

MONTHLY TAX FEATURES

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U.S. Debt Ceiling Hits \$1.3 Trillion in Wake of High Spending, Deficits

Once again, on the eve of the 1983 fiscal year, Congress approved an increase in the Federal debt ceiling to enable the government to continue its operations. The latest action raised the ceiling to \$1.290 trillion, almost 13 percent above the existing \$1.143 trillion level, effective October 1, 1982, the start of the fiscal year.

The increase was necessary in view of substantive legislation previously approved by Congress leading to higher levels of spending and debt, and in the light of expectations concerning revenues. The new limit, approved by the House earlier in the year, had been delayed in the Senate from August 15 to September 23 by debates on unrelated social issues. The action will enable the Treasury to continue borrowing to finance deficits now estimated at about \$109 billion in fiscal 1982 and between \$140 and \$160 billion in fiscal 1983.

Although the Federal fiscal year 1982 ended on September 30, the final Treasury figures on outlays, receipts, and the exact size of the deficit will not become known for several weeks after that. The latest budget revisions of the Office of Management and Budget place the estimated deficit for 1982 at \$108.9 billion.

Even in the unlikely event that the final number is somewhat less, the 1982 deficit will be the largest in history, exceeding the previous record

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House Budget Chairman James R. Jones Named For 1982 Distinguished Public Service Award

Congressman James R. Jones, Representative of the 1st District of Oklahoma and Chairman of the House Budget Committee, will deliver a major address at the Tax Foundation's 45th Annual Dinner on Wednesday, December 1, when he receives the Foundation's Distinguished Public Service Award for 1982. The dinner will be held at the Plaza Hotel in New York City, and will be preceded by a formal reception at 6:00 p.m.

Jones is now in his fifth term in the House of Representatives. In addition to heading the Budget Committee, he is a ranking member of the House Ways and Means Committee, Chairman of the House Democratic Research Organization, and a member of the House Democratic Steering and Policy Committee.

The dinner in honor of Chairman Jones follows the Foundation's day-long 34th National Conference on "The Federal Fiscal Dilemma—Is There a Solution?" at which economists and public finance experts will explore the major tax and fiscal issues confronting the nation. The conference will also be held at The Plaza. Keynote speaker at the luncheon will be The Honorable Wilbur D. Mills, former Chairman of the House Ways and Means Committee and twice recipient of the Tax Foundation's Distinguished Public Service Award.

For further information about the 34th National Conference and 45th Annual Dinner, or to obtain a reservation form, contact the Tax Foundation, 1875 Connecticut Avenue, N.W., Washington, D.C. 20009, or telephone 202/328-4500.

Federal Budget Deficits, Debt Outstanding, and Related Measures
Selected Fiscal Years 1975-1982
(Billions)

Year	Receipts	Outlays	Surplus/deficit (-)	Interest on debt	Debt outstanding ^a
1975	\$279.1	\$324.2	\$ -45.2	\$ 32.7	\$ 544.1
1976	298.1	364.5	-66.4	37.1	631.9
T.Q. ^b	81.2	94.2	-13.0	8.1	646.4
1977	355.6	400.5	-44.9	41.9	709.1
1978	400.0	448.4	-48.8	48.7	780.4
1979	463.3	491.0	-27.7	59.8	833.8
1980	517.1	576.7	-59.6	74.9	914.3
1981	599.3	657.2	-57.9	95.6	1,003.9
1982 ^c	622.1	731.0	-108.9	118.2	1,137.1

^aEnd of fiscal year.

^bTransition quarter.

^cEstimates from Mid-Session Review of the 1983 Budget.

Source: Treasury Department; Office of Management and Budget.

The Front Burner

By Robert C. Brown

Executive Vice President

Tax Foundation, Incorporated

"Do not let your left hand know what your right hand is doing."

At the risk of becoming excessively biblical, the text cited above came to mind as soon as we began to take a hard look at the way tax and fiscal policy have been conducted for the last two years.

The Economic Recovery Tax Act of 1981 (ERTA) was a strong start down the right road—accelerated cost recovery, reduction of the corporate tax rate, revised leasing provisions to help unprofitable companies, lowering of the tax on capital gains, incentives for research and development, and the three-year personal tax cut.

Then came TEFRA—the Tax Equity and Fiscal Responsibility Act of 1982. It might better have been called the Tax Exacerbation and Fiscal Revocation Act. Recent memory fails to uncover a major piece of legislation so inaccurately named. There is little equity and less fiscal responsibility in TEFRA or in the way the bill was written.

TEFRA is pure election-year politics. It takes a little bit from many groups to forestall concerted opposition. Its origins in the Senate Finance Committee—of at least dubious constitutionality—gave House members the chance to keep their fingerprints off an election-year tax hike. It also gave those up for election a way to argue that they were not trying to balance the budget on the backs of the poor and working man.

TEFRA repealed nearly half of the business relief included in the 1981 tax bill, leaving a number of companies worse off than they would have been had there been no tax bills in 1981 and 1982.

But as bad as TEFRA is, the big hypocrisy lies in the gap between Congress's promise and performance with regard to spending cuts.

The House and Senate promised in the First Concurrent Budget Resolution to enact tax increases of \$20.9 billion in fiscal '83, \$36.0 billion in

State and Local Work Rolls Show 1.6% Decline; First Decrease in Such Employment in 35 Years

After 35 years of continuous growth, state and local government employment may be entering a declining phase, according to Tax Foundation economists. Data for the month of October, compiled annually by the Census Bureau, revealed that in 1981, latest year reported, the number of workers on state and local payrolls dropped by 212 thousand, or 1.6 percent, from the previous year.

In October 1981 there were 13.1 million full and part-time employees on state-local government payrolls, as compared to the all-time high level of 13.3 million in October 1980. On a full-time equivalent basis, the number of employees fell from 11 million in 1980 to 10.9 million in 1981, or 1.2 percent.

Although the rate of growth in state-local employment has been easing downward for several years, the 1980-1981 decline is largely attributable to Congressional action last year in ending the public service employment portions of the Comprehensive Employment and Training Act on October 1, 1981. Other factors tending to restrain employment growth are declining enrollments in public schools, and recession-induced budgetary pressures requiring some cut-backs in the workforce of many states and localities.

fiscal '84, and \$41.4 billion in fiscal '85. TEFRA did that.

The resolution promised spending cuts of at least \$200 billion over the next three years. Congress delivered \$7.0 billion in fiscal '83, \$10.6 billion in fiscal '84, and \$13.1 billion in fiscal '85—a grand total of \$30.7 billion in real cuts. That's a shortfall of about \$170 billion. Even for the U.S. Congress, that's a huge gap between promise and performance.

That shortfall sends a clear message: When it comes to the presumed link between taxing and spending, in the U.S. government, the left hand obviously does not know what the right hand is doing.

Local governments employ more than twice as many persons as state governments. In 1981 there were 7.8 million employees on local government payrolls and 3.1 million on state payrolls. Almost one-half of all state and local employment is in the field of education.

For the decade 1971-1981, the number of full-time equivalent employees on state and local government payrolls jumped by more than 2.1 million—from 8.8 million in 1971 to 10.9 million in 1981 (24 percent for the period, and about 2.2 percent per year). During the 1950s and 1960s, however, as the rate of growth exceeded 4 percent per year, state-local employment grew much faster than population in general. For the 26-year span from 1951 to 1977, full-time equivalent employment increased about twice as rapidly as total population.

Full-time equivalent employees per 10,000 population rose from 248 in October 1951 to 495 in October 1977. For the past two years, however, the ratio of state-local employees to the public they serve declined from a peak of 497 employees per 10,000 population in 1979, to 488 and 476 in 1980 and 1981, respectively.

Despite the reduction in employment from 1980 to 1981, payrolls rose by 8.3 percent—from \$14.7 billion to nearly \$16 billion. (Thirty years ago, the October payrolls of state and local governments were only slightly more than \$1 billion.) Last October, two states had payrolls topping \$1 billion: California with \$2.1 billion and New York with \$1.6 billion. Following them were: Texas, Illinois, Michigan, Pennsylvania, and Ohio, with October 1981 payrolls of \$938 million.
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To Our Readers

Tax Review will not be published in October 1982. Publication will resume with the November/December issue.

Special Purpose Units Multiply as Local Jurisdictions Splinter

General-purpose local jurisdictions in the United States may be yielding to more splintered forms of government, as units designed to provide a single service or a limited range of services proliferate, say Tax Foundation researchers.

A new survey by the Bureau of the Census counts a total of 82,637 such units in operation at the beginning of 1982. That represents an average of one local government unit for every 2,788 persons in the country—or 1,654 local units per state.

Included in the total count are 38,872 general-purpose jurisdictions (counties, municipalities, and towns and townships), 28,733 special districts, and 15,032 school districts.

Over the last 20 years, the number of general-purpose local governments has remained fairly stable. (There are 687 more such units today than in 1962.) However, special districts have increased dramatically during this period, reversing a long-term decline in the number of local government units.

Over 90 percent of these special districts exist to perform single functions or to oversee specific areas of responsibility. They include various commissions, authorities, boards, and other entities with sufficient autonomy to merit distinction from the administrative structure of any other government units.

Since 1972, the total number of local government units in the United States has risen by 5.6 percent, and general-purpose governments have increased by only .8 percent. At the same time, school districts have decreased in number by 4.7 percent. Special districts have risen, in contrast, by 20.3 percent.

The finances of special districts, not surprisingly, have also grown more rapidly than those of other local units. In 1980 (latest year reported) expenditures for special districts totaled \$24.9 billion, an increase of 192 percent since 1972, as compared to a rise of 114 percent in spending for all other

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Number of Governmental Units in the United States
Total by Level of Government by State, 1982
Selected Years 1942-1982^a

Year and state	All government units ^b	Counties ^c	Municipalities	Townships and towns	School districts ^d	Special districts
A. Total units						
1942	155,116	3,050	16,220	18,919	108,579	8,299
1952	116,807	3,052	16,807	17,202	67,355	12,340
1957	102,392	3,050	17,215	17,198	50,454	14,424
1962	91,237	3,043	18,000	17,142	34,678	18,323 ^e
1967	81,299	3,049	18,048	17,105	21,782	21,264
1972	78,269	3,044	18,517	16,991	15,781	23,885
1977	79,913	3,042	18,862	16,822	15,174	25,962
1982	82,688	3,041	19,083	16,748	15,032	28,733
B. Detail by state						
TOTAL	82,688	3,041	19,083	16,748	15,032	28,733
Alabama	1,019	67	434	—	127	390
Alaska	157	8	142	—	—	6
Arizona	459	14	76	—	231	137
Arkansas	1,430	75	472	—	376	506
California	4,112	57	428	—	1,115	2,511
Colorado	1,568	62	267	—	207	1,031
Connecticut	481	—	33	149	16	282
Delaware	219	3	56	—	19	140
District of Columbia	2	—	1	—	—	1
Florida	972	66	391	—	95	419
Georgia	1,271	158	534	—	188	390
Hawaii	19	3	1	—	—	14
Idaho	1,018	44	198	—	117	658
Illinois	6,464	102	1,280	1,434	1,050	2,597
Indiana	2,873	91	565	1,008	306	902
Iowa	1,874	99	955	—	457	362
Kansas	3,819	105	627	1,380	326	1,380
Kentucky	1,253	119	426	—	180	527
Louisiana	469	62	301	—	66	39
Maine	808	16	22	475	98	196
Maryland	443	23	152	—	—	267
Massachusetts	799	12	39	312	81	354
Michigan	2,646	83	532	1,245	601	184
Minnesota	3,530	87	855	1,795	436	356
Mississippi	860	82	292	—	169	316
Missouri	3,128	114	929	324	559	1,201
Montana	1,045	54	126	—	412	452
Nebraska	3,336	93	535	469	1,080	1,158
Nevada	186	16	17	—	17	135
New Hampshire	507	10	13	221	149	113
New Jersey	1,597	21	323	244	553	455
New Mexico	320	33	96	—	89	101
New York	3,301	57	615	932	773	923
North Carolina	910	100	484	—	—	325
North Dakota	2,798	53	365	1,360	325	694
Ohio	3,353	88	941	1,318	627	378
Oklahoma	2,262	77	582	—	653	949
Oregon	1,460	36	241	—	354	828
Pennsylvania	5,317	66	1,019	1,549	618	2,064
Rhode Island	125	—	8	31	3	82
South Carolina	652	46	265	—	92	248
South Dakota	1,768	64	312	996	195	200
Tennessee	914	94	335	—	13	471
Texas	4,192	254	1,121	—	1,125	1,691
Utah	506	29	224	—	40	212
Vermont	668	14	57	237	274	85
Virginia	408	95	229	—	—	83
Washington	1,735	39	265	—	300	1,130
West Virginia	637	55	231	—	55	295
Wisconsin	2,596	72	580	1,269	409	265
Wyoming	401	23	91	—	56	230

^aData for 1982 are preliminary.

^bIncludes the Federal government, the District of Columbia, and the state governments. Alaska and Hawaii are included beginning 1952. Among the local units, 67,780 had property-taxing power in 1977.

^cIncludes areas corresponding to counties but having no organized county government.

^dIncludes local school systems operated as part of state, county, municipal, or township governments.

^eBeginning 1962, data are not strictly comparable to prior years because of a change in classification.

Source: Department of Commerce, Bureau of the Census.

U.S. Debt

(Continued from page 1)

of \$66 billion experienced in fiscal year 1976. In both years much of the deficit could be attributed partly to severe contractions in economic activity—the deepest in the post-World War II period. In addition, the latest deficit also reflects Congressional action in 1981 in approving significant tax reductions.

Examining budget trends since the mid-seventies, TF researchers note that, from 1975 to 1982, budget outlays and receipts both have grown by amounts averaging 12 percent each year. Outstanding debt has increased at the slightly slower rate of 11 percent annually.

Annual interest payments on the debt, however, have risen at annual rates of close to 20 percent, in response to larger and larger Treasury borrowings at high rates of interest. Interest on the public debt in fiscal 1982 is estimated at \$118.2 billion, an increase of 24 percent over fiscal year 1981.

Even on a net basis, budget outlays for interest in 1982 totaled about \$83 billion (after deducting interest paid to agencies by the Treasury on some trust fund assets). At this level, interest is the third largest category of Federal spending. Income security (social security and related programs) claims 35 percent of the Federal budget dollar; national defense, 30 percent; and interest, 11 percent.

The table on page 1 gives details.

About Tax Features

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State-Local Jobs

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lion, \$800 million, \$724 million, \$681 million, and \$646 million, respectively. Five states—Vermont, South Dakota, Delaware, Wyoming, and North Dakota—each paid out \$50 million or less to their employees.

The combination of increased payrolls and declining employment works out to a 9.6 percent increase in payroll per full-time equivalent employee—from \$1,333 in October 1980 to \$1,461 in October 1981. There was, however, a large variation in increases in payrolls per full-time equivalent employee among the states.

Public employees in North Dakota averaged a 16.7 percent increase while those in Connecticut averaged only 0.4 percent. Other states in which increases in payrolls per employee were above the national average were: Louisiana (15.6 percent), New York (13.2 percent), Wyoming (13.1 percent), New Hampshire (12.5 percent), and Rhode Island (12.3 percent). Increases in payrolls per full-time equivalent employee were substantially below the national average (below 6 percent) in Utah, Minnesota, Massachusetts, Maine, Missouri, and Wisconsin.

The table below provides further details.

State and Local Government Employment* and Payrolls
Month of October, Selected Years 1951-1981

Year	Employment* (thousands)	Payroll (millions)	Employment* per 10,000 population	Payroll per employee*
1951	3,815	\$ 1,008	248	\$ 264
1956	4,687	1,566	280	334
1961	5,845	2,420	319	414
1966	7,263	3,798	378	523
1971	8,806	6,382	427	725
1976	10,206	10,359	475	1,015
1977	10,591	11,420	495	1,078
1978	10,724	12,139	492	1,132
1979	10,944	13,349	497	1,220
1980	11,047	14,730	488	1,334
1981	10,917	15,954	476	1,461

*Full-time equivalent basis.

Source: Bureau of the Census and Tax Foundation computations.

Special Units

(Continued from page 3)

local units combined. Special district spending in 1980 accounted for nearly 10 percent of local expenditures. Outstanding debt of the special districts came to \$59.4 billion at the end of fiscal year 1980, accounting for almost 28 percent of all local debt, as compared to 21 percent of the total in 1972.

Direct spending by local governments came to \$259.0 billion in fiscal 1980. Of this, municipalities accounted for \$91.7 billion (35.4 percent), school districts for \$80.8 billion (31.2 percent), counties for \$53.1 billion (20.5 percent), special districts for \$24.9 billion (9.6 percent), and towns and townships for \$8.4 billion (3.3 percent).

Despite the increase in special dis-

tricts, between 1942 and 1982, the total number of government units operating in the United States fell by almost one-half. This long-term decline was due primarily to consolidation of school districts, which were reduced from nearly 110,000 in 1942 to just over 15,000 in 1982. There have also been reductions in the numbers of counties and towns. Partly offsetting were increases of over 2,800 in municipalities and over 20,000 in special districts.

In total, 82,688 units of government operate in the United States, of which all but 51 are local. Over four-fifths of the local units have the power to levy property taxes.

The table on page 3 provides historical data on the number of government units by type for selected Census years since 1942, and state-by-state details for 1982.