

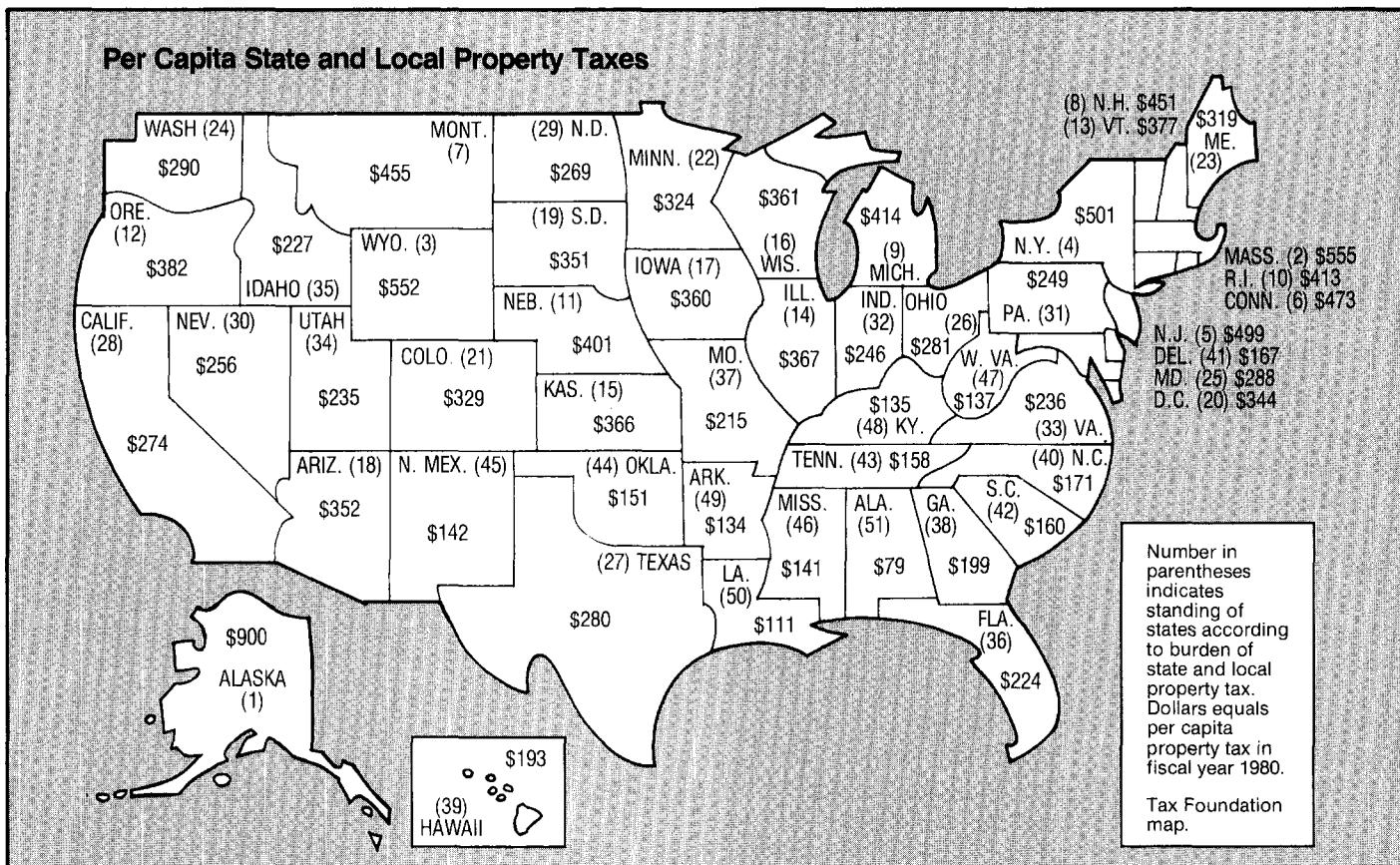
MONTHLY TAX FEATURES



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Per Capita State-Local Property Taxes Pass \$300 Mark As 1980 Property Levies Resume Their Upward Climb

Property taxes resumed their upward climb in fiscal year 1980, increasing from 1979 by \$3.6 billion, or 5.5 percent, to a total of \$68.5 billion for the year, and once again topping the \$300 per capita mark.

The 1980 increase followed a 2.2 percent, or \$1.5 billion, decline in fiscal 1979, which was due primarily to the impact of California's Proposition

13. That marked the first annual reduction in U.S. property tax collections since World War II. The latest year's rise, however, was somewhat below what was experienced during the 1970s. From 1970 to 1978, property tax rose at an average annual rate of 8.7 percent.

Property taxes approximately doubled during the decade, rising by 101

percent in total and by 80 percent on a per capita basis from 1970 to 1980. Over the same period, property taxes declined in relation to personal income by 22 percent.

In fiscal year 1980, property taxes accounted for 30.7 percent of total state-local tax collections—down from 39.2 percent ten years before.

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The Front Burner

By Robert C. Brown

Executive Vice President
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"Consistency"

When he wrote that "A foolish consistency is the hobgoblin of little minds," Ralph Waldo Emerson was not involved in long-range economic planning. Perhaps nothing else has been so harmful to the health of the American economy in recent years as the lack of consistency among those formulating public fiscal and monetary policy.

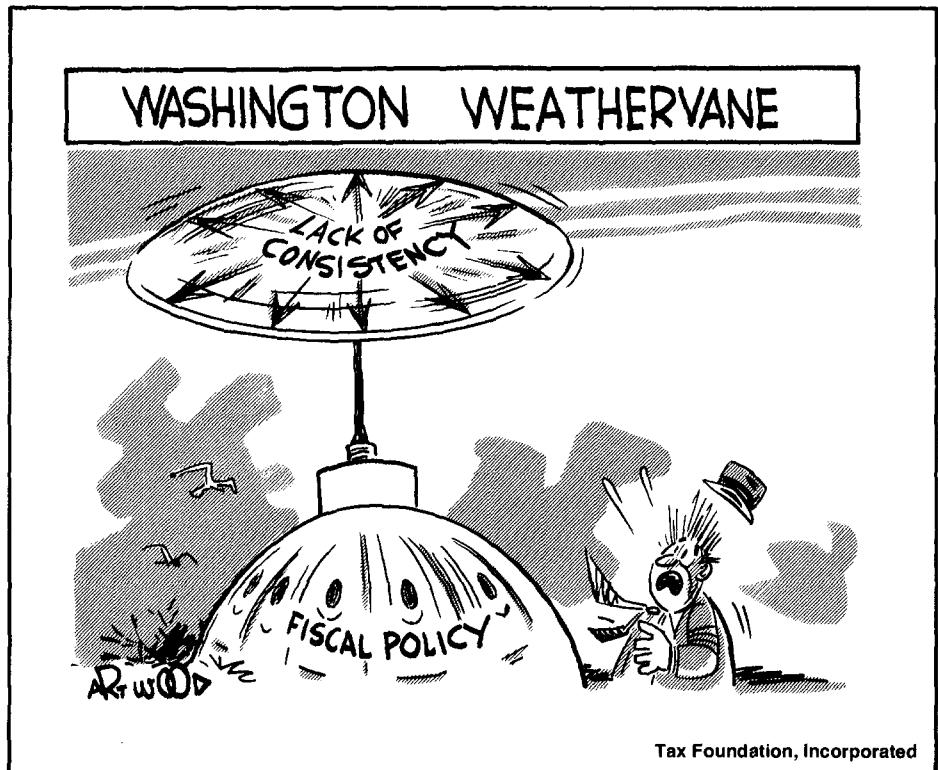
Mixed signals, conflicting voices, and changes of direction have been the message from Washington. Record interest rates, a built-in "inflation factor" in pricing and wage negotiations, and a bond market reduced to a shambles have been the market's response.

With the passage of the 1981 Economic Recovery Tax Act, it seemed that consistency might be an idea whose time had come. More recent developments, however, make one wonder.

First came the quick backpedalling by so many who had voted for the program, once it became apparent that recovery would indeed be as painful as had been predicted by the President, the Chairman of the Fed, and the Congressional leadership. A surprising number of Congressional rank and file turned into summer soldiers once the chill wind of constituent discontent began to be felt.

Then came partisan denunciations of the recovery program as a failure well before the October 1st startup date for the budget cuts and the first and smallest portion of the tax relief. The program was denounced for failing to deliver something it had, in fact, never promised—a quick, painless fix.

Finally, voices of dissension and contradiction emerged within the very leadership at both ends of Pennsylvania Avenue. Spokesmen who should have known better raised doubts about what had really been achieved, about the importance of a



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School Outlays Top \$90 Billion Despite Decline in Enrollments

According to the U.S. Department of Education, the number of students enrolled in the nation's public schools for the current school year is 39,858,000. Tax Foundation economists point out that this represents a decline of 13.5 percent from the peak year of 1971, when 46,081,000 students were enrolled. The decline in enrollment is expected to continue until 1984, they say, when the projected enrollment will be 38,491,000.

balanced budget, about the wisdom, or at least the timing, of the tax cuts.

Such vacillation poses a major threat to the success of the economic recovery program. The business community and the public at large need to know that government policy makers mean what they say.

Inflation is down sharply, interest rates have begun to drop, decisions are being made for capital investment which will eventually create the jobs needed to bring unemployment levels down. Conflicting signals now could seriously undermine the fragile recovery which is now underway.

Beginning in 1985, enrollments are projected to increase.

Despite declining enrollments, total expenditures for public elementary and secondary education rose from \$40.7 billion in 1969-70 to \$90.2 billion in 1979-80, an increase of 121.6 percent, according to the Tax Foundation. Costs include current expenditures, capital outlay, interest, and other expenses.

Prior to World War II, local governments provided more than two-thirds of the revenues for the support of public schools; state governments provided slightly less than one-third, and Federal support was negligible. By 1979-80, the share of public school revenues financed by local governments had declined to 44.2 percent, the states' share had risen to 47.3 percent, and the Federal share rose to 8.5 percent. These figures are national averages, according to Tax Foundation economists, and financing arrangements vary widely from state to state.

In New Hampshire, the state gov-
(Continued on page 3)

Ronald Reagan Greets TF Dinner; Weinberger Given Annual Award

Greetings from President Ronald Reagan highlighted the Tax Foundation's 44th Annual Dinner at the Plaza Hotel in New York City December 2. The President's remarks were extended to members and guests of the Foundation and to Caspar W. Weinberger, Secretary of Defense, who received the Foundation's Distinguished Public Service Award for 1981 at the Dinner.

The letter, which was read to the dinner attendees by Thomas M. Macioce, Chairman of the Foundation's Board of Trustees, stated:

"I am very pleased to extend my greetings to members and guests of the Tax Foundation as you gather for your 44th Annual Dinner.

"It is a special privilege for me to express my thanks for the support and encouragement you have given my Administration in our efforts to redirect tax and economic policy in this great nation. Such efforts as you have put forth reflect the best in the American tradition of citizen involvement in our government, and we could not have made the progress we have experienced thus far without the kind of help we have received from you.

"With particular warmth and respect, I send my congratulations to the man you honor at your dinner: my Secretary of Defense, Caspar Weinberger. Cap is a treasured friend and colleague who provides invaluable service to the American people, and I am proud to know that you are paying tribute to him.

"You have my best wishes for continued success and effectiveness in the important work you do. Sincerely, Ronald Reagan."

During his talk, Secretary Weinberger focused on the Administration's economic recovery efforts, emphasizing that the President is "fully and completely committed to reducing the whole burden of taxation on both individuals and corporations." He pointed out a number of "very

hopeful signs that some of the things that we believe will happen, when all of these policies are in effect and have had an opportunity to work, at least are starting to happen now."

Among "reasonably bright spots" listed by the Secretary were lowering of the prime rate, lowering in the rate of inflation, response to the All Savers Certificate, and the increase in the "percent of after-tax income that Americans are saving."

The bulk of Weinberger's talk dealt with defense expenditures and defense policy in the wake of rapid expansion of Soviet military capability.

"What we have tried to do now, in this Administration," he said, "is embark on a program of rearming America that will restore the defenses of the United States to the margins of safety that we have enjoyed in the past."

The consensus to achieve this goal, he noted, depends on a conviction by the general public that the Administration is not "being wasteful" and that it is being "economical and efficient." A number of cost-cutting measures, which have already been set in motion, include:

- Reduction in existing programs which are of "lower priority or not really essential at all."
- "Procurement efficiencies," such as multi-year contracting.
- "The defense share of the general governmental savings that the President has managed to put into effect . . . such things as restraints on civil service pay and retirement pay."

The Defense Secretary concluded his remarks by stressing the importance of maintaining the consensus to rebuild America's defense capability because "that enables us to go into these negotiations which started two days ago from a position of perceived strength."

He called "peace with freedom" a goal "to which we're totally and completely committed and pledged to maintain."

School Spending

(Continued from page 2)

overnment provided less than 10 percent of total public school funds in 1979-80. In contrast, the state government in Hawaii furnished more than 81 percent of public school revenues. In Alaska, California, and Washington, state governments provided more than 70 percent of total school revenues. In Alabama, Delaware, Kentucky, New Mexico, and North Carolina, the state share of school financing exceeded 60 percent.

Current expenditures per pupil, excluding capital outlay and interest, also vary widely among the states, ranging from \$4,587 in Alaska to \$1,223 in Arkansas. New York and the District of Columbia spent \$3,197 and \$3,096 per pupil, respectively, while Georgia, Kentucky, Mississippi, South Carolina, and Tennessee spent less than \$1,500 per pupil. For the decade past, these costs increased at an average annual rate of 9.7 percent.

The average annual salary of classroom teachers was \$16,000 for the 1979-80 school year—an increase of 89 percent over the \$8,520 average a decade earlier.

More complete figures on enrollment, sources and allocation of funds, and per pupil expenditures by state appear in the 21st biennial edition of *Facts and Figures on Government Finance*, now available from Tax Foundation. The cost is \$15.

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Property Taxes

(Continued from page 1)

Late in the 1970s, property taxes were surpassed by other fast-growing state-local revenue sources—first by sales and gross receipts taxes (in 1978), and then by charges and miscellaneous general (non-tax) revenue (in 1980). At the same time, income taxes collected by state and local governments have been advancing rapidly.

Nevertheless, at the local level, property taxes remain to date the primary tax revenue source. Of a total \$86.4 billion raised in local general tax revenue in fiscal 1980, \$65.6 billion (or 75.9 percent) originated in property taxes.

The decade's largest dollar increases in state-local property taxes combined were recorded for New York, where property taxes rose by \$4.5 billion during the ten-year span, reaching a total of \$8.8 billion in fiscal 1980. Next largest dollar increases in property taxes were shown for Texas (rising by \$2.5 billion, to a total of \$4.0 billion), then Michigan (up \$2.2 billion, to \$3.8 billion), Illinois (up \$2.0 billion, to \$4.2 billion), and New Jersey (up \$1.9 billion, to \$3.7 billion).

Property taxes in California rose by \$5.8 billion during fiscal years 1970 through 1978, but with the impact of "Prop 13" that gain was reduced to a \$1.2 billion increase for the decade. With 1979's "roll-back" impact behind, California property taxes showed a growth rebound of 7.2 percent in 1980.

Nationwide, property tax totals increased by \$3.5 billion in fiscal 1980 over the previous year. Of that, \$864 million (or 24.4 percent) of the total increase came in California. Property taxes in California rose 36 percent faster in 1980 than property tax growth averages for all the rest of the country.

On a per capita basis, property taxes in fiscal 1980 reached \$302 for every man, woman, and child in the U.S. population—up from a \$295 per capita level in 1979, and \$168 per capita in 1970.

The highest property taxes re-

corded per capita for fiscal 1980 were in Alaska (at \$900 per state resident), followed by Massachusetts (\$555), Wyoming (\$552), New York (\$501), and New Jersey (\$499).

Alabama continued to hold title to the lowest relative property tax burdens in the nation. As of 1980, Alabama's property taxes came to \$79 per capita. Following next lowest were Louisiana (\$111 per capita), Arkansas (\$134), Kentucky (\$135), and West Virginia (\$137).

The highest growth in property tax burdens per capita (next to Alaska's nearly eight-fold jump) was shown for Wyoming, with a leap of 168 percent. Next highest were growth figures for South Carolina (up 160 percent), Rhode Island (150 percent), Virginia (145 percent), and Vermont (130 percent).

The accompanying table and map provide more complete details on state and local taxes for fiscal years 1970 and 1980.

**Property Tax Collections by State
Per Capita and Per \$1,000 of Personal Income
Fiscal Years 1970 and 1980**

| State | Per capita property tax | | | | Property taxes per \$1,000 of personal income | | | |
|----------------------------|-------------------------|----------------|---------------------|--------------|---|----------------|-------------------|--------------|
| | Amount 1970 | Amount 1980 | Percent increase | Rank 1980 | Amount 1970 | Amount 1980 | Percent change | Rank 1980 |
| TOTAL | \$168 | \$302 | 80 | — | \$46 | \$35 | — 22 | — |
| Alabama | 39 | 79 | 100 | 51 | 15 | 12 | — 21 | 51 |
| Alaska | 102 | 900 | 785 | 1 | 24 | 79 | 223 | 1 |
| Arizona | 166 | 352 | 112 | 18 | 51 | 46 | — 10 | 13 |
| Arkansas | 65 | 134 | 106 | 49 | 25 | 20 | — 20 | 44 |
| California | 262 | 274 | 4 | 28 | 63 | 28 | — 55 | 34 |
| Colorado | 179 | 329 | 84 | 21 | 52 | 38 | — 28 | 21 |
| Connecticut | 238 | 473 | 98 | 6 | 52 | 47 | — 11 | 11 |
| Delaware | 84 | 167 | 100 | 41 | 21 | 18 | — 11 | 49 |
| Florida | 118 | 224 | 90 | 36 | 36 | 29 | — 19 | 33 |
| Georgia | 95 | 199 | 109 | 38 | 31 | 28 | — 9 | 36 |
| Hawaii | 98 | 193 | 96 | 39 | 25 | 22 | — 10 | 43 |
| Idaho | 127 | 227 | 79 | 35 | 43 | 31 | — 27 | 30 |
| Illinois | 201 | 367 | 83 | 14 | 47 | 38 | — 19 | 20 |
| Indiana | 168 | 246 | 46 | 32 | 46 | 29 | — 37 | 32 |
| Iowa | 213 | 360 | 69 | 17 | 61 | 41 | — 32 | 18 |
| Kansas | 202 | 366 | 81 | 15 | 56 | 39 | — 30 | 19 |
| Kentucky | 69 | 135 | 97 | 48 | 24 | 19 | — 21 | 47 |
| Louisiana | 65 | 111 | 70 | 50 | 23 | 15 | — 33 | 50 |
| Maine | 174 | 319 | 84 | 23 | 58 | 47 | — 19 | 12 |
| Maryland | 156 | 288 | 84 | 25 | 40 | 31 | — 21 | 29 |
| Massachusetts | 250 | 555 | 122 | 2 | 63 | 62 | — 1 | 2 |
| Michigan | 184 | 414 | 125 | 9 | 47 | 44 | — 5 | 16 |
| Minnesota | 171 | 324 | 90 | 22 | 48 | 37 | — 24 | 22 |
| Mississippi | 71 | 141 | 97 | 46 | 30 | 24 | — 22 | 41 |
| Missouri | 137 | 215 | 57 | 37 | 40 | 26 | — 34 | 38 |
| Montana | 216 | 455 | 111 | 7 | 69 | 59 | — 14 | 3 |
| Nebraska | 209 | 401 | 92 | 11 | 59 | 46 | — 22 | 14 |
| Nevada | 178 | 256 | 44 | 30 | 43 | 28 | — 35 | 37 |
| New Hampshire | 207 | 451 | 117 | 8 | 61 | 56 | — 9 | 5 |
| New Jersey | 242 | 499 | 106 | 5 | 57 | 51 | — 10 | 8 |
| New Mexico | 81 | 142 | 75 | 45 | 29 | 20 | — 31 | 45 |
| New York | 237 | 501 | 111 | 4 | 53 | 55 | — 3 | 6 |
| North Carolina | 79 | 171 | 117 | 40 | 27 | 24 | — 9 | 39 |
| North Dakota | 175 | 269 | 54 | 29 | 58 | 32 | — 41 | 25 |
| Ohio | 162 | 281 | 73 | 26 | 43 | 32 | — 25 | 26 |
| Oklahoma | 93 | 151 | 63 | 44 | 30 | 19 | — 39 | 48 |
| Oregon | 189 | 382 | 102 | 12 | 54 | 45 | — 18 | 15 |
| Pennsylvania | 119 | 249 | 110 | 31 | 32 | 29 | — 9 | 31 |
| Rhode Island | 165 | 413 | 150 | 10 | 45 | 50 | 11 | 9 |
| South Carolina | 61 | 160 | 160 | 42 | 23 | 24 | 6 | 40 |
| South Dakota | 219 | 351 | 60 | 19 | 73 | 47 | — 36 | 10 |
| Tennessee | 77 | 158 | 105 | 43 | 27 | 22 | — 17 | 42 |
| Texas | 128 | 280 | 118 | 27 | 39 | 34 | — 14 | 24 |
| Utah | 135 | 235 | 74 | 34 | 46 | 35 | — 24 | 23 |
| Vermont | 164 | 377 | 130 | 13 | 51 | 53 | 4 | 7 |
| Virginia | 96 | 236 | 145 | 33 | 29 | 28 | — 2 | 35 |
| Washington | 155 | 290 | 87 | 24 | 40 | 32 | — 21 | 27 |
| West Virginia | 70 | 137 | 95 | 47 | 26 | 19 | — 26 | 46 |
| Wisconsin | 220 | 361 | 64 | 16 | 63 | 42 | — 33 | 17 |
| Wyoming | 206 | 552 | 168 | 3 | 64 | 58 | — 9 | 4 |
| District of Columbia | 169 | 344 | 104 | 20 | 34 | 32 | — 7 | 28 |

Source: Bureau of the Census, U.S. Department of Commerce; and Tax Foundation computations.