UNIVERSITY OF NEBRASKA – LINCOLN NEWS

BUSINESS IN NEBRASKA Edition

No. 20
Vol. 52

Number 342, March 1973

PREPARED BY THE BUREAU OF BUSINESS RESEARCH, COLLEGE OF BUSINESS ADMINISTRATION

NEBRASKA AND ITS NEIGHBORS
1. Revenue of State and Local Governments

This is the first of a series of articles comparing Nebraska with contiguous states and with the nation as a whole. Because of current concerns with revenue sharing and other types of Federal aid, it seems appropriate to begin the series with a consideration of the amounts and types of revenue received by state and local governments.

Funds from the Federal government have become the largest single source of state general revenue throughout the nation.[1] In 1969-70 they provided 25 percent of the total, more than double the amount of the personal income tax and 36 percent more than the general sales tax. Nebraska, with 24 percent of its general revenue from Federal sources, was less dependent on the national government than any of its neighbors except Iowa, which received 23 percent. All other adjacent states were significantly above the national average, with Wyoming the highest at 41 percent. Thus the changing structure and amounts of Federal grants are of major significance to all states.

Because of wide disparities among the states, however, in the types of functions performed and the amount of revenues collected at state and local levels, it is not proper to make comparisons on the basis of state revenues alone. In the remainder of this article, therefore, the discussion will be in terms of the combined general revenues of state and local governments.

Such revenues have been growing much more rapidly in recent years than those of the Federal government. After giving effect to intergovernmental transfers, total revenue of local governments in 1970-71 was approximately $100 billion, about 50 percent greater than the state total. Combined state and local revenue was only slightly less than Federal revenue. Total state and local general revenue in 1970-71 for the states considered herein was as follows (in millions):

Nebraska	$1,027.6
Colorado	1,668.5
Iowa	1,921.0
Kansas	1,463.1
Missouri	2,660.8
South Dakota	483.9
Wyoming	326.6

[1]With relation to government, "total revenue" means all money received from external sources other than from issuance of debt and sale of investments. "General revenue," the term used principally in this article, differs from "total revenue" in that it excludes also utility, liquor store, and insurance-trust revenue.

The three sources of state and local general revenue are Federal aid, taxes, and charges and miscellaneous general revenue. The relative importance of these sources for Nebraska, adjacent states, and the nation as a whole is shown in Table 1.

It will be noted in this comparison also that governments in Nebraska are less dependent than in most states on intergovernmental revenue, with only 15.5 percent of general revenue from this source. The only neighbor with a lower percentage is Iowa at 14.2 percent. Kansas at 17.1 percent is also below the national average of 18 percent. All the other adjacent states are well above the national figure, with Wyoming again high at 26.3 percent. Receipts from the Federal government are shown on a per capita basis in Table 3 and in relation to personal income in Table 4.

The category "charges and miscellaneous general revenue" consists of current charges, tuition, and fees collected for services performed in such fields as education, hospital operation, housing, and transportation, plus miscellaneous revenue from such items as special assessments and interest earnings. The 21 percent of general revenue received from this source in Nebraska constitutes a higher percentage of the total than in any contiguous state except Wyoming. All these states except Missouri exceed the national average of 16.4 percent.

TAXATION

Taxes, of course, are the principal source of revenue for state and local governments. The "big three" revenue producers in this

TABLE 1
SOURCES OF STATE AND LOCAL GENERAL REVENUE 1970-71
(percentages)

	Federal Government	Taxes	Charges Miscellaneous General Revenue
NEBRASKA	15.5	63.5	21.0
Colorado	20.0	61.2	18.8
Iowa	14.2	66.9	18.9
Kansas	17.1	64.3	18.6
Missouri	19.5	64.4	16.1
South Dakota	21.3	60.3	18.4
Wyoming	26.3	50.3	23.4
United States	18.0	65.5	16.4

Source: Calculated from *Governmental Finances in 1970-71* (GF71 No. 5), U. S. Dept. of Commerce, Bureau of the Census (October, 1972), Table 17.

UNIVERSITY OF NEBRASKA–LINCOLN NEWS

Published three times in February, September, October, and December, and twice in other months, by the University of Nebraska-Lincoln, 418 Administration Building, Lincoln, Nebraska 68508. Second class postage paid at Lincoln, Nebraska.

Vol. 52 Lincoln, Nebr., March 17, 1973 No. 20

UNIVERSITY OF NEBRASKA—LINCOLN
James H. Zumberge, *Chancellor*
C. S. Miller, *Dean*
College of Business Administration

As an issue of the University of Nebraska-Lincoln News, *Business in Nebraska* is prepared monthly by the Bureau of Business Research as a public service and mailed free within the state upon request. Material published herein may be reproduced with proper credit.

BUREAU OF BUSINESS RESEARCH
Member, Association for University Business and Economic Research
200 CBA, City Campus
Lincoln 68508; Phone (402) 472-2334
E. S. Wallace, *Director*
Edward L. Hauswald, *Associate Director*
Vernon Renshaw, *Statistician*
Duane Hackmann, *Research Associate*
Bert Evans, *Economist, Extension Specialist*
Mrs. Dorothy Switzer, *Editorial Assistant*

TABLE 2
PRINCIPAL SOURCES OF STATE AND LOCAL TAX REVENUE 1969-70
(percentage of total taxes)

	Property Tax	General Sales Tax	Income Tax: Individual	Income Tax: Corporation	Selective Sales Taxes	License Taxes
NEBRASKA	52.6	12.7	7.6	1.4	16.3	5.6
Colorado	42.7	14.9	14.0	3.6	19.0	4.8
Iowa	48.9	18.1	9.1	2.0	12.7	7.3
Kansas	51.2	16.4	8.8	2.2	13.9	5.2
Missouri	40.1	21.5	8.1	1.3	12.4	7.0
South Dakota	55.0	18.0	0	0.3	17.8	5.6
Wyoming	47.5	21.5	0	0	15.3	11.0
United States	39.2	16.3	10.6	4.3	15.1	5.3

Note: Local sales, income, and license taxes included in totals from which percentages were calculated but not in percentage distribution.
Source: Calculated from *Governmental Finances in 1969-70* (GF70 No. 5), Table 17, and *State Government Finances in 1970* (GF70 No.3), Table 7, U. S. Dept. of Commerce, Bureau of the Census.

area of taxation are the property tax, general sales tax, and income tax, which together in 1969-70 provided 70 percent of state and local tax revenue in the nation as a whole and 74 percent in Nebraska. The percentages in neighboring states ranged from 69 percent in Wyoming to 79 percent in Kansas. The relative importance of the principal sources of tax revenue is shown in Table 2.

In addition to the three sources mentioned above, tax revenue is also obtained from selective sales taxes on such items as motor fuels, tobacco products, and alcoholic beverages, and from motor vehicle and operator license taxes, death and gift taxes, and other less important types of taxes. As shown in Table 2, selective sales taxes in Nebraska and Colorado have been yielding more than the general sales tax, and in all these states the yield has exceeded that of the income tax. In comparison with its neighbors, Nebraska has the highest rate of taxation on gasoline and cigarettes.

It will be noted from Table 2 that all the states included in this comparison are high property tax states, with Nebraska 34 percent above the national average in percentage of tax revenue derived from this source and higher than any of its neighbors except South Dakota. On the other hand, Nebraska derives a lower percentage of its state and local tax revenue from the general sales tax than any of its neighbors and a lower percentage from the income tax than any of the other states in this group that have a personal income tax. In 1969-70 Nebraska was 20 percent below the national average in percentage of tax revenue derived from the general sales tax and 40 percent below in percentage derived from the income tax.

TABLE 3
STATE AND LOCAL GENERAL REVENUE PER CAPITA
1970-71

	Total	From Federal Government	From Own Sources	From Taxes	From Property Taxes
NEBRASKA	$693	$107	$586	$440	$225
Colorado	756	151	605	463	194
Iowa	680	97	583	455	227
Kansas	651	111	540	418	211
Missouri	569	111	458	366	149
South Dakota	726	155	571	438	242
Wyoming	983	259	724	494	233
United States	713	129	584	467	186

Source: Calculated from source cited in Table 1 and 1970 Census, *General Population Characteristics* (PC(1)B1), pp. 260, 292.

One way of measuring tax burden is on a per capita basis. This comparison is shown in Table 3. The per capita figures have been computed from total state resident population as shown by the 1970 census. They would be somewhat lower if later population estimates were used, but it is felt that use of actual census data makes the interstate comparison more reliable.

This comparison shows that on a per capita basis total state and local taxes in Nebraska are 6 percent below the national average and that in relation to adjacent states they are significantly higher only than in Missouri and Kansas. On the other hand, property taxes per capita in Nebraska are 21 percent above the national average.

Another way of measuring tax burden is in relation to personal income. Since the tax data are for the fiscal year ending June 30, 1971, the percentages shown in Table 4 have been calculated on the basis of average total personal income for the calendar years 1970 and 1971. They show Nebraska close to the national average in the percentage relationship of state and local taxes to personal income and below all neighboring states except Missouri and Kansas.

Because of wide variations among states in the extent of tourist and other travel, in use of one state's educational, medical, and other institutions by citizens of another, and in ownership of property by residents of other states, it should not be inferred from these per capita and income comparisons that all revenue obtained by governments in a particular state "from their own sources" comes from or represents a burden upon the personal income of its residents.

TABLE 4
RELATION OF STATE AND LOCAL GENERAL REVENUE SOURCES TO PERSONAL INCOME 1970-71
(percentage of total personal income)

	Total General Revenue	Revenue from Federal Government	Revenue from Own Sources	Revenue from Taxes	Revenue from Property Tax
NEBRASKA	17.5	2.7	14.8	11.1	5.7
Colorado	18.6	3.7	14.9	11.4	4.8
Iowa	17.7	2.5	15.2	11.8	5.9
Kansas	16.0	2.7	13.3	10.3	5.2
Missouri	14.8	2.9	11.9	9.5	3.9
South Dakota	21.9	4.7	17.2	13.2	7.3
Wyoming	25.5	6.7	18.8	12.8	6.1
United States	17.5	3.2	14.3	11.5	4.6

Source: Calculated from source cited in Table 1 and average of 1970 and 1971 total personal income as reported in *Survey of Current Business,* August, 1972, p. 25.

APPRAISAL

The Advisory Commission on Intergovernmental Relations has set forth four policy recommendations as the basis for building a strong, high quality state-local sector into our national revenue system.[2] This Commission is a permanent bipartisan body created by Congress in 1959 and financed but not controlled by the Federal government. It is composed of three elected county officials, three mayors, three members of state legislative bodies, four state Governors, three officers of the Executive Branch of the Federal government, three members of the House of Representatives, three members of the United States Senate, and three private citizens. The basic purpose of the Commission is to give continuing study to the relationships among local, state, and national levels of government. It maintains a highly competent professional staff in its Washington offices to conduct the studies on which its recommendations are based.

The first of the Commission's recommendations is that the state tax system be broad-based and capable of generating sufficient revenue to finance nearly all the costs of public elementary and secondary education, as well as "traditional" state programs. The Commission feels that for most states this would mean a state tax system that would produce between 70 and 80 percent of all state-local tax revenue. At present only ten states in the nation meet this criterion. As shown in Table 5, none of the states considered here came close in 1970-71. Wyoming was the only one that exceeded the national average of 54 percent. Nebraska produced only 45 percent of its tax revenue at the state level. South Dakota was one of only three states in the nation with a lower percentage than Nebraska.

The Commission's second recommendation is that the personal income tax should be the single most important revenue instrument in the state tax system and that it should produce close to one-fourth of all state-local tax revenue. Only four states in the nation met this test in 1969-70. Again none of the states compared here came close. Wyoming and South Dakota do not have a personal income tax. In 1970 Nebraska derived only 7.6 percent of its state-local tax revenue from this source. Colorado, at 14 percent, was the only one of this group of states that exceeded the national average of 10.6 percent. As shown in Table 2, even with the corporate income tax included, none of these states approached the 25 percent figure.

The Commission argues that "greater reliance on the personal income tax would improve the fairness of state and local taxation by permitting a share of the tax burden to be adjusted to the size of the family through an exemption system - a criterion typically disregarded by the property tax and violated by the sales tax." It also feels that "to maximize taxpayer convenience, the state personal income tax should be characterized by a high degree of conformity to the Federal income tax code" and lists Nebraska as one of the four states in the nation having this desirable feature in its income tax law.

The third standard recommended by the Commission is that the general sales tax should serve as the other major state tax capable of producing between 20 and 25 percent of total state-local revenue without imposing extraordinary burden on low-income families. As shown in Table 2, the general sales tax in Missouri and Wyoming meets the revenue-producing part of this standard, but because of the absence of the equity feature these states are not listed with the six states in the nation that met both the productivity and anti-regressivity tests in 1970. Nebraska is in the opposite position of meeting the anti-regressivity test but not the productivity test.[3]

TABLE 5
STATE AND LOCAL TAX SOURCES
1970-71
(percentage of total state and local taxes)

	State Taxes	Property Tax
NEBRASKA	45.1	51.2
Colorado	50.2	41.9
Iowa	49.8	49.8
Kansas	49.2	50.4
Missouri	49.9	40.7
South Dakota	41.7	55.2
Wyoming	56.7	47.3
United States	54.2	39.9

Source: *Governmental Finances in 1970-71* (GF71 No. 5), U. S. Dept. of Commerce, Bureau of the Census, October, 1972, Table 25 and calculations from Table 17.

Avoidance of undue burden on low-income families can be accomplished, the Commission points out, either by exemption of food and drugs from the sales tax or by the provision of an income tax credit (as in the Nebraska law). In the Commission's words: "Exemption of food makes the sales tax nearly proportional, although only at the loss of substantial revenue. The sales tax credit accomplishes the same end at much lower cost by returning a fixed sum to each person, regardless of income."

The sales tax law recommended by the Commission covers services as well as commodities. This feature is supported by three arguments: (1) "The percentage of income expended on services tends to rise as incomes rise; taxation of services therefore tends to make the sales tax less regressive;" (2) "The inclusion of services in the base also makes the tax yield more responsive to growth in economic activity;" (3) "The sale of taxable commodities often involves services which are difficult to account for separately. Sales tax compliance and administration are therefore far simpler where the entire price is taxable."

The Commission's final standard calls for the local property tax to continue as the principal revenue instrument for local government, for it to provide only from 20 to 30 percent of state-local tax revenue, and for the funds derived from the tax to be used for locally determined and locally financed functions, not including welfare or educational costs. Table 5 shows that throughout the nation the property tax provides about 40 percent of state-local tax revenue and that Nebraska and its neighbors rely even more heavily on this form of taxation, with Nebraska second highest at 51.2 percent.

The Commission also advocates two equity provisions in property tax laws. The first of these would require full-value assessment, with the state not allowing the assessment level to fall below 80 percent of current market value. Six states in the nation

(Continued on page 6)

[2]The references and quotations below are from the Commission's 1972 publication *State-Local Finances: Significant Features and Suggested Legislation*, pp. 3-6, 355. The 1971 Minnesota legislation designed to carry out these recommendations is described on pp. 6-8. Model statutes are included on pp. 307-416.

[3]The provision in Nebraska law calling for approximately equal yield from the income and general sales taxes appears to be somewhat in line with the Commission's second and third standards, although the second of these standards refers to the personal income tax alone whereas Nebraska law includes the corporate income tax yield in the calculation.

Review and Outlook

The overall trend of business activity in Nebraska was up during the month of December, but most of the state's economic sectors did not experience the sharp increases in activity which characterized much of the national economy during December. In Table 2 the state dollar-volume index for December is shown at a level of 155.5% of the 1967 average. This figure is below the 155.7% figure published last month for November. Receipt of newly revised quarterly wage and salary data used in calculating the distributive and government indexes, however, has resulted in a downward revision of the November figure from 155.7 to 155.0. Thus the December level of 155.5 represents an increase of half a percentage point from the revised November level. Over the same period the increase in the national dollar-volume index was 2 percentage points from a revised November level of 153.0 to the December level of 155.0.

Most of the increase in the Nebraska dollar-volume index from November to December results from a large increase in the agricultural index, which in turn can be attributed principally to rising agricultural prices. In Table 5 agricultural prices received in Nebraska during December are shown to be 151.3% above the 1967 average, up 13.5 percentage points from the November level and 31.5% from December, 1971.

In contrast to a large November-to-December rise in the agricultural dollar-volume index, most of the other sector indexes for the state showed little change or even declines from November to

(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

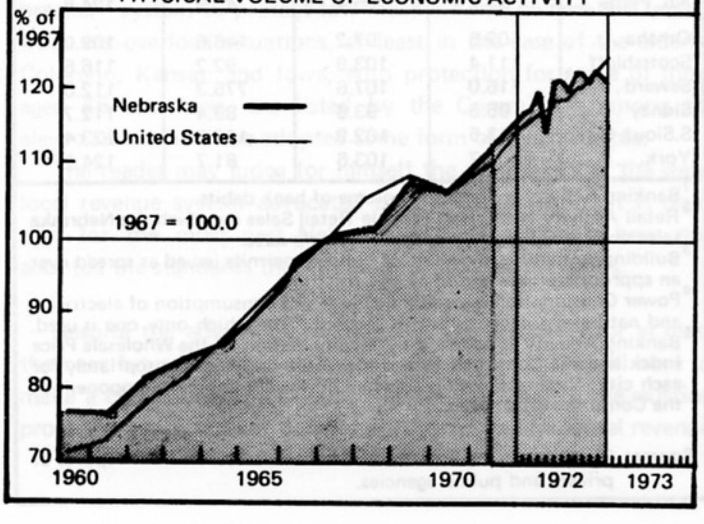
1. CHANGE FROM PREVIOUS YEAR

December, 1972	Current Month as Percent of Same Month Previous Year		1973 Year to Date as Percent of 1972 Year to Date	
Indicator	Nebraska	U.S.	Nebraska	U.S.
Dollar Volume	111.0	112.1	111.2	109.9
Agricultural	110.9	111.0	111.0	110.1
Nonagricultural	111.0	112.1	111.2	109.9
Construction	133.1	112.1	146.6	113.7
Manufacturing	116.1	116.1	108.5	109.7
Distributive	107.8	111.1	109.2	109.8
Government	109.7	109.1	111.1	109.1
Physical Volume	102.4	107.3	104.4	105.6
Agricultural	84.4	94.0	93.3	99.0
Nonagricultural	106.1	107.8	106.6	105.9
Construction	127.4	107.3	139.3	108.0
Manufacturing	109.2	110.7	104.4	105.8
Distributive	104.3	107.4	105.7	106.3
Government	102.1	103.5	103.0	103.4

2. CHANGE FROM 1967

Indicator	Percent of 1967 Average: Nebraska	Percent of 1967 Average: U.S.
Dollar Volume	155.5	155.0
Agricultural	151.8	145.2
Nonagricultural	156.3	155.4
Construction	202.0	169.2
Manufacturing	147.1	137.6
Distributive	152.0	161.3
Government	170.4	165.9
Physical Volume	117.0	121.5
Agricultural	100.3	104.9
Nonagricultural	120.3	122.1
Construction	143.3	120.0
Manufacturing	119.3	114.0
Distributive	119.4	126.7
Government	116.7	121.3

PHYSICAL VOLUME OF ECONOMIC ACTIVITY



3. NET TAXABLE RETAIL SALES[1] OF NEBRASKA REGIONS
(Unadjusted for Price Changes)

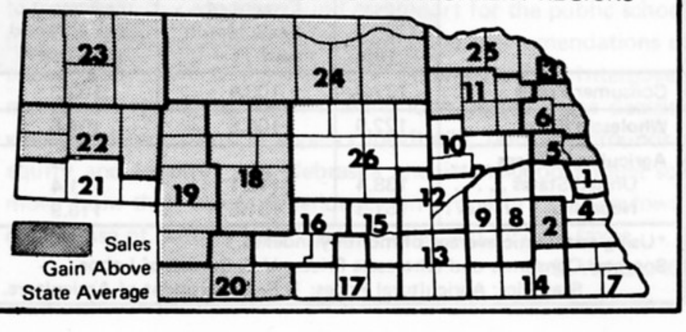
Region[2] and Principal Retail Trade Center	December, 1972 as Percent of December, 1971	1972 Year to Date as Percent of 1971 Year to Date
The State	107.7	111.7
1 (Omaha)	101.4	111.6
2 (Lincoln)	109.2	113.1
3 (So. Sioux City)	109.9	117.3
4 (Nebraska City)	105.2	109.4
5 (Fremont)	111.9	111.8
6 (West Point)	131.9	115.8
7 (Falls City)	107.9	107.9
8 (Seward)	112.4	108.8
9 (York)	113.7	109.4
10 (Columbus)	108.7	109.2
11 (Norfolk)	115.1	115.5
12 (Grand Island)	108.0	111.4
13 (Hastings)	108.3	109.6
14 (Beatrice)	112.5	107.5
15 (Kearney)	108.6	111.4
16 (Lexington)	113.2	110.1
17 (Holdrege)	118.1	111.2
18 (North Platte)	109.3	112.9
19 (Ogallala)	112.9	112.9
20 (McCook)	115.2	112.1
21 (Sidney, Kimball)	103.6	109.2
22 (Scottsbluff)	109.6	114.0
23 (Alliance, Chadron)	106.6	112.6
24 (O'Neill)	119.3	113.0
25 (Hartington)	127.6	114.3
26 (Broken Bow)	115.4	108.0

[1] Sales on which sales taxes are collected by retailers located in the state, *including motor vehicle sales.*

[2] "Planning and development" regions as established by the Nebraska Office of Planning and Programming and shown in the map below.

Source: Compilations by Bureau of Business Research from data provided by the Nebraska Tax Commissioner.

1972 YEAR TO DATE AS PERCENT OF 1971 YEAR TO DATE IN NEBRASKA'S PLANNING AND DEVELOPMENT REGIONS



(Continued from page 4)

December. This pattern of change also contrasted to the national pattern of significant November-to-December gains in all nonagricultural sectors.

The year-to-date column in Table 1 shows that the Nebraska dollar-volume index increased 11.2% from 1971 to 1972. This compares with an increase of 9.9% in the national index. Thus, while activity in several sectors of the Nebraska economy appeared to be leveling off in the latter part of 1972 at the same time that the national business upturn was accelerating, 1972 as a whole was a year of strong growth in business activity for the state.

The importance of rising agricultural prices in maintaining the growth of the Nebraska dollar-volume index can be seen by noting that the agricultural physical-volume index (adjusted for price changes) actually showed a 6.7% drop from 1971 to 1972 in contrast to an 11% growth of the agricultural dollar-volume index and the overall Nebraska physical-volume index grew more slowly than the corresponding national index (4.4% vs. 5.6%) at the same time that the Nebraska dollar-volume index was rising faster than the national dollar-volume index (11.2% vs. 9.9%).

In addition to relatively high agricultural prices a major factor in the strength of the Nebraska economy in 1972 was a sharp increase in construction activity. The construction dollar-volume index increased 46.6% from 1971 to 1972 for Nebraska compared with a national growth rate of only 13.7%. Construction activity in Nebraska, however, appeared to have leveled off or declined slightly toward the end of 1972 while construction activity continued to expand nationally.

Table 3 provides data on retail activity for Nebraska and its 26 planning regions. The first column of this table shows that sales in December were 7.7% above the level of December, 1971. While this increase was substantial, it was less than the average rate of growth for the state for the entire year (11.7% - shown in the second column) and was below the national rate of increase from December, 1971 to December, 1972 (12.6%). The growth of retail activity in the state from 1971 to 1972 was relatively uniform throughout the state with all regions experiencing an increase of at least 7.5%. The increase in commodity prices during the year was 3.4%, so a little more than half of the retail increase represented a real growth in volume.

Table 4 shows changes in business indicators for cities. Both retail and banking activity (adjusted for price changes) showed somewhat slower rates of growth in December for most cities than has been the case for much of 1972. It will be interesting to see whether the relatively slow December growth foreshadows a continuing slowdown or represents special circumstances which will not affect the economy in 1973.

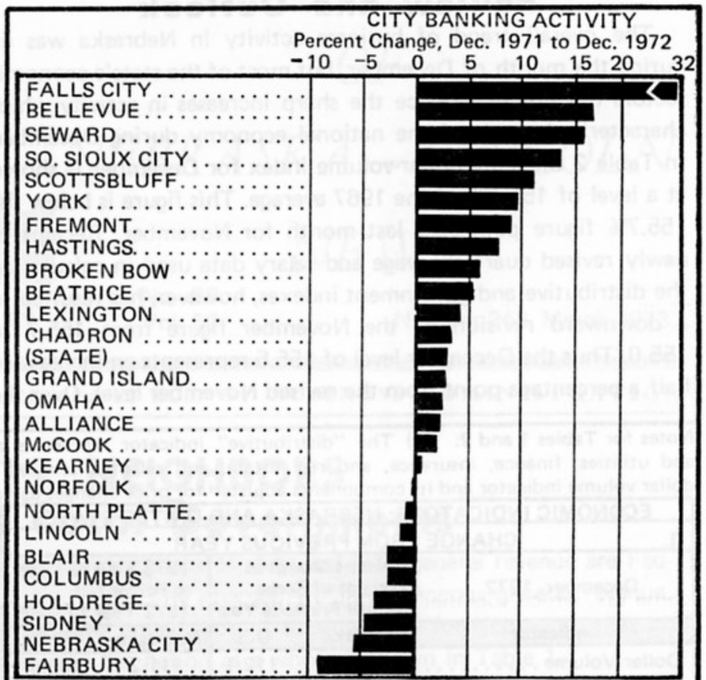
VERNON RENSHAW

5. PRICE INDEXES

	Index* (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	127.3	103.4	103.3
Wholesale Prices	122.9	106.5	104.5
Agricultural Prices			
United States	138.4	118.1	111.4
Nebraska	151.3	131.5	118.9

*Using arithmetic average of monthly indexes.

Sources: Consumer and Wholesale Prices: U.S. Bureau of Labor Statistics; Agricultural Prices: U.S. Department of Agriculture.



Source: Table 4 below.

4. DECEMBER CITY BUSINESS INDICATORS

The State and Its Trading Centers	Banking Activity[1] (Adjusted for Price Change)[5]	Retail Activity[2] (Adjusted for Price Change)[5]	Building Activity[3]	Power Consumption[4]
	Percent of Same Month a Year Ago			
The State	102.9	104.2	121.8	112.2
Alliance	102.3	95.7	219.6	110.5
Beatrice	105.1	104.8	77.8	105.4
Bellevue	117.0	110.2	31.9	113.2
Blair	97.6	92.4	73.0	113.6
Broken Bow	105.6	112.6	132.3	127.9
Chadron	103.3	103.1	238.0	127.2
Columbus	97.6	103.1	134.5	110.8
Fairbury	90.7	110.5	68.8	105.9*
Falls City	131.9	101.2	90.4	113.4
Fremont	109.3	111.0	186.4	89.7*
Grand Island	102.8	101.0	166.9	117.2
Hastings	107.8	101.3	51.4	128.0
Holdrege	96.5	110.9	73.9	127.2
Kearney	100.4	110.4	152.3	119.2
Lexington	104.0	101.1	98.7	124.6
Lincoln	99.0	105.9	179.3	109.3
McCook	102.1	112.5	714.1	122.4
Nebr. City	93.7	97.9	65.1	108.2
Norfolk	99.9	100.8	79.1	115.1
No. Platte	99.2	105.4	45.9	124.8
Omaha	102.5	97.2	146.6	109.0
Scottsbluff	111.4	103.8	92.2	116.6
Seward	116.0	107.6	775.3	112.6
Sidney	95.5	93.6	89.4	112.7
S.Sioux City	113.5	102.9	109.7	123.4
York	109.7	103.6	61.7	124.2

[1] Banking Activity is the dollar volume of bank debits.
[2] Retail Activity is the Net Taxable Retail Sales on which the Nebraska sales tax is levied, *excluding motor vehicle sales*.
[3] Building Activity is the value of building permits issued as spread over an appropriate time period of construction.
[4] Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.
[5] Banking Activity is adjusted by a combination of the Wholesale Price Index and the Consumer Price Index, each weighted appropriately for each city; Retail Activity is adjusted by the commodity component of the Consumer Price Index.

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

Profile of County Government: A Review Report

In a very real sense, the counties are at the crossroad. During each of the past three decades, half of the counties lost population. At the same time the population of many urban counties has skyrocketed..... But the county with its rural and urban counterparts has had to face both the dilemma of rural decline and suburban expansion. And though these challenges require different approaches, they combine to force the inescapable question: Can counties undergo the legal, structural, procedural, and financial reforms needed to make them viable and responsive units of government in rural as well as urban America?

This quotation from the prologue of an information report of the Advisory Commission on Intergovernmental Relations entitled *Profile of County Government* indicates the focus of a study which brings together information on every county in the nation.[1] The intent was to compile and publish in one place data on county government characteristics to enable all levels of control to gain as clear and updated a picture as possible.

The report contains no new policy recommendations because its purpose was rather to present a general profile of the creation, form, structure, and functions of county government, an analysis of single-county Standard Metropolitan Statistical Areas, a summary of needed modernization measures, and an assessment of the progress made to date in county reform.

Particular attention is called to the large number of special districts that have been created in recent years and the trend toward continued increase in these governmental bodies resulting in intensified splintering of local government. There are, for example, seven times as many non-school special districts as there are counties in the nation. Nebraska is listed as one of the states with the greatest number of special districts, ranking seventh, with 952. Factors compelling such proliferation are, among others, the reluctance or inabilities of counties to face up to new problems by using general revenues, and the continued existence of restrictions on use of discretion by county governments in differentiating the level of service to be provided and the tax rate to be imposed.

[1]For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402. Paperbound, 148 pp. Price $1.25. Stock number 5204-0039.

Included in the report is not only a comprehensive survey of the structure and organization of county government and of the multiple services and functions now performed by counties, but also a thorough examination of both traditional patterns and new developments in county government involvement in zoning, subdivision, and land-use controls.

Suggested legislation for county reform constitutes an important part of the voluminous appendices. Data are given on selected characteristics and on selected powers of counties over special districts for every county in the nation responding to the survey questionnaire.

Profile of County Government is a valuable piece of reference material for anyone interested in the general topic and specifically for persons concerned about the many special districts which have been set up to perform governmental services. D. S.

The New Grass Roots Government? Decentralization and Citizen Participation in Urban Areas, Advisory Commission on Intergovernmental Relations, Washington, D. C. 20575, 1972. Free.

To determine the extent to which local governments have decentralized services and given citizens more access to decision makers and greater influence on public policy, the Commission surveyed all U. S. cities and counties of over 25,000 population. Several cities and a few counties are making progress in decentralizing services, yet most of the activity to date can be classified as administrative, with citizens playing only an advisory and, to a lesser extent, a policy-making role. With respect to political decentralization or community control, the survey results suggest that it will take some time for reality to catch up with rhetoric.

D. S.

(Continued from page 3)

met the 80 percent test in 1970, not including any of the states compared here. Nebraska's law calls for 35 percent assessment.

The second equity provision advocated is some sort of "circuit-breaker" system to protect low-income home owners and renters from tax-overload situations, at least in the case of the elderly. Colorado, Kansas, and Iowa, with protection for some of those aged 65 and over, are listed by the Commission among the eleven states that have adopted some form of this principle.

The reader may judge for himself the desirability of the state-local revenue system advocated by the Commission. It is clear that for the most part Nebraska and its neighbors have not adopted the standards that the Commission recommends.

CONCLUSION

Despite the advent of revenue sharing, prospects for at least the near future are that state and local governments will have to make a choice between discontinuing or curtailing some existing programs and providing a larger portion of governmental revenue from their own sources. The extent to which Nebraska and its neighbors have been providing state and local revenue from their own sources is shown on a per capita basis in Table 3 and with relation to income in Table 4.

Regardless of the base on which different taxes are levied, all taxes must ultimately be paid out of income. Tax authorities are in general agreement that the tax structure should have some reasonable relation to income. Recent court decisions seem to be telling us that it is only a matter of time until some substitute for the property tax must be found as support for the public schools. Such a change would be in line with the recommendations discussed above which the Advisory Commission on Intergovernmental Relations had been making long before these decisions were rendered. Thus it appears inevitable, both on grounds of equity and legality, that Nebraska and its neighbors must soon move from their heavy dependence on property taxation toward greater use of broadly based general sales and income taxes.

E. S. WALLACE