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INSTITUTE
OF GOVERNMENT

Census Statistics on State and Local Government

How we do and do not use these data

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Ways we use the data

Audiences

- People who care about government services and how it pays for them
- National media (NYT, WSJ, WashPost, NPR), statehouse press, other gen'l media
- Financial press (Bond Buyer, FT, Bloomberg)
- Legislators, governors, fiscal staffs,...
- Advocates left, right, center
- Muni Finance industry – investment banks, muni funds, bond counsel, rating agencies,...
- Overseers and observers: GAO, CBO, OMB, CEA, GASB, SEC, MSRB, Congress,...
- Academics – public administration, public finance, political science,...

To understand and explain SLG structure (Annual survey)

Quick review: SLG revenue structure
Caution: Huge variation around the nation

Composition of state and local government revenue in fiscal year 2008				
	State	Local	State	Local
	(\$ billions)		(% share)	
General revenue	1,514	1,401	100.0%	100.0%
Intergovernmental revenue from federal	423	58	28.0%	4.2%
Intergovernmental revenue from state	-	467	-	33.3%
Intergovernmental revenue from local	23	-	1.5%	-
Own-source revenue	1,068	877	70.5%	62.6%
Taxes	782	549	51.6%	39.2%
Property tax	13	397	0.8%	28.3%
Individual income tax	278	26	18.4%	1.9%
General sales tax	241	63	15.9%	4.5%
Selective sales taxes	118	27	7.8%	1.9%
Corporate income taxes	51	7	3.4%	0.5%
All other taxes	81	28	5.4%	2.0%
Charges	151	223	10.0%	15.9%
Miscellaneous	135	105	8.9%	7.5%
Note: State-local revenue cannot be obtained by simply summing state plus local because intergovernmental transactions must be eliminated				
Source: Rockefeller Institute analysis of data from U.S. Bureau of the Census				

To compare structure across states (Annual survey)

Sales tax reliance

State reliance on sales tax as share of tax revenue, 2005

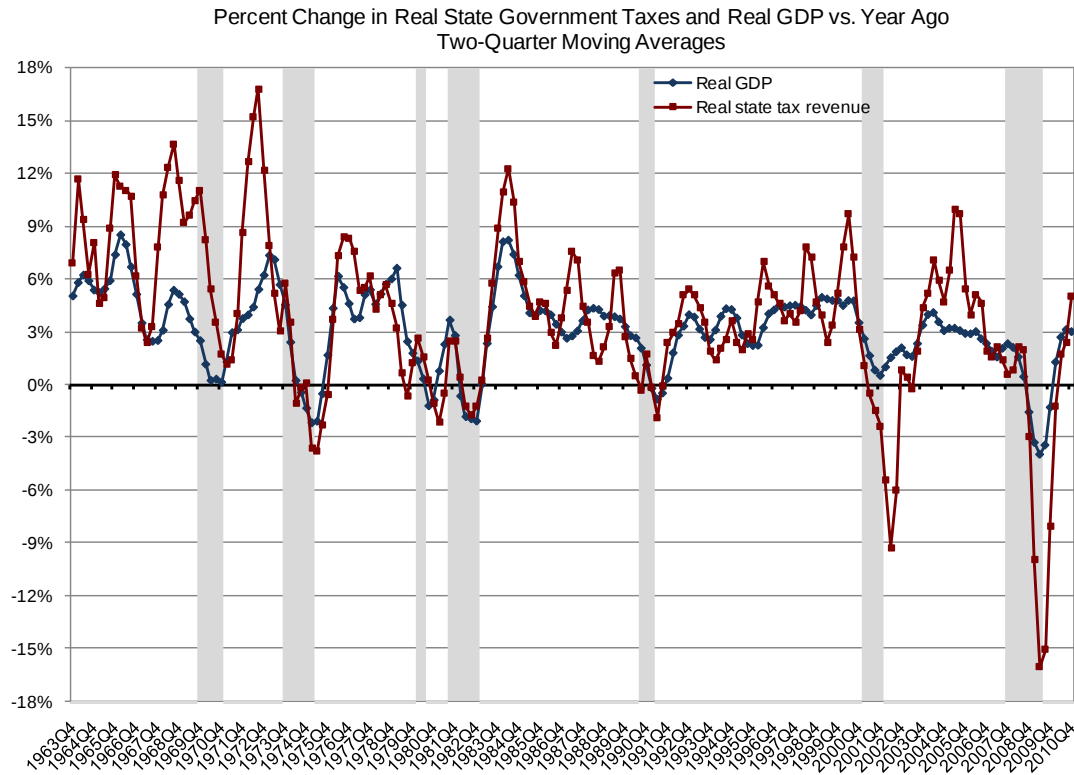
	<i>U.S. Median</i>		<i>30.4</i>
Washington	61.6	Maine	30.4
Tennessee	61.1	Wyoming	30.0
Florida	56.2	Iowa	29.9
South Dakota	56.0	Pennsylvania	29.6
Nevada	51.4	North Dakota	29.2
Texas	49.9	New Jersey	28.6
Hawaii	48.2	Kentucky	28.5
Mississippi	47.6	Connecticut	28.2
Arizona	47.3	Illinois	27.2
Nebraska	39.9	Minnesota	26.5
South Carolina	39.7	Colorado	26.2
Arkansas	39.3	Alabama	26.1
Indiana	38.9	West Virginia	25.5
Idaho	38.5	North Carolina	24.7
Utah	36.5	Oklahoma	24.2
Kansas	35.6	New York	21.9
New Mexico	34.8	Massachusetts	21.6
Michigan	34.3	Maryland	21.4
Ohio	34.1	Virginia	19.4
Georgia	33.9	Vermont	13.9
Louisiana	33.1	Alaska	-
United States	32.9	Delaware	-
Rhode Island	32.1	Montana	-
Missouri	31.8	New Hampshire	-
Wisconsin	30.7	Oregon	-
California	30.4		

Source: U.S. Bureau of the Census

24

To understand recent past in context of history (QTAX, transformed, combined)

Worst state government tax declines in 5+ decades
- worse than 2001 recession, worse than economy suggests -

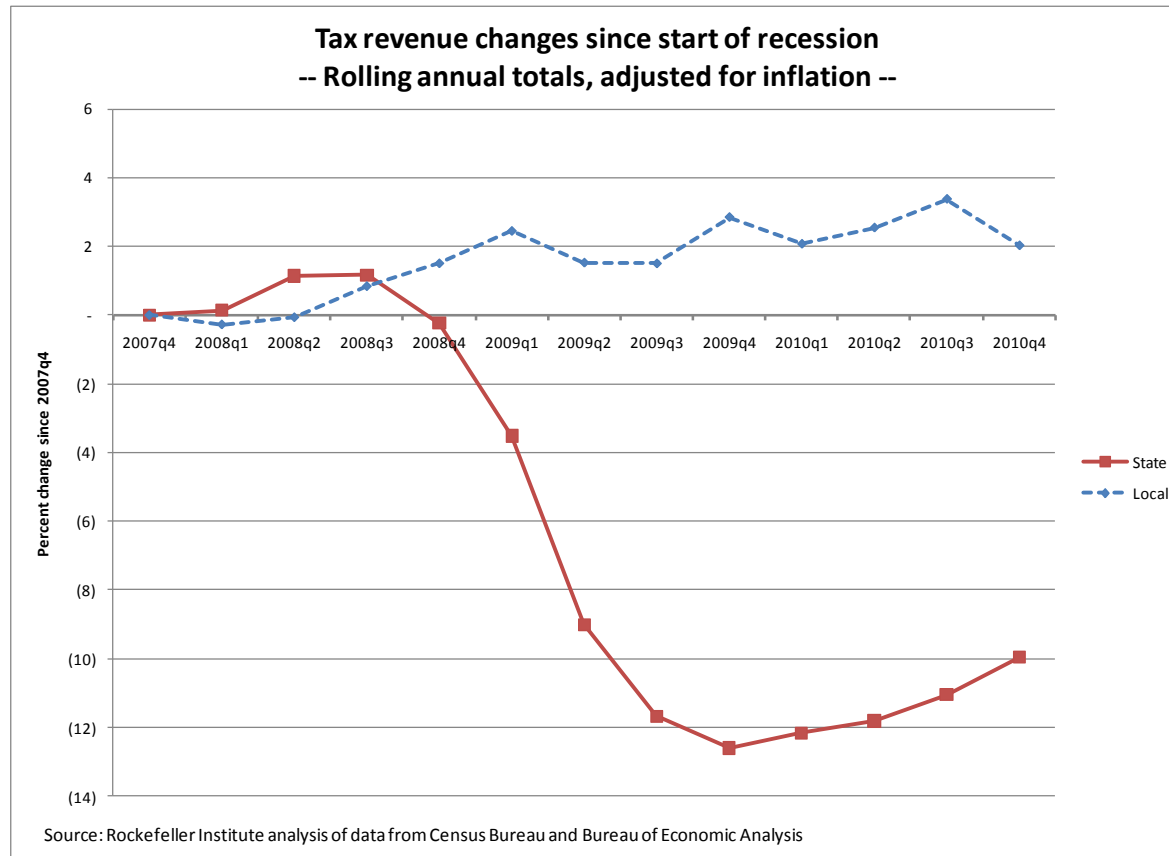


Sources: U. S. Census Bureau (Quarterly tax collections); Bureau of Economic Analysis (real GDP).

Notes: (1) Percentage changes averaged over 2 quarters; (2) No legislative adjustments; (3) Recession periods are shaded.

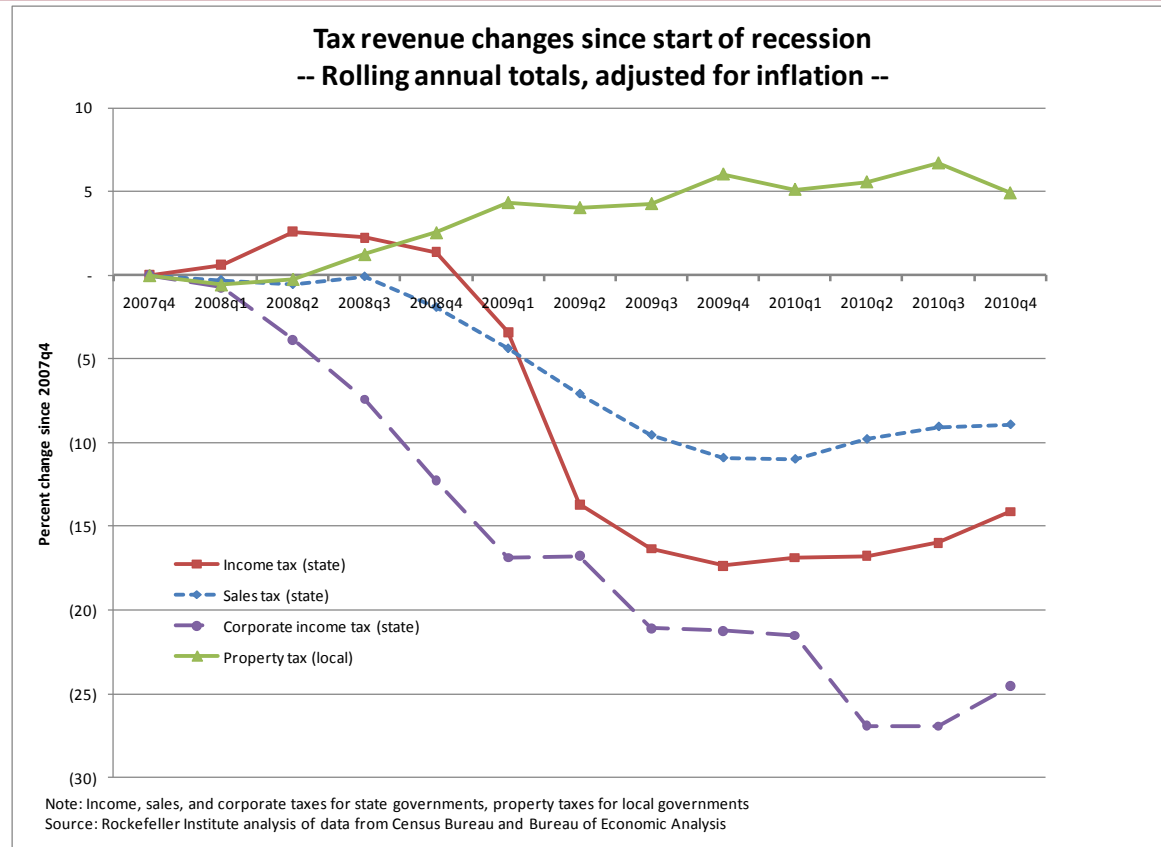
To understand recent past, state vs. local (QTAX, transformed)

State tax revenue recovering, some local weakening



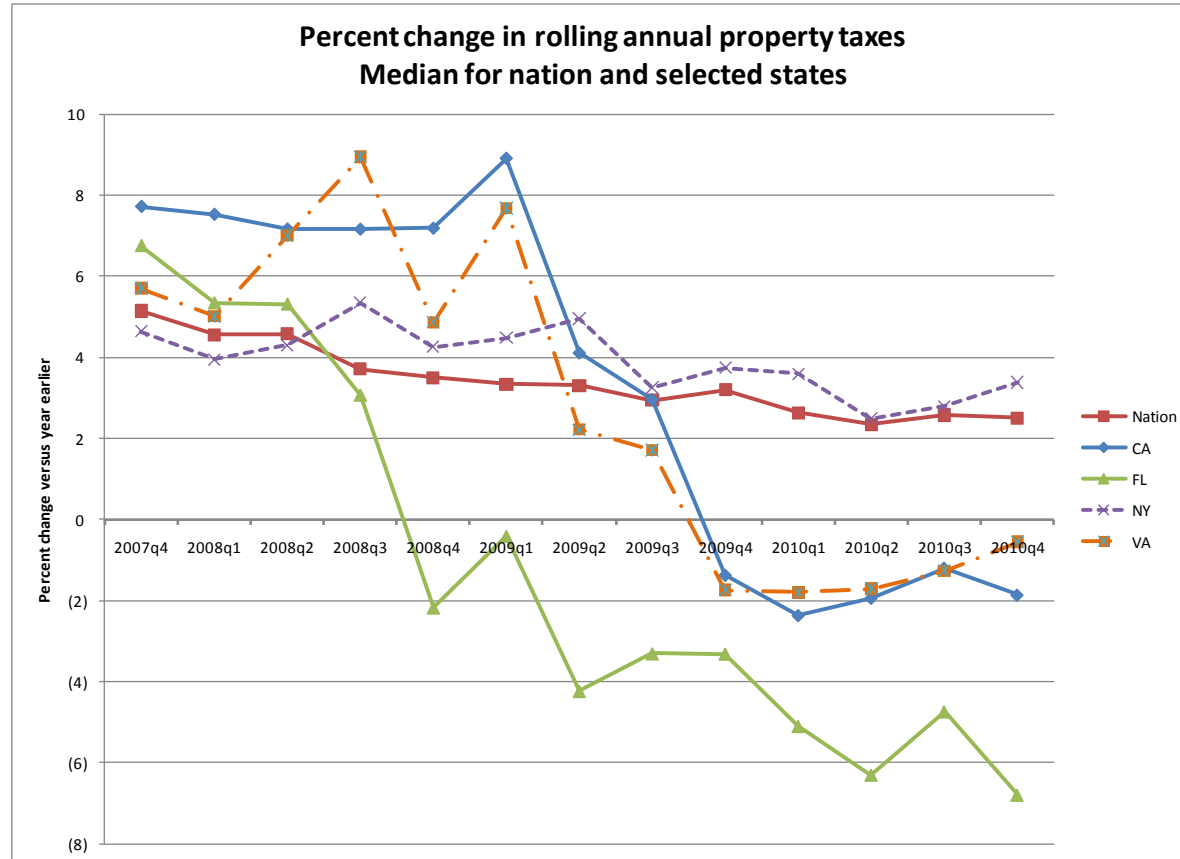
To understand recent past, different fiscal items (QTAX)

State income, sales, and corporate taxes fell sharply
Local property taxes have been more stable (nationally)



To understand variation across country (QTAX sample)

Some regional prop. tax patterns emerging



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14

To compare recent past across states (QTAX)

State Revenue Report

Tax Revenues Finished 2010 Strong; Growth Continues in Early 2011

Table 9. Quarterly Tax Revenue By Major Tax

	October-December, 2009 to 2010, Percent Change			
	PIT	CIT	Sales	Total
United States	10.6	17.2	5.6	7.8
New England	12.6	2.6	0.6	6.7
Connecticut	10.0	(25.0)	(4.6)	3.9
Maine	2.8	58.0	3.5	5.1
Massachusetts	15.8	1.9	3.2	9.5
New Hampshire	(31.9)	12.2	NA	1.3
Rhode Island	12.1	(34.1)	1.2	3.6
Vermont	6.7	38.5	4.2	7.2
Mid-Atlantic	5.8	18.1	8.8	11.5
Delaware	7.5	165.1	NA	7.4
Maryland	5.5	(60.1)	4.1	(0.2)
New Jersey	0.7	20.4	9.0	8.1
New York	8.0	39.0	12.5	19.0
Pennsylvania	4.2	28.2	5.7	6.9
Great Lakes	6.1	45.1	5.6	3.0
Illinois	4.1	83.5	16.3	10.5
Indiana	15.4	8.1	5.3	6.2
Michigan	6.8	(31.6)	(3.4)	(1.5)
Ohio	7.0	(92.3)	6.1	(1.5)
Wisconsin	1.9	(1.0)	5.7	2.8
Plains	7.3	26.3	4.2	7.6
Iowa	4.5	(10.8)	6.0	4.2
Kansas	7.8	(27.7)	(0.1)	2.6
Minnesota	8.1	101.2	3.0	8.8
Missouri	7.5	(73.3)	4.1	5.5
Nebraska	6.5	3.3	2.1	1.1
North Dakota	17.2	247.3	24.3	41.7
South Dakota	NA	(82.7)	6.3	0.9
Southeast	4.2	(15.8)	4.6	2.7
Alabama	(0.5)	(28.4)	5.9	1.8
Arkansas	6.1	(50.9)	7.9	0.9
Florida	NA	5.4	6.0	3.8
Georgia	6.3	51.4	5.0	8.6
Kentucky	5.1	19.7	6.1	6.6
Louisiana	(4.8)	(83.4)	6.2	(12.0)
Mississippi	(2.1)	(7.5)	1.2	6.7
North Carolina	4.7	(47.0)	0.0	(3.1)
South Carolina	2.7	(176.7)	2.6	9.0
Tennessee	61.5	136.0	4.5	6.3
Virginia	6.0	(8.9)	2.7	4.3
West Virginia	5.8	28.8	7.2	4.1
Southwest	10.7	181.0	11.3	9.5
Arizona	13.0	1755.1	26.2	17.7
New Mexico	14.0	274.1	9.1	17.7
Oklahoma	6.4	(1.4)	11.1	6.3
Texas	NA	NA	8.3	6.5
Rocky Mountain	7.3	(12.6)	6.1	8.3
Colorado	7.6	58.2	8.4	8.8
Idaho	6.5	24.5	5.5	7.1
Montana	14.2	4.0	NA	7.4
Utah	4.9	(67.2)	1.4	(1.3)
Wyoming	NA	NA	12.7	34.4
Far West	27.7	39.7	3.1	13.4
Alaska	NA	91.2	NA	(14.3)
California	31.0	33.0	0.8	16.8
Hawaii	11.1	(328.5)	5.4	10.3
Nevada	NA	NA	5.1	(2.3)
Oregon	6.1	111.1	NA	14.0
Washington	NA	NA	9.7	7.8

Source: U.S. Census Bureau.

are major drivers of income taxes. Figure 10 shows the cumulative percentage change in nonfarm employment for the nation as a whole in the 48 months following the start of each recession from 1973 forward.⁸ The last point for the 2007 recession is March 2011, month 39. As the graph shows, the 5.3 percent employment drop as of March 2011 is still far worse compared to previous recessions. Moreover, employment remained stagnant for the last 12 months, showing a decline between 5.3 and 6 percent. The trends depicted in Figure 10 suggest that it will take several years before employment reattains its prerecession peak.

Looking Ahead

After the deepest recession since the Great Depression, states are now on the gradual road of economic and tax revenue recovery. Calendar 2010 brought a strong rebound from the previous year, when tax collections plummeted by a historic 12 percent. In calendar 2010, states collected \$715 billion in total tax revenues, a gain of 4.3 percent from \$685 billion in calendar 2009. However, that 2010 figure was still about \$60 billion or 7.8 percent below the levels reported in calendar 2008. While tax collections in calendar 2010 were promising in most states, still 10 states reported declines.

Early in calendar year 2010, most of the revenue growth was attributable to tax increases imposed during and after the Great Recession. (According to the National Association of State Budget Officers, legislated tax and fee changes generated an additional \$23.9 billion in state fiscal year 2010, a record amount in nominal terms, \$18.6 billion of which was attributable to taxes).⁹ While those tax increases were significant, they were disproportionately concentrated in California, Massachusetts, New Jersey, North Carolina, and New York, and were much smaller in most other states. As the year progressed, the economy played a far greater role, and we estimate that the vast majority of revenue growth in the third and fourth calendar quarters was attributable to economic growth.

Preliminary data for the January-February months of 2011 suggest that tax conditions continue to improve. While in a few states this growth is driven by tax increases — Illinois being one clear example — in most states it appears that improvement in the underlying economy is the basis for revenue growth. With early data for January-February 2011 now available for 45 states, tax revenue increased by 9.5 percent compared to the same months of the previous year. Preliminary data for March suggests that growth for the full quarter is likely to be somewhat less, but still strong.

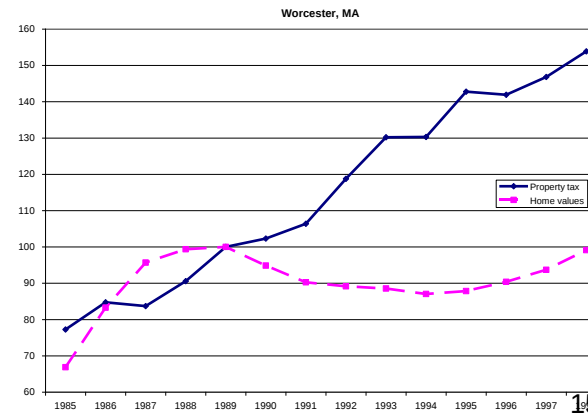
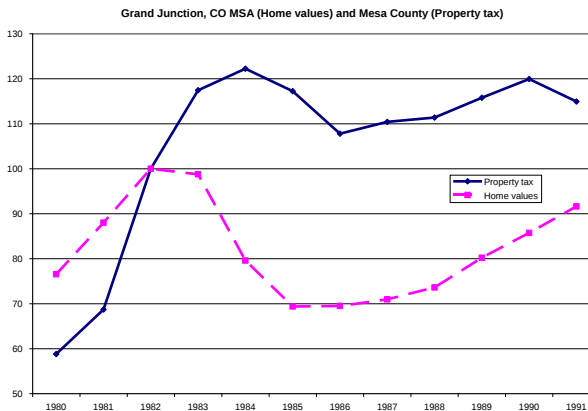
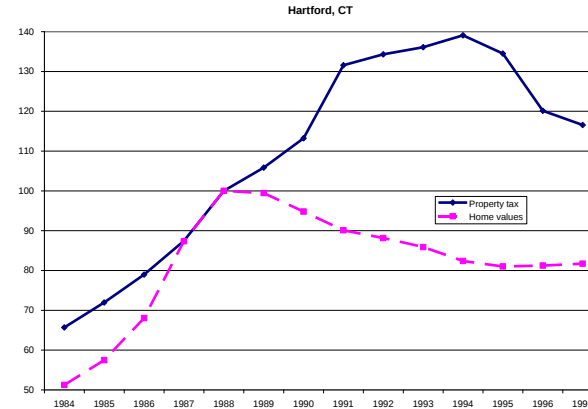
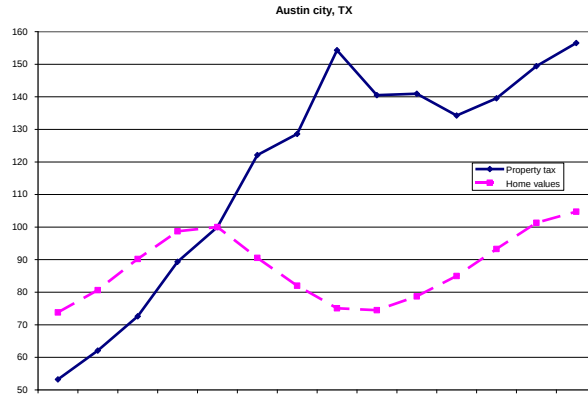
To understand fiscal vs. economic trends (QTAX sample, combined with housing price)

Local taxes: National stability in property tax masks
lagged local weakening, more likely to come

Property tax growth and housing prices				
<i>(Median property tax growth rates for localities reporting in each state)</i>				
	Property tax % growth rate for 4 quarters ending in:		2010q3 growth minus 2008q1* growth	Change in housing prices in prior year: 2007q1 to 2009q3
	2008q1*	2010q3		
National median (property tax) or mean (housing prices)	4.6	2.6	(2.0)	(9.1)
States with property tax declines in many localities				
California	7.4	(2.1)	(9.6)	(31.3)
Florida	3.7	(4.7)	(8.4)	(30.9)
Michigan	4.6	(2.0)	(6.6)	(16.1)
New Hampshire	4.2	(1.5)	(5.6)	(12.0)
Virginia*	4.6	(1.3)	(5.9)	(9.3)
Median for group	4.6	(2.0)	(6.6)	(16.1)
States with property tax stability in many localities				
Connecticut	2.8	2.7	(0.1)	(10.5)
Georgia	8.1	4.3	(3.8)	(5.3)
Illinois*	7.9	3.1	(4.8)	(9.9)
Maine	6.6	1.8	(4.8)	(5.8)
Massachusetts	4.2	3.2	(1.0)	(10.9)
New Jersey	5.2	3.1	(2.2)	(12.7)
New York	4.1	2.5	(1.6)	(7.7)
Pennsylvania	4.1	3.3	(0.8)	(2.6)
Rhode Island	5.7	3.4	(2.3)	(17.5)
Tennessee	3.1	1.9	(1.2)	0.7
Texas	(2.1)	2.4	4.6	5.3
Wisconsin	5.6	4.6	(1.0)	(4.0)
Median for group	4.7	3.1	(1.4)	(6.8)
Source: Rockefeller Institute analysis of quarterly property tax data for individual units of government from the Census Bureau, and housing price index data from the Federal Housing Finance Agency				
Note: See appendix for growth rate calculations and for "*"				

To understand fiscal response to housing busts (Annual LG finance survey plus old OFHEO data)

Exploring history: Property taxes and housing busts



Sources: Census Bureau (taxes – city or county), Office of Federal Housing Enterprise Oversight (Housing price index - MSA)

To understand state tax revenue volatility (Annual finance and tax surveys, adjusted)

State government tax volatility index			
Larger values indicate more-volatile taxes			
Median: 4.3			
Alaska	27.2	Texas	4.3
New Hampshire	17.6	Tennessee	4.3
Vermont	10.2	New Jersey	4.3
Montana	7.8	Arkansas	4.2
Wyoming	7.7	Virginia	4.2
North Dakota	7.2	Mississippi	4.1
Oregon	7.0	New York	3.8
Connecticut	6.4	Nebraska	3.7
California	6.3	Indiana	3.7
New Mexico	6.1	Maryland	3.7
Oklahoma	6.1	South Dakota	3.7
Michigan	5.8	Georgia	3.6
Maine	5.5	Utah	3.6
Massachusetts	5.3	North Carolina	3.5
Pennsylvania	5.2	Florida	3.5
Louisiana	5.1	South Carolina	3.4
Hawaii	5.0	Kentucky	3.4
Idaho	5.0	Missouri	3.3
Delaware	5.0	Wisconsin	3.3
Kansas	4.9	Illinois	3.1
West Virginia	4.7	Alabama	3.1
Nevada	4.7	Iowa	3.0
Colorado	4.4	Arizona	2.8
Rhode Island	4.4	Ohio	2.7
Minnesota	4.4	Washington	2.6
Measure: Standard deviation of year-to-year percentage changes in real per-capita state government tax revenue (trend removed), 1986 to 2005.			
Sources: Tax and population data from U.S. Bureau of the Census. Adjusted for inflation using gross domestic product chain-weighted price index from U.S. Bureau of Economic Analysis			

To understand fiscal responses: spending choices (Annual survey, other data)

Responses roll out over time – easiest actions often come first, followed by more painful choices

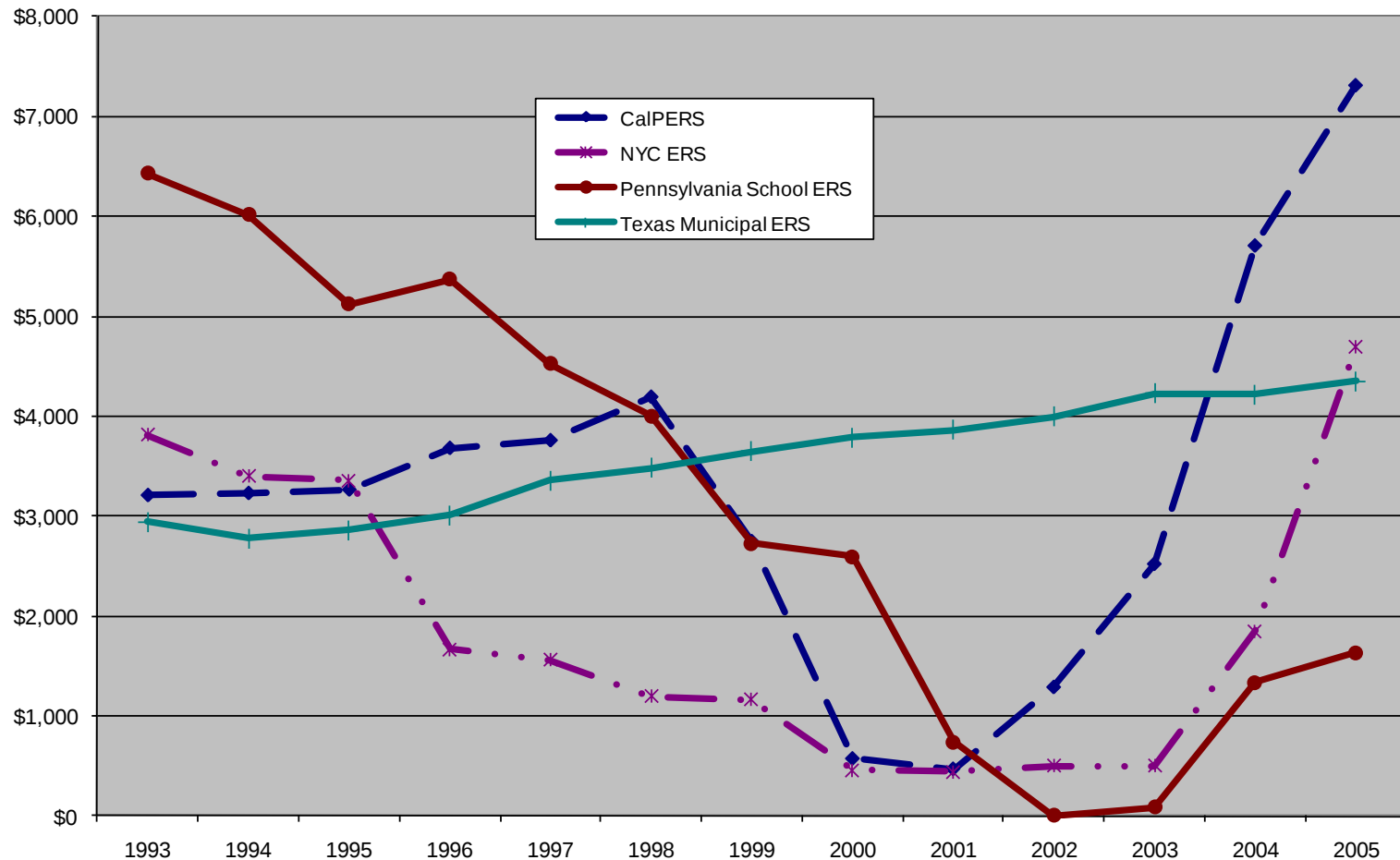
Timing of state government response to the 2001 fiscal crisis

Fiscal year	Indicators of the magnitude of the crisis		Responses as % of tax revenue (Positive numbers reduce the budget gap)			What happened to total spending?
	Real per-capita tax revenue growth	Revenue shortfall (income, sales, and corporate taxes)	Use of fund balance	Midyear budget cuts	Tax and revenue enactments	Growth in real per-capita spending financed from own sources
2001	0.1%	-0.1%	0.8%	0.3%	-1.0%	3.4%
2002	-7.0%	-9.5%	4.8%	2.6%	0.1%	2.0%
2003	-0.6%	-6.6%	0.3%	1.5%	1.5%	0.3%
2004	3.6%	1.6%	-1.9%	0.4%	1.6%	-2.2%
2005	5.3%	4.2%	-2.9%	0.1%	0.5%	2.7%

Sources: Rockefeller Institute analysis of (1) data on fund balances, midyear budget cuts, and tax and revenue enactments from NASBO/NGA Fall Survey of the States, and (2) Tax and expenditure data from the Census Bureau.

To understand fiscal responses: pension contribution behavior (Employee retirement systems survey)

Government contributions per active member in constant 2005 dollars
Selected large systems



Source: U.S. Bureau of the Census, Retirement Systems survey, Boyd 2007

As departure point for simulating future fiscal stress (Annual survey as input into detailed analysis, 2005)

Table 1 - State & Local Surplus (Gap) After 8 Years
As % of Revenue

New Hampshire	(0.5)	Alaska	(5.7)
Delaware	(1.0)	Rhode Island	(5.7)
New Jersey	(1.0)		
Maine	(1.6)	United States	(5.7)
Maryland	(2.1)		
Massachusetts	(2.3)	Montana	(5.8)
Wisconsin	(2.8)	Utah	(5.8)
Vermont	(2.9)	New Mexico	(5.9)
Ohio	(3.0)	California	(6.2)
North Dakota	(3.3)	Iowa	(6.3)
Connecticut	(3.8)	Indiana	(6.5)
Kansas	(3.9)	North Carolina	(6.7)
Arkansas	(4.2)	Florida	(6.8)
Virginia	(4.2)	Idaho	(6.9)
Nebraska	(4.3)	South Carolina	(7.0)
Oklahoma	(4.3)	South Dakota	(7.0)
Minnesota	(4.4)	Missouri	(7.4)
Colorado	(4.4)	Washington	(8.0)
West Virginia	(4.8)	Oregon	(8.2)
Kentucky	(4.8)	Texas	(8.9)
Michigan	(4.8)	Nevada	(9.3)
Arizona	(5.1)	Tennessee	(9.3)
New York	(5.2)	Mississippi	(9.8)
Georgia	(5.2)	Louisiana	(10.5)
Hawaii	(5.3)	Alabama	(10.7)
Illinois	(5.6)	Wyoming	(12.9)
Pennsylvania	(5.6)		

Source: Boyd, NCEMS memo, 2005

Ways we *don't* use the data

Dos and don'ts

- Good for:
 - Setting elements of SLG finance in context of the *big picture*
 - Understanding *long history*
 - *Comparing* states on broad fiscal structure and policy choices
- Not so good for:
 - Understanding *reasons* for patterns and trends
 - Understanding current trends (QTAX is an exception – has become quite current)
 - Understanding idiosyncrasies of finances in individual states

Implications

- Start with Census, then drill down into other sources:
 - Medical vendor payments, then CMS Form 64 and MSIS
 - K12 expenditures, then NCES data on staffing, salaries, etc
 - Census income tax, then SOI data on AGI components
- Start with Census, extend to more-recent periods using other sources:
 - Census QTAX, extend forward with Rock Inst flash estimates
 - Census annual survey, extend forward with NASBO/NGA estimates of spending by broad functional area

K-12 education: Use Census to “locate” in the budget

Use NCES to understand details

Growth in State Government Spending in the 1990s			
- Includes State Spending From Own-Source and Federal Funds -			
(% Change in Real Per Capita Expenditures)			
	Percentage Change		
	1990 to 1995	1995 to 2000	1990 to 2000
Total General Expenditure	20.5	9.6	32.1
Elementary & Secondary Education	13.2	18.5	34.2
Medical Vendor Payments	77.6	5.9	88.1
Higher Education	11.0	10.8	22.9
Transportation	9.6	9.3	19.8
Corrections	26.1	12.3	41.7
Cash Assistance	9.3	(39.8)	(34.2)
All Other	14.2	8.8	24.3
Source: Rockefeller Institute analysis of data from U.S. Census Bureau and U.S. Bureau of Economic Analysis			

Resources Devoted to Elementary and Secondary Education						
In the Second Half of the 20th Century						
School Year	Total Enrollment as % of Population Aged 5-17	Pupil-Teacher Ratio, Public Schools	Average Salaries for Instructional Staff, 1998-99 \$	Total Expenditure Per Enrolled Pupil In 2000-01 \$		State Government Share of Total School District Revenue
				Amount	Average Annual % Change	
1949-50	83.1%	n/a	\$ 20,913	\$ 1,708		39.8%
1959-60	82.2%	25.8	28,974	2,622	4.4%	39.1%
1969-70	87.0%	22.3	39,407	4,075	4.5%	39.9%
1979-80	86.7%	18.7	35,427	5,164	2.4%	46.8%
1989-90	90.2%	17.2	42,294	7,135	3.3%	47.1%
1998-99	91.4%	16.1	42,488	8,016	1.3%	48.7%
Source: <i>Digest of Education Statistics 2001</i> , National Center on Education Statistics, February 2002, Tables 36, 65, and 167						

Census finance data

- The gold standard for quality, where state fiscal matters are concerned
- The essential starting point for understanding the big picture, and for how elements fit into that picture
- The essential starting point for comparisons across states, trends over time



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