

Table 5
Selected Federal User Charges Added or Increased during Fiscal 1966

| Activity | Agency | Current charge | Previous charge |
|---|---------------------------------|---|---|
| Testing and inspection services | | | |
| Certification of animal products for export | Agriculture | \$6.52 per hour regular time; \$6.84 per hour overtime | \$5.84 per hour regular time; \$6.60 per hour overtime |
| Grading of livestock, meat and wool | Agriculture | \$7.80 per hour | \$7.40 per hour |
| Inspection of meat and meat products | Agriculture | \$6.08 per hour for voluntary inspections; \$6.32 per hour overtime; \$7.00 per hour (laboratory fee) | \$5.36 per hour for voluntary inspections; \$6.08 per hour overtime; \$6.72 per hour (laboratory fee) |
| Testing of products: | General Services Administration | | |
| Batteries | | \$123 to \$973 per test | \$81 to \$657 per test |
| Cellophane tape | | \$250 per test | None |
| Electric lamps | | \$700 to \$6,000 per test | \$660 to \$4950 per test |
| Security cabinets | | \$1,540 to \$9,290 per test | None |
| Permits, licenses, and registration | | | |
| Admission to practice before the court | Tax Court | \$10 | None |
| License to remove sand and gravel | Interior | \$100 to \$975 per year | \$50 to \$157 per year |
| License to use radio station | Interior | \$108 per year | \$36 per year |
| License to use TV antenna | Interior | \$50 for ten years | None |
| Processing application for sale of a subsidized vessel to a private party where appraisal is made for the Maritime Administration by an independent appraiser | Commerce | \$400 per application | None |
| U. S. citizen identification card | Justice | \$5 per application | None |
| Copying, certifying, and searching of records | | | |
| Copying, certifying and searching of records | Navy | \$3 per hour | None |
| Duplication of tax returns | Treasury | \$1 per page | 50¢ per page |
| Searching of records | Interstate Commerce Commission | \$3 to \$6 per hour | \$2.50 to \$3.50 per hour |
| Health services | | | |
| Inpatient care of beneficiaries of other agencies | Veterans Administration | \$45 per day at GM&S and TB hospitals; \$17.50 per day at NP hospitals | \$44 per day at GM&S and TB hospitals; \$15.50 per day at NP hospitals |
| | Veterans Administration | \$17.50 per day at NP hospitals | \$15.50 per day at NP hospitals |
| Room, board and routine nursing services | Veterans Administration | \$29 per day at GM&S and TB hospitals; \$14.50 per day at NP hospitals | \$25 per day at GM&S and TB hospitals; \$13.25 per day at NP hospitals |
| Professional services | Veterans Administration | \$11 per day at GM&S and TB hospitals | \$8 per day at GM&S and TB hospitals |
| Routine drugs, medication and supplies | Veterans Administration | \$4 per day at GM&S and TB hospitals | \$2.50 per day at GM&S and TB hospitals |
| Medical care for foreign seamen and other non-beneficiaries | Health, Education, and Welfare | \$45 per day | \$44 per day |

Table 5 (Continued)

| Activity | Agency | Current charge | Previous charge |
|---|---|--|----------------------------|
| Treatment of voluntary narcotic addict patients at Public Health Service hospitals. | Health, Education, and Welfare | \$12 per day | \$11 per day |
| Medical care for D.C. residents and prisoners at Saint Elizabeth's Hospital. | Health, Education, and Welfare | \$12.18 per day | \$10.43 per day |
| Rental of buildings and lands | | | |
| Lease of agricultural areas | Navy | \$165 to \$704 per acre per year | None |
| Lease of land | Interior | \$26.16 per acre | \$15 per acre |
| Rental of buildings | Navy | \$500 to \$3,001 per year | None |
| Rental of cabin sites | Interior | \$25 per site | \$15 per site |
| Rental of commercial space | Navy | \$1,968 per month | None |
| Rental of land | Air Force | \$3.33 per acre per month | \$.80 per acre per month |
| Rental of equipment and vehicles | | | |
| Lease of electrical facilities | Interior | \$3 to \$248 per year | None |
| Lease of telephone lines | Air Force | \$2.50 per mile per month | None |
| Lease of utility poles | Navy | \$2.50 to \$2.75 per pole per year | None |
| Rental of reproduction equipment | Defense Supply Agency | \$6,000 per year | None |
| Rental of teletype and voice circuits | Defense Supply Agency | \$178,000 per year | None |
| Sale of products and publications | | | |
| Fill dirt | Tennessee Valley Authority | 5¢ per cubic yard | None |
| Tree seeds | Tennessee Valley Authority | \$3.32 to \$9.20 per pound | \$2.76 to \$7.50 per pound |
| Agriculture preliminary report tapes | Commerce | \$60 and up per magnetic tape | None |
| Charts and maps | Navy | \$1 to \$25 per set | None |
| Transportation and special services | | | |
| Transportation via petroleum pipeline | Air Force | \$.63 per barrel | None |
| Tug boat usage | Navy | \$292.20 (avg.) per job | None |
| Installation of air conditioners: | Federal Aviation Agency | | |
| 220 volt unit | | \$70 each | None |
| 110 volt unit | | \$25 each | None |
| Sorting of mailing lists according to ZIP code | Post Office | \$1.50 per 1,000 addresses or fraction thereof | None |
| Security investigations | Atomic Energy Commission | \$480 each | \$430 each |
| Training programs for state and local government employees and officials | Treasury | \$8 per training day | None |
| Use of 3.5' hypersonic wind tunnel on company projects | National Aeronautics and Space Administration | \$20,000 per 40 hour week | None |

a. GM&S—general medical and surgical; NP—neuropsychiatric; TB—tuberculosis.

Source: Executive Office of the President, User Charges — Progress Report — Fiscal Year 1966 (Washington, D.C.: Bureau of the Budget, May 1967), pp. 1-28.

Table 6
Percent Increase in Collections from Selected Items of Federal
Nontax Revenue
Fiscal 1957-1966

| Revenue sources | Percent increase | | | | Collections, 1966 (millions) |
|--|------------------|---------------|---------------|---------------|------------------------------------|
| | 1957- 1966 | 1963- 1966 | 1960- 1963 | 1957- 1960 | |
| Fees and charges for services | 253% | 15% | 25% | 144% | \$127 |
| Administrative, professional and judicial | 480 | 70 | 89 | 80 | 29 |
| Communication and transportation | 100 | 40 | 25 | 14 | 14 |
| Charges for products | 59 | 34 | - 1 | 20 | 494 |
| Timber and other natural land products | 64 | 38 | -14 | 38 | 223 |
| Power and other utilities | 75 | 28 | 16 | 18 | 241 |
| Minerals, publications, other products and byproducts | -19 | 58 | -21 | -35 | 30 |
| Fees for permits and licenses | 114 | 4 | 77 | 16 | 105 |
| Admission fees and permits | 60 | 33 | 20 | 0 | 8 |
| Business concessions | 28 | 50 | 0 | -14 | 9 |
| Immigration, passport and consular fees | 81 | 21 | 26 | 19 | 29 |
| Patent and copyright fees | 150 | 122 | 12 | 0 | 20 |
| Registration and filing fees | 600 | 75 | 100 | 100 | 14 |
| Rents | 226 | -46 | 34 | 351 | 235 |
| Rent on outer continental shelf lands and other real property | 725 | -50 | NA | NA | 198 |
| Rent of equipment and other personal property | -23 | -3 | -26 | 6 | 37 |
| Royalties | 163 | 68 | 29 | 22 | 208 |
| Sales of government property | 144 | 259 | -33 | 1 | 944 |
| Sale of real property | 419 | -40 | 435 | 62 | 83 |
| Sale of equipment and other personal property | 132 | 590 | -66 | - 2 | 862 |
| Seigniorage and bullion charges | 1,200 | 1,313 | -22 | 18 | 650 |
| Interest ^b | 35 | 11 | -21 | 54 | 847 |

a. Major divisions include items not shown separately.

b. Includes only interest on loans to government-owned enterprises, on domestic loans to individuals and private organizations, on foreign loans, and a small amount of miscellaneous collections. Does not include interest on trust funds (\$1,908 million in 1966) or Federal Reserve System deposits of earnings (\$1,713 million in 1966).

Source: Bureau of the Budget.

during the middle third of the decade. However, three sub-categories within this classification showed a steady upward trend throughout the decade: admission fees, business concession permits, and patent and copyright fees.

Rents, which increased 226 percent over the full decade, nonetheless have been declining steadily. In contrast, revenue from sale of government property,

increasing by 144 percent over the decade, increased by the largest percentage in the most recent third.

Seigniorage shows an extremely big increase primarily because, in order to forestall coin shortages, unusually large amounts of coins were minted in 1966. The 1966 receipts of \$650 million represent an increase of \$532 million over the prior year's receipts of \$118 million.

IV.

State and Local Nontax Revenues

Nontax revenue sources are particularly important at the state and local level. As observed earlier, a number of sources producing substantial amounts of revenue — notably education and hospitals — are confined almost entirely to the state and local level. This chapter will trace the use of nontax sources at the state and local level, with particular attention given to changes which have taken place in the components.

Growth of State Nontax Revenue

State current charges and miscellaneous revenue, which have increased by 167 percent over the period 1957-1966, appear to be increasing more rapidly as the decade moves along. Table 7 shows that these collections increased by 34 percent in the first third of the period, and by 12 percentage points more, or 46 percent, in the most recent third. Current charges for education increased the most rapidly of all state nontax revenues. Education charges went up by 232 percent, and increased very much more rapidly — from 39 percent in the first third to 62 percent in the last third — as the decade went by. It should be noted, moreover, that charges for education, representing 40 percent of nontax collections in 1966, comprise the most important segment of state current charges.

Another component of current charges, highways, increased by 172 percent, but Table 7 shows that most of the increase took place in the first third of the period and that the rate of increase

is probably dropping. Hospitals, which increased by 140 percent, show a pattern difficult to interpret, increasing the most rapidly in the middle third and the least in the most recent third of the period. Hospitals and highways together account for about one fifth of nontax collections.

Variations among States

Table 8 treats nontax collections as if they were more or less uniform from state to state. In actuality there exist rather sharp variations, both in total amounts collected and in the degree of reliance on each of the various types of charges. By examining these variations, it may be possible to determine influences associated with heavier or lesser use of the nontax revenue sources.

Table 8, which lists per capita amounts of collections for charges and miscellaneous general revenue for each of the states, indicates a considerable range at both state and local levels. State per capita collections for both charges and miscellaneous revenue ranged from a low of \$13 in Tennessee to a high of \$127 in Alaska, with a 50-state average of \$26. Current charges alone ranged from \$10 in Tennessee to \$72 in North Dakota; the 50-state average was \$18.

Table 8 also demonstrates that different states place widely varying emphasis on each type of charge. For instance, charges for higher education accounted for 85 percent of total charges in New

Mexico but only came to 22 percent in Massachusetts. Charges for highways account for 63 percent of all charges in New Jersey, but are not levied at all in 20 of the states. Hospital charges represent more than a fourth of total charges in Virginia, but none in Alaska.

Any number of factors might logically have some bearing on the absolute level of, or relative reliance on, charges and other nontax sources. Tax collections, total expenditures for specific functions, and personal income fall among the more obvious possibilities. However, scatter diagrams plotted for each of these factors and total nontax revenue, charges alone, and charges for specific

functions, in absolute, percentage, and per capita terms, failed to indicate any relationship which would make further analysis along these lines worthwhile.

The possibility then remained that the use of nontax revenues may be simply a matter of taste, the "individual" preference of a particular state. If so, mathematical proof would be out of the question, but regional similarities might be noticeable, if mapped. To explore the possibility of regional similarities, the states were ranked for a number of variables related to the use of nontax revenues, and then the highest and lowest quintiles plotted on outline maps of the United States. The resulting maps sug-

Table 7
Percent Change, Selected Items of State Nontax Revenue
Fiscal 1957-1966

| Item | Percent change | | | | Percent of total charges and miscellaneous revenue, 1966 |
|-----------------------------------|----------------|-----------|-----------|-----------|--|
| | 1957-1966 | 1963-1966 | 1960-1963 | 1957-1960 | |
| Charges and miscellaneous revenue | 167% | 46% | 36% | 34% | 100% |
| Current charges | 191 | 46 | 38 | 44 | 70 |
| Education | 232 | 62 | 48 | 39 | 40 |
| Highways | 172 | 34 | 21 | 68 | 12 |
| Hospitals | 140 | 28 | 43 | 31 | 8 |
| Natural resources | 44 | 25 | 16 | (a) | 3 |
| Other | 218 | 29 | 34 | 83 | 7 |
| Miscellaneous revenue | 123 | 44 | 33 | 17 | 30 |
| Sale of property | 50 | 15 | 26 | 4 | 1 |
| Interest | 179 | 57 | 30 | 37 | 13 |
| Fines and forfeits | 88 | 38 | 32 | 3 | 1 |
| Rents and royalties | 66 | 23 | 49 | - 9 | 8 |
| Donations | 210 | 60 | 16 | 67 | 5 |
| Other | 47 | 39 | 32 | -20 | 2 |
| Liquor store revenue | 28 | 17 | 3 | 6 | 26 |
| Taxes | 102 | 33 | 23 | 24 | - |
| License taxes | 60 | 24 | 13 | 14 | - |

a. Less than 1 percent.

Source: Bureau of the Census.

Table 8
Per Capita Amounts of State and Local Charges and
Miscellaneous Revenue, by State

Fiscal 1966

| State | Charges and miscellaneous revenue | | State current charges | Charges for function as percent of total current charges (state) | | |
|----------------|-----------------------------------|-------|-----------------------|--|---------------|-----------|
| | State | Local | | Institutions of higher learning | Toll highways | Hospitals |
| Total | \$26 | \$41 | \$18 | 56% | 16% | 12% |
| Alabama | 22 | 42 | 19 | 57 | — | 20 |
| Alaska | 127 | 54 | 47 | 23 | 29 | — |
| Arizona | 34 | 38 | 27 | 73 | — | 5 |
| Arkansas | 17 | 29 | 15 | 77 | 2 | 8 |
| California | 25 | 56 | 13 | 50 | 13 | 15 |
| Colorado | 39 | 46 | 32 | 80 | 2 | 14 |
| Connecticut | 29 | 26 | 22 | 25 | 51 | 12 |
| Delaware | 62 | 57 | 31 | 58 | 22 | 8 |
| Florida | 18 | 61 | 13 | 46 | 34 | 11 |
| Georgia | 17 | 48 | 12 | 68 | — | 5 |
| Hawaii | 60 | 31 | 41 | 23 | — | 5 |
| Idaho | 27 | 43 | 16 | 77 | — | 4 |
| Illinois | 17 | 38 | 13 | 53 | 27 | 12 |
| Indiana | 36 | 33 | 30 | 72 | 12 | 9 |
| Iowa | 29 | 42 | 23 | 76 | — | 15 |
| Kansas | 29 | 38 | 27 | 63 | 18 | 11 |
| Kentucky | 22 | 34 | 18 | 53 | 15 | 7 |
| Louisiana | 62 | 28 | 16 | 67 | 1 | 3 |
| Maine | 30 | 13 | 24 | 53 | 34 | 6 |
| Maryland | 26 | 37 | 21 | 41 | 35 | 15 |
| Massachusetts | 21 | 28 | 18 | 22 | 36 | 19 |
| Michigan | 31 | 48 | 24 | 77 | 3 | 13 |
| Minnesota | 38 | 49 | 25 | 70 | — | 14 |
| Mississippi | 24 | 37 | 22 | 61 | 3 | 11 |
| Missouri | 16 | 38 | 13 | 72 | 2 | 11 |
| Montana | 42 | 41 | 27 | 82 | — | 3 |
| Nebraska | 27 | 47 | 20 | 70 | — | 10 |
| Nevada | 26 | 77 | 19 | 40 | — | 3 |
| New Hampshire | 28 | 20 | 22 | 57 | 21 | 9 |
| New Jersey | 24 | 31 | 19 | 28 | 63 | 4 |
| New Mexico | 76 | 43 | 26 | 85 | — | 3 |
| New York | 23 | 50 | 18 | 23 | 29 | 12 |
| North Carolina | 22 | 27 | 17 | 76 | — | 14 |
| North Dakota | 88 | 43 | 72 | 32 | — | 3 |
| Ohio | 21 | 41 | 17 | 66 | 17 | 14 |
| Oklahoma | 43 | 39 | 34 | 64 | 13 | 5 |
| Oregon | 44 | 45 | 30 | 71 | (a) | 7 |
| Pennsylvania | 17 | 33 | 13 | 45 | 34 | 15 |
| Rhode Island | 19 | 18 | 15 | 51 | 9 | 18 |
| South Carolina | 22 | 25 | 20 | 46 | — | 8 |
| South Dakota | 44 | 25 | 34 | 60 | — | 2 |
| Tennessee | 13 | 37 | 10 | 74 | — | 13 |
| Texas | 28 | 41 | 13 | 74 | 4 | 14 |
| Utah | 41 | 29 | 31 | 75 | — | 14 |
| Vermont | 37 | 11 | 27 | 78 | — | 5 |
| Virginia | 28 | 28 | 22 | 48 | 17 | 26 |
| Washington | 38 | 65 | 25 | 61 | 23 | 9 |
| West Virginia | 23 | 29 | 18 | 60 | 16 | 15 |
| Wisconsin | 28 | 35 | 22 | 73 | — | 18 |
| Wyoming | 62 | 64 | 25 | 77 | — | 5 |

a. Less than 1 percent.

Source: Bureau of the Census.

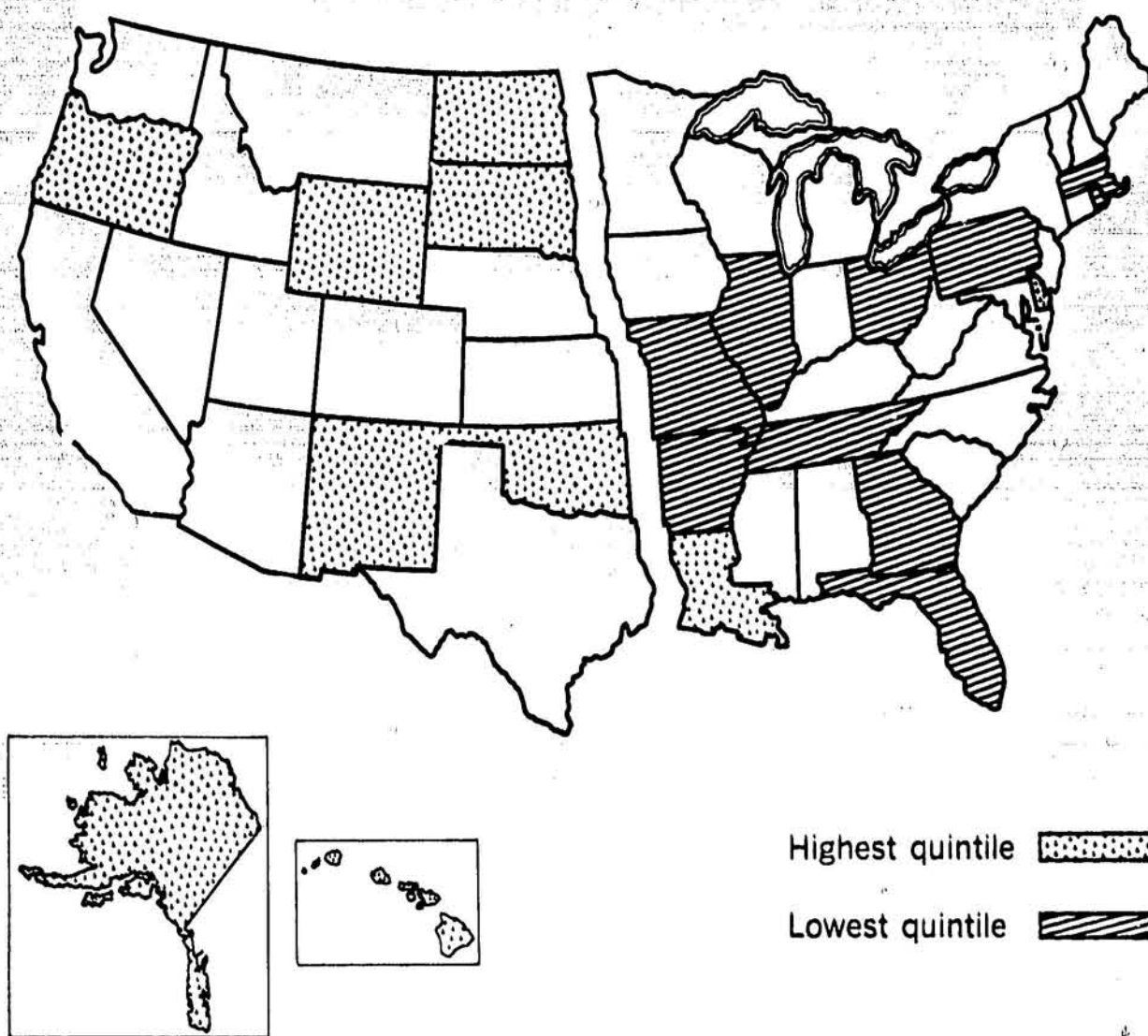
gested that in at least some dimensions, the use of nontax revenue may be related to a state's geographic position.

A glance at Chart 1 shows a sharp East-West division in the per capita level of charges and miscellaneous revenue, with all of the bottom quintile located east of the 95th meridian, and all but one of the topmost quintile west of the 90th meridian. Chart 2 indicates a similar geographic division when charges and miscellaneous revenue are

computed as a fraction of personal income. It is interesting, however, that no geographic pattern appeared when the map was plotted for charges and miscellaneous revenue as a percent of total general revenue (chart not shown).

Per capita charges for the three major functions — higher education, toll highways, and hospitals — also were plotted. Chart 3 shows the two quintiles fall roughly into an east-west division, but with more exceptions than in Charts 1

Chart 1
Per Capita Total Charges and Miscellaneous Revenue
Fiscal 1966



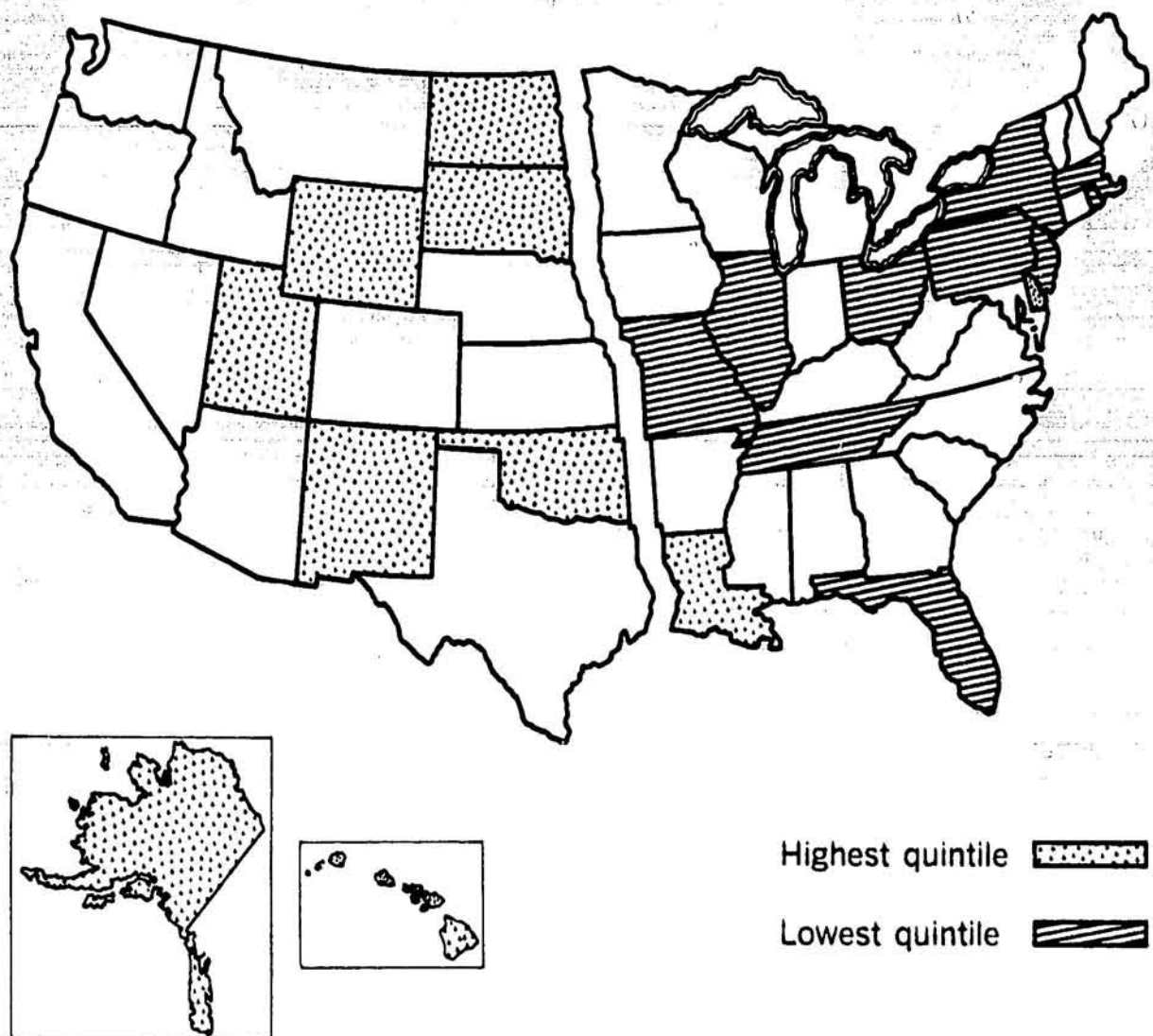
and 2. Per capita charges for toll highways also show geographic clustering, but in this case the highest quintile is found concentrated in the Northeast, with 20 states levying no charges (not shown). Charges for hospitals (not shown) followed no discernible geographic pattern.

Local Nontax Revenue

At the local level, current charges and miscellaneous revenue both increased by about the same percentage (131 and

125 percent) over the period of 1957-1966. However, Table 9 shows that the percent change in current charges was largest in the first third of the period and tapered off thereafter, while miscellaneous revenue reversed the pattern. Both major divisions of nontax revenue nonetheless increased throughout the period more rapidly than taxes; charges and miscellaneous revenue combined increased 129 percent over the ten year period, in contrast with an increase of 89 percent in local taxes. Only income

Chart 2
Charges and Miscellaneous Revenue per \$1,000 of Personal Income
Fiscal 1966



City Nontax Revenue

The largest cities also showed big increases in charges, though not nearly so large as the state increases, even allowing for the shorter time span. Unfortunately, patterns of change in the cities alone cannot be traced over so long a period as in the case of all types of local units as a group. City figures prior to 1960 cannot be compared with subsequent years, as a consequence of changes in the composition of the large-city group. On the basis of the two periods shown in Table 10, however, it would appear that the increase in city charges is slowing down. This general pattern of a decreasing rate of increase typifies

most of the specific services for which the cities impose charges, with the exception of highways and water transport. Nevertheless, the percentage increase generally exceeded the increase in collections for all taxes except income taxes in both periods shown in the table.

The search for factors related to the level of charges and miscellaneous revenue in the cities proved even more difficult and unrewarding than in the case of the states. Scatter diagrams and geographic plotting for variables similar to those considered for the states proved totally fruitless. The only meaningful variable at the city level appears to be city size, as indicated in Table 11. In

Table 9
Percent Change, Selected Items of Local Nontax Revenue
Fiscal 1957-1966

| Item | Percent change | | | | Percent of total charges and miscellaneous revenue, 1966 |
|-----------------------------------|----------------|-----------|-----------|-----------|--|
| | 1957-1966 | 1963-1966 | 1960-1963 | 1957-1960 | |
| Charges and miscellaneous revenue | 129% | 26% | 32% | 38% | 100% |
| Current charges | 131 | 24 | 31 | 42 | 72 |
| Education | 152 | 33 | 31 | 45 | 20 |
| Hospitals | 156 | 34 | 25 | 52 | 14 |
| Sewerage and other sanitation | 182 | 25 | 50 | 51 | 10 |
| Parks and recreation | 111 | 31 | 28 | 26 | 2 |
| Housing and urban renewal | 69 | 1 | 33 | 25 | 6 |
| Airports | 207 | 24 | 54 | 61 | 3 |
| Water transport and terminals | 25 | 16 | 14 | -6 | 2 |
| Miscellaneous revenue | 125 | 32 | 33 | 28 | 28 |
| Special assessments | 84 | 18 | 22 | 28 | 6 |
| Sale of property | 264 | 4 | 20 | 193 | 3 |
| Interest earnings | 296 | 85 | 26 | 70 | 9 |
| Utility revenue | 76 | 13 | 24 | 25 | 68 |
| Taxes | 89 | 23 | 23 | 25 | - |
| Property | 89 | 23 | 23 | 25 | - |
| General sales | 107 | 27 | 22 | 34 | - |
| Income | 130 | 51 | 23 | 24 | - |

Source: Bureau of the Census.

Table 10
Percent Change, Selected Items of City Nontax Revenue
43 Largest Cities
Fiscal 1960-1966

| | Percent change | | | Percent of total charges and miscellaneous revenue, 1966 |
|-----------------------------------|----------------|-----------|-----------|--|
| | 1960-1966 | 1963-1966 | 1960-1963 | |
| Charges and miscellaneous revenue | 47% | 14% | 30% | 100% |
| Current charges | 50 | 18 | 27 | 61 |
| Education | 81 | 31 | 38 | 6 |
| Highways | 38 | 27 | 9 | 6 |
| Hospitals | 49 | 4 | 44 | 4 |
| Sewerage and other sanitation | 58 | 10 | 44 | 10 |
| Parks and recreation | 52 | 19 | 28 | 4 |
| Housing and urban renewal | 38 | 19 | 16 | 10 |
| Airports | 109 | 26 | 66 | 7 |
| Water transport and terminals | 32 | 16 | 14 | 3 |
| Parking facilities | 28 | 10 | 17 | 3 |
| Misc. commercial activities | - 2 | - 6 | 4 | 1 |
| Other | 40 | 21 | 16 | 6 |
| Miscellaneous revenue | 43 | 8 | 33 | 39 |
| Special assessments | 12 | - 2 | 14 | 6 |
| Sale of property | 43 | -38 | 130 | 6 |
| Fines and forfeits | 46 | 17 | 24 | 9 |
| Interest earnings | 63 | 39 | 17 | 12 |
| Utility revenue | 25 | 19 | 6 | 94 |
| Taxes | 36 | 18 | 14 | - |
| Property | 30 | 15 | 13 | - |
| General sales | 32 | 11 | 19 | - |
| Income | 68 | 21 | 38 | - |

Source: Bureau of the Census.

general, the level of per capita charges is directly related to city size. For example, in fiscal 1966 per capita charges amounted to \$27 in cities with population of 1 million or more, but fell at the considerably lower figure of \$15 for municipalities with population less than 50,000. On the other hand, charges held a more important role in total city revenue in the smaller cities, accounting for 23 percent of general revenue from own

sources in the smallest municipalities but only 12 percent in the large metropolises.

Charges and Related Expenditures

Increases in receipts alone do not tell the full story, however. As indicated earlier in the discussion of trilevel receipts, the extent to which charges finance particular functions provides a valuable guide as to their importance.

Table 11
Current Charges, Per Capita and as Percent of General
Revenue from Own Sources, by City Size
Fiscal 1960 and 1966

| City Size | Per capita charges | | Charges as percent of general revenue from own sources | |
|--------------------|--------------------|------|--|------|
| | 1966 | 1960 | 1966 | 1960 |
| 1 million or more | \$27 | \$18 | 12% | 11% |
| 500,000 to 999,999 | 19 | 12 | 12 | 11 |
| 300,000 to 499,999 | 21 | 14 | 18 | 16 |
| 200,000 to 299,999 | 18 | 15 | 16 | 17 |
| 100,000 to 199,999 | 20 | 14 | 17 | 17 |
| 50,000 to 99,999 | 17 | 12 | 15 | 16 |
| Less than 50,000 | 15 | 9 | 23 | 17 |
| All municipalities | 18 | 12 | 16 | 15 |

Source: Bureau of the Census.

Table 12 shows that in 1966 collections from charges amounted to about two thirds of associated expenditure in the case of non-highway transportation; about one third in the case of the four functions of institutions of higher education, hospitals, sewerage and other sanitation, and housing and urban re-

newal; from 11 to 15 percent for education in general, natural resources, and local parks and recreation. Except for housing and urban renewal and natural resources, these fractions represented increases in the reliance placed on charges, compared with the figures for 1957.

Table 12
State and Local Revenue from Selected Charges
as Percent of Direct Expenditures for Associated Function
Fiscal 1957 and 1966

| Function | Charges as percent of expenditures | | |
|----------------------------------|------------------------------------|-------|-----------------|
| | 1957 | 1966 | 1966 minus 1957 |
| Education | 8.7% | 11.1% | 2.4% |
| Institutions of higher education | 18.2 | 30.5 | 12.3 |
| Hospitals | 23.1 | 30.6 | 7.5 |
| Sewerage and other sanitation | 19.9 | 30.7 | 10.8 |
| Local parks and recreation | 14.2 | 14.7 | 0.5 |
| Natural resources | 14.5 | 12.7 | - 1.8 |
| Housing and urban renewal | 58.3 | 32.5 | -25.8 |
| Nonhighway transportation | 47.9 | 64.4 | 16.5 |
| Utilities | 82.6 | 83.9 | 1.3 |
| Liquor stores | 126.6 | 125.0 | - 1.6 |

Source: Bureau of the Census.

V.

Government Charges: Selected Economic Issues

Up to this point the implicit definition of a nontax revenue source has merely been that it is something which is not a tax, and the topic has been considered almost entirely from a revenue point of view. This chapter will attempt to take a closer look at the nature of nontax revenue sources: exactly how they differ from taxes, the reasoning behind their use, and how they can affect the economy.

With so heterogeneous a topic as nontax revenue sources, obviously not all ramifications can be covered in full detail, and the material which follows is necessarily selective. In general, the aim is to examine in some detail those facets of nontax revenue which might have common applicability to all three levels of government.

Nature of Nontax Revenue

Some nontax revenue sources present no problems of classification. No one would dispute that receipts from the sale of government property, or interest income, or royalties collected, are something other than a tax. In fact, most of the items traditionally listed under "miscellaneous general revenue" (as found, for example, in Table 3), offer clear cases of governmental receipts which would be quite difficult to confuse with a tax. Difficulty does arise in the cate-

gory of current charges, where the line between nontax and tax—especially the excise and license taxes—sometimes becomes extremely indistinct.

Fees, charges, and similar types of nontax revenue sources differ from taxes in two major ways: (1) the individual can exercise a considerable degree of *choice* as to whether to incur nontax liabilities, and (2) in return for payment he receives some *definite good or service*. People can avoid paying most types of taxes only by making drastic alterations in their life patterns. In contrast, many fees and charges involve areas of marginal importance to most people, or those in which commercial alternatives of slightly different quality or free government alternatives of lesser quality are available. For example, many people, feeling indifferent to the pleasures of outdoor living, easily and without deliberation avoid the fee for a camping permit in a national park. Public charges for higher education fall only on those who attend college, selecting a public institution rather than a private one. Highway tolls need not be paid if one is willing to use alternative routes which may take longer or provide less comfort, but nonetheless serve for reaching a destination. In each case, when the individual *chooses* to pay the specified fee, he receives *something definite* in return.

The line between tax and nontax revenue sometimes becomes very thin. For example, it can be contended that specific excise taxes may be avoided by abstention from certain types of consumption. But excise taxes fail the second part of the test; payment of the fee alone does not provide the payer with a definite "something" in return, unless one takes as a tangible good the privilege of spending yet more to buy the firearms, sugar, telephone call, or other taxed commodity. A more difficult problem of definition arises in the case of license taxes. Probably one could say that the voluntary element of license taxes does not loom very large. Still, an individual or firm does buy a definite privilege when he pays a license tax.

General Principles of User Charges

If people are willing to pay the government for some good or service, then one might contend that production of the item surely could be relegated to the private sector and in fact belongs there. Why, then, might a government engage in supplying anything but those public goods whose free provision benefits society generally? Why might government engage in quasi-business activities designed to serve various special and private ends?

Four major reasons underlie government provision of goods and services for a fee. These are: (1) the expectation of undesirable by-products if produced privately; (2) low profitability of the enterprise; (3) cost advantages related to joint products, one of which must be government provided; (4) tradition or historical accident.

Controlled-access tollroads provide an example of the application of the first

reason. While a private firm doubtless could construct and operate a similar highway, if it were governed primarily by a profit motive—as, indeed, would be its normal guide—then doubtless it could maximize returns by permitting billboards and assorted vendors along the course of the route. If most of the public considers such billboards and vendors socially or esthetically undesirable, then one way to avoid them lies in government construction and operation of the facility.¹ Charges, set at some level suitable for the recovery of costs, may closely approximate those which have been established by a private operator. There may or may not be an attempt to offset the loss of income resulting from the decision to exclude advertising and not commercialize use of the highway frontage.

Some urban renewal projects illustrate the case in which low profitability of the enterprise (in comparison to similar investment opportunities available to private firms) creates a situation in which the function probably would not be fulfilled unless government undertakes it.² Associated social gains may be expected. But they may not represent values for which a commercial builder can expect to be compensated. Because of such non-tangible benefits, the project may be attractive to the public body, even at a rate of monetary return lower than the market offers for somewhat similar activities of equal risk.

Economies related to joint products come into the picture when government, for reasons of public safety and the like, must maintain an inspection or regulation program. It can then happen that the capital equipment and personnel necessary for the inspection/regulation

1. Government regulation of the private firm's operation might provide another approach with similar product resulting.
2. Of course not all such projects fall into this category.