

# Business in Nebraska

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## Local Government and Local Responsibility

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One of Nebraska's notable growth sectors for the past several decades has been local government. Nebraska Department of Labor employment reports show that local government employment grew an average 2.1 percent annually from 1970 to 1991. The growth rate of this sector of the economy was exceeded only by that of services, which experienced a 3.8 percent average annual growth rate. State government employment grew an average 1.9 percent per year. Federal government employment remained virtually unchanged. Nebraska's experience is not unique. A high growth rate for local governments is a national phenomenon.

The high growth rates of local government resulted in the most extensive tax revolt in the United States since the Revolutionary War. Taxpayers from California to Massachusetts have expressed alarm over taxation and government growth.

Taxpayers' recent preoccupation with local government is a move in the right direction. The next move, however, is for taxpayers to become better informed on what local governments do with taxpayers' dollars.

The main purpose of this article is to encourage Nebraska taxpayers to become more informed about their local governments. We also will discuss types and services of local governments, local government growth in Nebraska, government responsibility, and alternative approaches to local services.

### Types and Services of Local Government

Before we examine local government growth, it is useful to separate local government into three functional areas: general purpose government, special purpose government, and enterprise government.

#### *General Purpose Government*

General purpose governments are authorized to provide a wide range of services to citizens within a particular

geographic area. Cities and towns are general purpose governments that are responsible for fire protection, police protection, emergency health services, planning and zoning functions, building and safety inspections, licensing of certain businesses, and so on. Counties also are general purpose governments offering basically the same services as cities to geographic areas in the county not within the boundaries of a city or town. Counties provide some unique functions as well. The best example nationally is the assessment of property and the collection of property taxes. Cities and other local governments receive their share of property tax revenues from county offices. Another type of service reserved for counties in many states is the administration of state welfare programs.

#### *Special Purpose Government*

Special purpose governments exist to provide special services to citizens within a defined geographic area. Examples of special purpose governments in Nebraska are water conservation districts, flood control districts, natural resource districts, and sanitary districts.

At least two reasons have been given for the existence of special purpose governments. The primary reason is to provide a service to a geographic area encompassing several general purpose governments, e.g., a multicounty service area. Flood control and natural resource districts are good examples of special purpose governments.

Special purpose governments also have been established for revenue purposes. Most special purpose governments have the ability to levy a property tax. In states where there is a maximum property tax rate, special purpose governments can levy a property tax to fund a special purpose. For example, school districts levy a property tax.

**Table 1**  
**1987 Local Government Employment Distribution for Nebraska, Neighboring States, and U.S.**

State	Total		County		Municipal		Township		School District		Special Districts	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Nebraska	3,152	100.0	93	2.95	534	16.94	454	14.40	952	30.20	1,119	35.50
Kansas	3,803	100.0	105	2.76	627	16.49	1,360	35.76	324	8.52	1,387	36.47
Colorado	1,593	100.0	62	3.89	266	16.70	—	—	180	11.30	1,085	68.11
Wyoming	424	100.0	23	5.42	95	22.41	—	—	56	13.21	250	58.96
South Dakota	1,762	100.0	64	3.63	309	17.54	984	55.85	193	10.95	212	12.03
Iowa	1,877	100.0	99	5.27	955	50.88	—	—	451	24.03	372	19.82
Missouri	3,147	100.0	114	3.62	930	29.55	325	10.33	561	17.83	1,217	38.67
U.S.	83,186	100.0	3,042	3.66	19,200	23.08	16,691	20.06	14,721	17.70	29,532	35.50

Source: U.S. Bureau of the Census, Census of Governments

### *Enterprise Governments*

Enterprise government is actually a form of special districts. They are being categorized separately as a third form of local government because they operate a specific facility and derive all (or a majority) of their revenue from the operation of the facility. They tend to be entrepreneurial in nature, and they may be completely autonomous from the general purpose governments that created them. Perhaps the best known example in Nebraska is the state's public power districts. Another example is the state's irrigation districts.

Nebraska ranked ninth among the states in number of local governments with 3,152 according to a 1987 U.S. Bureau of the Census report on government. (The 1987 census is the most recent U.S. Bureau of the Census report on governments. The Bureau of the Census conducts a census of governments every five years.) The total of 3,152 includes 93 county governments, 534 municipal governments, 454 township governments, 952 public school districts, and 1,119 other (special) government districts. Nebraska employed 82,116 workers in local government in 1987. Table 1 gives the functional distribution of local governments for Nebraska and surrounding states plus the U.S.

The most apparent observation from Table 1 is the state and U.S. differences in the relative distribution of local school districts. Nebraska's proportion (30.20 percent) is nearly double the U.S. proportion (17.70 percent). Table 1 also shows that three neighboring states do not have townships: Colorado, Iowa, and Wyoming.

### **Local Government Growth**

Nebraska's fastest growing local units of government between the census years 1957 and 1987, in employment terms, were school districts (Table 2). In 1957 equivalent full-time employment in Nebraska's school districts was 17,780. By 1987 equivalent full-time employment had nearly doubled to 35,201.

Mandated new programs in special education largely contributed to employment growth in public education.

The state's only local unit of government to show a decrease in equivalent full-time employment was townships, declining 40.2 percent from 1957 to 1987 (Table 2).

**Table 2**  
**Nebraska Local Government Employment**  
**1957 and 1987**  
**(Full-Time Equivalent)**

Unit	Period		Percent Change 1957-1987
	1957	1987	
Total	34,382	65,848	91.5
County	5,821	10,092	73.4
Municipal	6,139	12,130	97.6
Township	174	104	-40.2
School District	17,780	35,201	98.0
Special Districts	4,468	8,321	86.2

Source: U.S. Bureau of the Census, Census of Governments

Another way to view local government employment is to relate employment to population. Table 3 gives equivalent full-time local government employment per 10,000 population for census years 1957 and 1987.

Table 3 shows that in 1957 the number of full-time equivalent employees in local government per 10,000 population in Nebraska was 248.1. If local government full-time equivalent employment had moved in lock-step with the state's population growth, the number of full-time equivalent employees in local government per 10,000 population in 1987 would have been 248.1. The actual number of local government employees full-time equivalent per 10,000 population in 1987 was 417.9, however, indicating a nearly two-fold increase in the number of public workers required to serve the same number of persons (i.e., 10,000).

Table 4 shows total nonfarm employment plus state and local government employment by county in the

**Table 3**  
**Nebraska Local Government Employment**  
**Per 10,000 Population**  
**1957-1987**  
**(Full-Time Equivalent)**

Unit	Period		Percent Change 1957-1987
	1957	1987	
Total	246.6	420.2	70.4
County	41.8	64.4	54.1
Municipal	44.0	77.4	75.9
Township	1.2	0.7	-41.7
School District	127.5	224.6	76.2
Special Districts	32.1	53.1	65.4

Source: Derived from Table 2 and state population estimates for 1957 and 1987 given in Table 5

state for 1991. The employment numbers shown in Table 4 reflect part-time and full-time workers. That is, unlike Tables 2 and 3, the employment numbers shown in Table 4 have not been adjusted to a full-time equivalent basis.

Table 4 reveals an inverse relationship between the number of nonfarm employees and the percent of local government employment. For example, Banner County's total nonfarm employment in 1991 was 109. Seventy-two of the 109 nonfarm workers (or 66.1 percent) were in local government. In contrast, Douglas County recorded 274,316 nonfarm employees in 1991. Slightly more than 7 percent (7.4 percent) of Douglas County's nonfarm employment was in local government. Local government is a principal employer for most of the state's least populated counties.

The comparisons given in Table 5 for both the U.S. and Nebraska show that local employment growth substantially outpaced population growth from 1957 to 1987. Using total employment figures (full-time and part-time) for the U.S. for 1957 and 1987, employment grew over three times faster than the nation's population. Comparable data for Nebraska given in Table 5 show that the state's local government employment grew nearly seven times faster than the state's population. Without question, local government has been a key employment growth sector for Nebraska. It must be remembered, however, that local government obtains its growth mostly from state and local tax revenues.

Local government growth is due to three factors: demand, supply, and inefficiency.

On the demand side, the basic factors are demographics, income, and government mandates. Changes in the composition of the state's population contribute to local government growth. An area's aging population, for example, may require more government services. Geographic movements in a state's population can lead to local government growth. For example, geographic movements in the school age population can lead to increased employment in public education.

**Table 4**  
**Nebraska Total Nonfarm Employment Plus State and**  
**Local Government Employment by County**  
**1991**

County	Nonfarm Employ.	Local Gov't. Employ.	State Gov't. Employ. <sup>a</sup>	% Local to Total Nonfarm <sup>b</sup>	% State to Total Nonfarm
Adams	14,110	1,997	702	14.2	5.0
Antelope	2,097	487	32	23.2	1.5
Arthur	84	35	5	41.7	6.0
Banner	109	72	2	66.1	1.8
Blaine	132	71	6	53.8	4.5
Boone	1,764	522	24	29.6	1.4
Box Butte	5,526	798	67	14.4	1.2
Boyd	624	259	13	41.5	2.1
Brown	1,011	297	61	29.4	6.0
Buffalo	17,205	1,556	1621	9.0	9.4
Burt	1,843	614	19	33.3	1.0
Butler	1,881	487	30	25.9	1.6
Cass	3,626	868	58	23.9	1.6
Cedar	2,518	620	41	24.6	1.6
Chase	1,396	495	25	35.5	1.8
Cherry	1,618	394	57	24.4	3.5
Cheyenne	4,373	690	70	15.8	1.6
Clay	2,397	464	212	19.4	8.8
Colfax	3,793	479	11	12.6	0.3
Cuming	3,378	629	20	18.6	0.6
Custer	3,444	853	75	24.8	2.2
Dakota	9,753	674	65	6.9	0.7
Dawes	3,138	511	633	16.3	20.2
Dawson	9,096	1,435	120	15.8	1.3
Deuel	670	169	17	25.2	2.5
Dixon	2,030	502	45	24.7	2.2
Dodge	13,759	2,283	120	16.6	0.9
Douglas	274,316	20,332	9139	7.4	3.3
Dundy	720	201	22	27.9	3.1
Fillmore	2,290	614	106	26.8	4.6
Franklin	773	300	9	38.8	1.2
Frontier	732	241	83	32.9	11.3
Furnas	1,673	539	17	32.2	1.0
Gage	8,874	1,102	1224	12.4	13.8
Garden	621	269	12	43.3	1.9
Garfield	663	131	15	19.8	2.3
Gosper	435	153	10	35.2	2.3
Grant	177	77	7	43.5	4.0
Greeley	722	258	10	35.7	1.4
Hall	25,919	2,430	736	9.4	2.8
Hamilton	2,422	507	19	20.9	0.8
Harlan	863	271	12	31.4	1.4
Hayes	167	79	4	47.3	2.4
Hitchcock	714	358	4	50.1	0.6
Holt	3,216	675	65	21.0	2.0
Hooker	243	86	16	35.4	6.6
Howard	1,016	344	18	33.9	1.8
Jefferson	2,987	570	42	19.1	1.4
Johnson	1,522	390	40	25.6	2.6
Kearney	1,859	483	21	26.0	1.1
Keith	3,173	505	70	15.9	2.2
Keya Paha	104	59	6	56.7	5.8

(Table 4 continues on page 4)

**Table 4**  
**Nebraska Total Nonfarm Employment Plus State and**  
**Local Government Employment by County**  
**1991**  
**(Continued)**

County	Nonfarm Employ.	Local Gov't. Employ.	State Gov't. Employ. <sup>a</sup>	% Local to Total Nonfarm <sup>b</sup>	% State to Total Nonfarm
Kimball	1,584	364	22	23.0	1.4
Knox	2,200	784	43	35.6	2.0
Lancaster	123,569	12,551	17,949	10.2	14.5
Lincoln	13,396	2,004	419	15.0	3.1
Logan	125	72	5	57.6	4.0
Loup	86	52	5	60.5	5.8
McPherson	51	30	2	58.8	3.9
Madison	17,120	1,936	802	11.3	4.7
Merrick	1,831	542	18	29.6	1.0
Morrill	1,234	372	64	30.1	5.2
Nance	986	316	13	32.0	1.3
Nemaha	2,732	954	299	34.9	10.9
Nuckolls	1,794	346	13	19.3	0.7
Otoe	4,946	918	107	18.6	2.2
Pawnee	674	235	13	34.9	1.9
Perkins	796	329	9	41.3	1.1
Phelps	4,240	713	44	16.8	1.0
Pierce	1,614	384	22	23.8	1.4
Platte	14,759	2,334	112	15.8	0.8
Polk	1,426	470	19	33.0	1.3
Red Willow	4,590	783	115	17.1	2.5
Richardson	2,822	537	31	19.0	1.1
Rock	547	172	16	31.4	2.9
Saline	5,461	983	35	18.0	0.6
Sarpy	22,236	3,216	141	14.5	0.6
Saunders	3,757	914	125	24.3	3.3
Scotts Bluff	14,827	2,169	430	14.6	2.9
Seward	5,326	836	55	15.7	1.0
Sheridan	1,818	616	35	33.9	1.9
Sherman	716	313	13	43.7	1.8
Sioux	170	79	6	46.5	3.5
Stanton	1,120	277	5	24.7	0.4
Thayer	2,101	581	22	27.7	1.0
Thomas	285	71	7	24.9	2.5
Thurston	1,971	451	15	22.9	0.8
Valley	1,678	526	37	31.3	2.2
Washington	4,727	1,316	28	27.8	0.6
Wayne	3,300	486	606	14.7	18.4
Webster	1,051	288	18	27.4	1.7
Wheeler	177	68	8	38.4	4.5
York	6,543	871	131	13.3	2.0

Source: Nebraska Department of Labor

<sup>a</sup>Includes employment in public education through twelfth grade

<sup>b</sup>Includes employment in public education above twelfth grade plus employment in the state's public power districts

As incomes rise, demand increases for higher quality services. Perhaps the best example is education.

Government mandates also add to the demand for local government services. Local governments are mandated by the state to provide certain services either from their own revenues or with state support. Because local governments are creatures of the state, they must provide the services specified, such as special education. Each of the 50 states has its own set of mandates that local governments must follow.

Whereas increased demand provides the pull for more government services, the desire by public officials and service managers to supply more services provides the push. Public servants generally are reluctant to cut or reduce even marginal programs to make way for new services. They find it much easier, quicker, and more painless to expand total government in order to offer new or expanded services. Expansion avoids the business of deciding whose priorities will be served and whose will suffer. In short, many public servants tend to be budget maximizers, pushing growth of government.

A third factor that accounts for local government growth is inefficiency. The inefficiency referred to here relates to scale of operation. Every operation has an optimal level of production for maximum efficiency. The optimal scale of each service operation can differ, depending on the technical characteristics of the production process. A one room schoolhouse with a single teacher handling eight different grades, for example, will not be as efficient and effective in providing a desired standard of education as a larger school with more specialized teachers, a library, laboratory, audio-visual equipment, personal computers, and the like. At the other end of the scale, however, a very large school district may have so many coordinators, so many layers of supervision, and so many reports and staff assistants that it too is inefficient.

Government services are potentially inefficient because the service unit must be by definition the same size as the consumer base located within the unit's geographic boundaries. Sparsely populated areas restrict the size of a service unit, creating a suboptimal and inefficient level of operation. The problem is exacerbated in areas where several local units of government are competing for essentially the same consumer base. A logical solution to this problem would seem to be consolidation, which is the final topic of this article.

### Taxpayer Responsibility

The most important responsibility of taxpayers is to find what local governments do; that is, to find what kinds of services local governments provide. The easiest and quickest way to obtain this information is to contact each local unit of government. Local/regional telephone directories list local government offices.

The next responsible step is to obtain a complete cost accounting of each service provided by local governments. Most (if not all) local units of government can provide this information. This information is essential for making informed judgments on the economic worth of each service and on the consequences of potential tax cuts or curbs on expenditures. This information can provide the taxpayer with the means to intelligently answer these questions. Is local government doing a good job with the revenue it has? Are taxes too high for the level of services being provided? Is there a legitimate need for a tax increase? What will happen if property taxes are decreased by a given percentage?

Finally, it is important for taxpayers to realize that, unlike private goods, most public services cannot be measured precisely. In other words, for many public services, there is no agreement as to what the unit of output should be. For example, it is misleading and even rather meaningless to discuss the number of units of education. What is a unit of education? Is it the number of hours spent in class? Is it the amount of material covered in those number of hours spent in class? Is it the number of contact hours with a teacher holding a certain degree? The point is that most public services cannot be specified in any terms remotely comparable to a private good.

If a service cannot be specified well, how can a government agency or anyone else perform a service satisfactorily if it is not clear what the service calls for and what satisfactory performance is? The only answer is citizen involvement: attending and participating in parent-teacher group meetings, attending and raising important questions at local government budget hearings, and the like. Active citizen involvement can provide a critical missing link in the local government process—it can provide a system of checks and balances.

### Government Accountability

Local governments, in turn, have a responsibility to their constituents. The primary responsibility is the accountability of public funds. Local governments need to be able to demonstrate to their taxpayers that they are using funds in a manner that is honest, is in accordance with all applicable law and regulation, and is verifiable. Verifiable means it is possible to determine how all funds were used after they have been expended. Accountability is important to the maintenance of public trust in local government and its elected officials. Public trust is a necessary prerequisite for local government to effectively provide the services the community needs.

The second area of responsibility involves the purposes for which public funds are expended. Taxpayers must be assured that public funds are used only for the purposes for which they were intended and that these funds are used efficiently and effectively.

Responsibility also includes improving operations. Elected and appointed officials and service managers need to be encouraged to think and act as community service providers and overseers and not solely as service deliverers. They need to consider a wide spectrum of alternatives to public service delivery. This does not mean that public officials should become agents to break up local government, but that opportunities involving substantial departures from normal service delivery practices should be explored fully.

### Alternative Approaches to Local Services

For alternative approaches, we will discuss contracts, vouchers, consolidation, and reduction or elimination of services. Other approaches not discussed include franchises, grants/subsidies, volunteers, self-help, demarketing, and user fees/charges.

#### Contracts

Contracting for services may be a means of increasing efficiency and reducing service cost. Contracts normally are written for a short period of time, e.g., two years or less. Public regulations almost always require contracts to be put up for bid, so local citizens have some assurance they are getting a fair and competitive price for the services they receive. Contracts that are written properly have service specifications assuring the quality and quantity of the service provided. If these specs

**Table 5**  
Population and Local Government Employment for U.S. and Nebraska  
1957 and 1987

Item	U.S.		Nebraska		
	Actual	Percent Growth 1957-87	Actual	Percent Growth 1957-87	
Population <sup>1</sup>					
1957 (est.)	171,178,000	} 41.6	1,394,000	} 12.4	
1987 (est.)	242,321,000		1,567,000		
Employment in Local Government					
1957 <sup>2</sup>					
Total (full- & part-time)	4,249,358	} 135.5	44,242	} 85.6	
Full-time only	3,438,636		32,467		78.3
Full-time equivalent	3,587,480		34,382		91.5
Total (full- & part-time)		128.4			
Full-time only		140.3			
Full-time equivalent					
1987 <sup>3</sup>					
Total (full- & part-time)	10,005,309	} 82,116	82,116	} 57,899	
Full-time only	7,853,247		57,899		65,848
Full-time equivalent	8,621,775		65,848		

#### Sources:

<sup>1</sup>Nebraska Economic Information Program (NEIP), Bureau of Business Research, University of Nebraska-Lincoln

<sup>2</sup>1957 Census of Governments, Vol. II, No. 1

<sup>3</sup>1987 Census of Governments, Vol. III, No. 2

are not met, it is relatively easy for public officials to enforce the provisions of the contract. Contracting for services has another advantage for the local government, because the local government does not have to terminate employees in order to eliminate the service. It is much easier for public officials to terminate a service by merely failing to renew a contract than it is for them to terminate employees, who, after all, are voters too.

#### *Vouchers*

Vouchers are certificates issued by government to citizens for certain services/goods. The providers of the services/goods return the vouchers to government for payment. Vouchers are given by the government to the consumer and not to the provider.

Vouchers conceptually give citizens increased choice of providers. An increase in choice, however, may not lead to lower cost of service. Cost is governed by the actual cash value of the voucher. If vouchers are set at recent average costs, savings will tend to be small. On the other hand, if their value is set at levels that reflect the operating costs of the most efficient providers, then savings could be substantial. Provider selection may be quite limited, however, especially for rural areas.

#### *Consolidation*

Consolidation potentially offers significant reductions in local government costs. Consolidation can take two forms: functional and geographic.

The most promising area of consolidation is functional consolidation. Functional consolidation, as distinguished from geographic consolidation, involves the cooperation of two or more divisions (departments) within the same governmental unit to share clerical assistance, as an example, or the cooperation of two or more local units of government in the provision of community law enforcement, as an example. Functional consolidation is applicable for both urban and rural areas. A special reason for functional consolidation in rural areas lies in the need for an operation large enough to make it efficient and economical.

For some time political scientists and others have advocated that efficient and economical geographic consolidation is necessary in order to make our local government more understandable. County mergers often have been cited as a logical form of geographic consolidation. The costs of county government that likely would be reduced substantially by consolidation are those such as overhead, especially expenditures for officers' salaries, office expenses, and courthouse maintenance.

County consolidation probably is unlikely, at least in the near future. Many states have constitutional or statutory provisions authorizing contiguous counties to consolidate voluntarily. Yet since the beginning of the present century, only a few of the more than 3,000 counties in the country have consolidated voluntarily.

The extremely slow progress of county consolidation by voluntary means is not difficult to understand. A proposal to consolidate one county with another is likely to meet with bitter opposition from various elements in each county that would lose its legal identity by the merger. Businesses and residents of the county seat in question would oppose merger strongly because their very economic life is, in large part, dependent on the location of county offices.

County governments are long-lasting and well-established American political institutions that have demonstrated great durability. The origins of the American county can be traced 1,000 years ago to shires that formed the apex of local government in Anglo-Saxon England.

#### *Reduction or Elimination*

Finally, a direct way to cut government cost is to reduce or eliminate some government services. If put to a vote, some local services probably would be eliminated. In reducing or eliminating services, the goal should be to maximize the amount of funds saved while minimizing the reductions and eliminations of service. A second criterion to consider is based upon the assumption that there should be a linkage between taxes paid and services received. Services chosen for elimination or reduction should be those that are closely related to the taxes reduced. For instance, reduction in the property tax should be made by reducing property-related services such as road maintenance, landscaping, and fire protection. The basic idea is that the public is entitled to only those services for which it is willing to pay.

In considering service reductions or eliminations, it is important to realize that certain services are not candidates for reduction or elimination. Many local government services are controlled by the laws of the state and federal governments as well as by the state constitution and perhaps even by the charter of the local government itself. The first step in program elimination or reduction is to identify all areas within the discretion of local government. Each of these must be examined to determine if there are state or federal matching funds attached to the services under study. If there are, then the savings to the taxpayers may not be as great as they first appear. This may affect the decision of which services to cut. Additionally, local governments must be wary of cutting services in areas that might affect their eligibility for state and federal grants-in-aid. For example, some community development grants require an independent local planning commission.

#### **Summary**

We hope that the widespread taxpayer revolt that began in the late 1970s in the U.S. will lead to a movement for citizens to become better informed on

local taxes and local government services. Taxpayers have to be knowledgeable in the revenues and costs of local services. Moreover, they must be able to identify the positive results (benefits) derived from each service. In most cases, however, the worth of a service is difficult (if not impossible) to quantify. A public service may be extremely valuable to one taxpayer but useless to another.

Therefore, the value of each public service must be weighed in a public arena. Public arenas are places where taxpayers can ask the tough questions: Was the tax increase necessary? Has the quality of the services increased? Are we getting our money's worth? How efficiently is government operating? Public arenas are places where public officials and service managers can address these questions. Public arenas are parent-teacher group meetings, town/city council meetings, budget hearings, and the like. These public arenas provide the checks and balances that assure efficient and effective local government.

As a final note, taxpayers should not have unrealistic expectations about fat in local government operations. Because of scale economies, local governments may not be efficient; hence, they may not provide a service at the lowest possible cost. In other words, high cost services may be a sign of inefficiency rather than fat. If this is the case, perhaps taxpayers need to consider contracting for services or consolidating services. Given the current structure of local government and the various programs that local government is mandated to provide, however, it is doubtful that there is enough fat in their operations to make much of a difference to the average taxpayer. This is not to say that some improvement is impossible or that the effort should not be made. The point is that taxpayers should not have unrealistic expectations about the savings possible, given the current structure of local government.

*(Dr. Merlin Erickson, BBR research associate, assisted in the development of the data tables in this article.)*

## Unemployment and Labor Force Participation by Type of Family

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According to the U.S. Bureau of Labor Statistics, in third quarter 1992, 3.0 percent of all families in the U.S. with at least one member in the labor force experienced total unemployment. In other words, although at least one member of the family was looking for work (participating in the labor force), no members had work. More than 2 million families experienced total unemployment in third quarter 1992.

Families headed by women were hit hardest by total unemployment. In third quarter 1991, 6.7 percent of female-headed families with at least one family member in the labor force experienced total unemployment. In third quarter 1992, the rate had risen to 7.5 percent. The number of female-headed families experiencing total unemployment increased by 13.0 percent versus year ago. Total unemployment was experienced in 5.9 percent of families headed by men during third quarter 1991; this figure rose to 6.4 percent during third quarter 1992. The number of male-headed families in this category jumped 16.2 percent. The total unemployment rate among married couple families was 1.8 percent in third quarter 1992, up from 1.5 percent in third quarter 1991.

Mothers in female-headed families with children under the age of 18 had a substantially lower rate of

labor force participation than did fathers in corresponding male-headed families. Mothers had a 69.0 percent labor force participation rate in third quarter 1992. Fathers in the corresponding male-headed households had a 90.5 percent labor force participation rate during the same period.

Labor force participation of at least one parent in married couple families with children under age 18 was high. Neither parent was in the labor force during third quarter 1992 in only 1.5 percent of these families.

The age of children had a variable influence on single parent labor force participation. The labor force participation rate of mothers in female-headed families with children ages 6 to 17 years old was 78.0 percent during third quarter 1992, while the rate among fathers was 89.3 percent. Labor force participation of mothers in female-headed families with children under the age of 6 was approximately 56.0 percent, compared to 92.4 percent among fathers in corresponding male-headed families.

Unemployment among mothers in female-headed families and fathers in male-headed families with children under age 18 diverged considerably; 13.3 percent of mothers and 8.7 percent of fathers were unemployed (in the labor force but not employed) during third quarter 1992. The parental unemployment rates drop for both types of families with children between the ages of 6 and 17 to 10.5 percent among mothers and 6.8 percent for fathers. In single-parent families with children under the age of 6, the unemployment rate among mothers was 18.7 percent versus 11.5 percent among fathers.

# Private School Enrollment

Merlin W. Erickson  
UNL Bureau of Business Research

Eleven percent of the elementary and high school students in Nebraska attend private schools. The 1990 Census of Population shows that 31,152 primary and secondary students are enrolled in nonpublic schools. There are a total of 283,581 pupils enrolled in elementary and secondary schools throughout the state.

The county with the largest percentage of its students enrolled in private schools is Cuming County,

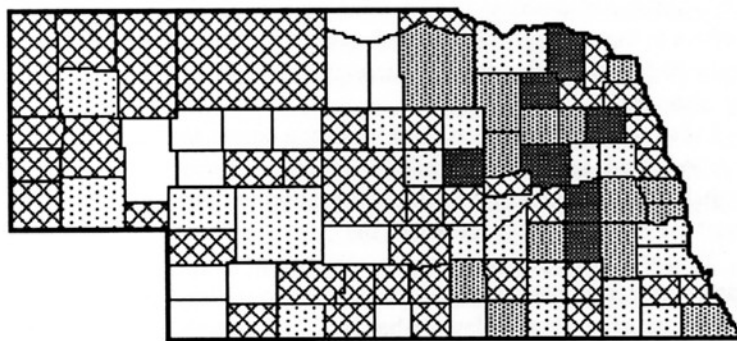
where 33 percent of the total student population is enrolled in private schools (Table 1). Cedar County has the second largest percentage (28.9 percent). Other counties with 20 percent or more of their elementary and high school students in private schools include Platte, Butler, Seward, Pierce, and Greeley. All of these counties lie in the eastern part of the state.

**Table 1**  
Nebraska Counties With Ten Percent or Greater  
in Private Elementary and High Schools

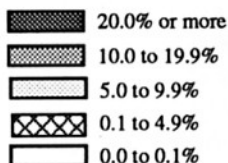
County	Percent at Private Schools	County	Percent at Private Schools
Cuming	33.0	Boone	12.5
Cedar	28.9	Dakota	12.5
Platte	26.9	Saunders	12.4
Butler	25.1	Adams	12.2
Seward	21.3	Antelope	12.0
Pierce	20.3	Richardson	12.0
Greeley	20.0	York	11.5
Madison	19.6	Stanton	11.4
Douglas	16.9	Lancaster	10.6
Holt	14.7	Sarpy	10.0
Nuckolls	13.2		

Source: U.S. Census of Population, 1990, Nebraska

**Figure 1**  
Percent of Elementary or High School Students  
in Private Schools, Nebraska



State average, 11.0%



Source: U.S. Census of Population, 1990, Nebraska

There are 14 counties without children in private elementary or high schools (Figure 1). The counties are Arthur, Brown, Chase, Dawson, Dundy, Garden, Grant, Harlan, Hayes, Hooker, Keya Paha, Rock, Thomas, and Webster.

Douglas County, with its large population base, has the most primary and high school students attending private schools. The 12,212 students in Douglas County attending private schools account for 39 percent of total private school enrollment in the state.



# Review & Outlook

John S. Austin

UNL Bureau of Business Research

## National Outlook

We expect stronger growth this year than we have seen for some time. A recent survey of economists by the *Wall Street Journal* indicates that this year the economy will grow 3.0 percent in real terms. This growth rate will be matched by growth in inflation. Total GDP will grow about 6.0 percent. The group sees a slight increase in interest rates over the year.

A key to the recovery is a restoration of consumer confidence. Anecdotal evidence on Christmas sales suggests that confidence is reversing. There was a boost to the consumer confidence index following the election, and recent figures show further increases. Unfortunately, the massive deficits we face are going to be burdensome in our attempt to accelerate the economy.

Not all parts of the country will recover uniformly. There will be regional laggards restraining overall growth. For example, defense cuts have impacted California severely. Many Californians still believe they are in a recession. The California economy accounts for over 10 percent of the total U.S. economy. If California is in the doldrums, it makes it harder for the rest of the states to run fast enough to create growth rates that characterize a normal recovery.

### New Year/New Administration

It is heartening to see that the new administration is paying attention to deficit problems. The administration seems to realize that the economy is recovering on its own and that extraordinary measures will not be needed to stimulate the economy. In turn, this realization will allow the administration to focus more on long-term problems such as the deficit. The focus should not be solely on the deficit, however. It is the national debt that is the problem. Interest payments must be paid on the entire debt, not just on the deficit portion. The deficit is merely the yearly contribution to the debt.

One way of looking at the national debt is to look at the ratio of national debt to GDP. This ratio measures, in a rough sense, how well we can handle the debt. The debt-to-GDP ratio first exceeded 100.0 percent in 1944. The national debt essentially was a major tool to finance World War II. The debt-to-GDP ratio peaked in 1946, reaching 127.6 percent. By 1949, however, the debt-to-GDP ratio had been brought to under 100.0 percent. The ratio continued to decrease, reaching a low point in 1981 of 33.5 percent. Table A presents data for 1981 and compares them with data for 1992. All data are on a fiscal year basis. The national debt over this 11 year period has grown 303.0 percent. This growth far outpaced the growth in GDP at 98.0 percent. The basic

problem is that we spend more than we collect. Taxing and spending got out of whack in the early 1980s when taxes were sharply cut without a commensurate cut in spending.

Table A also shows the increase in federal receipts and expenditures. While total receipts increased 5.6 percent per year over the period, total expenditures increased 6.7 percent. This amounts to a difference of 1.1 percentage points. One would think that small a difference should not produce such catastrophic results. But if we look at the figures, the deficit actually increased 12.6 percent per year.

While it is easy to state the problem as a mismatch of taxing and spending, it is much more difficult to determine a solution. There is no real solution to the deficit problem until spending is brought under some kind of control. Table B examines alternate spending levels under several scenarios. Table B is not based upon any econometric model. It is simply a set of calculations. More critically, we have ignored the possible impact that a reduction in federal spending might have had on GDP growth. Our example is only meant to be expository. The first scenario allows federal expenditures to grow at the same rate as GDP from 1981 to 1992. If this would have occurred, the 1992 deficit would have been reduced about \$40 billion.

Another proposal is to allow expenditures to grow 1.0 percent per year less than the annual GDP growth

**Table A**  
Federal Receipts, Expenditures, and Debt  
1981 and 1992  
(Current \$ billions)

	1981	1992	Total Growth %	Average Annual Growth Rate %
National Debt	994.3	4,006.1	302.9	13.5
Gross Domestic Product	2,964.7	5,869.6	98.0	6.4
Total Receipts	599.3	1,091.7	82.2	5.6
Total Expenditures	678.2	1,381.9	103.8	6.7
Deficit	78.9	290.2	267.8	12.6

Source: Economic Indicators, Nov. 1992, U.S. Congress Joint Economic Committee  
Note: All data are for fiscal years from October 1 to September 30

**Table B**  
Theoretical Federal Expenditures and Surplus  
Under Alternative Growth Schemes From 1981 to 1992  
(\$ billions)

	Expenditure	Surplus
Actual	1,381.9	-290.2
At GDP Growth Rate for 1981-1992	1,341.9	-250.2
At GDP Rate Less 1 Percent for 1981-1992	1,209.5	-117.8
At GDP Rate Less 2 Percent for 1981-1992	1,089.1	+2.6

rate. If this would have occurred, the deficit would have been reduced about \$170 billion. Last, we calculated what would have happened if total federal expenditures would have increased at a rate of 2.0 percent less than GDP over the period. If this would have occurred, a slight surplus of \$2.6 billion would have been created.

Table B does oversimplify the budget problem. But it suggests that by enforcing a discipline that brings spending in line with receipts the deficit can be reduced. Actually making needed cuts in spending will not be easy. But unless we learn how to cut the growth rate of expenditures, little can be done to cure the deficit without a tax increase. Given the political environment of the last several years, it is doubtful that a tax increase would be tolerated unless it were part of an overall plan calling for shared sacrifices.

Perhaps more importantly, we should note that whatever scenarios are used, it will take a long time to cure our current deficit problems. A basic requirement is that the American public allow politicians to restore a balance to taxes and spending. Greedily insisting that we spend more than we take in will not allow the deficit reductions needed.

### Nebraska Outlook

In the November-December issue of *Business in Nebraska* we presented short-term model forecasts for the next two years. To simply restate, 1992 was a year of moderation in growth from the major growth experienced in 1990 and, to a lesser extent, in 1991. The outlook for growth in 1993 is for a continuation of moderate growth. This forecast could be increased a bit if national markets grow faster than we anticipate.

**Table I**  
Employment in Nebraska

	Revised October 1992	Preliminary November 1992	% Change vs. Year Ago
Place of Work			
Nonfarm	744,485	747,213	0.6
Manufacturing	100,173	99,500	-0.4
Durables	47,244	46,963	-0.7
Nondurables	52,929	52,537	0.3
Mining	1,478	1,425	-1.7
Construction	29,518	28,793	3.4
TCU*	47,842	47,987	0.4
Trade	184,625	184,834	-2.2
Wholesale	51,212	51,211	-0.5
Retail	133,413	133,623	-2.8
FIRE**	48,712	48,637	0.4
Services	183,877	182,473	1.1
Government	149,858	153,564	3.6
Place of Residence			
Civilian Labor Force	857,070	843,226	-0.2
Unemployment Rate	2.9	2.5	

\* Transportation, Communication, and Utilities

\*\* Finance, Insurance, and Real Estate

Source: Nebraska Department of Labor

One negative on the Nebraska horizon is that farm income is expected to see some dampening. In particular, corn numbers are not very good for this year, as high carryover has resulted in low prices for the product. Recently the cattle on feed numbers have increased somewhat, bringing Nebraska's total as of December 1st to 2.1 million head which is just behind Texas and leading Kansas.

One of the major uncertainties for Nebraska is how exports will perform over the next few years. While the prospects are for much greater trade with Eastern Europe, the timing of increases in this trade pattern is generally unknown.

It will be several months before we know the effect of the Christmas buying spurt upon retail sales patterns for the state. The latest monthly data available are given in Table IV. Total net taxable retail sales in September

**Table II**  
City Business Indicators  
August 1992 Percent Change From Year Ago

The State and Its Trading Centers	Employment (1)	Building Activity (2)
NEBRASKA	-0.3	33.5
Alliance	1.1	43.1
Beatrice	1.2	112.9
Bellevue	-2.5	-1.5
Blair	-2.5	250.9
Broken Bow	-1.5	176.9
Chadron	2.8	93.3
Columbus	-0.5	24.3
Fairbury	-7.0	262.6
Falls City	-1.0	347.9
Fremont	0.2	40.5
Grand Island	-5.1	11.1
Hastings	-5.3	409.9
Holdrege	0.1	-15.3
Kearney	-2.5	25.1
Lexington	20.0	-22.6
Lincoln	3.4	48.7
McCook	-8.7	95.7
Nebraska City	-0.4	192.2
Norfolk	-2.2	-26.8
North Platte	5.8	92.6
Ogallala	-1.0	0.0
Omaha	-2.5	23.6
Scottsbluff/Gering	-1.2	117.4
Seward	3.2	-28.9
Sidney	1.0	-52.6
South Sioux City	6.6	65.9
York	7.7	44.9

(1) As a proxy for city employment, total employment (labor force basis) for the county in which a city is located is used

(2) Building activity is the value of building permits issued as a spread over an appropriate time period of construction. The U.S. Department of Commerce Composite Cost Index is used to adjust construction activity for price changes

Sources: Nebraska Department of Labor and reports from private and public agencies

increased 6.5 percent. On a year-to-date basis, the increase was 4.6 percent. Retail sales have been hampered somewhat over the year by a slowdown in motor vehicle purchases.

Recent data indicate that Nebraska has continued to show improvements in the construction area. According to data from F.W. Dodge reported by the Kansas City Federal Reserve Bank, total construction contracts increased in the third quarter of last year 11.4 percent over the corresponding quarter in 1991. The strength of these contracts was in nonbuilding activity which increased 53.4 percent. Residential contracts came in near the overall average showing an increase of 15.7 percent, but nonresidential building contracts fell a disappointing 28.9 percent.

Building activity in August of last year as tracked by the Bureau's own index showed a total statewide increase of 33.5 percent (Table II).

Recent data indicate that in November of last year total nonfarm employment increased 0.6 percent versus

a year earlier. Strength was in the construction and government sectors.

Unemployment rates remain low, with Nebraska second only to South Dakota in October. Nebraska's October unemployment rate has been revised to 2.9 percent. Preliminary November data show a drop in the rate to 2.5 percent. This rate is in sharp contrast to a national unemployment rate of 7.3 percent in November.

	November 1992	% Change vs. Year Ago	YTD % Change vs. Year Ago
Consumer Price Index - U* (1982-84 = 100)			
All Items	142.0	3.0	3.0
Commodities	130.5	2.1	2.0
Services	154.0	3.8	3.9

U\* = All urban consumers  
Source: U.S. Bureau of Labor Statistics

Region Number and City (1)	City Sales (2)		Region Sales (2)		
	September 1992 (000s)	% Change vs. Year Ago	September 1992 (000s)	% Change vs. Year Ago	Year to Date % Change vs. Year Ago
NEBRASKA	1,017,410	5.6	1,145,502	6.5	4.6
1 Omaha	353,833	9.8	433,723	10.4	6.4
Bellevue	14,094	9.0	*	*	*
Blair	5,209	2.0	*	*	*
2 Lincoln	142,332	1.0	161,299	2.4	2.6
3 South Sioux City	6,798	8.4	9,276	8.5	9.6
4 Nebraska City	4,345	-4.8	21,018	-3.8	0.5
6 Fremont	18,830	1.3	33,800	2.9	2.4
West Point	3,434	-0.1	*	*	*
7 Falls City	2,230	-11.0	9,796	2.5	-0.7
8 Seward	4,706	7.5	15,716	6.0	3.6
9 York	7,280	-4.5	15,270	-5.3	-1.1
10 Columbus	16,885	0.7	29,175	1.8	1.2
11 Norfolk	21,823	9.1	37,935	6.9	1.6
Wayne	3,644	8.0	*	*	*
12 Grand Island	37,865	9.7	52,369	9.5	5.9
13 Hastings	17,068	11.0	26,423	7.1	3.4
14 Beatrice	8,852	3.4	19,027	5.3	2.0
Fairbury	2,904	8.2	*	*	*
15 Kearney	22,977	9.3	31,765	7.1	3.7
16 Lexington	7,186	14.7	18,299	8.7	3.1
17 Holdrege	5,354	5.3	9,054	6.8	0.3
18 North Platte	17,468	3.5	22,288	3.5	2.5
19 Ogallala	4,941	-11.9	10,074	-12.7	-1.6
20 McCook	8,310	8.0	11,707	8.5	0.7
21 Sidney	5,559	5.7	9,420	1.9	7.9
Kimball	1,731	-3.4	*	*	*
22 Scottsbluff/Gering	20,218	3.7	28,099	4.6	1.0
23 Alliance	5,191	3.1	14,991	5.0	-0.8
Chadron	3,008	-7.8	*	*	*
24 O'Neill	3,839	-3.2	14,362	-2.0	-4.2
Valentine	2,917	1.2	*	*	*
25 Hartington	1,834	6.9	9,166	8.1	-3.9
26 Broken Bow	3,729	7.8	11,792	-0.4	-2.1

(1) See Figure II of previous *Business in Nebraska* issues for regional composition

(2) Sales on which sales taxes are collected by retailers located in the state. Region totals include motor vehicle sales

\*Within an already designated region

Compiled from data provided by the Nebraska Department of Revenue

## Economic, Demographic Data Now On-Line!



The Nebraska Economic and Demographic Information Program (NEIP) is now available to the public. The NEIP system, maintained by the Bureau of Business Research, contains over four gigabytes of business, economic, and demographic data. For example, the Bureau's *County Profiles* are available on NEIP. Nebraskans equipped with an IBM compatible personal computer and a modem will be able to transfer information from NEIP directly to a file on their own computer, where it can be manipulated in spreadsheet or word processing programs.

The host machine for remote access to NEIP is the Bureau's on-line system, BBR Forum. BBR Forum also provides news articles, bulletins, press releases, and e-mail capabilities. The telephone access number to the Forum is 402/472-5201.

NEIP is available seven days a week, 24 hours a day. Access is free, except for the cost of a call to Lincoln. For more information about NEIP or the BBR Forum, call David DeFrutter at 402/472-7927.

## New Publications From the Bureau of Business Research

- "Net Taxable Retail Sales, 1984-1991, Nebraska and Counties." Price is \$5.00 plus \$1.00 for postage and handling.
- "Nebraska: Critical Issues in the 1990s," 1993 Annual Economic Outlook Report. Price is \$15.00 plus \$1.00 for postage and handling.
- "Nebraska County Profiles." The county profiles were updated in the fall of 1992. Price is \$1.00 per county with a minimum order of \$10.00. An entire set of 93 counties plus the state profile is available for \$45.00.

Contact: Bureau of Business Research-UNL  
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### County of the Month

## Franklin

Franklin—County Seat



Next County of Month

License plate prefix number: 50

Size of county: 578 square miles, ranks 46th in the state

Population: 3,938 in 1990, a change of -10.0 percent from 1980

Median age: 42.6 years in Franklin County, 33.0 years in Nebraska in 1990

Per capita personal income: \$16,202 in 1990, ranks 60th in the state

Net taxable retail sales (\$000): \$12,877 in 1991, a change of -6.7 percent from 1990; \$9,725 during Jan.-Sept. 1992, a change of -0.2 percent from the same period one year ago

Number of business and service establishments: 99 in 1989; 68 percent had less than five employees

Unemployment rate: 2.1 percent in Franklin County, 2.7 percent in Nebraska for 1991

Nonfarm employment (1991):

	State	Franklin County
Wage and salary workers	736,172	773
	(percent of total)	
Manufacturing	13.5%	*%
Construction and Mining	4.0	3.8
TCU	6.4	1.8
Retail Trade	18.3	17.6
Wholesale Trade	7.0	4.9
FIRE	6.6	*
Services	24.4	20.2
Government	<u>19.8</u>	<u>44.8</u>
Total	100.0%	100.0%

### Agriculture:

Number of farms: 523 in 1987, 530 in 1982

Average farm size: 678 acres in 1987

Market value of farm products sold: \$39.3 million in 1987  
(\$75,100 average per farm)

Sources: U.S. Bureau of the Census, U.S. Bureau of Economic Analysis, Nebraska Department of Labor, Nebraska Department of Revenue

\*Data not available because of disclosure suppression

Merlin W. Erickson

### Business in Nebraska

PREPARED BY BUREAU OF BUSINESS RESEARCH  
Association for University Business & Economic Research

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