

REVENUE SHARING AND NEBRASKA COUNTIES

The State and Local Fiscal Assistance Act of 1972 provides Federal revenue sharing to municipalities, townships, and county governments. An article in the May, 1974, *Business in Nebraska* analyzed the utilization of revenue sharing in Nebraska municipalities. This report looks at revenue sharing in county governments.

The primary sources of information for this report were county and township budgets for fiscal year 1975 (FY '75)¹ on file in the office of the State Auditor of Public Accounts. The budget forms provide data on actual expenditures for FY '73 and '74, as well as the proposed expenditures for FY '75. Revenue sharing payments reported on the budgets were cross-checked with reports from the Office of Revenue Sharing. Two of the counties and a number of the townships did not complete the revenue sharing fund sheet of the budget form. Because some of the data were unclear in the reports, the classifications of expenditures were made only on the basis of functional categories. Those which could not be accurately classified are listed as "unspecified."

Revenue sharing payments constitute a significant amount in relation to other county government funds. Because the computations for distribution are based on population, per capita income, and tax effort, the amounts received by various counties are not a uniform per capita figure. Continual adjustments in the entitlement data resulted in some wide variations in amounts received from one year to the next, as Table 1 shows. Per capita data for counties under township organization exhibited less of a spread between high and low payments than did commissioner counties.²

¹The reader is reminded that, for example, the "fiscal year 1975" covers the period from July 1, 1974, through June 30, 1975.

²In Nebraska, 65 counties are governed by a board of commissioners and 28 by a board of supervisors who represent townships. There are no townships in commissioner counties.

Counties and Districts ¹	Fiscal Years 1972 and 1973		Fiscal Year 1974		Fiscal Year 1975	
	High	Low	High	Low	High	Low
Douglas-Lancaster	5.29	4.48	5.98	5.33	5.57	5.57
Northeast District	24.73	6.58	27.70	5.78	24.40	5.70
Southeast District ²	18.80	3.97	20.39	3.90	20.26	4.29
Central District	26.73	7.07	28.15	6.78	26.50	6.06
Southwest District	26.76	4.99	28.72	8.58	27.03	7.75
Panhandle District	25.82	7.84	28.72	8.21	26.87	10.07
Commissioner Counties ³	26.76	3.97	28.72	3.90	27.03	4.29
Township Counties	20.29	6.58	20.48	5.78	18.85	5.70
All Counties	26.76	4.48	28.72	3.90	27.03	4.29

¹The district categories used are those established by the Nebraska Association of County Officials and are shown in Figure 1.

²Including Douglas and Lancaster counties.

³Excluding Douglas and Lancaster counties.

Source: 1970 Census of Population, Office of Revenue Sharing Program Pay Summary, and the 1974-75 County Budgets.

According to Table 2, revenue sharing as a proportion of the county general fund has been decreasing. As tax effort decreases, so does revenue sharing; thus one might hazard an opinion that revenue sharing funds are replacing local tax effort and allowing for a tax rate decrease, or at least a slowdown in the rate of increase. Township counties, except for FY '73, had lower revenue sharing payments in relation to the amount of general fund expenditures than did the commissioner counties. In the township counties, approximately 12 percent of the revenue sharing which otherwise would be divided between cities, villages, and the county government (and Indian tribes located within the county) went to the townships.

The payment of revenue sharing began during the 1972-73 fiscal year. Only 6 of the 93 counties utilized revenue sharing during that year, spending less than 2 percent of the total revenue sharing funds received by all counties. The presumption must be that the counties were not prepared for the amounts of revenue sharing to be received.

The amount of interest received on the unused portion of revenue sharing would be another (Continued on page 2)

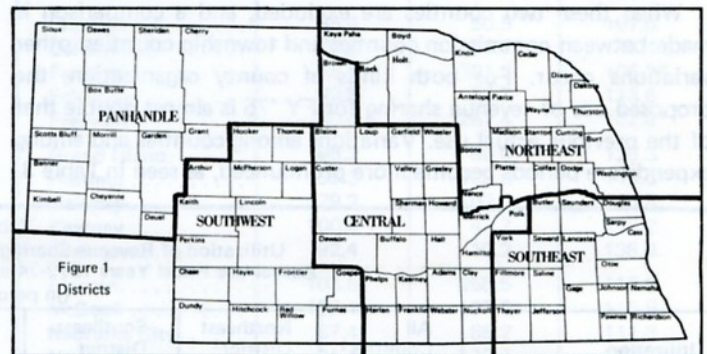


Figure 1
Districts

Counties and Districts	County General Funds			Total County Funds		
	Fiscal Years			Fiscal Years		
	'72&'73	1974	1975	'72&'73	1974	1975
Douglas-Lancaster	15.8	15.3	13.1	7.6	6.4	4.9
Northeast District	42.2	40.5	29.7	15.4	13.8	8.6
Southeast District ¹	38.4	40.0	28.5	12.5	12.3	8.1
Central District	37.4	36.0	25.3	14.2	10.8	7.9
Southwest District	32.5	38.5	24.3	12.8	11.5	8.1
Panhandle District	35.3	35.4	24.4	12.5	10.8	6.2
Commissioner Counties ²	37.9	39.2	27.5	13.5	12.2	7.9
Township Counties	38.2	36.7	25.8	14.0	11.5	7.8
All Counties	29.4	29.1	21.8	11.7	10.1	6.9

¹Including Douglas and Lancaster counties.

²Excluding Douglas and Lancaster counties.

Source: 1970 Census of Population, Office of Revenue Sharing Program Pay Summary, and the 1974-75 County Budgets.

(Continued from page 1) indication of the ability of the county government to handle the impact of revenue sharing. Revenue sharing utilized during the 1972-73 fiscal year was miniscule, yet 6 counties did not report any interest earned on the idle funds. Statewide, excluding Douglas and Lancaster counties, the counties reported earned interest equivalent to 3.4 percent of the total revenue sharing received. For Douglas and Lancaster counties, the earned interest figure reported averaged more than 5 percent of total payments. Counties in the Southwest District received generally the least amount of interest on their revenue sharing funds, and the Southeast District counties reported the highest percentage.

The utilization of revenue sharing funds by Nebraska counties was analyzed for two time periods: the actual use, January 1, 1972, through June 30, 1974, and the proposed budgeted use for FY '75 (the period July 1, 1974, through June 30, 1975). Table 3 summarizes these figures. During the actual use period, the county governments used only 44.89 percent of the revenue sharing funds received. Budgeted amounts for FY '75 anticipate spending 88 percent of the available revenue sharing funds.

One explanation for the relatively high anticipated use of revenue sharing comes from the office of the State Auditor, who recommended that governments appropriate all revenue sharing funds on hand and expected during the next year. This procedure avoids having to "open up" the budget with another public hearing later in the year.

Several marked variations between the actual and proposed uses of revenue sharing appear in the reports. Substantial fluctuations occur in expenditures for transportation, general government, and public safety. Table 3 figures include Douglas and Lancaster counties, which—because of the comparatively large expenditures—tend to distort the pattern of revenue sharing utilization for the remainder of the counties.

When these two counties are excluded, and a comparison is made between commission counties and township counties, other variations occur. For both kinds of county organization, the proposed use of revenue sharing for FY '75 is almost double that of the previous actual use. Variations among counties and among expenditure periods become more pronounced, as seen in Table 3.

A wide discrepancy exists in the proposed expenditures for roads; commission counties plan to spend 51.3 percent of the revenue sharing on roads, compared to 35.2 percent in township counties. When one looks at the revenue sharing expenditures by townships, however, it is apparent that considerably more money is being spent for roads in township counties than first appears. (See Table 4.)

Type of County and Source of Funds	Total Funds Available Expenditures for Roads		Expenditures as Percent of Total Funds Available ¹
	(Millions of dollars)		
<i>Commissioner Counties</i>			
Taxes and State Road Allocation	202.7	89.6	44.2
County Revenue Sharing	21.6	10.9	50.5
Total	224.3	100.5	48.8
<i>Township Counties</i>			
Taxes and State Road Allocation	129.0	58.8	45.6
County Revenue Sharing	14.3	6.8	47.2
Township Local Funds	11.6	11.3	97.9
Twp. Revenue Sharing	3.0	2.9	97.0
Total	157.9	79.8	59.5

¹ Based on actual, unrounded figures.

The budgets for FY '75 in township counties show generally both an increase in number of counties with expenditures in the various categories and an increase in proposed expenditures over previous utilization. The budgets of commission counties generally exhibit increases in expenditures for most categories but show fewer counties proposing expenditures in those categories. For example, health-hospital expenditures from revenue sharing funds in 11 counties for the 1972-74 period amounted to \$174,065. Only 5 county budgets propose health-hospital expenditures from revenue sharing in 1974-75, but the total proposed is \$209,000.

The expenditure pattern compared by districts appears to be fairly uniform. The major item of actual expenditures was for roads. The proposed expenditures show an increase in public safety and general government items.

Some conclusions are possible on (Continued on page 3)

Utilization	All Counties ¹		Northeast District ²		Southeast District		Central District		Southwest District ³		Panhandle District		Commissioner Counties ⁴		Township Counties	
	72-74	75	72-74	75	72-74	75	72-74	75	72-74	75	72-74	75	72-74	75	72-74	75
General government	22.2	38.7	9.9	35.8	19.4	21.8	25.0	32.9	16.1	26.6	20.1	36.8	17.0	26.9	20.9	36.6
Public safety	3.5	12.1	2.4	25.6	2.7	16.4	4.8	8.2	2.8	18.7	4.3	4.2	4.3	13.5	2.3	18.2
Transportation	55.0	36.3	84.9	35.5	61.3	51.0	53.7	49.0	69.0	45.7	50.0	43.0	60.0	51.3	68.6	35.2
Health—hospitals	9.0	6.7	0.8	1.2	0.9	2.1	3.0	3.3	3.8	1.9	6.1	3.1	2.5	1.6	2.3	3.3
Recreation—culture	0.9	1.6	0.3	1.1	0.2	2.5	1.3	1.6	3.5	1.6	1.2	2.4	1.1	1.4	0.9	2.4
Environmental protection	0.5	0.5	---	---	1.9	---	---	---	1.0	0.2	0.4	2.7	1.1	0.6	---	---
Social service	2.2	1.6	---	---	7.5	4.0	---	0.4	0.2	0.4	3.8	3.5	4.2	1.8	---	1.4
Community—economic development	2.0	0.8	1.7	0.8	4.8	0.3	2.4	2.6	---	---	---	---	0.3	0.1	5.0	2.2
Unspecified	4.7	1.7	---	---	1.3	1.9	9.8	2.0	3.6	4.9	14.2	4.3	9.5	2.8	---	0.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹ Excludes Chase and Dakota counties.

² Excludes Dakota County.

³ Excludes Chase County.

⁴ Excludes Chase, Dakota, Douglas, and Lancaster counties.

POPULATION AND INCOME DATA

ACCURACY

The "best" estimates suggest that the undercount in the 1970 Census of Population was approximately 2.5 percent of total population nationwide. The undercount is not uniform geographically, but instead tends to be concentrated heavily in areas containing large numbers of blacks, Spanish-speaking persons, and other low-income or transient people. Since this undercount of low-income people in low-income areas tends to reduce the revenue sharing allocations for precisely those areas that the formula was designed to help the most, there have been numerous recommendations to adjust the data to reflect undercounts, even though there is no completely reliable way of estimating the undercount for particular areas. The method of adjusting for the undercount suggested in a SRI-TMI report¹ would result in changes in revenue sharing allocations among states, ranging from a 2.2 percent increase for Mississippi to a decrease of 1.5 percent for several states. Generally, low-income southern states would benefit most from the adjustments, while states with small minority populations would receive reduced allocations. The estimated reduction that would occur in Nebraska's allocation is 1.2 percent.

Since low-income people are harder to count than other groups, the under-enumeration problem results in a distortion of income data (which are also collected in the Census) as well as population data. (The suggested SRI-TMI adjustment for the undercount noted above does make an allowance for income distortion.) Census income data, however, suffer from at least two other serious problems as well. First, the income data collected in the

1970 Census (providing data for 1969) is based on only a 20 percent sample of all the units enumerated, with the resulting income estimates being subject to sampling variations. This may make the data unusable for very small places (they are not currently used for places under 500 in population) and of questionable quality for somewhat larger places. Second, the Census income data suffer from a systematic tendency for people to understate their incomes (probably because they tend to forget some sources of income).

The only solution for the problem of sampling variation is to increase the sample size or to request income information for all persons enumerated in the Census (a possibility which is being considered for 1980). Limited indications of the extent of income understatement can be obtained by comparing Census estimates of various components of income with estimates of those components derived from other sources. The understatement of wages and salaries appears to be relatively small (perhaps 5 percent or less). The understatement of some kinds of property and proprietors' income, however, appears to be substantial (as much as 40 percent or more in some cases). It might be expected, therefore, that areas where property or proprietors' income is relatively important (for example, farm areas) would have Census income estimates that are biased downward relative to other areas. Unfortunately (or perhaps fortunately for Nebraska), however, there are no adequate means of determining the relative accuracy of alternative income estimates, so there is currently no good basis for adjusting for presumed biases in Census income estimates.

TIMELINESS

To improve the timeliness of the revenue sharing data elements the U.S. Bureau of the Census has developed an "administrative-records" program (based largely on Internal Revenue Service records) for making post-1970 population and income estimates for all revenue sharing areas. The first estimates produced by the program have just been incorporated into the system. The population estimates are for 1973 and the income estimates are for 1972.

Both the population and income estimates were derived by taking data from the 1970 Census and updating it by estimating the change occurring between the Census and estimate dates. Therefore, the estimates tend to carry forward errors present in the initial Census data. Moreover, the administrative records data would be expected to provide imperfect indications of population and income *change*, so the accuracy of the estimates generally will be lower than the accuracy of the Census. In most cases the accuracy of the estimates should be sufficient to result in a better representation of the post-1970 situation than would the 1970 Census, but it is also likely that the estimates for some areas will be a poorer reflection of the current situation than the 1970 Census. Hence, although the overall equity of the revenue sharing allocations is probably improved by using post-1970 estimates, the use of imperfect estimates will inevitably result in some new inequities.

By far the greatest potential for erroneous estimates leading to inequitable revenue sharing allocations arises among small areas. Small areas do not account for a particularly large proportion of the total revenue sharing allocation, but they do account for a large proportion of the number of revenue sharing areas. (For example, 26,000 of 36,000 subcounty revenue sharing areas nationwide have fewer than 2,500

(Continued on page 6)

HAROLD F. GORDON*

¹Stanford Research Institute (SRI) and Technology Management Incorporated (TMI), *General Revenue Sharing Data Study* (various volumes, various dates).

REVENUE SHARING

(Continued from page 2) the basis of this analysis. The evidence of a very limited utilization of revenue sharing during the first year of the program could be interpreted as less than effective planning in anticipation of revenue sharing. A partial cause could also be attached to the inflexibility of the Nebraska budget law which requires several steps before any funds can be appropriated.

The extent to which counties and townships utilized revenue sharing funds for road and highway expenditures could have been anticipated. One of the major responsibilities of county governments is the maintenance of good roads as the prime means of rural commerce and communication. Roughly 45 percent of resources locally available to counties have been spent on this function. It could have been expected that an equally large proportion of revenue sharing would be so utilized to offset the increased costs of road and highway maintenance.

The Federal revenue sharing law is due for renewal in Congress. Studies such as this one, even though undertaken early in the life of revenue sharing, may help to determine the fate of revenue sharing in the future.

*Assistant Professor, Department of Public Administration, University of Nebraska-Omaha.

Review and Outlook

The March figures for the volume of business were not good for either the state or the nation. Compared with the previous year, March did not do as well as February in any sector for Nebraska, in either dollar or physical volume. For the United States as a whole the same was true, except for the agricultural and government sectors. Thus there was still no evidence in March that the recession was letting up.

It is interesting that the U.S. index of agricultural prices (Table 5) was lower compared with 1967 than the Nebraska index. Nebraska's agricultural prices rose from February, while U.S. agricultural prices continued to fall. For Nebraska this reflects the recovery in livestock prices, very important in this state.

The indexes of business relative to 1967 (Table 2) were all down from February in all sectors except government, whether we consider the state or the nation. The physical volume of construction (that is, the dollar volume corrected for price changes) was actually lower for both areas than it was in the base year of 1967. In those sectors other than agriculture and government, Nebraska was still better off than the United States, when compared with 1967.

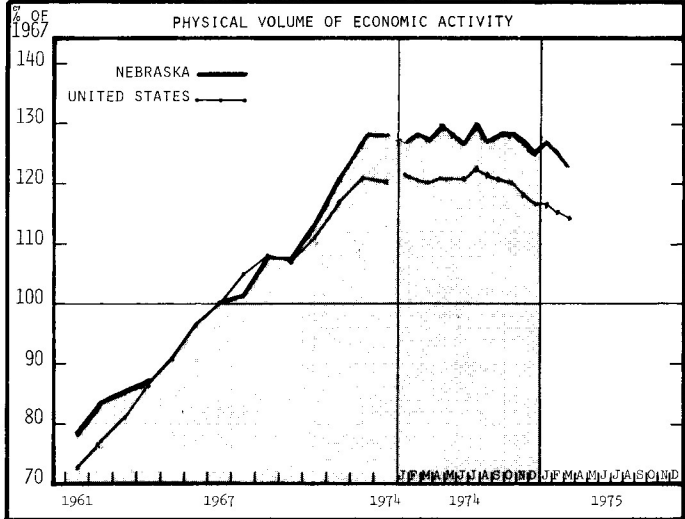
The retail sales figures for the cities and regions of the state also were discouraging for March. Only two cities, Grand Island and Holdrege, showed retail sales above March of 1974, when the rise in prices is taken into account, and only one region, that around Grand Island, was positive. (Continued on page 5)

Notes for Tables 1 and 2: (1) The "distributive" indicator represents a composite of wholesale and retail trade; transportation, communication and utilities; finance, insurance, and real estate; and selected services. (2) The "physical volume" indicator and its components represent the dollar volume indicator and its components adjusted for price changes using appropriate price indexes—see Table 5, page 5.

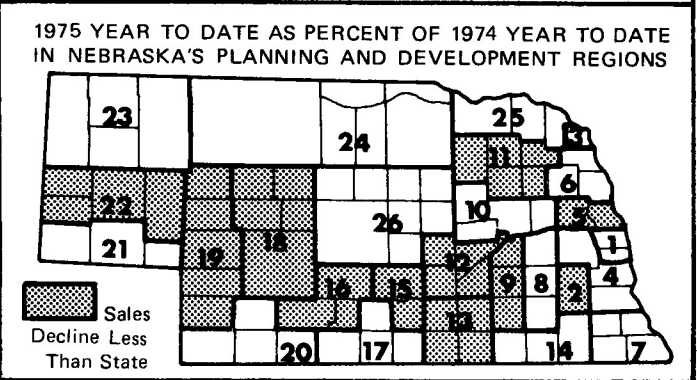
ECONOMIC INDICATORS: NEBRASKA AND UNITED STATES				
1. CHANGE FROM PREVIOUS YEAR				
March, 1975	Current Month as Percent of Same Month Previous Year		1975 Year to Date as Percent of 1974 Year to Date	
	Nebraska	U.S.	Nebraska	U.S.
Indicator	Nebraska	U.S.	Nebraska	U.S.
Dollar Volume	101.2	104.6	103.6	106.0
Agricultural	71.7	82.3	76.2	82.9
Nonagricultural	107.8	105.6	110.2	107.1
Construction	110.6	93.1	116.8	94.5
Manufacturing	108.1	103.6	113.8	107.2
Distributive	106.6	106.8	108.0	107.7
Government	111.6	109.4	111.8	109.0
Physical Volume	94.9	95.1	97.4	95.6
Agricultural	81.1	96.9	90.8	97.1
Nonagricultural	97.5	95.1	98.6	95.5
Construction	98.7	83.1	103.3	83.6
Manufacturing	94.3	88.7	97.0	90.0
Distributive	96.7	96.9	97.2	97.0
Government	105.8	105.0	106.0	104.9

2. CHANGE FROM 1967		
Indicator	Percent of 1967 Average	
	Nebraska	U.S.
Dollar Volume	199.5	183.9
Agricultural	176.0	181.7
Nonagricultural	203.5	183.9
Construction	177.2	156.8
Manufacturing	224.9	172.0
Distributive	197.0	188.5
Government	211.6	203.1
Physical Volume	122.8	114.5
Agricultural	109.3	111.8
Nonagricultural	125.1	114.6
Construction	95.3	84.3
Manufacturing	131.1	102.5
Distributive	124.8	119.5
Government	129.1	133.9

3. NET TAXABLE RETAIL SALES OF NEBRASKA REGIONS AND CITIES (Adjusted for Price Changes)			
Region Number ¹ and City	City Sales ²	Sales in Region ²	
	March, 1975 as percent of March, 1974	March, 1975 as percent of March, 1974	Year to Date '75 as percent of Year to Date '74
<i>The State</i>	92.9	91.2	91.4
1 Omaha	96.4	95.5	91.2
Bellevue	94.4		
2 Lincoln	92.1	92.4	92.7
3 So. Sioux City	89.0	87.4	90.0
4 Nebraska City	84.0	83.2	83.1
5 Fremont	96.4	92.3	95.4
Blair	92.8		
6 West Point	86.3	78.6	80.0
7 Falls City	87.4	83.7	84.8
8 Seward	97.3	83.2	85.9
9 York	79.0	90.6	95.6
10 Columbus	95.5	87.8	88.9
11 Norfolk	88.3	89.7	91.5
12 Grand Island	103.1	101.3	99.9
13 Hastings	83.6	83.4	94.3
14 Beatrice	94.5	87.1	86.5
Fairbury	88.4		
15 Kearney	90.4	89.4	97.0
16 Lexington	94.3	89.4	94.0
17 Holdrege	102.8	88.0	91.3
18 North Platte	97.8	92.4	97.6
19 Ogallala	87.4	94.4	96.1
20 McCook	91.1	91.6	88.2
21 Sidney	88.9	90.4	90.6
Kimball	91.7		
22 Scottsbluff	95.3	89.0	94.7
23 Alliance	94.2	85.4	89.0
Chadron	80.8		
24 O'Neill	79.7	75.9	79.4
25 Hartington	90.4	83.8	82.4
26 Broken Bow	92.1	85.7	84.6



¹ See region map below.
² Sales on which sales taxes are collected by retailers located in the state. Region totals include motor vehicle sales; city totals exclude motor vehicle sales.
 Compiled from data provided by Nebraska Department of Revenue.



(Continued from page 4)

In the year-to-date figures, all regions showed decreases as compared with 1974.

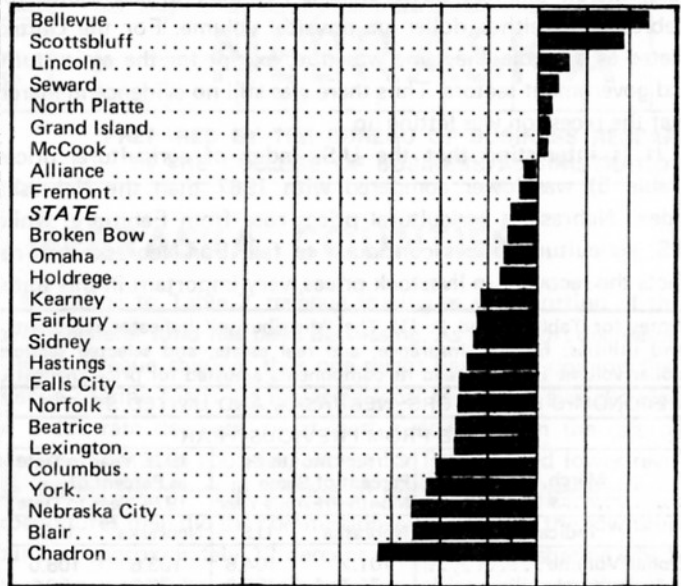
Motor vehicles are included in the regional comparisons, but not in those for the cities. They are not shown separately here, but an examination of the original data show that March's motor vehicle sales were lower than last year in all the regions except those around Lincoln and South Sioux City. The decrease for the state was 12.5 percent. In the year-to-date figures the decrease has been approximately the same. Last year motor vehicle sales were holding up well, but not this year. Figures from the Department of Roads show that daily traffic on state roads and streets was down about 2.5 percent in the first quarter of the year compared with last year.

In the other city indexes (in Table 4), the banking activity column also is discouraging. Bellevue and Scottsbluff do show extraordinary jumps from March, 1974, but in the case of Bellevue this is largely due to a very low figure for March a year ago. Building activity is well above a year ago, but these figures have not been adjusted for any changes in the price structure. In the case of power consumption, the figures are all up from last year. Any tendency to conserve power (natural gas and electricity) has disappeared entirely. The state figure is up over 13 percent, and the increases range up to almost 39 percent. The original data show that the use of electricity rose, compared to March, 1974, by 12 percent, and the use of natural gas increased by 14.5 percent. The figures for February were similar, the rise being a little less than 10 percent. Perhaps these were especially cold months, but we do not appear to be conserving.

The city general index figures in the chart have Bellevue and Scottsbluff at the top, largely due to their high banking activity. Of the other cities showing an increase in the general index, only Lincoln and McCook have increases in banking, building, and power, with moderate decreases in retail sales.

On the national level they keep telling us that the recession is leveling out, and that inflation is being controlled, but these tendencies were still not evident as late as March. A current phrase is "there is light at the end of the tunnel," but if the tunnel is straight, that could be a long way ahead. If the tunnel were actually bent upward, we could not yet see the light. Little encouragement is given with regard to the figure that is of most interest to the greatest number, that for employment. E. Z. P.

CITY BUSINESS INDEXES
Percent Change March 1974 to March 1975
-20 -15 -10 -5 0 5 10 15



Source: Table 4 below.

4. MARCH CITY BUSINESS INDICATORS

The State and Its Trading Centers	Percent of Same Month a Year Ago		
	Banking Activity ¹ (Adjusted for Price Changes) ⁴	Building Activity ²	Power Consumption ³
<i>The State</i>	94.4	109.3	113.2
Alliance	85.4	292.9	123.5
Beatrice	89.5	42.6	116.7
Bellevue	140.8	68.1	109.9*
Blair	60.3	376.6	108.0
Broken Bow	88.7	147.0	123.7
Chadron	85.4	50.5	107.6
Columbus	75.5	95.7	117.4
Fairbury	83.4	301.3	106.2*
Falls City	89.5	93.7	113.6
Fremont	85.9	267.4	102.8*
Grand Island	95.2	80.9	125.3
Hastings	95.3	108.0	115.0
Holdrege	79.2	102.2	125.8
Kearney	100.5	42.7	118.2
Lexington	92.4	19.2	138.9
Lincoln	103.5	255.5	113.2
McCook	106.1	107.0	115.5
Nebraska City	87.4	65.2	111.3
Norfolk	81.1	130.7	128.2
North Platte	98.5	114.9	119.0
Omaha	92.7	96.4	107.0
Scottsbluff	132.0	65.2	102.9
Seward	97.4	141.1	127.1
Sidney	95.9	83.6	108.1
So. Sioux City	NA	NA	NA
York	85.3	104.3	132.1

¹Banking Activity is the dollar volume of bank debits.
²Building Activity is the value of building permits issued as spread over an appropriate time period of construction.
³Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.
⁴Banking Activity is adjusted by a combination of the Wholesale Price Index and the Consumer Price Index, each weighted appropriately for each city.

Source: Compilation by Bureau of Business Research from reports of private and public agencies.

5. PRICE INDEXES

March, 1975	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	157.8	110.3	111.0
Commodity component	155.0	109.9	110.9
Wholesale Prices	170.4	112.5	114.7
Agricultural Prices			
United States	162.5	85.0	85.3
Nebraska	161.0	88.4	83.8

*Using arithmetic average of monthly indexes.
 Sources: Consumer and Wholesale Prices: U.S. Bureau of Labor Statistics; Agricultural Prices: U.S. Department of Agriculture.

(Continued from page 3) residents.) Hence, the potential for having a large number of inequitable allocations is much greater than the potential for misallocating a large share of the total budget—especially when dealing with small areas.

IMPLICATIONS FOR NEBRASKA

A number of the problems affecting data being used or being considered for use in the revenue sharing allocation formula are particularly serious in Nebraska. A resolution of the data problems would likely change the Nebraska allocation and would surely involve some redistribution of allocations within the state. Presumably the overall equity of the allocations would be improved with better data.

At the state level the most difficult problems arise in measuring income. The problems of measuring income in Nebraska are, moreover, greater than for most other states. A larger share of Nebraska's total income is accounted for by farm proprietors' income and other difficult-to-measure components than is the case for most other states. The farm income problem is especially serious, not only because of measurement problems, but also because farm income fluctuates by large amounts from year to year. When there are large year-to-year fluctuations in income, the data for any single year are not likely to be a good representation of average income. If income data were updated each year for purposes of revenue sharing allocations, the average allocations over a period of years might adequately reflect the average income of an area with volatile income, but the allocations would also have year-to-year fluctuations. Also lags in data collection mean that there would be no reason to expect high allocations in years when actual income is low and the high allocations are most needed.

The most serious data problems, of course, occur at the sub-state level, and in Nebraska the problems at this level are particularly serious because of the large number of areas in the state with small populations. About two-thirds of the Nebraska counties

have populations of less than 10,000. At the subcounty level the problem of small areas is even worse. Of 539 incorporated places involved in revenue sharing, for example, nearly 500 have populations under 2,500 and over 400 have populations under 1,000. Moreover, the vast majority of the nearly 500 townships eligible for the program also have populations of less than 1 000.

Because of the sampling procedures used in the 1970 Census, the income data for many of the Nebraska revenue sharing areas are of questionable quality. The 1970 Census population data for small places should be quite good. Both the population and income data from the Census are becoming increasingly out of date, however, and the administrative records data used for making the post-1970 population and income estimates for small places in Nebraska (especially places under 2,500) have serious deficiencies. The use of post-1970 estimates may improve the quality of the data for most of the larger areas in the state. Many small areas continue to receive inequitable treatment because the estimates are being used in the revenue sharing formula.

The major reason for tolerating low-quality data for small areas, of course, is the high cost of producing better data. For large areas the cost of making reasonably reliable estimates is quite low in relation to the size of revenue sharing allocations. For small areas, however, the cost can be quite high in relation to allocations. Increased equity for small areas, therefore, will require an explicit decision to devote more resources to data programs. Programs to improve data at state and local levels would appear to be needed just to permit effective analysis of state and local economic and demographic developments. If programs such as revenue sharing continue to allocate money based on state and local data, the arguments for data improvement become much stronger. From the point of view of researchers concerned with state and local analysis, one of the more important features of the revenue sharing program has been the attention it has focused on the deficiencies of existing state and local data.

UN News

This Issue:

BUSINESS IN NEBRASKA

PREPARED BY BUREAU OF BUSINESS RESEARCH

Member, Association for University Business & Economic Research

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No. 370

July, 1975

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The University of Nebraska - Lincoln

209 Nebraska Hall
901 North 17th St.
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