.49	0.43	0.44	0.55	1.22	1.49
Missouri	0.35	0.34	0.31	0.33	0.44	0.70	0.74
Nebraska	1.05	0.91	0.82	0.82	0.94	1.26	1.23
North Dakota	0.51	0.48	0.46	0.48	0.58	1.12	1.09
South Dakota	0.90	0.78	0.80	0.84	0.84	1.38	1.24
Southeast							
Alabama	0.13	0.13	0.10	0.11	0.13	0.19	0.26
Arkansas	0.24	0.21	0.21	0.23	0.33	0.45	0.51
Florida	0.47	0.46	0.46	0.46	0.53	0.79	0.89
Georgia	0.50	0.46	0.41	0.40	0.46	0.56	0.64
Kentucky	0.22	0.21	0.22	0.22	0.30	0.48	0.56
Louisiana	0.15	0.14	0.12	0.14	0.20	0.28	0.38
Mississippi	0.19	0.17	0.16	0.20	0.23	0.41	0.45
North Carolina	0.35	0.33	0.31	0.32	0.36	0.44	0.51
South Carolina	0.28	0.26	0.25	0.24	0.30	0.42	0.44
Tennessee	0.40	0.36	0.33	0.34	0.35	0.52	0.49
Virginia	0.43	0.41	0.38	0.38	0.43	0.54	0.51
West Virginia	0.11	0.11	0.12	0.11	0.16	0.28	0.45
Southwest							
Arizona	0.37	0.30	0.29	0.31	0.60	0.85	1.07
New Mexico	0.09	0.09	0.09	0.10	0.20	0.40	0.49
Oklahoma	0.26	0.24	0.24	0.26	0.31	0.56	0.58
Texas	0.29	0.28	0.31	0.33	0.41	0.54	0.56
Rocky Mountain							
Colorado	0.42	0.35	0.34	0.36	0.44	0.68	0.93
Idaho	0.39	0.32	0.32	0.37	0.50	0.79	0.79
Montana	0.46	0.43	0.46	0.51	0.51	1.01	0.95
Utah	0.27	0.25	0.24	0.24	0.40	0.71	0.98
Wyoming	0.37	0.33	0.33	0.35	0.35	0.70	0.79
Far West							
California	0.37	0.36	0.40	0.48	0.67	1.82	1.50
Nevada	0.15	0.12	0.11	0.18	0.44	0.65	0.80
Oregon	0.59	0.54	0.55	0.54	0.65	0.90	1.45
Washington	0.39	0.37	0.37	0.43	0.59	1.02	0.88
Alaska 1/ Hawaii 1/							

1/ Data not available on Alaska and Hawaii.

Source: U.S. Department of Agriculture, Economic Research Service, Farm Real Estate, Historical Series Data, 1950-85, Washington, DC.

APPENDIX TABLE 3
 PERCENTAGE DISTRIBUTION OF LOCAL ONLY GENERAL REVENUE
 BY SOURCE, BY STATE AND REGION, 1984

	LOCAL General Revenue (millions)	Federal Aid	State Aid	Property Tax Revenue	General Sales & Gr. Rcpts. Revenue	Individual Income Tax Revenue	Corporate Income Tax Revenue	All Other Taxes	Charges & Misc. Revenue
United States	\$323,235.5	6.5%	32.7%	28.6%	3.9%	1.8%	0.5%	3.4%	22.6%
New England	14,527.4	9.2	28.5	49.0	0.0	0.0	0.0	0.7	12.6
Connecticut	3,545.6	5.3	23.0	59.4	0.0	0.0	0.0	0.8	11.5
Maine	1,058.1	8.5	29.6	46.9	0.0	0.0	0.0	0.4	14.6
Massachusetts	7,592.9	11.7	33.3	40.7	0.0	0.0	0.0	0.7	13.6
New Hampshire	919.8	5.9	13.2	69.0	0.0	0.0	0.0	1.0	10.9
Rhode Island	963.2	8.8	26.4	55.4	0.0	0.0	0.0	0.6	8.8
Vermont	447.9	6.2	24.4	57.8	0.0	0.0	0.0	0.4	11.2
Mideast	74,514.0	7.3	30.7	30.3	4.8	5.2	2.0	3.8	15.9
Delaware	606.1	10.3	41.9	19.9	0.0	2.7	0.0	1.4	23.8
Dist. of Col.	2,949.7	42.5	n.a.	13.5	10.1	16.3	0.0	8.8	8.8
Maryland	5,593.8	6.2	28.8	27.4	0.0	13.4	0.0	5.5	18.7
New Jersey	10,844.1	4.3	34.3	46.7	0.0	0.0	0.0	0.9	13.8
New York	40,385.0	5.6	32.3	28.5	8.1	3.8	3.0	3.5	15.2
Pennsylvania	14,135.4	7.2	30.1	27.7	0.0	7.4	2.1	5.0	20.5
Great Lakes	54,765.8	6.7	30.7	34.7	2.2	2.8	0.0	2.1	20.8
Illinois	15,287.8	9.0	23.9	37.5	6.4	0.0	0.0	5.0	18.2
Indiana	5,972.9	5.9	36.3	31.1	0.0	1.3	0.0	0.4	25.0
Michigan	13,116.6	6.2	26.9	40.3	0.0	2.4	0.0	1.0	23.2
Ohio	13,534.2	6.4	33.2	28.7	1.8	8.3	0.0	1.3	20.3
Wisconsin	6,854.3	3.8	43.2	33.0	0.0	0.0	0.0	0.5	19.5
Plains	22,816.8	5.7	30.7	30.6	2.4	0.6	0.0	2.6	27.4
Iowa	3,807.4	5.2	33.2	37.7	0.0	0.0	0.0	0.7	23.2
Kansas	3,206.8	4.7	23.6	34.8	2.7	0.0	0.0	2.5	31.7
Minnesota	7,273.2	5.0	39.0	26.6	*	0.0	0.0	1.2	28.2
Missouri	4,828.2	7.7	25.7	24.1	7.9	2.8	0.0	7.0	24.8
Nebraska	2,070.1	4.7	20.6	39.2	2.6	0.0	0.0	2.1	30.8
North Dakota	801.3	7.6	41.1	27.8	0.0	0.0	0.0	1.1	22.4
South Dakota	829.9	8.6	18.8	34.6	3.5	0.0	0.0	1.9	32.6
Southeast	58,711.1	6.7	32.7	22.4	4.5	0.3	0.1	4.5	28.8
Alabama	3,611.3	7.5	32.8	10.7	8.4	1.0	0.0	6.1	33.5
Arkansas	1,911.7	6.5	38.5	20.7	2.2	0.0	0.0	2.9	29.2
Florida	14,477.3	6.1	30.9	25.5	0.0	0.0	0.0	5.2	32.3
Georgia	7,119.8	8.1	25.8	23.2	4.6	0.0	0.0	4.7	33.6
Kentucky	3,000.3	6.8	41.3	13.9	0.0	5.1	1.3	4.9	26.7
Louisiana	5,433.0	6.2	30.9	13.6	17.5	0.0	0.0	2.8	29.0
Mississippi	2,541.8	5.5	41.3	19.3	0.0	0.0	0.0	1.2	32.7
North Carolina	5,929.8	6.9	41.4	22.6	5.2	0.0	0.0	0.8	23.1
South Carolina	2,693.9	7.1	33.0	29.1	0.0	0.0	0.0	2.5	28.3
Tennessee	4,376.9	8.7	24.9	22.9	10.2	0.0	0.0	4.2	29.1
Virginia	5,933.5	5.3	31.8	32.1	4.8	0.0	0.0	9.5	16.5
West Virginia	1,681.8	6.5	41.4	22.1	0.0	0.0	0.0	5.2	24.8
Southwest	30,062.3	5.2	30.4	28.2	4.9	0.0	0.0	2.7	28.6
Arizona	4,310.0	6.0	37.0	21.8	5.4	0.0	0.0	2.4	27.4
New Mexico	2,371.2	6.6	39.7	8.3	3.5	0.0	0.0	1.8	40.1
Oklahoma	3,517.0	6.0	35.3	18.7	12.1	0.0	0.0	2.2	25.7
Texas	19,864.1	4.7	26.9	33.6	3.7	0.0	0.0	2.9	28.2
Rocky Mountain	10,424.5	5.0	28.3	29.5	6.6	0.0	0.0	2.4	28.2
Colorado	4,847.9	4.8	25.3	29.1	11.4	0.0	0.0	3.4	26.0
Idaho	963.0	5.5	39.9	26.6	0.0	0.0	0.0	1.2	26.8
Montana	1,198.6	6.6	22.7	37.2	0.0	0.0	0.0	1.7	31.8
Utah	1,991.9	5.7	30.5	26.2	5.1	0.0	0.0	2.6	29.9
Wyoming	1,423.1	3.1	32.3	30.8	2.2	0.0	0.0	0.6	31.0
Far West 1/	55,019.8	5.4	41.4	21.1	4.4	0.0	0.0	4.6	23.1
California	43,592.4	5.1	43.0	20.3	4.9	0.0	0.0	4.4	22.3
Nevada	1,405.7	3.6	36.0	17.0	0.0	0.0	0.0	9.4	34.0
Oregon	3,915.5	9.0	27.1	39.0	0.0	0.0	0.0	4.0	20.9
Washington	6,106.2	5.1	40.7	16.8	4.9	0.0	0.0	4.8	27.7
Alaska	1,812.4	4.6	46.2	16.9	3.2	0.0	0.0	0.8	28.3
Hawaii	581.3	16.3	6.7	49.7	0.0	0.0	0.0	11.3	16.0

* Rounds to zero.

1/ Excluding Alaska and Hawaii.

Source: Computations based on ACIR Government Finance Spreadsheet Diskettes derived from data tape supplied by U.S. Bureau of the Census for FY 1984.

APPENDIX TABLE 4

LOCAL OWN-SOURCE GENERAL REVENUE

	<u>Percentage Change 1972-77</u>	<u>Percentage Change 1977-82</u>	<u>Percentage Change 1982-84</u>
U.S. Average	58.3%	60.0%	20.4%
Arkansas	61.3	84.4	17.1
Georgia	78.1	91.7	22.1
Iowa	44.1	64.0	11.4
Kansas	55.0	87.1	15.8
Minnesota	37.9	81.3	24.9
Mississippi	61.7	78.3	25.2
Missouri	44.1	52.1	13.4
Montana	60.7	70.8	35.2
Nebraska	68.5	52.1	17.0
North Dakota	50.6	60.5	10.1

SOURCE: U.S. Bureau of the Census, Government Finances (various years).

APPENDIX TABLE 5

PERCENTAGE DISTRIBUTION OF STATE GOVERNMENT ONLY GENERAL REVENUE
BY SOURCE, BY STATE AND REGION, 1984

	STATE General Revenue (millions)	Federal Aid	Intergov. Transfers from Local Gov'ts.	Property Tax Revenue	General Sales & Gr. Rcpts. Revenue	Individual Income Tax Revenue	Corporate Income Tax Revenue	All Other Taxes	Charges & Misc. Revenue
United States	\$330,740.1	23.0%	1.6%	1.2%	18.9%	17.8%	4.7%	16.9%	15.9
New England	19,414.0	22.5	1.5	0.2	16.6	19.4	7.0	15.9	16.9
Connecticut	4,929.8	19.3	0.1	*	27.2	5.7	8.2	21.6	17.9
Maine	1,634.6	27.2	1.2	0.9	19.3	16.0	3.2	16.9	15.3
Massachusetts	9,266.0	21.7	2.3	*	13.5	30.1	7.9	11.5	13.0
New Hampshire	1,014.6	27.3	2.6	1.6	0.0	2.2	9.4	28.5	28.4
Rhode Island	1,682.7	24.0	1.0	0.4	14.7	16.9	3.5	12.6	26.9
Vermont	886.4	31.2	0.4	0.1	9.1	14.9	2.6	19.9	21.8
Mideast	69,239.5	23.4	4.6	0.5	14.0	22.6	5.0	16.1	13.8
Delaware	1,328.4	17.5	0.2	0.0	0.0	25.9	3.4	24.4	28.6
Maryland	6,547.6	20.9	0.5	1.8	15.1	24.6	3.0	15.8	18.3
New Jersey	11,942.0	19.5	1.2	0.4	17.2	14.8	7.0	20.5	19.4
New York	34,093.9	25.4	8.6	0.0	11.4	27.5	4.5	11.8	10.8
Pennsylvania	15,327.7	23.7	0.5	1.2	17.7	16.6	5.6	21.5	13.2
Great Lakes	56,619.7	22.9	1.2	1.2	19.2	21.6	5.1	13.7	15.1
Illinois	14,159.8	24.1	0.5	1.3	18.7	20.9	4.0	16.5	14.0
Indiana	6,519.4	21.8	0.3	0.3	30.2	18.6	2.0	10.9	15.9
Michigan	14,635.7	24.1	2.7	1.1	15.5	23.1	8.8	9.9	14.8
Ohio	13,370.0	21.5	1.1	0.9	19.5	18.6	3.9	16.9	17.6
Wisconsin	7,934.7	22.2	0.6	2.1	17.3	27.5	5.0	12.6	12.7
Plains	23,718.4	22.7	0.9	0.2	19.4	20.9	3.7	16.1	16.1
Iowa	3,712.2	22.9	1.0	0.0	19.8	21.2	3.6	15.8	15.7
Kansas	2,905.1	22.5	0.6	0.8	17.9	19.5	4.7	18.7	15.3
Minnesota	7,824.1	20.0	1.0	0.1	16.0	29.6	3.9	15.3	14.1
Missouri	5,065.3	24.8	0.4	0.1	26.2	17.8	3.3	12.8	14.6
Nebraska	1,922.3	24.1	1.8	0.1	19.5	15.8	3.5	16.7	18.5
North Dakota	1,391.0	22.7	1.0	0.1	14.7	5.3	3.1	25.9	27.2
South Dakota	898.4	32.2	0.8	0.0	19.9	0.0	2.0	18.0	27.1
Southeast	64,602.9	24.5	0.6	0.9	21.6	13.5	4.1	19.6	15.2
Alabama	5,318.9	23.9	0.8	1.1	13.8	11.7	4.2	20.0	24.5
Arkansas	2,626.7	28.6	0.2	0.2	21.4	16.5	4.0	16.5	12.6
Florida	10,322.4	19.9	0.5	1.4	38.6	0.0	3.5	27.5	08.6
Georgia	6,468.8	28.9	0.1	0.2	21.0	22.7	4.9	12.3	09.9
Kentucky	4,825.8	26.4	0.2	4.8	15.6	14.7	4.1	18.8	15.4
Louisiana	6,111.8	23.9	0.1	*	14.5	6.7	4.3	25.8	24.7
Mississippi	3,094.8	29.7	0.4	*	28.0	8.4	3.6	16.3	13.6
North Carolina	7,427.6	23.2	1.5	1.0	13.5	24.0	5.0	19.0	12.8
South Carolina	3,969.2	23.1	0.5	0.2	20.1	20.0	4.0	15.7	16.4
Tennessee	4,617.3	31.7	0.7	0.0	29.4	1.2	4.9	18.9	13.2
Virginia	7,034.9	20.6	1.1	0.4	11.8	25.0	3.5	17.0	20.6
West Virginia	2,784.7	24.4	0.2	*	28.3	14.2	3.3	15.8	13.8
Southwest	27,564.5	19.7	0.5	0.5	21.7	4.6	1.3	31.4	20.3
Arizona	3,761.5	15.9	2.2	3.4	30.3	14.0	5.2	14.1	14.9
New Mexico	2,943.5	16.9	1.1	0.5	19.6	2.5	1.8	22.3	35.3
Oklahoma	4,430.4	19.9	0.4	0.0	10.3	14.8	2.2	32.7	19.7
Texas	16,429.0	21.1	0.1	*	23.2	0.0	0.0	36.7	18.9
Rocky Mountain	10,154.2	26.4	0.5	1.7	17.1	15.2	1.9	17.3	19.9
Colorado	3,833.1	24.2	0.3	0.2	20.6	19.9	2.3	12.6	19.9
Idaho	1,202.8	25.9	0.9	*	20.1	18.9	2.1	16.0	16.1
Montana	1,223.7	30.0	0.8	3.2	0.0	13.9	2.9	27.7	21.5
Utah	2,325.4	27.8	0.7	*	22.8	16.6	1.9	10.2	20.0
Wyoming	1,569.2	27.1	0.4	7.8	11.3	0.0	0.0	32.0	21.4
Far West 1/	52,312.2	23.7	0.7	3.4	22.8	20.0	6.4	10.3	12.7
California	40,432.3	24.6	0.5	2.6	21.7	22.8	8.0	8.2	11.6
Nevada	1,262.7	19.7	0.6	2.6	32.6	0.0	0.0	33.1	11.4
Oregon	3,816.7	24.0	1.8	*	0.0	31.9	3.8	12.8	25.7
Washington	6,800.5	19.2	1.8	10.2	40.1	0.0	0.0	16.6	12.1
Alaska	5,025.0	8.2	0.1	2.6	0.0	.0	6.1	30.6	52.4
Hawaii	2,089.7	19.9	0.1	0.0	30.6	19.3	1.8	8.1	20.2

* Rounds to zero

1/ Excluding Alaska and Hawaii.

Source: Computations based on ACIR Government Finance Spreadsheet Diskettes derived from data tape supplied by U.S. Bureau of the Census for FY 1984.

APPENDIX TABLE 6

PERCENTAGE CHANGE IN STATE REVENUE, SELECTED PERIODS 1972-86

	State OWN SOURCE Revenue					State TAX Revenue			
	1972-77	1977-82	1982-84	1984-85(p)	1985-86(est.)	1972-77	1977-82	1982-84	1984-85
U.S. Average	71.5%	70.0%	21.0%	9.1%	4.9%	68.8%	60.9%	21.0%	9.1%
Arkansas	76.9	65.4	21.7	13.2	3.3	74.6	57.4	22.0	13.2
Georgia	59.3	73.9	20.4	14.4	7.7	59.1	72.1	20.5	14.4
Iowa	72.3	59.9	13.4	2.9	4.4	70.2	54.5	12.2	2.9
Kansas	79.1	57.1	21.8	6.8	1.4	83.6	48.9	24.0	6.8
Minnesota	81.5	59.5	32.9	3.0	-4.3	87.7	52.9	33.6	3.0
Mississippi	69.3	58.2	17.7	4.1	7.7	64.8	50.9	19.0	4.1
Missouri	54.4	54.9	32.8	9.8	6.4	52.2	44.7	32.0	9.8
Montana	75.2	99.6	6.2	9.8	-4.2	70.9	69.4	10.2	9.8
Nebraska	83.1	54.1	23.5	-2.7	7.9	91.8	40.4	24.2	-2.7
North Dakota	95.8	93.3	21.6	1.1	-19.5	87.8	79.8	28.5	1.1

SOURCE: U.S. Bureau of the Census, Government Finances (various years); State Tax Revenues for 1985; preliminary figures for state own source revenue and 1986 estimated figures for state own source revenue based on telephone survey of state officials, March 1986.

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APPENDIX TABLE 7

FY 1985-86 STATE GENERAL FUNDS
(\$ in millions)
ESTIMATED FIGURES

State	Beginning Balance	Revenue	Adjustments	Resources	Expenditures	Transfers	Ending Balance	Budget Stabilization Fund
Alabama	308	2,492	(6)	2,794	2,781		13	
Alaska	(214)	3,125	403	3,314	2,803	(351)	159	745
Arizona	14	2,341	12	2,367	2,357		11	
Arkansas	0	1,621		1,621	1,621		0	
California	1,386	28,216		29,602	28,710	(29)	863	0
Colorado*	16	1,941	5	1,962	1,897	(75)	(10)	0
Connecticut	0	4,081		4,081	3,974	(107)	0	221
Delaware	180	879		1,060	955		125	0
Florida	113	6,877		6,990	6,868	(113)	9	225
Georgia	207	4,972	46	5,225	5,225		0	149
Hawaii	130	1,526	43	1,609	1,640		58	0
Idaho	0	556	27	583	583		0	0
Illinois	479	9,877		10,356	10,098	(38)	220	0
Indiana	55	3,352		3,607	3,120	(206)	81	145
Iowa	0	2,340	(209)	2,131	2,129		0	2
Kansas	120	1,671		1,791	1,746	7	52	0
Kentucky	110	2,763		2,873	2,678		195	0
Louisiana	99	4,042		4,141	4,149		(8)	0
Maine	21	934	6	961	954	(3)	4	1
Maryland	49	4,155		4,204	4,155		50	0
Massachusetts*	92	6,250	189	6,531	6,295	(200)	36	179
Michigan	117	6,059	(93)	6,063	6,021	(47)	15	449
Minnesota	538	4,715		5,253	4,927	(159)	167	0
Mississippi	54	1,487	(44)	1,497	1,513	16	0	40
Missouri	265	2,937		3,202	3,134		68	0
Montana	28	377		405	360		45	0
Nebraska	13	849	(5)	856	845	5	16	22
Nevada	65	472	5	541	474		67	0
New Hampshire	48	416		464	444	18	38	0
New Jersey	812	8,277	33	9,122	8,770		352	0
New Mexico	112	1,310	87	1,509	1,413	6	102	0
New York	102	22,909		23,011	21,832	(1,026)	153	0
North Carolina	380	4,794		5,175	5,131		44	0
North Dakota	161	492		653	553		100	0
Ohio	298	9,600		9,898	9,544	(9)	345	125
Oklahoma	100	1,892	40	2,032	2,032		0	0
Oregon*	171	1,479		1,651	1,609		42	0
Pennsylvania	310	9,120	42	9,472	9,167	(155)	150	25
Rhode Island	62	1,039		1,101	1,053	(6)	42	10
South Carolina*	61	2,551		2,612	2,614	(7)	(9)	96
South Dakota	40	331		371	350		21	0
Tennessee	205	2,748		2,953	2,620	(208)	125	0
Texas	234	10,685		10,919	5,599	(5,280)	40	0
Utah	19	1,271	2	1,292	1,304	13	0	0
Vermont	(20)	408	4	392	388	(2)	1	0
Virginia*	47	4,171	15	4,233	4,059		174	0
Washington	0	4,537		4,537	4,535		3	0
West Virginia	163	1,516		1,679	1,665		14	0
Wisconsin	314	4,754	76	5,144	4,922		222	0
Wyoming	139	395		534	402	(76)	55	120
Total	8,003	205,602	678	214,283	201,998	(8,032)	4,250	2,554
Dist. of Col.*	(245)	2,251	2	2,008	2,146	(102)	(260)	0

*Budget stabilization fund is included in ending balance.

NOTES: Figures may not add due to rounding. For explanation of adjustments and transfers, see footnotes at the end of the Appendix. Transfers going into the General Fund are positive numbers and transfers from the General Fund are negative numbers.

CO: The projected deficit does not take into account the 2 percent holdback in expenditures. If the holdback is not lifted, the ending balance will be \$28 million.

DC: Cumulative balances include pre-home rule deficits. Other figures are annual.

MA: The Governor is proposing a new budget stabilization fund.

OR: Expenditures for the biennium were split arbitrarily, first year = 48 percent, second year = 52 percent.

SC: Budget stabilization fund will be used to cover operating deficit.

VA: Capital outlay appropriations for the biennium are contained in the first year of the budget and are subject to carry forward in the second year.

SOURCE: National Association of State Budget Officers, National Governors' Association, Fiscal Survey of the States, March 1986, pp. 32-33.

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APPENDIX TABLE 8

State	General Fund Ending Balances			As a Percent of Expenditures		
	FY 1984-85	FY 1985-86	FY 1986-87	FY 1984-85	FY 1985-86	FY 1986-87
Alabama	308	13	0	12.8	0.5	0.0
Alaska	(214)	159	77	-6.0	5.7	2.9
Arizona	14	11	0	0.2	0.5	0.0
Arkansas	0	0	0	0.0	0.0	0.0
California	1,386	863	1,188	5.4	3.0	3.9
Colorado	16	(10)	42	0.9	-0.5	2.1
Connecticut	0	0	0	0.0	0.0	0.0
Delaware	180	125	98	22.5	13.4	10.6
Florida	113	9	0	1.8	0.1	0.0
Georgia	207	0	0	4.8	0.0	0.0
Hawaii	130	58	3	8.9	3.5	0.2
Idaho	0	0	2	0.0	0.0	0.3
Illinois	479	220	n.a.	5.2	2.2	n.a.
Indiana	55	81	62	1.8	2.6	1.9
Iowa	0	0	0	0.0	0.0	0.0
Kansas	120	52	74	7.3	3.0	4.3
Kentucky	110	195	135	4.4	7.3	4.5
Louisiana	99	(8)	n.a.	2.4	-0.2	n.a.
Maine	21	4	1	2.5	0.4	0.1
Maryland	49	50	4	1.3	1.2	0.1
Massachusetts	92	36	83	1.7	0.6	1.2
Michigan	117	15	21	3.1	0.2	0.4
Minnesota	538	167	100	11.7	3.1	2.0
Mississippi	54	0	0	4.0	0.0	0.0
Missouri	265	68	4	10.4	2.2	0.1
Montana	28	45	36	7.4	12.3	8.9
Nebraska	13	16	28	1.6	1.9	3.3
Nevada	65	67	56	12.5	14.1	10.9
New Hampshire	48	38	26	11.9	8.6	5.8
New Jersey	812	352	180	10.6	4.0	2.0
New Mexico	112	102	122	8.2	7.2	8.4
New York	102	153	102	0.5	0.7	0.7
North Carolina	380	44	16	8.6	0.9	0.3
North Dakota	161	100	43	30.6	16.8	7.3
Ohio	298	345	118	3.4	3.6	1.1
Oklahoma	100	0	88	6.0	0.0	5.3
Oregon	171	42	25	10.6	2.6	1.4
Pennsylvania	310	150	9	3.6	1.6	0.1
Rhode Island	62	42	1	6.4	4.0	0.1
South Carolina	61	(9)	0	2.5	-0.3	0.0
South Dakota	40	21	8	12.6	6.0	2.1
Tennessee	205	125	75	8.6	4.8	2.6
Texas	234	40	0	4.2	0.7	0.0
Utah	19	0	0	1.5	0.0	0.0
Vermont	(20)	1	4	-5.5	0.3	0.9
Virginia	47	174	0	1.6	4.3	0.0
Washington	0	3	70	0.0	0.1	1.5
West Virginia	163	14	0	11.0	0.8	0.0
Wisconsin	314	222	76	6.8	4.5	1.5
Wyoming	139	55	88	34.7	13.7	24.7
Total	8,003	4,250		4.3	2.1	
Dist. of Col.	(245)	(240)	(240)	-12.1	-11.2	-10.5

SOURCE: National Association of State Budget Officer, National Governors' Association, Fiscal Survey of the States, March 1986, pp. 36-37.

APPENDIX TABLE 9

PER CAPITA STATE-LOCAL TAX COLLECTIONS, BY STATE AND REGION,
SELECTED YEARS 1953-84 (Indexed to the U.S. Average)

State and Region	1984		1983	1982	1980	1975	1965	1953
	Per Capita Taxes	Indexed to U.S. Average						
U.S. Average 4/	\$1,356	100	\$1,214	\$1,148	\$987	\$664	\$264	\$132
New England	1,488	110	110	109	98	99	100	105
Connecticut	1,655	122	118	114	108	105	110	107
Maine	1,229	91	89	88	87	86	88	97
Massachusetts	1,549	114	117	117	126	123	114	127
New Hampshire	1,092	81	78	78	75	79	84	97
Rhode Island	1,403	103	107	105	101	97	100	98
Vermont	1,271	94	94	95	91	105	105	104
Midwest 1/	1,743	129	127	126	122	116	110	100
Delaware	1,400	103	105	105	107	109	114	76
Dist. of Col.	2,300	170	176	169	149	114	109	100
Maryland	1,503	111	111	110	112	110	99	92
New Jersey	1,637	121	120	117	115	109	102	108
New York	2,130	157	156	155	151	154	141	140
Pennsylvania	1,309	97	96	97	99	96	93	86
Great Lakes	1,377	102	100	97	97	98	102	103
Illinois	1,405	104	103	104	110	110	101	102
Indiana	1,093	81	75	77	75	87	97	98
Michigan	1,575	116	113	109	109	103	110	111
Ohio	1,246	92	91	85	82	80	85	86
Wisconsin	1,556	115	117	108	107	108	117	118
Plains	1,286	95	95	92	92	91	96	102
Iowa	1,273	94	96	99	98	96	105	111
Kansas	1,260	93	93	91	94	90	103	111
Minnesota	1,706	126	121	111	114	114	113	114
Missouri	1,012	75	77	73	77	79	84	78
Nebraska	1,232	91	94	90	98	87	83	94
North Dakota	1,334	98	91	96	86	92	94	105
South Dakota	978	72	75	80	80	82	91	105
Southeast	1,027	76	76	76	74	73	70	71
Alabama	916	68	66	66	66	62	64	57
Arkansas	866	64	64	63	66	61	60	60
Florida	1,073	79	80	77	77	78	88	102
Georgia	1,073	79	80	80	78	77	72	72
Kentucky	955	70	73	74	75	75	66	59
Louisiana	1,114	82	87	93	85	85	84	101
Mississippi	871	64	63	65	65	67	64	62
North Carolina	1,027	76	75	75	76	73	71	72
South Carolina	981	72	72	72	72	67	61	73
Tennessee	878	65	66	66	66	68	67	66
Virginia	1,210	89	90	87	87	85	71	68
West Virginia	1,113	82	80	83	81	80	73	66
Southwest	1,143	84	87	90	89	83	88	92
Arizona	1,246	92	88	88	102	99	101	102
New Mexico	1,194	88	86	95	89	83	92	89
Oklahoma	1,159	85	93	100	84	73	82	100
Texas	1,115	82	85	88	82	78	78	77
Rocky Mountain	1,314	97	97	100	101	90	101	108
Colorado	1,339	99	96	98	100	95	111	117
Idaho	953	70	72	73	76	80	93	104
Montana	1,275	94	97	105	101	92	100	102
Utah	1,133	84	79	83	85	76	97	95
Wyoming 2/	2,504	185	201	208	142	105	105	123
Far West 3/	1,473	109	109	111	104	111	119	125
California	1,503	111	110	114	119	131	137	136
Nevada	1,353	100	100	100	98	116	122	135
Oregon	1,321	97	101	97	99	96	106	112
Washington	1,416	104	108	99	100	102	111	118
Alaska	4,704	347	404	359	424	127	95	77
Hawaii	1,543	114	120	121	129	126	113	102

Note: Regional collections for 1953-1980 are unweighted averages. 1981-84 figures are weighted averages.

1/ Excluding Washington, D.C.

2/ Because much of Alaska's tax revenue is derived from the taxation of oil and mineral production and the income of oil companies, per capita tax collections greatly overstate the actual tax burden borne by the residents of Alaska. To a lesser extent, this is true of other states deriving revenue from severance taxes (such as Wyoming).

3/ Excluding Alaska and Hawaii.

4/ Estimated, based on the U.S. average change between 1953 and 1957 (the earliest year readily available).

Sources: Computations based on ACIR Government Finance Spreadsheet Diskettes derived from 1984 data tape supplied by Bureau of the Census. For prior years see U.S. Bureau of the Census, Governmental Finances in [year]. See also, ACIR, Significant Features of Fiscal Federalism, prior years.

APPENDIX TABLE 10
STATE AND LOCAL TAX REVENUE IN RELATION TO STATE PERSONAL INCOME,
BY STATE AND REGION, SELECTED YEARS, 1953-84

1. Tax Revenue as a Percent of Personal Income.

State and Region	1984	1983	1982	1981	1978	1975	1965	1953
United States	11.71%	11.05%	10.96%	11.29%	12.75%	12.29%	10.45%	7.58%
New England	11.52	11.22	11.27	11.82	13.49	12.79	9.97	7.90
Connecticut	11.17	10.38	10.22	10.20	11.64	10.82	9.08	6.06
Maine	12.59	12.10	11.98	11.89	13.29	12.59	10.98	8.95
Massachusetts	11.74	11.76	11.95	13.28	15.11	14.20	10.21	8.77
New Hampshire	9.26	8.93	9.05	8.68	10.51	10.75	9.51	8.28
Rhode Island	12.10	12.03	11.97	11.53	12.52	11.94	10.19	7.02
Vermont	12.86	12.18	12.36	12.58	14.48	15.46	12.72	9.62
Midwest 1/	13.68	12.84	12.86	13.11	14.50	13.94	10.54	7.46
Delaware	11.18	10.92	10.97	10.84	12.28	11.66	8.98	4.21
Dist. of Col.	14.61	14.46	14.17	14.69	13.63	10.67	8.09	5.90
Maryland	11.68	11.13	10.94	11.24	13.02	12.26	9.34	6.33
New Jersey	11.67	11.17	10.98	11.21	12.42	11.59	9.07	6.59
New York	16.46	15.35	15.57	15.84	17.19	16.65	11.87	8.79
Pennsylvania	11.44	10.70	10.70	10.92	12.25	11.68	9.47	6.17
Great Lakes	11.98	10.96	10.44	10.59	11.60	11.35	9.73	6.78
Illinois	11.35	10.41	10.29	11.05	11.80	11.73	8.89	6.37
Indiana	10.47	9.05	9.00	9.23	10.29	11.15	10.24	7.08
Michigan	13.75	12.45	11.64	11.57	12.67	11.66	10.67	7.31
Ohio	11.12	10.26	9.47	9.20	9.93	9.69	8.64	5.87
Wisconsin	13.75	13.18	12.23	12.24	14.16	13.83	12.55	8.91
Plains	11.41	10.74	10.12	10.45	11.77	11.73	10.83	8.25
Iowa	11.91	10.85	10.51	11.08	11.62	12.14	11.63	9.22
Kansas	10.34	9.66	9.44	10.03	11.29	10.86	11.70	8.71
Minnesota	14.39	13.22	11.96	12.00	14.16	13.94	12.72	9.38
Missouri	9.30	9.19	8.59	8.77	9.94	10.35	8.74	6.14
Nebraska	11.05	10.81	10.10	10.37	12.15	10.96	9.34	7.69
North Dakota	11.53	10.27	10.25	11.24	11.63	10.95	11.77	11.27
South Dakota	10.02	9.58	9.93	10.85	11.48	11.60	12.60	10.79
Southeast	10.19	9.81	9.70	10.12	11.01	10.70	10.04	7.86
Alabama	9.99	9.36	9.16	9.85	10.21	9.94	9.74	7.00
Arkansas	9.74	9.23	8.90	9.32	10.18	9.90	9.77	7.92
Florida	9.51	9.04	8.71	9.34	10.64	9.94	10.53	9.20
Georgia	10.53	10.32	10.30	10.55	11.26	10.79	9.96	7.67
Kentucky	10.18	10.07	9.97	10.32	11.26	11.32	9.62	6.47
Louisiana	10.91	10.45	11.03	11.54	12.25	12.99	12.05	10.43
Mississippi	10.80	10.03	10.07	10.78	11.77	11.84	11.85	9.37
North Carolina	10.64	10.18	10.11	10.29	10.93	10.58	9.97	8.25
South Carolina	10.79	10.53	10.20	10.66	11.09	10.46	9.67	8.61
Tennessee	9.26	9.09	9.00	9.56	10.74	10.04	9.71	7.32
Virginia	10.14	9.97	9.72	10.05	11.05	10.67	8.55	6.09
West Virginia	12.07	11.18	11.47	10.71	11.29	12.27	9.85	6.81
Southwest	10.25	9.73	10.02	10.56	11.15	11.06	10.16	7.34
Arizona	12.05	10.84	10.45	11.49	14.28	13.26	12.15	8.50
New Mexico	12.60	11.66	12.82	14.02	13.26	13.54	12.16	8.66
Oklahoma	10.57	10.26	11.12	11.05	10.66	10.53	10.44	9.07
Texas	9.71	9.30	9.52	10.04	10.55	10.56	9.60	6.68
Rocky Mountain	12.02	11.25	11.49	11.25	12.91	11.78	11.61	8.60
Colorado	10.62	9.77	10.13	10.20	12.55	11.61	11.40	8.93
Idaho	10.10	9.93	9.53	10.01	12.00	11.02	12.14	9.00
Montana	12.93	12.55	13.12	12.87	13.76	12.57	11.78	7.62
Utah	12.86	11.30	11.50	11.89	12.66	11.63	11.78	8.44
Wyoming 2/	20.89	20.23	19.98	15.53	15.95	13.43	11.28	8.73
Far West 3/	11.61	10.97	10.99	11.30	15.13	14.07	11.79	8.34
California	11.54	10.83	11.12	11.49	15.80	14.59	11.98	8.41
Nevada	11.11	10.25	10.14	10.26	13.10	13.23	10.69	7.93
Oregon	12.35	11.95	11.08	11.85	12.80	12.13	10.94	8.24
Washington	11.76	11.44	10.28	10.04	12.73	12.06	11.18	8.07
Alaska 2/	28.55	33.03	45.42	50.02	17.49	21.45	8.11	5.03 4/
Hawaii	12.93	12.87	12.75	13.75	14.02	14.44	11.72	8.23 4/

1/ Excluding the District of Columbia.

2/ Because most of Alaska's revenue is derived from the taxation of oil production and the income of oil companies, the recent figures for the state of Alaska greatly overstate the actual tax burden borne by the residents of Alaska. To a lesser extent, this true of other states deriving revenue from severance taxes (such as Wyoming).

3/ Excluding Alaska and Hawaii

4/ Estimated, based on the U.S. average change between 1953 and 1957 (the earliest year readily available).

Sources: Computations based on ACIR Government Finance Spreadsheet Diskettes derived from 1984 data tape supplied by Bureau of the Census. For prior years see U.S. Bureau of the Census, Governmental Finances in [year]. See also, ACIR, Significant Features of Fiscal Federalism, prior years.

APPENDIX TABLE 11

STATE AND LOCAL TAX REVENUE IN RELATION TO STATE PERSONAL INCOME,
BY STATE AND REGION, SELECTED YEARS, 1953-1984

2. State Index Number Related to U.S. Average (U.S. = 100.0)

State and Region	1984	1983	1982	1981	1978	1975	1965	1953
United States	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
New England	98.4	101.5	102.8	104.7	105.8	104.1	95.4	104.2
Connecticut	95.4	93.9	93.2	90.3	91.3	88.0	86.9	79.9
Maine	107.5	109.4	109.3	105.3	104.2	102.4	105.1	118.1
Massachusetts	100.3	106.3	109.0	117.6	118.5	115.5	97.7	115.7
New Hampshire	79.1	80.8	82.6	76.9	82.4	87.5	91.0	109.2
Rhode Island	103.3	108.8	109.2	102.1	98.2	97.2	97.5	92.6
Vermont	109.8	110.2	112.7	111.5	113.6	125.8	121.7	126.9
Midwest 1/	116.8	116.2	117.3	116.1	113.7	113.4	100.9	98.4
Delaware	95.5	98.8	100.1	96.0	96.3	94.9	85.9	55.5
Dist. of Col.	124.7	130.8	129.3	130.1	106.9	86.8	77.4	77.8
Maryland	99.8	100.7	99.8	99.6	102.1	99.8	89.4	83.5
New Jersey	99.6	101.1	100.2	99.3	97.4	94.3	86.8	86.9
New York	140.6	138.8	142.0	140.4	134.8	135.5	113.6	116.0
Pennsylvania	97.7	96.8	97.6	96.8	96.1	95.0	90.6	81.4
Great Lakes	102.3	99.2	95.2	93.8	91.0	92.4	93.1	89.4
Illinois	96.9	94.2	93.9	97.9	92.5	95.4	85.1	84.0
Indiana	89.4	81.9	82.1	81.8	80.7	90.7	98.0	93.4
Michigan	117.4	112.6	106.2	102.5	99.4	94.9	102.1	96.4
Ohio	94.9	92.8	86.4	81.5	77.9	78.8	82.7	77.4
Wisconsin	117.4	119.3	111.6	108.5	111.1	112.5	120.1	117.5
Plains	97.5	97.1	92.4	92.6	92.3	95.4	103.6	108.8
Iowa	101.7	98.2	95.9	98.2	91.1	98.8	111.3	121.6
Kansas	88.3	87.4	86.1	88.9	88.5	88.4	112.0	114.9
Minnesota	122.8	119.6	109.1	106.3	111.1	113.4	121.7	123.7
Missouri	79.4	83.1	78.4	77.7	78.0	84.2	83.6	81.0
Nebraska	94.3	97.8	92.1	91.9	95.3	89.2	89.4	101.5
North Dakota	98.5	92.9	93.6	99.6	91.2	89.1	112.6	148.7
South Dakota	85.6	86.7	90.6	96.2	90.0	94.4	120.6	142.3
Southeast	87.0	88.7	88.5	89.7	86.4	87.1	96.1	103.7
Alabama	85.3	84.7	83.5	87.3	80.1	80.9	93.2	92.3
Arkansas	83.2	83.5	81.2	82.5	79.8	80.6	93.5	104.5
Florida	81.2	81.8	79.4	82.8	83.5	80.9	100.8	121.4
Georgia	89.9	93.4	94.0	93.5	88.3	87.8	95.3	101.2
Kentucky	87.0	91.1	90.9	91.5	88.3	92.1	92.1	85.4
Louisiana	93.2	94.5	100.6	102.3	96.1	105.7	115.3	137.6
Mississippi	92.2	90.8	91.9	95.5	92.3	96.3	113.4	123.6
North Carolina	90.8	92.1	92.2	91.2	85.7	86.1	95.4	108.8
South Carolina	92.1	95.2	93.1	94.5	87.0	85.1	92.5	113.6
Tennessee	79.0	82.3	82.1	84.7	84.2	81.7	92.9	96.6
Virginia	86.6	90.2	88.7	89.0	86.7	86.8	81.8	80.3
West Virginia	103.1	101.1	104.7	94.9	88.5	99.8	94.3	89.8
Southwest	87.5	88.1	91.4	93.6	87.5	90.0	97.2	96.8
Arizona	102.9	98.0	95.4	101.8	112.0	107.9	116.3	112.1
New Mexico	107.6	105.5	117.0	124.2	104.0	110.2	116.4	114.2
Oklahoma	90.2	92.8	101.4	97.9	83.6	85.7	99.9	119.7
Texas	82.9	84.2	86.9	89.0	82.7	85.9	91.9	88.1
Rocky Mountain	102.6	101.7	104.9	99.7	101.3	95.9	111.1	113.5
Colorado	90.7	88.4	92.4	90.3	98.4	94.5	109.1	117.8
Idaho	86.2	89.8	87.0	88.7	94.1	89.7	116.2	118.7
Montana	110.4	113.6	119.7	114.0	107.9	102.3	112.7	100.5
Utah	109.8	102.2	104.9	105.3	99.3	94.6	112.7	111.3
Wyoming 2/	178.4	183.0	182.2	137.6	125.1	109.3	107.9	115.2
Far West 3/	99.1	99.2	100.2	100.1	118.7	114.5	112.8	110.0
California	98.5	98.0	101.4	101.8	123.9	118.7	114.6	110.9
Nevada	94.9	92.7	92.5	90.9	102.7	107.6	102.3	104.6
Oregon	105.5	108.1	101.1	105.0	100.4	98.7	104.7	108.7
Washington	100.4	103.5	93.8	89.0	99.8	98.1	107.0	106.5
Alaska 2/	243.8	298.8	414.4	443.1	137.2	101.3	77.6	66.4
Hawaii	110.4	116.5	116.3	121.8	110.0	117.5	112.2	108.6

1/ Excluding the District of Columbia.

2/ Because most of Alaska's revenue is derived from the taxation of oil production and the income of oil companies, the recent figures for the state of Alaska greatly overstate the actual tax burden borne by the residents of Alaska. To a lesser extent, this true of other states deriving revenue from severance taxes (such as Wyoming).

3/ Excluding Alaska and Hawaii.

Sources: Computations based on ACIR Government Finance Spreadsheet Diskettes derived from 1984 data tape supplied by Bureau of the Census. For prior years see U.S. Bureau of the Census, Governmental Finances in [year]. See also, ACIR, Significant Features of Fiscal Federalism, prior years.

APPENDIX TABLE 12

STATE-LOCAL DIRECT EXPENDITURE FOR ELEMENTARY AND SECONDARY EDUCATION:
FEDERAL, STATE AND LOCAL SHARE OF FINANCES, SELECTED YEARS 1960-1984

	1983-84			1979-80			1969-70			1959-60		
	Fed.	State	Local*	Fed.	State	Local*	Fed.	State	Local*	Fed.	State	Local*
U.S. Average	6.62	48.31	45.02	9.21	48.91	42.02	7.22	40.92	51.82	3.72	39.52	56.82
New England	5.4	37.4	57.2	6.5	34.2	59.3	4.6	23.8	71.6	n.a.	n.a.	n.a.
Connecticut	5.3	37.4	57.3	6.1	31.5	62.5	2.1	25.2	72.8	3.0	26.8	70.2
Maine	7.7	50.5	41.8	9.6	48.9	41.5	6.7	32.5	60.8	4.0	30.6	65.4
Massachusetts	5.5	39.5	55.0	6.5	36.3	57.2	6.0	20.0	74.0	2.0	20.5	77.5
New Hampshire	3.6	8.1	88.2	5.1	6.8	88.1	5.1	8.3	86.7	4.6	5.3	90.1
Rhode Island	4.6	35.9	59.5	5.9	38.8	55.4	5.9	35.3	58.8	4.0	18.1	77.9
Vermont	5.9	34.7	59.3	7.7	28.0	64.2	2.9	37.1	60.0	0.8	23.1	76.1
Mideast	4.2	41.7	54.1	6.3	41.5	52.2	5.9	41.6	52.6	n.a.	n.a.	n.a.
Delaware	8.6	68.2	23.3	13.0	64.7	22.3	7.4	71.3	21.3	2.2	78.9	18.9
Dist. of Col.	11.8	...	88.2	15.8	n.a.	84.2	30.2	n.a.	69.8	0.8	n.a.	99.2
Maryland	5.6	39.6	54.8	8.0	40.2	51.8	6.4	35.2	58.4	6.9	36.4	56.7
New Jersey	3.4	40.0	56.6	4.1	40.4	55.5	5.4	27.0	67.6	1.5	24.1	74.4
New York	3.8	41.4	54.9	5.0	40.6	54.4	4.7	46.4	48.9	1.2	39.3	59.5
Pennsylvania	0.3	45.4	50.3	8.5	45.0	46.5	6.2	46.2	47.6	1.8	50.2	48.0
Great Lakes	5.7	39.6	54.7	8.7	42.8	48.5	4.9	35.7	59.4	n.a.	n.a.	n.a.
Illinois	7.6	37.7	54.6	12.8	41.2	46.0	5.7	34.6	59.5	2.7	18.9	78.4
Indiana	4.2	53.4	42.4	6.9	56.1	37.0	6.8	39.4	53.8	3.1	29.8	67.1
Michigan	5.0	32.0	63.0	7.4	42.7	49.9	3.9	45.1	51.0	2.8	43.8	53.4
Ohio	5.3	42.8	51.9	7.7	40.6	51.6	5.0	28.3	66.7	2.8	30.3	66.9
Wisconsin	4.7	39.3	55.9	5.5	37.6	56.8	2.5	31.6	65.9	2.9	21.3	75.8
Plains	5.8	43.6	50.7	7.7	42.7	49.7	6.2	33.3	60.4	n.a.	n.a.	n.a.
Iowa	5.5	42.5	52.0	6.7	42.2	51.0	3.6	28.0	68.4	2.9	12.1	85.0
Kansas	4.8	43.5	51.6	6.9	43.3	49.8	5.9	31.2	62.9	5.3	21.5	73.2
Minnesota	4.6	54.4	41.0	6.1	56.6	37.3	5.3	46.0	48.7	2.7	38.2	59.1
Missouri	6.9	36.7	56.4	9.7	36.7	53.6	7.9	33.7	58.4	4.8	30.5	64.7
Nebraska	5.8	29.5	64.7	7.9	18.2	73.9	6.4	17.6	76.0	4.3	4.3	91.4
North Dakota	7.1	59.9	33.0	7.7	46.5	45.7	9.3	25.7	65.0	1.7	31.3	67.0
South Dakota	11.0	27.5	61.5	13.9	20.8	65.3	11.7	13.1	75.2	5.3	8.6	86.1
Southeast	9.6	55.4	35.0	13.1	56.0	30.9	12.9	54.0	33.1	n.a.	n.a.	n.a.
Alabama	12.7	70.7	16.6	12.6	69.0	18.4	15.2	63.3	21.5	8.1	69.3	22.6
Arkansas	11.4	57.6	31.1	14.5	53.0	32.5	18.2	44.5	37.3	8.0	47.7	44.3
Florida	7.8	53.7	38.5	11.0	55.2	33.7	9.5	55.7	34.8	2.2	57.7	40.1
Georgia	9.5	50.8	39.7	11.8	57.6	30.6	10.5	58.3	31.1	11.1	62.8	25.1
Kentucky	10.5	70.2	19.4	12.5	69.7	17.8	13.6	56.2	30.2	4.7	44.9	50.4
Louisiana	9.8	53.3	36.9	14.8	54.4	30.8	11.9	56.4	31.7	2.4	67.7	29.9
Mississippi	17.8	56.7	25.5	24.1	53.1	22.8	21.4	52.4	26.2	9.2	52.4	38.4
North Carolina	10.4	61.3	28.3	15.2	62.4	22.3	15.6	65.7	18.7	4.7	68.3	27.0
South Carolina	8.3	57.1	34.6	14.9	56.8	28.3	14.0	59.5	26.4	5.8	70.9	23.3
Tennessee	11.2	45.8	43.0	14.0	48.3	37.7	11.9	48.0	40.1	3.7	54.0	42.3
Virginia	6.9	43.5	49.6	9.5	40.9	49.6	11.1	36.4	52.5	9.5	36.5	54.0
West Virginia	8.1	62.8	29.1	10.6	60.1	29.3	12.4	48.2	39.4	4.2	54.2	41.6
Southwest	8.6	50.4	41.0	11.5	51.1	37.5	10.1	47.3	42.6	n.a.	n.a.	n.a.
Arizona	10.3	52.0	37.7	11.1	41.6	47.3	8.2	46.4	45.4	6.8	39.5	53.7
New Mexico	11.7	75.3	13.0	16.6	63.4	20.0	17.7	61.9	20.4	15.2	69.4	15.4
Oklahoma	7.5	62.4	30.0	11.5	57.7	30.9	11.8	43.8	44.4	7.2	42.2	50.6
Texas	8.3	45.4	46.4	11.0	50.1	38.9	9.3	46.4	44.3	4.6	49.9	45.5
Rocky Mountain	5.5	44.8	49.7	7.2	45.5	47.2	8.8	33.8	57.3	n.a.	n.a.	n.a.
Colorado	4.5	40.3	55.2	6.1	41.0	52.9	7.6	27.8	64.5	5.7	19.9	74.4
Idaho	6.7	64.7	28.5	9.5	55.0	35.5	8.4	37.8	53.8	5.8	33.2	61.0
Montana	9.5	44.9	45.6	8.4	49.3	42.2	8.5	25.4	66.2	3.7	25.4	70.9
Utah	5.8	53.2	41.0	7.8	54.0	38.2	7.6	52.8	39.5	5.3	41.9	52.8
Wyoming	3.3	28.7	67.9	6.6	29.6	63.8	20.2	24.8	55.0	5.7	45.7	48.6
Far West 1/	7.2	65.0	27.9	9.5	67.3	23.2	5.6	38.6	55.8	n.a.	n.a.	n.a.
California	7.9	66.9	25.2	8.7	71.2	19.1	5.3	37.3	57.4	3.6	42.7	53.7
Nevada	4.1	39.9	56.0	8.6	58.5	32.9	8.8	36.5	54.7	9.4	56.4	34.2
Oregon	5.6	28.8	65.6	9.9	35.5	54.6	6.0	20.8	73.2	4.5	29.5	66.0
Washington	5.6	75.1	19.2	8.6	70.8	20.6	6.6	56.6	36.8	5.7	61.1	33.2
Alaska	1.8	75.5	22.7	13.0	70.2	16.9	27.1	53.3	19.6	17.9	50.0	32.1
Hawaii	9.1	90.6	0.3	12.5	85.2	2.4	9.7	87.2	3.2	13.6	69.9	16.5

*Local and other revenue.

1/ Including Alaska and Hawaii.

Source: ACIR staff compilation from National Education Association, Estimates of School Statistics, 1984-85, Table 8, p. 37, March 1985 (see also prior years).

APPENDIX TABLE 13

TABLE 20--STATE PERCENTAGE OF STATE-LOCAL GENERAL EXPENDITURE, FROM OWN REVENUE SOURCES, TOTAL AND FOR SELECTED FUNCTIONS, BY STATE AND REGION, FY 1984

State and Region	Total General Expenditure	Public Welfare	Highways	Health & Hospitals	Local Education
U.S. Average	56%	82%	63%	49%	52%
New England	63	94	53	79	40
Connecticut	60	93	57	92	39
Maine	63	97	56	72	55
Massachusetts	67	97	46	70	42
New Hampshire	47	61	52	94	8
Rhode Island	68	98	48	99	38
Vermont	67	100	65	94	37
Mideast	49	60	54	59	44
Delaware	73	99	75	99	75
Maryland	56	100	88	96	42
New Jersey	57	85	54	59	41
New York	43	50 ^{1/}	35	52	43
Pennsylvania	59	100	75	75	47
Great Lakes	56	87	69	50	42
Illinois	53	94	65	53	41
Indiana	59	68	81	35	56
Michigan	55	92	77	54	34
Ohio	58	85	80	52	45
Wisconsin	55	74	41	44	41
Plains	57	78	56	46	46
Iowa	58	83	64	39	45
Kansas	49	95	46	49	46
Minnesota	60	64	51	44	57
Missouri	56	98	58	44	39
Nebraska	48	72	60	48	31
North Dakota	77	81	63	94	64
South Dakota	58	82	50	59	31
Southeast	59	87	73	42	61
Alabama	63	95	73	38	81
Arkansas	65	99	85	46	65
Florida	45	86	65	34	58
Georgia	53	96	51	25	56
Kentucky	74	95	90	65	78
Louisiana	64	96	64	53	59
Mississippi	63	89	62	29	69
North Carolina	67	53	90	57	68
South Carolina	67	97	84	53	62
Tennessee	53	88	73	34	52
Virginia	59	79	80	73	47
West Virginia	69	99	86	54	68
Southwest	52	85	58	46	55
Arizona	55	57	77	50	58
New Mexico	75	82	72	65	85
Oklahoma	61	100	79	52	68
Texas	47	92	47	42	49
Rocky Mountain	55	94	65	49	47
Colorado	52	100	57	51	42
Idaho	64	82	78	24	69
Montana	53	70	61	66	50
Utah	60	95	67	78	56
Wyoming	55	97	73	27	30
Far West 2/	60	95	61	41	70
California	61	95	60	41	73
Nevada	50	73	57	18	42
Oregon	53	78	65	68	31
Washington	63	100	62	37	80
Alaska	83	95	73	82	77
Hawaii	81	96	53	97	100
Exhibit: Federal Aid as a % of S-L Expenditures	19%	55%	27%	8%	7%

Note: State transfers to local governments are included with state expenditures and deducted from local expenditures.

1/ Because of inconsistencies in the data, this is not derived from Census data. Rather it is an estimate of a state public welfare official in New York.

2/ Excluding Alaska and Hawaii.

Sources: Computations for 1984 based on ACIR Government Finance Spreadsheet Databases derived from data tape supplied by U.S. Bureau of the Census. Published sources: Census, Governmental Finances in 1983-1984 and State Government Finances, 1984. Computations were performed as follows: [State Direct Expenditures (GP, Table 13) plus State Intergovernmental Expenditure (SGP, 11) less State Intergovernmental Revenue from Federal (SGF, 7) less State Intergovernmental Revenue from Local (SGP, 7)] divided by [Total State-Local Direct Expenditure (GP, 13) less Intergovernmental Revenue from Federal (GP, 5)]. Local Education data from National Education Association, Estimates of School Statistics, 1984-85 (© 1984 by NEA).

APPENDIX TABLE 14

MAJOR STATE TAX INCREASES IN 1981, 1982, 1983, 1984 AND 1985

State and Region	Individual Income	Sales	Business	Cigarette	Alcohol	Motor Fuel	Miscellaneous	No Tax Increase
U.S. TOTAL TAX CHANGES	33	46	35	62	47	69	61	1
New England								
Connecticut	3		1,3	3,5 ^c	3	3,4	3	
Maine	3 ^b		3	3,4	1	3	2,5	
Massachusetts				3		3		
New Hampshire			1,3	3,5 ^c	1,3	1,3 ^e	3	
Rhode Island	3		3	2,5,5 ^c	3	1,3,5	2	
Vermont	4	2	4	3	1	1,2,3		
Midwest								
Delaware			4			1		
Maryland				5 ^c		2		
New Jersey	2	2		2		5	5	
New York				3,5 ^e	3,5 ^e		1,3	
Pennsylvania	1 ^a ,3			3		3	1	
Great Lakes								
Illinois	3	3	3	5 ^c		3	5	
Indiana	2	2			1	1,5	5	
Michigan	2,3			2				
Ohio	2,3	1	1,2,3		1	1	1,3,5	
Wisconsin	3	2,3 ^e	3 ^e	1,2,3 ^a ,5 ^c	1	1,3		
Plains								
Iowa		3		1,3 ^a ,5	5	1,5	5	
Kansas	3 ^a	1,2,3 ^e		3,5	3	3	3,5	
Minnesota	2,3 ^a	2,4	2	5,5 ^c		1,3	3	
Missouri		2,3 ^a ,5		2,5 ^c				
Nebraska	2 ^e ,3 ^a		2,3	1,2,3 ^a ,5 ^c	1,5	5	1,3	
North Dakota	3,5 ^e	3	3,5 ^e	3	3	1,3	3	
South Dakota				1,5	1	1,4 ^e	1,4,5	
Southeast								
Alabama				4		4	3,4	
Arkansas		3		3	3,5	5	1,3	
Florida	f	2	3	5 ^c	3	3 ^a ,5	2 ^a ,3	
Georgia								x
Kentucky		5 ^e	5		2	2		
Louisiana	3 ^a	4	4	4	4	4	4	
Mississippi	2,4 ^e	2,3,4 ^e ,5 ^a	2,4 ^e	5,5 ^c	1,5		3,5	
North Carolina						1	3	
South Carolina	2 ^a ,3 ^a ,5 ^a	4			3	1	2,3	
Tennessee		3 ^a ,4,5 ^e	4		1	1,5	2,3,4	
Virginia					2,5	1,2	5	
West Virginia	3	1	3		1,3	1,3	5	
Southwest								
Arizona		3,4 ^e		4,5 ^c	4	1,2,5	3,4,5	
New Mexico	3	3	3	5 ^c	1		3	
Oklahoma		4,5	5	5 ^c	4,5	4,5	3,5	
Texas		4	4	4	4	4		
Rocky Mountain								
Colorado	3 ^a ,5 ^e	3,4 ^e	3,5 ^e	3,5 ^e		1,3	2	
Idaho		3,4 ^e	3			1,2,3	1	
Montana				3,5 ^c	5	3	1	
Utah		3,4 ^e	3,4	2,5 ^c	1,2,3	1,4	3,4	
Wyoming							1	
Far West								
California						1		
Nevada		1		3,5 ^c	1,3,5 ^e	1,5	3,5	
Oregon	2,3 ^a			1,2,3 ^a ,5	3 ^e	1,3,5	1	
Washington		1,2,3	2,3	1,2,3 ^e	1,2,3 ^e	1,3	3,4,5	
Alaska				5	3		1	
Hawaii						5	5	

1--Tax increase in 1981. 2--Tax increase in 1982. 3--Tax increase in 1983. 4--Tax increase in 1984. 5--Tax increase in 1985.

^a--Indicates states that increased revenue from a tax without directly increasing the tax rate, but by changing the tax base (e.g., by suspending indexing).

^a--Nebraska raised its sales tax rate and exempted food from the sales tax. These two actions approximately offset each other in terms of their effect on tax revenue. It also raised its income tax from 18% to 20% of federal tax liability, but this essentially offset the 10% federal tax reduction.

^b--Maine cancelled a tax decrease passed by initiative which would have retroactively indexed the income tax. The retroactive feature of this initiative was eliminated, but future tax adjustments were not changed.

^c--Passed contingent cigarette tax increase which will be triggered if the federal government allows an 8¢/pack cigarette decrease to take place as scheduled in 1985.

^e--Indicates states that extended or made permanent previously enacted temporary taxes.

^f--Florida repealed worldwide unitary tax but raised the corporate income tax

Note: Table does not distinguish differences between temporary and permanent tax increases. Table notes only legislative and citizen passed tax changes enacted in the specified year. It does not include administrative tax increases.

Source: ACIR staff compilations based on the National Conference of State Legislatures, Legislative Finance Paper # 49, "State Budget Actions in 1985," Legislative Finance Paper #45, "State Budget Actions in 1984," Legislative Finance Paper #38, "State Budget Actions in 1983," Legislative Finance Paper #37, "State Tax Action in 1982," Denver, CO; Commerce Clearing House, State Tax Review, No. 2.

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APPENDIX TABLE 15

STATE BUDGET CUTS ADOPTED SINCE ENACTMENT OF THE FY85-86 BUDGET
(As of February 1986)

<i>State</i>	<i>Amount (in millions)</i>	<i>Cut as % of Gen. Fund Exp.</i>	<i>Action Taken by</i>	<i>Selective or Across-the-Board</i>	<i>Date Enacted</i>	<i>Exempted Program/ Notes</i>
Arkansas	\$ 60.3	4.3%	Governor	selective	11/85 & 2/86	Cuts made according to original budget priorities (1st cut = 1%; 2nd cut = 3.3%)
Colorado	37.8	2.0	Governor	across-the-board	10/85	
Hawaii	32.9	2.0	Governor	selective	7/85	Fixed costs; e.g., retirement and welfare benefits
Idaho	7.6	1.2	Gov.-1st cut Leg.-2nd cut	across-the-board	9/85 2/86	1st cut: schools; corrections cut only 1%; 2nd cut: education, welfare, and corrections
Iowa	80.7	3.85	Governor	across-the-board	10/85	
Louisiana	79.0	1.8	Governor	selective	3/86	
Minnesota	89.0 (FY86)	1.7	Pending in Legislature	selective and across-the-board	n.a.	Debt service; welfare programs; education cut less
	268.0 (FY87)	5.0			n.a.	
Mississippi	72.9	4.67	Financial Mgmt Board	selective and across-the-board	11/85 1/86	Education cut less
Montana	7.0	2.0	Governor	across-the-board	1/86	Basic school aid; legislative and judicial budgets
Nebraska	17.0	2.0	Legislature	selective and across-the-board	11/85	Public Safety & Human Services cut less
Oklahoma	n.a.	4.5	Governor	across-the-board	11/85	Governor asked agencies to save, since next year revenues will be down 16%
South Carolina	46.0	2.0	Governor	across-the-board	1/86	Corrections cut 1.5%; Mental Health and Tax Commission exempted
Texas	1,309.5 (biennium)	13.0	Governor	selective	2/86	K-12 education, highways, and retirement systems. Much smaller cuts in Corrections and Mental Health and Mental Retardation.
Utah	13.2	1.0	Legislature	selective	2/86	
Vermont	2.5	0.6	Governor	selective	11/85	Schools, debt service, welfare benefits, retirement benefits, and emergency funds
Wisconsin	230.0 (biennium)	2.3	Legislature	selective	2/86	State operations were cut about 5.8% for FY87 and aid to local governments and individuals cut less or exempted.

SOURCE: National Association of State Budget Officers, National Governors' Association, Fiscal Survey of the States, March 1986, pp. 7-8.

APPENDIX TABLE 16

FULL-TIME EQUIVALENT EMPLOYMENT OF STATE AND LOCAL GOVERNMENTS PER
10,000 POPULATION (with Federal employment exhibit), BY STATE,
SELECTED YEARS 1957-1984 ^{1/}

State and Region	Full-time Equivalent State-Local Employees Per 10,000 Population								
	1984	1983	1982	1981	1978	1972	1967	1962	1957
United States	472	465	468	476	492	445	378	321	280 ^{2/}
Exhibit:									
Federal Employment ^{3/}	119	117	117	119	126	134	148	135	141
New England									
Connecticut	441	431	437	450	434	404	347	295	277
Maine	453	451	447	451	452	444	359	302	262
Massachusetts	442	446	444	471	478	448	377	339	316
New Hampshire	432	419	418	433	445	422	339	296	273
Rhode Island	465	465	456	463	471	422	349	294	257
Vermont	464	458	468	475	485	500	366	321	268
Midwest									
Delaware	505	507	521	530	541	536	405	334	267
District of Columbia	763	735	730	717	734	664	470	348	262
Maryland	491	498	513	513	549	473	385	317	260
New Jersey	480	478	482	490	490	415	326	292	265
New York	563	551	546	543	518	519	443	373	350
Pennsylvania	381	383	386	397	404	380	316	270	227
Great Lakes									
Illinois	425	421	425	439	447	414	352	300	253
Indiana	440	435	434	446	449	408	362	315	262
Michigan	446	432	431	442	487	428	376	321	279
Ohio	431	429	424	434	436	400	332	295	260
Wisconsin	473	451	449	466	467	451	374	318	253
Plains									
Iowa	493	489	489	494	504	439	393	335	292
Kansas	524	523	530	540	535	478	420	359	320
Minnesota	461	468	458	488	491	465	385	325	285
Missouri	438	432	446	450	456	417	350	286	250
Nebraska	564	581	565	579	591	526	424	361	314
North Dakota	521	500	501	499	493	474	403	343	281
South Dakota	495	483	494	502	515	475	427	330	296
Southeast									
Alabama	481	484	481	484	501	427	340	279	259
Arkansas	452	445	453	452	449	396	338	271	248
Florida	445	438	449	453	511	491	414	341	309
Georgia	525	542	535	525	548	486	365	303	272
Kentucky	425	410	406	413	437	389	333	265	230
Louisiana	528	518	515	509	524	484	402	356	320
Mississippi	518	500	496	502	508	468	354	292	260
North Carolina	489	476	479	490	495	413	329	275	242
South Carolina	497	481	488	499	557	451	324	271	255
Tennessee	461	454	460	476	492	465	374	305	264
Virginia	492	481	486	498	541	446	348	278	255
West Virginia	489	482	485	489	498	471	372	304	227
Southwest									
Arizona	458	451	472	491	557	529	408	338	283
New Mexico	560	566	564	578	560	558	432	328	298
Oklahoma	511	515	530	527	505	466	400	321	301
Texas	488	473	476	478	500	451	357	307	264
Rocky Mountain									
Colorado	482	477	490	507	564	526	462	373	312
Idaho	457	455	468	480	515	498	395	345	306
Montana	537	518	530	546	582	513	414	357	314
Utah	450	431	444	439	495	520	405	346	283
Wyoming	677	661	659	653	611	678	567	446	368
Far West									
California	447	438	444	458	489	477	408	367	334
Nevada	481	473	480	497	602	597	468	382	341
Oregon	486	483	486	504	539	502	423	390	321
Washington	471	451	454	466	512	500	438	366	324
Alaska	793	814	820	803	725	722	468	347	206
Hawaii	476	480	498	496	520	524	432	325	323

^{1/} Number of employees are as of October for all years except 1957 which is as of April.

^{2/} U.S. average for 1957 excludes Alaska and Hawaii (prior to statehood).

^{3/} Full-time equivalent federal civilian employees. Published full-time equivalent figures for federal employees not available for 1980-1984. Estimates based on average ratio of full-time equivalent employment to all employment (.9524) for 1974-1979.

Sources: ACIR compilation from U.S. Bureau of the Census, Census of Governments, various years; Public Employment in [year], (Table 12 in the 1984 edition).

APPENDIX TABLE 17

STATE PER CAPITA PERSONAL INCOME EXPRESSED AS A PERCENTAGE OF
U.S. AVERAGE, SELECTED YEARS 1929-1984

State and Region	Per Capita Personal Income as a Percentage of U.S. Average (100)									
	Per Capita Personal Income 1984	1984	1982	1979	1974	1964	1954	1944	1934	1929
U.S. Average 1/	\$12,789	\$12,789	\$11,113	\$8,651	\$5,448	\$2,592	\$1,781	\$1,186	\$425	\$697
New England	14,421	113	109	103	97	99	98	101	123	112
Connecticut	16,557	129	125	118	119	125	129	134	155	146
Maine	10,817	85	83	80	82	83	79	91	98	85
Massachusetts	14,783	116	111	104	105	109	106	109	146	130
New Hampshire	13,188	103	100	95	95	92	92	88	113	98
Rhode Island	12,818	100	98	95	99	102	105	106	141	124
Vermont	10,798	84	86	84	84	82	78	78	87	89
Mideast	14,004	109	108	106	116	117	120	122	150	141
Delaware	13,675	107	107	105	115	123	130	124	148	145
Dist. of Columbia	17,108	134	133	127	138	131	136	131	218	181
Maryland	14,464	113	111	108	108	107	106	111	123	111
New Jersey	15,440	121	118	113	117	120	125	131	137	132
New York	14,318	112	110	106	115	122	121	129	162	165
Pennsylvania	12,314	96	98	98	101	101	101	104	114	110
Great Lakes	12,740	100	99	105	104	105	108	107	102	109
Illinois	13,802	108	108	113	117	117	121	117	120	136
Indiana	11,717	92	90	96	97	99	101	100	84	87
Michigan	12,607	99	97	107	109	109	114	116	107	113
Ohio	12,355	97	96	100	102	103	110	111	108	111
Wisconsin	12,475	98	97	100	96	97	96	93	90	97
Plains	12,555	98	98	99	94	88	90	87	64	76
Iowa	12,159	95	96	101	98	93	97	82	63	82
Kansas	13,249	104	107	106	99	96	99	97	67	76
Minnesota	13,246	104	102	103	100	92	94	84	85	85
Missouri	12,150	95	94	95	93	96	96	90	87	89
Nebraska	12,430	97	98	98	90	90	94	90	60	84
North Dakota	12,360	97	98	93	102	78	70	84	42	53
South Dakota	11,067	87	84	87	78	71	78	80	42	59
Southeast	11,182	87	87	86	83	74	69	67	57	53
Alabama	9,992	78	78	79	77	71	62	62	39	46
Arkansas	9,805	77	76	77	79	69	58	56	42	43
Florida	12,763	100	98	95	96	87	85	91	80	74
Georgia	11,550	90	87	85	86	78	71	70	57	50
Kentucky	10,300	81	82	82	82	74	71	64	54	56
Louisiana	10,810	85	91	86	79	76	75	74	61	59
Mississippi	8,777	69	70	70	69	59	51	53	39	41
North Carolina	10,850	85	82	82	85	75	69	64	58	48
South Carolina	10,117	79	78	78	78	67	63	61	48	38
Tennessee	10,418	81	81	82	83	74	68	72	57	54
Virginia	13,253	104	102	98	97	88	84	75	74	62
West Virginia	9,729	76	81	82	81	75	69	69	74	66
Southwest	12,212	95	99	96	85	84	85	81	67	69
Arizona	11,841	93	90	93	92	87	91	87	83	84
New Mexico	10,260	80	84	83	76	79	79	73	57	58
Oklahoma	11,655	91	100	93	84	83	81	79	58	65
Texas	12,572	98	102	98	88	87	90	87	67	68
Rocky Mountain	11,878	93	96	96	91	90	93	94	86	84
Colorado	13,846	108	110	105	98	97	96	89	87	91
Idaho	10,089	79	81	85	91	83	84	90	89	72
Montana	10,546	82	87	87	88	87	97	98	85	85
Utah	9,730	76	78	82	82	88	87	89	74	80
Wyoming	12,235	96	110	114	95	95	102	103	95	96
Far West 2/	14,007	110	110	113	106	111	118	126	118	117
California	14,488	113	114	115	110	120	122	132	140	142
Nevada	13,317	104	107	115	112	120	137	124	126	125
Oregon	11,613	91	91	100	97	99	102	119	104	97
Washington	12,792	100	105	109	104	106	112	129	104	107
Alaska	17,478	137	152	134	129	116	129	n.a.	n.a.	n.a.
Hawaii	13,038	102	104	106	108	108	101	104	n.a.	n.a.

n.a.--not available

Note: Regional averages prior to 1979 are unweighted averages.

1/ Includes Alaska and Hawaii since 1964 but not in earlier years.

2/ Excluding Alaska and Hawaii.

Sources: ACIR staff compilation and calculations based upon U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, August 1985, p. 18; Survey, prior years.

APPENDIX 2

A BRIEF EXPLORATORY ANALYSIS OF STATE AID IN
TEN SAMPLE STATES

Surprisingly, local governments nationwide receive a larger proportion of their general revenues from state aid¹ than from the property tax. Nationwide, state aid represented 33% of local general revenue in 1984, compared to 29% for the property tax. (See Appendix Table 3.) Clearly, the analysis of local fiscal conditions requires an examination of state aid. On one hand, local governments may view state aid as a potential source of additional assistance during times of fiscal stress. Conversely, there is a distinct possibility that states may be forced to reduce aid to local governments, if the states themselves are suffering from financial stress.

Comparative analysis of state aid must be undertaken with care. Reliance on state aid varies considerably from state to state; for example, local governments in California receive 43% of their revenues from the state, while in New Hampshire local governments receive only 13%. Even within a single state, state aid can vary significantly between individual jurisdictions and types of local government. These differences stem from wide variations in the way states and local governments divide service responsibilities. (See Appendix Table 13.) The most striking example is the case of Hawaii in which the state has assumed full responsibility for education; yet nationwide, states fund an average of 52% of education.

^{1/} State aid statistics also include a small amount of federal pass-through funds.

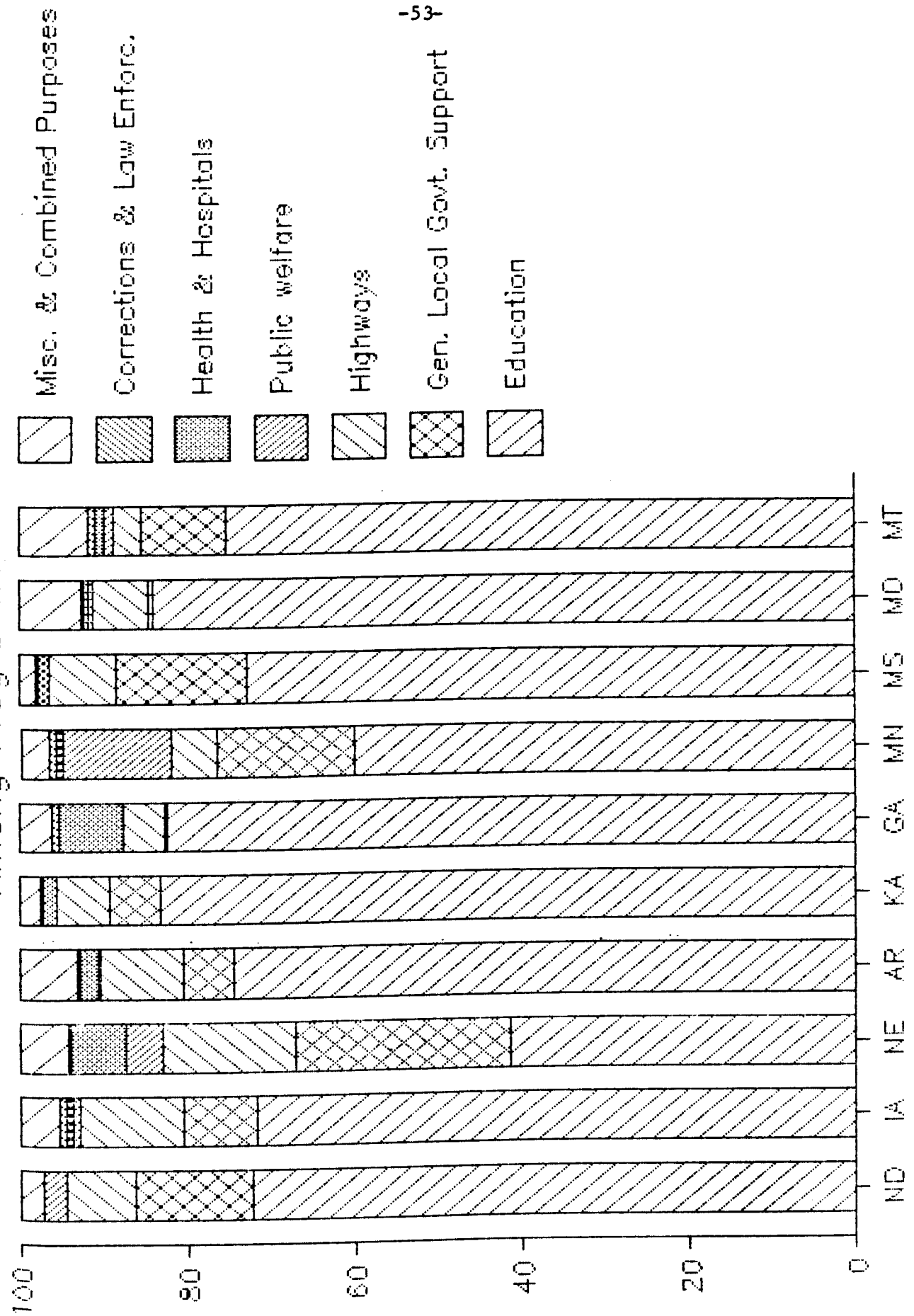
Types and Amounts of State Aid

Table 2, presented earlier on page 12, shows that the dependence of local governments on state aid varies considerably among the ten sample states. It is above average in North Dakota, Arkansas, Minnesota, and Mississippi; near the national average in Iowa; and below average in Nebraska, Kansas, Georgia, Missouri, and Montana. (See Appendix Table 3 for data on all states.)

Appendix Table 18 shows how the composition of this aid varies from one state to another. Education takes the lion's share of state aid to local governments in all ten sample states, amounting to over 70% of the total in each state except Minnesota (60%) and Nebraska (41%). Highway aid is the only other type of state aid (other than miscellaneous and combined purposes) that is substantial in all 10 sample states; it ranges from less than 4% in Montana to about 16% in Nebraska. General local government support is important in eight of the 10 states (ranging from about 6% in Arkansas and Kansas to nearly 26% of all state aid in Nebraska); it is insignificant in Georgia and Missouri. These three large types of state aid, combined, account for between 82% and 96% of all state aid in the 10 sample states.

State aid for public welfare is a significant portion of state aid in only three of the 10 states--Minnesota (13%), Nebraska (4%), and North Dakota (3%).

Among Programs: 1982



Source: Advisory Commission on Intergovernmental Relations.

State aid for health and hospitals, although available in all 10 of the sample states, is a significant share of state aid in only four of these states--Georgia (8%), Nebraska (7%), Arkansas (2%), and Kansas (2%).

State aid for corrections and law enforcement accounts for no more than 1% of all state aid in any of the 10 sample states, and is not available at all in North Dakota.

Appendix Table 19 shows the dollar amounts of state aid going to the various types of local governments for each of the seven major state aid functions in the 10 sample states during 1982 (the most recent such data are available).

Factors Used in Distributing State Aid

Deciding which local governments get how much aid for what kinds of programs is a complex undertaking. Different states approach this task in different ways.

One way to approach the task is to distribute funds according to need-based criteria. Aid might be based upon financial need, that is, the relative ability of raising adequate revenues within the local jurisdiction compared to other jurisdictions. Or, need might be based upon a measure of program units eligible for assistance (like caseloads, miles of roads, or numbers of students).

APPENDIX TABLE 19

All States
State Payments to Local Governments in 1982

Major Programs and recipient	ND Programs		IR Programs		NE Programs		FR Programs		KR Programs		BR Programs		MI Programs		MS Programs		MO Programs		MT Programs	
	No.	Accounts (\$000)	No.	Accounts (\$000)	No.	Accounts (\$000)	No.	Accounts (\$000)	No.	Accounts (\$000)	No.	Accounts (\$000)	No.	Accounts (\$000)	No.	Accounts (\$000)	No.	Accounts (\$000)	No.	Accounts (\$000)
Education	8	254,384	23	895,584	12	198,822	15	982,863	19	598,844	16	1,373,921	28	1,887,152	15	695,897	14	966,868	11	183,895
School Districts		254,384		895,584		198,822		981,922		598,844		1,373,921		1,881,887		695,478		966,868		182,189
Counties	-	-	-	-	-	-	-	941	-	-	-	-	-	-	-	-	-	-	-	906
Various Units	-	-	-	-	-	-	-	-	-	-	-	-	-	5,345	-	-	-	-	-	-
Public welfare	1	9,581	1	11,462	1	28,732	1	894	1	98	2	3,543	13	591,617	2	442	2	4,383	2	2,458
Cities	39	11,462					358					2,379						599		
Counties	9,542			28,732		544		544		98		1,164		391,617		442		3,784		2,458
Gen. Local Govt. Support	9	47,899	18	109,771	6	123,932	2	48,493	4	44,266	1	6,888	8	494,744	9	146,654	2	6,449	2	24,465
Cities	5,433	17,698		11,538		24,444		24,444		18,948		4,288		273,675		188,497		2,976		
Counties	8,219	5,853		8,928		16,849		16,849		23,839		2,688		184,862		13,889		2,895		24,465
Various Units	34,247	87,826		183,482				2,279						37,887		24,268		1,378		
Highways	1	29,288	3	185,462	2	76,626	7	67,528	5	44,462	2	88,451	21	165,635	5	77,138	3	76,171	1	8,881
Cities	11,506	61,833		38,313		27,181		27,181		17,935		15,228		42,451		1,454		33,714		4,598
Counties	17,729	94,429		38,313		39,886		39,886		24,728		65,231		119,379		75,684		22,172		3,411
Various Units	-	-	-	-	-	533	-	533	-	1,787	-	-	-	3,885	-	-	-	28,288	-	-
Health & Hospitals	1	168	6	9,898	5	31,776	1	15,485	3	11,688	6	127,953	7	22,173	3	11,948	6	6,758	3	2,436
Cities	188	443		8,944		15,485		15,485		7,662		4,784		2,328		258		1,354		25
Counties	52	863		1,888							122,863		19,216		11,698		1,467		2,411	
Special Districts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Various Units	-	-	-	7,748	-	21,824	-	-	-	4,826	-	-	-	637	-	-	-	3,977	-	-
Corrections & Law Enforc.	8	-	2	12,699	2	843	2	1,689	2	2,299	4	18,721	4	28,899	2	4,268	1	3,988	3	2,863
Cities	-	18,963				1,543		1,543		1,543		1,193		14,313		116		175		1,718
Counties	-	-	-	-	-	146	-	146	-	756	-	9,526	-	13,249	-	4,152	-	1,798	-	136
Various Units	-	-	-	1,734	-	843	-	-	-	-	-	-	-	597	-	-	-	-	-	289
Misc. & Combined Purposes	18	9,525	18	55,852	13	28,885	13	46,152	15	16,831	12	64,136	28	188,299	11	16,992	15	85,636	15	28,155
Cities	3,864	5,685		11,261		4,687		4,687		-		-		59,325		12,387		21,883		5,433
Counties	2,855	253		392		11,893		11,893		1,886		1,989		8,195		4,685		28,593		12,391
Special Districts	925	5,748		2,363		3,768		3,768		1,544		62,227		3,736		-		893		297
Various Units	2,681	44,234		14,067		25,884		25,884		13,431		-		29,843		-		43,867		2,834
Total State Aid	38	358,834	55	1,249,888	41	488,816	41	675,896	49	718,488	43	1,667,525	79	3,889,679	47	953,339	41	1,149,725	37	242,665

Source: Advisory Commission on Intergovernmental Relations.

Often times, however, state aid is distributed on the basis of factors not related to need. For example, ceilings might be added to need-based formulas to keep state aid programs from becoming too expensive. Conversely, floors might be placed in state aid formulas so that each government gets at least some state assistance.

In numerous instances, state aid is simply collected by the state and returned to the locality in which the revenue originated. Some state aid is divided equally among the eligible local governments. In other state aid programs, projects must be approved ahead of time by the state (and political influence may play a greater part in the decision than program need), or the aid may go directly to a recipient named in the appropriations act, or funds may flow in proportion to local expenditures, assessed values, or property tax levies (implying that those jurisdictions already able to spend the most may receive the most aid).

The ability of a state aid program to assist local governments that are experiencing financial difficulties because of a downturn in their rural economies depends significantly upon the extent to which the aid is distributed according to need. Appendix Table 20 summarizes, from the 1982 Census of Governments, the various types of factors used to distribute state aid to all types of governments in the 10 sample states.

Based upon the data in Appendix Table 20, it appears that the overall state aid systems in North Dakota, Iowa, and Minnesota

APPENDIX TABLE 20

Number of Program Areas Using
Various Factors for Distributing All State Aid Programs
in Ten Sample States, 1982

Factors Used to Distribute State Aid	Ten Sample States										No. States	State X Prog. Areas
	ND	IA	NE	AR	KS	GA	MN	MS	MO	MT		
Need-Based Factors:												
Population	3	2	2	4	3	3	2	4	2	2	10	27
Land Area	1	1		1				1		1	5	5
Reimbursement of:												
Tax Loss	1	2	2				2	2		1	6	10
Other Loss				1							1	1
Expenditure	1	3	3	1	1	3	3	4	5	3	10	27
Per Capita Income							1				1	1
Fund Balance							1				1	1
Tax Capacity						1	1		1		3	3
Levy Limit							1				1	1
Tax Effort	2	2			1		1		2		5	8
Non-Fed. Match		1	1		1	1	1			1	6	6
Hold Harmless *					1						1	1
Compensatory Need						1					1	1
Program Need	4	4	1	1	3	3	5	2	3	2	10	28
Non-Need Factors:												
Ceiling		3	1	2		1	2	3	1	1	8	14
Floor		1		1		2	1	1			5	6
Place of Origin	3	1	2	3	4		4	3	3	2	9	25
Approved Projects	2	3	3	3	5	4	5	3	4	4	10	36
Competitive Merit			1	1	2						3	4
Equal Shares			2	2	2	1	2	2			6	11
Base Year Amt.		1				1	1	1			4	4
Approp. to Named Recipient					1	4		1			3	6
Local Expenditure	3	2	5	3	4	2	5	3	4	2	10	33
Assessed Value			1		1				1	2	4	5
Property Tax Levies	1		1		1		1		2		5	6
Required Local Effort	1		1	2					2	1	5	7
TOTALS												
No. Factors Used												
--Needs	6	7	5	5	6	6	10	5	5	6		
--Non-Needs	5	6	9	8	8	7	8	8	7	6		
--Ratio (Needs/Non)	1.2	1.2	.6	.6	.8	.9	1.2	.6	.7	1		
No. Factors X Program Areas												
--Needs	12	15	9	8	10	12	17	13	13	10		
--Non-Needs	10	11	17	17	20	15	21	17	17	12		
--Ratio (Needs/Non)	1.2	1.4	.5	.5	.5	.8	.8	.8	.8	.8		
	ND	IA	NE	AR	KS	GA	MN	MS	MO	MT		

*Temporary hold-harmless provisions shield governments from rapid decreases in aid.

Source: ACIR staff compilation based on U.S. Bureau of the Census, 1982 Census of Governments: State Payments to Local Governments, October 1984.

reflect a greater concern about distributing aid to localities on the basis of need than was found in the aid formulas of the other states. Of course, this is an extremely general and tentative conclusion, because it does not evaluate the actual flow of funds created by the complex combinations of factors in multiple programs.

These state-aid systems may be examined more closely by looking at the major program areas (Appendix Table 21). Considering all of these states together, more non-need factors appear to be used than those based upon need in each of the seven major functional areas. Nevertheless, the three most significant state-aid functions--education, general local government support, and highways--are based more on need than are the other programs. Education programs tend to be based most often on direct measures of program need, reimbursements of local expenditures, and levels of local expenditure. General local government support is most often based upon population, reimbursement for state-imposed tax losses, and place of origin of shared revenues. Highway programs most frequently take into account population, direct measures of program need (like road mileage and number of vehicles registered), and place of origin of the gasoline tax.

APPENDIX TABLE 21

Number of States Using
Various Factors for Distributing State Aid Programs
in Seven Program Areas

Factors Used to Distribute State Aid	Seven Program Areas							No. Prog. Areas	Program Areas X States
	Education	Public Welfare	Gen. Local Government Support	Highways	Health & Hospitals	Corrections & Law Enforcement	Misc. & Combined Purposes		
Need-Based Factors:									
Population	2		7	8	1		7	5	25
Land Area				4			1	2	5
Reimbursement of:									0
Tax Loss	4		5					1	9
Other Loss	1							1	1
Expenditure	9	4			1	4	5	5	23
Per Capita Income		1						1	1
Fund Balance	1							1	1
Tax Capacity	2							1	2
Levy Limit	1							1	1
Tax Effort	5		1		2		1	4	9
Non-Fed. Match	4			1			2	3	6
Hold Harmless *				1				1	1
Compensatory Need	1							1	1
Program Need	10	2	2	7	1	1	6	7	29
Non-Need Factors:									
Ceiling	7	2	1	1			3	5	14
Floor	4		1					2	5
Place of Origin	7	1	7	6			6	5	27
Approved Projects	6	1		4	8	4	9	6	32
Competitive Merit	2						2	2	4
Equal Shares	4		1	4	1		2	5	12
Base Year Ant.	1		1	1			1	4	4
Approp. to Named Recipient	2	2		2			1	4	7
Local Expenditure	9	3	1	3	3	5	10	7	34
Assessed Value			2	1		1	1	4	5
Property Tax Levies	1		4					2	5
Required Local Effort	5	1	1	1	1		1	6	10
TOTALS									
No. Factors Used									
--Needs	11	3	3	5	4	2	6		
--Non-Needs	11	6	9	9	4	3	10		
--Ratio (Needs/Non)	1.0	.5	.3	.6	1.0	.7	.6		
No. Factors X States									
--Needs	40	7	15	21	5	5	21		
--Non-Needs	48	10	19	23	13	10	36		
--Ratio (Needs/Non)	.8	.7	.8	.9	.4	.5	.6		

*Temporary hold-harmless provisions shield governments from rapid decreases in aid.

Source: Advisory Commission on Intergovernmental Relations.

