

Oregon Governmental Finances Compared With Other States

This circular compares revenue and expenditure of Oregon state and local government with the other western states and with the average for all 50 states and the District of Columbia. The comparisons are for fiscal 1982, the last year for which financial data for all state and local governments are available.

State and local government total general revenue has been broken down by major revenue sources; total direct general expenditure, by major expenditure purposes. All revenue and expenditure data are expressed in per capita amounts to make meaningful interstate comparisons easier.

The source of the financial information is *Government Finances in 1981-1982* from the U.S. Bureau of the Census. Census Bureau data collection procedures that affect the reliability of the interstate comparisons are discussed in the appendix.

Because of different distributions of functions and responsibilities between government levels (state and local) and among government types (city, county, township, school district, special district, etc.) in the various states, all interstate comparisons use combined revenue and expenditure amounts of state government and all local governments within that state.

While this limitation hinders any direct comparison of specific types of governments, it permits an analysis of the total costs of all governmental activities within a state. A discussion of other problems affecting the validity of interstate comparisons of public financial data is also included in the appendix.

Comparison of state and local government revenue

Table 1 shows per capita general revenue, by major sources, for state and local government in 10 western states and the U.S. average (including the District of Columbia). Table 2 shows the rank order of each of the western states on each of the revenue categories.

On a per capita basis, average fiscal 1982 general revenue for all state and local governments in the United States was \$2,014. The average for the 10 western states¹ was \$2,278, 13 percent higher than the national average. Oregon state and local government general revenue, amounting to \$2,190, was 9 percent higher than the national average but 4 percent below the regional average. Wyoming, Hawaii, California, Nevada, and Montana all had higher per capita general revenue than Oregon. Per capita revenue was lower in Colorado, Washington, Utah, and Idaho.

General revenue is the sum of intergovernmental and own-source general revenue. Because duplicative transactions between state and local governments are excluded when revenue data from these governmental levels

¹Alaska was excluded from the computation of per capita revenue and expenditure averages for the western states. Chiefly because of large tax collections from oil taxes, Alaska's revenue and expenditure were extremely high in fiscal 1982.

are combined, Federal payments constitute the sole source of inter-governmental revenue. Per capita Federal payments to Oregon governments amounted to \$451 in fiscal 1982. Average Federal payments to the western states and all states were \$439 and \$384, respectively.

Principally because of Oregon counties' receipt of large amounts of Federal land shared revenue, Federal payments to Oregon were higher than both the U.S. and the western states average. On the other hand, per capita own-source revenue, amounting to \$1,739, was 7 percent above the national average but 5 percent below the average for the 10 western states.

Total tax revenue made up 64 percent of Oregon state and local government own-source revenue in fiscal 1982. At \$1,118 per capita, Oregon tax revenue ranked eighth highest among the 10 western states. Only Utah and Idaho governments had lower overall tax collections on a per capita basis than Oregon. Oregon's per capita state and local tax collections were 5 percent below the national average and 14 percent below the western states average.

Tables 1 and 2 divide total state and local tax revenue into property taxes and all other taxes (income, sales, gasoline, licenses and fees, etc.). Oregon's property tax burden (\$479 per capita) was almost one-third higher than the average for the western states (\$365) and the national average (\$362).

It ranked third highest among the western states (behind Wyoming and Montana). Other tax revenue of Oregon governments, however, was

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Bureau of Governmental Research
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Table 1.—Per capita general revenue of state and local government, by major source: western states^a and U.S. average, FY 1982^b

State	General revenue	Federal payments	Own-Source revenue	Tax revenue			Charges & miscellaneous
				Total	Property	Other taxes	
California	\$2,331	\$454	\$1,877	\$1,372	\$352	\$1,021	\$ 505
Colorado	2,120	369	1,751	1,188	416	772	563
Hawaii	2,413	482	1,931	1,431	264	1,168	499
Idaho	1,605	344	1,261	859	236	623	402
Montana	2,252	444	1,808	1,227	582	645	581
Nevada	2,275	359	1,916	1,267	231	1,036	649
Oregon	2,190	451	1,739	1,118	479	639	621
Utah	2,036	443	1,594	1,011	277	735	582
Washington	2,086	380	1,706	1,172	346	825	535
Wyoming	4,618	806	3,812	2,546	889	1,658	1,266
Average: Western States	2,278	439	1,839	1,304	365	939	535
Average: United States	2,014	384	1,630	1,175	362	814	454
Ratio: Oregon to Western States	96.1%	102.7%	94.6%	85.7%	131.2%	68.1%	116.1%
Ratio: Oregon to United States	108.7%	117.4	106.7	95.1	132.3	78.5	136.8

^aExcludes Alaska.
^b1980 population was used to calculate per capita figures.
Source: Bureau of the Census, *Governmental Finances in 1981-82*, Series GF82, No. 5 (USGPO, Washington, DC, October 1983). See appendix for Oregon corrections.

Table 2.—Per capita general revenue of state and local government, by major source: rank order of western states, FY 1982

State	General revenue	Federal payments	Own-Source revenue	Tax revenue			Charges & miscellaneous
				Total	Property	Other taxes	
California	3	3	4	3	5	4	8
Colorado	7	8	6	6	4	6	6
Hawaii	2	2	2	2	8	2	9
Idaho	10	10	10	10	9	10	10
Montana	5	5	5	5	2	8	5
Nevada	4	9	3	4	10	3	2
Oregon	6	4	7	8	3	9	3
Utah	9	6	9	9	7	7	4
Washington	8	7	8	7	6	5	7
Wyoming	1	1	1	1	1	1	1

Sources: See table 1.

comparatively low. Only one other state in the western region, Idaho, ranked lower than Oregon on all other taxes per capita.

In other words, Oregon's relatively high property tax burden was balanced by relatively low payments for all other taxes, with the result that Oregon's 1982 total per capita tax burden was lower than the national and western states average.

The final item contributing to general revenue of Oregon state and local government consisted of charges and miscellaneous revenue. It amounted to \$621 per capita in fiscal 1982. This category comprised a variety of charges and fees (sewerage, education, hospitals and other health-related services,

recreation, parking, etc.), as well as special assessments, interest earnings, fines, and other revenue. On a per capita basis, Oregon ranked third among the western states on revenue from charges and miscellaneous revenue sources and 37 percent above the national average.

High revenue from charges and miscellaneous revenue sources is due to the interest earnings from Oregon's Veterans' Loan Program. This program, unique in the country, was responsible for about \$355 million² of the state's total general revenue interest earnings

²Source: Oregon Executive Department, *Annual Financial Report for the Year Ended June 30, 1982* (Salem, October 1982), p. 57.

(\$489.5 million) reported by the Census Bureau for fiscal 1982. Removing Oregon's Veterans' Loan Program interest earnings from the comparisons has a significant impact on Oregon's ranking in comparison with other states, as shown in table 3.

By deducting Veterans' Loan Program interest earnings from general revenue, per capita general revenue of Oregon state and local government is reduced from \$2,190 to \$2,055. The revised per capita general revenue figure is 2 percent higher than the national average and 10 percent lower than the average for the western states. Revised per capita own-source revenue (\$1,604) is 2 percent below the national average.

Table 3.—Oregon state and local government per capita revenue and rankings with and without veterans' loan program interest earnings

	Original		Revised ^a	
	Per capita	Rank	Per capita	Rank
General revenue	\$2,190	6	\$2,055	8
Federal payments	451	4	451	4
Own-source revenue	1,739	7	1,604	8
Tax revenue	1,118	8	1,118	8
Charges & misc.	621	3	486	9

^aExcludes \$355 million in interest earnings from the Veterans' Loan Program.

Comparison of state and local government expenditure

Per capita direct general expenditure of state and local governments in the western states for fiscal 1982 is shown in table 4. Table 5 provides state rankings for the western states on each of the expenditure categories.

Oregon state and local government spent \$2,209 per capita in fiscal 1982.

Table 4.—Per capita general expenditure of state and local government, by major purpose: western states^a and U.S. average, FY 1982^b

State	Direct general expenditure	Elementary/secondary schools	Higher & other education	Libraries/social services	Transportation	Public safety	Environment and housing	Government administration	Interest on debt	Other general expenditure
California	\$2,243	\$485	\$272	\$590	\$115	\$197	\$197	\$126	\$ 56	\$206
Colorado	1,985	556	265	380	189	141	147	127	77	102
Hawaii	2,336	398	270	474	221	135	232	200	152	254
Idaho	1,546	394	220	273	180	91	143	87	52	107
Montana	1,955	583	204	313	266	106	148	137	74	124
Nevada	2,251	489	202	393	289	265	189	188	86	150
Oregon	2,209	584	250	326	203	157	163	142	202	182
Utah	1,823	542	324	269	185	125	106	107	67	98
Washington	2,063	541	262	368	223	163	147	94	73	191
Wyoming	3,373	924	374	430	523	184	264	235	230	210
Average: Western States	2,180	508	268	494	157	179	182	127	75	189
Average: United States	1,914	468	214	435	165	141	145	98	88	160
Ratio: Oregon to Western States	101.3%	115.0%	93.3%	66.0%	129.3%	87.7%	89.6%	111.8%	269.3%	96.3%
Ratio: Oregon to United States	115.4	124.8	116.8	74.9	123.0	111.3	112.4	144.9	229.5	113.8

^aExcludes Alaska.
^b1980 population was used to calculate per capita figures.
Source: Bureau of the Census, *Governmental Finances in 1981-82*, Series GF82, No. 5 (USGPO, Washington DC, October 1983). See appendix for Oregon corrections.

Table 5.—Per capita general expenditure of state and local government, by major purpose: rank order of western states, FY 1982

State	Direct general expenditure	Elementary/secondary schools	Higher & other education	Libraries/social services	Transportation	Public safety	Environment and housing	Government administration	Interest on debt	Other general expenditure
California	4	8	3	1	10	2	3	7	9	3
Colorado	7	4	5	5	7	6	7	6	5	9
Hawaii	2	9	4	2	5	7	2	2	3	1
Idaho	10	10	8	9	9	10	9	10	10	8
Montana	8	3	9	8	3	9	6	5	6	7
Nevada	3	7	10	4	2	1	4	3	4	6
Oregon	5	2	7	7	6	5	5	4	2	5
Utah	9	5	2	10	8	8	10	8	8	10
Washington	6	6	6	6	4	4	8	9	7	4
Wyoming	1	1	1	3	1	3	1	1	1	2

Source: See table 4.

This amount was very close to the average for the western states (\$2,180) and 15 percent higher than the national average (\$1,914). With the exception of Utah and Idaho, all western states were above the national average for state and local government direct general expenditure. Oregon ranked fifth among the 10 western states in governmental expenditure per capita.

Almost 38 percent of Oregon's expenditure was for educational purposes, compared with 36 percent for state and local governments in the western states and in the country as a whole. Oregon expenditure for elementary and secondary schools was 15 percent higher than the western region average and 25 percent higher than the national average. Expenditure for higher education (universities and community colleges) and other educational purposes was 17 percent above the national average but 7 percent below the western region average.

With the exception of libraries and social services, Oregon per capita state and local expenditure was higher than the national average for all the other expenditure categories. Within the western region, considerable variation existed among state rankings on the individual expenditure categories.

For example, California ranked first on libraries and social services and tenth on transportation. Nevada ranked first on public safety and tenth on higher education.

Oregon was below the regional average for libraries and social services, public safety, environment and housing, and all other general expenditure. It ranked above average on transportation, government administration, and debt interest payments.

Again, Oregon's total state and local government expenditure is exaggerated by the inclusion of Veterans' Loan Program interest payments, for which the Census Bureau reported a 1982 amount of \$352 million.³ If this amount is subtracted from all state and local government debt interest payments, then the revised per capita figure is \$68 rather than \$202. The revised amount is 9 percent below the

western region average and 23 percent below the national average. Similarly, excluding Veterans' Loan Program interest payments reduces Oregon's total direct general expenditure from \$2,209 per capita to \$2,075 per capita. The revised figure is 5 percent below the regional average and 8 percent above the national average.

Appendix

A note on the interpretation of interstate financial data comparisons

Numerous difficulties are encountered in attempting a comparative analysis of public finance data. The problems include data collection procedures, functional compatibility, special one-year-only conditions, and data standardization and interpretation.

Specific instances of these general problems that impact on the reliability, validity, and interpretation of the finance data used in the interstate comparisons in this circular are discussed below.

Data collection procedures

The U.S. Bureau of the Census has collected and published statistics on governments in the United States since 1840. Census reports on government activities include (1) censuses of governments (taken every 5 years since 1942), (2) annual and other periodic surveys, and (3) special studies.

The Census Bureau publication, *Governmental Finances in 1981-82*, used as the finance data source for this circular, is the most recent report in the annual survey of governmental finance series.

In this report, the Census Bureau provides information of Federal, state, and local government revenue, by source of revenue; expenditure, by purpose; indebtedness; and cash and security holdings for fiscal 1982. Federal, state, and local school district finance data represent comprehensive coverage of these types of governmental units.

However, data for other local governments were estimated from a random sample.⁴ The sample included all county governments with 50,000 or more residents and all municipalities with 25,000 or more residents.

Disparities between the Oregon estimates published in *Governmental Finances in 1981-82* and the 100 percent financial data provided by the Bureau of Governmental Research and Service to the Census Bureau resulted in a Census Bureau examination of their published figures.

The Census Bureau found that, because of sampling and other data processing errors, total general revenue of Oregon cities had been overstated by about \$7 million; general direct expenditure, by about \$55 million.⁵ The Oregon figures in tables 1 through 5 reflect the corrected city revenue and expenditure information.

To what extent sampling problems affect the data accuracy and financial rankings of the other western states is not known. In a number of cases, per capita revenue and expenditure figures for several states are only a few dollars apart. Therefore, minor adjustments or corrections to a state's financial data could have a major effect on a state's rankings.

Classification decisions also influence the reliability of the financial information. The Census Bureau requires all governmental units to report their revenue and expenditure using common categories that may not reflect the jurisdiction's own organizational structure or accounting practices. In particular, the classification of expenditure, by purpose, may involve fairly arbitrary decisions. These decisions, possibly magnified when combined into statewide totals, affect the ability to make meaningful interstate comparisons.

⁴Since fiscal 1981, the University of Oregon's Bureau of Governmental Research and Service and the Census Bureau have jointly conducted the annual finance survey of Oregon cities and counties. The survey covers every city and county government. It provides the information for the Census Bureau's government finance publications and is used to calculate city and county entitlements under the Federal General Revenue Sharing program.

⁵Based on preliminary computations including all cities for the 1982 Census of Governments.

³Bureau of the Census, *State Government Finances in 1982* (USGPO, Washington D.C., October 1983), p. 49.

Functional compatibility

Combining revenue and expenditure of state government and all local governments within a state eliminates fiscal differences among states resulting from different distributions of functions between levels and among types of governments. However, in some states, governmental programs exist that are unique (that is, that either are not performed at all or are provided by private enterprise in other states).

Examples among local governments include hospitals and nursing homes, refuse collection, airports, and others. If revenue and expenditure of programs existing within only one or a few states are included in total statewide revenue and expenditure for the purpose of ranking states, then those with unique programs emerge as relatively high-revenue and high-expenditure states, everything else being equal.

As noted above, an example of a unique state program is Oregon's Veterans' Loan Program. Elimination of this program's interest earnings and payments from Oregon state and local government revenue and expenditure alters Oregon's financial position when compared with other western states and the country as a whole. No examination has been made concerning special programs in other states that might influence their overall rankings.

Comparison at one point in time

Cross-sectional comparisons may be distorted not only by program differences in the units being compared, but also by special or atypical conditions occurring during the time period being compared. These special conditions either should be explicitly recognized, or a time longer than a single fiscal year should be used to mitigate their impact, or historical trends should be included in the comparisons.

For example, the impact of the recent national economic recession on states' economies was not uniform throughout the country. Between 1981 and 1982, total personal income growth in the western states ranged from less than 3 percent in Idaho and Oregon to over 10 percent in Colorado and Alaska. (National personal income growth amounted to 5.5 percent.)⁶

Depressed economic conditions can cause a reduction in government resources and a concomitant increase in the need for public services.

A second way in which comparisons for a single year can be distorted is by the inclusion of a one-time-only major revenue or expenditure item by one or more governmental units. In fiscal 1982, Oregon cities spent \$99.5 million on streets and highways, an expenditure \$23 million higher than in fiscal 1981 or in fiscal 1983. If spending on streets in fiscal 1982 was unusually high because of an untypical situation, then total expenditure of Oregon governments was "inflated" by \$23 million. Unusual situations could have caused abnormal revenue or expenditure patterns in other states as well.

Data standardization and interpretation

For purposes of this circular, state and local government revenue and expenditure were standardized by dividing a state's financial figures by its population. Transforming revenue and expenditure total dollar amounts to a per capita basis makes interstate comparisons easier. However, this procedure does not directly come to terms with two chief concerns about governmental costs—the distribution of governmental financing burdens among various contributors (for example, business versus individuals) and disparities among states with respect to the ability to pay for governmental services.

It is difficult to assess the contribution to state and local revenue from various categories of contributors (residents, businesses, corporations, students, tourists, public utilities, and others). Table 6 presents one analysis of the proportion of 1980 state and local taxes initially paid by business in 10 western states. Oregon, with 31.6 percent of its total state and local taxes paid directly by business, ranked fourth highest among the western states and was very close to the national average in 1980.

⁶Source: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, August 1983, p. 50.

Table 6.—An analysis of the proportion of 1980 state and local taxes paid by business in 10 western states

State	Taxes on business ^a as percent of total 1980 taxes	State rank
California	30.3%	7
Colorado	30.5	6
Hawaii	25.7	10
Idaho	27.2	9
Montana	42.1	2
Nevada	30.8	5
Oregon	31.6	4
Utah	28.0	8
Washington	35.3	3
Wyoming	54.0	1
U.S. Average	31.4	

^aIncludes corporate net income tax; local property tax on business property; sales tax on business purchases; taxes on insurance companies, public utilities, and banks; severance taxes; and occupation and business license fees.

Source: Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism, 1982-83 Edition* (Washington, D.C., January 1984), p. 55.

The amount of state resources that can support state and local government activities and that determine the degree of effort states and local communities must make to finance government functions is described by the Representative Tax System developed by the Advisory Commission on Intergovernmental Relations (ACIR).

The Representative Tax System measures the relative tax capacity of each of the 50 state-local taxing systems. Tax capacity is the amount of revenue that each state would raise if it applied a nationally uniform set of tax rates using 26 tax bases commonly subject to state and local taxation.

Tax capacity indices are measures used to compare the relative taxing abilities of state and local government among the 50 states.⁷

To control for the effect of the relative magnitude of the various states' tax bases on tax yield, table 7 shows ACIR's 1981 tax capacity index for each of the western states and the

⁷Source: ACIR, *1981 Tax Capacity of the Fifty States* (Washington, D.C., September 1983), p. 6.

Table 7.—Tax capacity index for each western state compared to the per capita tax revenue each would have collected under uniform tax bases

State	FY 1982 tax revenue per capita	Rank	1981 Tax capacity index ^a	Tax revenue divided by tax capacity index	Rank
California	\$1,372	3	115	\$1,193	2
Colorado	1,188	6	113	1,051	8
Hawaii	1,431	2	105	1,363	1
Idaho	859	10	87	987	9
Montana	1,227	5	114	1,076	7
Nevada	1,267	4	148	856	10
Oregon	1,118	8	99	1,129	6
Utah	1,011	9	86	1,176	5
Washington	1,172	7	99	1,184	3
Wyoming	2,546	1	216	1,179	4
U.S. Average	1,175		100	1,175	

^aSource: ACIR, *1981 Tax Capacity of the Fifty states*, p. 3.

amount of per capita tax revenue each state would have collected had its tax effort been made against uniform tax bases.

Table 7 clearly shows that states possessing above-average tax resources are much more likely to have above-average tax collections compared with

states with fewer resources. When resources are taken into account, Oregon's per capita tax revenue ranks sixth highest among the western states rather than eighth highest. Nevertheless, it still remains below the national average.

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