

# Business in Nebraska

## In This Issue

Fiscal Federalism .....	1
Transfer Payments .....	3
Review and Outlook .....	6
County of the Month .....	8

Prepared by the Bureau of Business Research, 200 College of Business Administration,  
University of Nebraska-Lincoln, Lincoln, NE 68588-0406, 402/472-2334

## Rethinking Federal-State Fiscal Relations A Taxpayer's Guide to Fiscal Federalism—Part II

John E. Anderson, Ph.D.  
Professor of Economics, UNL

*In last month's Business in Nebraska, Professor John Anderson examined our system of federal, state, and local government. This month Professor Anderson looks beyond today's fiscal federalism. He examines possible alternatives for more efficient government.*

### Introduction

Recent perceptive comments made by economist Alice Rivlin may lead to a reexamination of federal and state governments in the U.S. For example, Rivlin states in an article in the *Journal of Economic Perspectives* that "I will argue that the states should have much clearer responsibility for most kinds of public investment, especially for improving the skills of the labor force and upgrading public infrastructure. The federal government should concentrate on a different set of missions, including interaction with the rest of the world, strengthening social insurance, and contributing to national saving by running a surplus in the unified federal budget."

Not only are her views on this subject sensible, but Rivlin will be a prominent voice in the Clinton administration—the President has named her deputy director of the Office of Management and Budget (OMB).\*

### Political and Economic Changes in American Life

Rivlin makes a case for a cleaner distinction between the activities and responsibilities of the federal and state governments based on three fundamental changes that have occurred in recent years.

First, state governments are stronger and more capable than they once were.

Second, technological advances have shrunk the globe, internationalizing economies. As a result, federal policy makers devote increasing time and energy to international affairs. Consequently, domestic policy issues may be getting less attention than they deserve.

Third, one reason why public attitudes toward government are hostile and the public is reluctant to support government programs with tax revenues may lie in the perception that the federal government is engaged in activities that it is not well suited to accomplish. Some programs may be performed more effectively by states.

### A New Role for Federal Government?

If we are going to work toward a cleaner distinction between federal and state government activities, what activities are appropriate for the federal level? Under the Rivlin view, three types of programs are appropriate for the federal government.

First, defense and international affairs belong at the federal level because they are inherently national responsibilities.

Second, the federal government must be involved in situations where there are problems that cross state lines. For example, acid rain and river pollution are situations that do not fall neatly within a state's boundaries. A state does not have an incentive to engage in a program that largely benefits residents of other states. Scientific and technological research is another example where the benefits are uncertain and the payoff may fall outside state borders. Hence, states will not invest as much in these activities as the nation needs.

Finally, the federal government should be involved in programs where national uniformity is an important objective. Examples include air traffic control and social

\*The interested reader also may wish to refer to Rivlin's new book, *Reviving the American Dream: The Economy, the States and the Federal Government*, published by the Brookings Institution.

## Deductibility

When taxes are levied in a system of federal, state, and local governments, it is important to consider how deductibility should be treated. Which taxes should be deductible from which tax bases? Should each level of government permit deductibility of the other two levels' taxes? Or should no deductibility be permitted?

To understand this issue, it is important to know the difference between ability-based taxes and benefit-based taxes. Ability-based taxes are applied on the basis of taxpayers' ability to pay them. For example, an income tax is an ability-based tax: the higher your income, the more you pay. Low income individuals (those with income less than the sum of the standard deduction and personal exemption) do not pay any income tax because they have no ability to pay.

On the other hand, a property tax is a benefits tax. People pay property taxes to pay for the benefits they receive from units of local government—school districts, cities, counties, and other units such as water districts. A person's property holdings historically have been a rough measure of the benefits received, although this is less true today.

A rational rule of thumb about deductibility is that each level of government should tax on the basis of income minus the ability-based taxes paid to other governments. This is the classic advice of economist George Break. Thus, the federal government should tax on the basis of income minus state and local income taxes paid. It should not permit deductibility of local property taxes because they are based on benefits.

Similarly, state income taxes should be levied on the basis of income minus taxes paid to the federal government (and local governments in the case of states that permit city or county income taxes). The state income tax should not permit deductibility of local property taxes.

What about state sales taxes? As they are neither completely based on ability nor completely based on benefits (but are instead a hybrid case), sales tax deductibility is less clear. Until 1986 state sales taxes were deductible from the federal income tax base. Deductibility was removed by the Tax Reform Act of 1986 (TRA '86). Had TRA '86 been more consistent in its reform of deductibility, it also would have removed deductibility of state and local property taxes.

insurance. No one would argue for 50 separate programs, each with different standards for eligibility and payment.

### Financing New State Responsibilities

How do we pay for programs that the federal government may devolve to the states? Several problems arise with the present methods of funding state government.

First, state tax systems compete with one another. One state cannot consider funding a new program without considering how a tax to pay for the program may alter economic activity in the state. If a business can relocate across the border, receive the benefits of the program, and avoid the tax, will it not do so?

Second, states have unequal resources. As a result, poor states have a difficult time maintaining adequate service levels even with substantial tax effort while wealthy states can levy low tax rates and support robust spending programs.

A common shared tax could be a partial solution to both of these problems. The 50 states could share the revenues generated by a common tax on a formula basis. We could use an existing tax such as the sales tax or design a new tax such as a value-added tax. Rivlin suggests that the tax could be a broad-based tax, such as a general retail sales tax, or a narrowly based tax, such as a tax on mail order sales or professional services.

All states could cooperate in such a common tax, or smaller regions comprising groups of states, such as the New England states or the Plains states, could cooperate

in such a new tax. Implementation could take one of several forms. Through interstate compact, common tax bases and rates could be defined and apportionment issues resolved. This approach would require federal acquiescence but not participation.

The alternative is a federally defined and collected tax. For example, a 5.0 percent value-added tax collected at the federal level would generate about \$100 billion in revenue annually. This revenue could be distributed to states on a formula basis without running it through the federal budget if the tax were defined as a state tax collected on the states' behalf by the federal government.

This may sound like the revenue-sharing program that was implemented by President Nixon in 1972 and eliminated by President Reagan in 1986, but there is a crucial distinction between the two plans. There would be no federal revenues involved in the distribution of the value-added tax. Because the tax is a distinct state tax, the danger that the revenues would be swallowed in the federal budget is lessened.

### Benefits of New State Responsibilities

Under the Rivlin plan the federal government would be in charge of both political and economic international affairs. Beyond that, it would be in charge of a strengthened social insurance system, perhaps including health insurance. There might be a role for the federal government to play in means-tested payments such as a national welfare minimum.

The remaining responsibilities of the federal government would include activities that involve costs or benefits that spill across state boundaries. The federal government would stop funding non-national services. Responsibilities passed to the states would include education (except college student aid and research grants), health services (distinct from health insurance), housing, economic development, employment and training, social services, airports, and roads.

Rivlin argues that "(w)ith these shifts, the states would clearly and unequivocally (be) in charge of human services, improving the skill of the labor force and upgrading most public infrastructure. Economic development ... would be the hallmark of activist governors and state legislative leaders."

The benefits of such a restructuring would begin with a clear sense of who is in charge of what. Accountability lies at the heart of an effective representative democracy. As common shared taxes are used to support nonfederal programs, the standard sales and business taxes would tend to become more equal across the states. Competition among the states in order to attract economic development would change from the present situation (where states try to outdo one another in giving away taxes) to a new focus

on the provision of excellent services. Business would be enticed by good schools and trained workers, a supportive system of roads, bridges, airports, and telecommunications networks, and other features.

Beyond these benefits, Rivlin sees the prospect for such a restructuring to also stimulate higher levels of savings at the national level and increase both public and private investment in the coming years. Rivlin predicts that the final result could be an improvement in the chances that our economy will generate sustainable growth and a higher standard of living for all.

### Summary and Conclusions

Fiscal federalism in the U.S. is not quite as confused a subject as Abbott and Costello's baseball team. ("Who is on first.") There are clear responsibilities and taxing powers allocated to each level of government and transfers that flow between levels. Although the current state of affairs is the result of a long process of allocating responsibility to levels of government, it is certainly not the ultimate system we would like. The insightful suggestions of Alice Rivlin and others may prompt public policy discussion of redesigning our system to make it even more effective, accountable, and rational.

## The Importance of Transfer Payments to Nebraska

Merlin W. Erickson

UNL Bureau of Business Research

Over the past months there has been an accelerated concern about public spending at all levels of government. One of the topics that has received considerable attention is transfer payments, particularly some parts of these disbursements. This group of payments includes Social Security, Medicare, Medicaid, certain retirement and disability payments, unemployment insurance, veterans benefits, and so forth. These payments are reported annually by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) for the nation, states, and counties. This article relies almost entirely on BEA for all of the transfer payment data.

Transfer payments totaling over \$4.2 billion accounted for 15 percent of Nebraska's total personal income in 1991 (Table 1). There are three major classifications of transfer payments: government payments to individuals, payments to nonprofit institutions from both government and business (\$100 million), and business payments to individuals (\$92 million). There are 30 subclassifications of the major classes, all of which are shown in Table 1. This article first will focus on definitions and the significance of these subclassifications to the state as a whole.

Later the size of transfer payments to residents in each region of this state will be shown, along with relative changes in importance over the past two decades.

### Definitions and Significance

BEA defines *transfer payments* as payments to persons, generally in monetary form, for which they do not render current services. Government payments to individuals accounted for more than 95 percent of total transfer payments to Nebraskans. This percentage translates to more than \$4 billion in money payments received by residents of this state. Payments to nonprofit institutions and business payments to individuals combined make up nearly 5.0 percent of the total.

Retirement and disability insurance benefits account for a large part of the government payments to individuals. These payments to Nebraskans exceeded \$2 1/3 billion in 1991. This category includes Old Age, Survivors and Disability Insurance payments (OASDI). OASDI payments, popularly known as Social Security, consist of cash benefits (\$1.78 billion) paid during the year. Some of the payments are received monthly by retired workers, dependents, and survivors. There also are special payments to persons 72 years of age and over. Other OASDI payments include lump sum payments to survivors and disability payments to workers and their dependents.

Railroad retirement and disability payments (\$122.8 million) represent payments to retired and disabled railroad employees and their survivors under provisions of the Railroad Retirement Act of 1937. More than \$187

**BEA defines transfer payments as payments to persons, generally in monetary form, for which they do not render current services.**

million in payments were made in 1991 to former federal government employees or survivors of employees covered by the civil service retirement and disability fund, special contributory and noncontributory retirement systems, or the relatively new basic benefit plan of the Federal Employees Retirement System (FERS) that was established in 1987. Military retirement payments to retired military (including Coast Guard) in Nebraska were nearly \$152.5 million in 1991. Retirement payments to former state and local government employees and their survivors, including lump sum withdrawals, exceeded \$90 million in 1991. Workers' compensation and other disability insurance payments totaled \$7.6 million.

Medical payments to Nebraskans in 1991 were almost \$1.25 billion. These are Medicare payments from the

federal government through intermediaries for care provided to individuals. Also included are payments made through intermediaries for care provided to individuals under the federally assisted, state-administered Medicaid program. Payments made under medical programs of state and local governments are also a part of the total. In addition to Medicare and Medicaid, payments made under the Civilian Health and Medical Plan of the Uniformed Services (CHAMPUS) program for medical treatment of dependents of active military personnel and retired military personnel and their dependents are included.

Income maintenance benefit payments to Nebraskans were almost \$227.5 million in 1991. This category includes federal and state SSI payments (over \$53 million) to the aged, blind, and disabled under provisions of Title XVI of the Social Security Act. Approximately \$66 million was paid in aid to families with dependent children (AFDC), a state-administered program that receives federal matching funds to provide payments to needy families. Over \$69 million in food stamps were issued to qualifying low income households in Nebraska. Other income assistance payments contain a variety of items such as foster care, earned income tax credits, energy assistance, etc.

Unemployment insurance benefit payments to Nebraskans exceeded \$47 million in 1991. State unemployment cash benefits were nearly 95 percent of the total unemployment benefits paid in the state.

Veterans benefit payments were over \$118.8 million in Nebraska in 1991. Included are compensation to veterans for their disabilities and payments to their survivors, claims on life insurance benefits, and other types of payments to veterans.

Federal education and training assistance payments (almost \$59 million) represent higher education student assistance for undergraduate education of students with low income (Pell grants) and payments to commercial lending institutions on behalf of students that receive guaranteed student loans having deferred payments. Other government payments to individuals (\$1.4 million) are compensation to survivors of state and local government employees killed in the line of duty (police officers, fire fighters, etc.), disaster relief payments, and other miscellaneous payments.

The last two major categories are payments to nonprofit institutions and business payments to individuals. These payments are relatively small compared to total transfer payments. The first category covers payments made by federal, state, and local government and corporate gifts to nonprofit institutions. Federal government reimbursements under research and development (R&D) contracts are not included. The second category includes a variety of liability payments, debts, prizes, etc.

**Table 1**  
**Relative Importance to Nebraska Total Personal Income**  
**of Transfer Payments, by Component, 1991**

	\$000	Percent of Total
Total personal income	28,219,567	100.00
Total transfer payments	4,237,077	15.01
Government payments to individuals	4,044,191	14.33
Retirement & disability insurance benefits	2,341,878	8.30
Old Age, Survivors & Disability Insurance	1,781,847	6.31
Railroad retirement, & disability	122,790	.44
Federal civilian employee retirement	187,043	.66
Military retirement	152,475	.54
State & local government employee retirement	90,103	.32
Workers' compensation	5,543	.02
Other government disability insurance	2,077	.01
Medical payments	1,248,535	4.42
Income maintenance benefit payments	227,497	.81
Supplemental security income (SSI)	53,795	.19
Aid to families with dependent children (AFDC)	66,014	.23
Food stamps	69,387	.25
Other income maintenance	38,301	.14
Unemployment insurance benefit payments	47,174	.17
State unemployment insurance compensation	44,739	.16
Unemployment compensation—federal civilian	537	*
Unemployment compensation—railroad employees	1,669	*
Unemployment compensation—veterans	222	*
Other unemployment compensation	7	*
Veterans benefit payments	118,834	.42
Veterans pensions & compensation payments	101,422	.36
Educational assistance to veterans, dependents	3,745	.01
Veterans life insurance benefit payments	13,307	.05
Other assistance to veterans	360	*
Federal education & training assistance payments	58,880	.21
Other payments to individuals	1,393	*
Payments to nonprofit institutions	100,522	.36
Federal government payments	29,110	.10
State & local government payments	42,069	.15
Business payments	29,343	.11
Business payments to individuals	92,364	.33

\*Less than .01 percent



The above transfer payments do not include government payments made under various U.S. Department of Agriculture programs, with the exception of food stamps. These direct payments are estimated at nearly \$490.7 million during 1991 in Nebraska. These payments are shown under *farm income*, a separate category of total personal income not discussed in this article.

### Size of Payments

Transfer payments are becoming a larger share of total personal income. To provide a common base for comparing different areas and years, transfer payments are shown on a per capita basis for the U.S., Nebraska, and regions of the state in Figure 1 and Table 2. The data have not been adjusted for inflation. Individual county data were aggregated to the regions of the state for comparisons.

The growth in the level and relative size of transfer payments can be attributed to several sources such as cyclical and inflation effects along with changes in legislation and other causes. Inflation directly affects indexed programs. OASDI, retirement benefits, food stamps, veterans benefits, and other payments are linked by legislation to changes in the general level of prices. As prices increase, the cost of these programs also increase. The change is often called a *cost of living adjustment*.

The level of unemployment is an example of cyclical effects. Changes in unemployment result in changes in the number of beneficiaries or the amount of payment per recipient. If unemployment increases, more individuals become eligible for workers' compensation, food stamps, etc. Legislative changes may include the introduction or the elimination of programs as well as the number of beneficiaries or benefits per beneficiary.

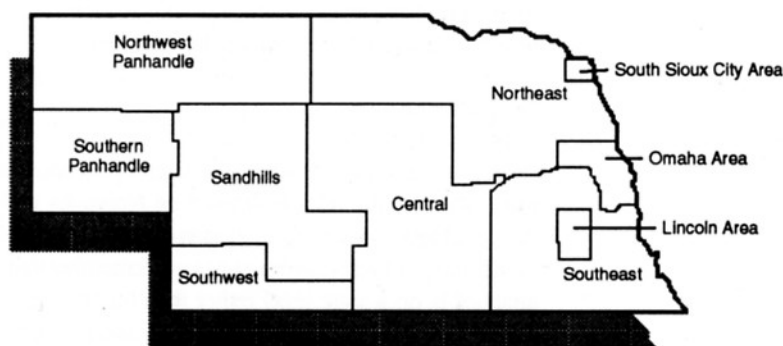
Table 2 shows that transfer payments per capita generally were higher for the U.S. than for Nebraska and its

subareas. Exceptions were the southwestern region in 1970 and 1990 and the southern panhandle in 1990. Transfer payments as a percentage of personal income increased at a faster rate in the rural areas of the state. For example, nonmetro grew from 10.9 percent in 1970 to 15.7 percent in 1990, while metro grew from 8.7 percent to 12.9 percent in metro areas for the same years.

One reason for the increasing share of total personal income obtained from transfer payments is the aging of the population. As the median age of an area increases, more of the residents likely qualify for entitlements that are based on age. Most of the Social Security, Medicare, and other retirement benefit payments usually are coupled with an age requirement.

A short article will appear in the next issue of *Business in Nebraska* that extends the look at economic impacts of transfer payments in a few local areas of Nebraska.

**Figure 1**  
**Selected Multicounty Areas of Nebraska**



**Table 2**  
**Transfer Payments, 1970, 1980, and 1990**

Area	-----1970-----		-----1980-----		-----1990-----	
	\$ Per Capita	% of Personal Income	\$ Per Capita	% of Personal Income	\$ Per Capita	% of Personal Income
United States	423	10.4	1,440	14.5	2,762	14.8
Nebraska	367	9.8	1,203	12.9	2,484	14.2
Lincoln area	352	8.6	1,115	11.3	2,213	12.4
South Sioux City Area	360	11.0	1,051	11.6	2,189	14.4
Omaha Area	362	8.7	1,244	12.1	2,444	13.0
Northeast	345	11.2	1,107	14.7	2,428	15.5
Northwestern Panhandle	391	11.6	1,167	10.7	2,516	14.6
Southern Panhandle	358	10.3	1,230	11.0	2,825	15.7
Sandhills	368	9.9	1,140	12.3	2,670	15.4
Southwestern	435	12.4	1,348	15.4	2,901	16.0
Central	378	10.6	1,204	14.7	2,550	15.3
Southeast	392	11.1	1,290	15.6	2,673	16.5
Nebraska Metro	359	8.7	1,206	11.9	2,377	12.9
Nebraska Nonmetro	374	10.9	1,200	14.0	2,594	15.7

# Review & Outlook

John S. Austin

UNL Bureau of Business Research

National Outlook

*The Administration's New Plan*

In his State of the Union message, President Clinton outlined in broad terms his new plan for stimulating the economy and reducing the deficit in the long term. Table A summarizes spending and tax increases of the Clinton economic plan. By 1998 the net deficit reduction will accumulate to \$473 billion. (All years in this report are fiscal years.) There still will be a budget deficit by 1998, however. One oddity of the plan is that the deficit increases in 1998 by \$55 billion over the 1997 deficit. Note also from our table that spending increases start moderately in 1994 and triple by 1998, while spending decreases begin moderately in 1994 but increase over six-fold by 1998. Tax increases nearly double between 1994 and 1998, while the tax decreases increase only moderately. If the administration's plan goes through intact, there will be some deficit reduction. All of us will benefit from deficit reduction. The reduction by 1998 is small. A larger reduction likely would involve greater reductions in entitlement programs—an unpopular medicine.

## Nebraska Outlook

*What's in it for us?*

Let us examine the administration's plan and determine whether the relative impact on Nebraska will be greater or lesser than on the nation as a whole. My estimate of the likely impact is in parentheses. Remember that our analysis is on a state level rather than on an individual level. Individual companies, industries, and persons may

**Table I**  
Employment in Nebraska

	Revised December 1992	Preliminary January 1993	% Change vs. Year Ago
Place of Work			
Nonfarm	753,484	735,761	0.9
Manufacturing	101,590	101,213	1.9
Durables	47,628	47,471	1.8
Nondurables	53,962	53,742	1.9
Mining	1,426	1,267	-1.6
Construction	27,665	24,894	7.1
TCU*	47,313	46,890	0.8
Trade	191,993	186,048	0.4
Wholesale	53,556	52,962	3.9
Retail	138,437	133,086	-0.9
FIRE**	48,959	48,753	0.2
Services	186,736	181,957	0.9
Government	147,802	144,739	0.2
Place of Residence			
Civilian Labor Force	838,995	835,142	-0.1
Unemployment Rate	2.6	3.2	

\* Transportation, Communication, and Utilities

\*\* Finance, Insurance, and Real Estate

Source: Nebraska Department of Labor

**Table A**  
Administration's Plan  
Proposed Effect on Deficit  
(Rounded to Nearest \$ Billions)

	1994	1998
Spending increases	15	45
Spending decreases	-20	-128
Net spending change	-5	-83
Tax increases	-46	-82
Tax decreases	13	17
Net tax change	-33	-65
Deficit reduction	-39*	-148
Deficit	262	241

\*Reported at -39. Different from other numbers due to rounding

Source: "A Vision of Change for America" Office of the President

**Table II**  
City Business Indicators  
Nov. 1992 Percent Change from Year Ago

The State and Its Trading Centers	Employment (1)	Building Activity (2)
NEBRASKA	1.9	12.4
Alliance	1.8	9.5
Beatrice	2.7	89.5
Bellevue	-3.5	-23.1
Blair	-3.5	128.5
Broken Bow	2.4	196.3
Chadron	4.4	-38.8
Columbus	0.7	-5.9
Fairbury	-5.1	4.8
Falls City	1.8	182.0
Fremont	0.8	18.9
Grand Island	5.2	10.7
Hastings	-4.8	-10.6
Holdrege	2.6	-53.1
Kearney	-1.8	-8.1
Lexington	22.4	-46.5
Lincoln	2.6	32.8
McCook	-8.6	61.2
Nebraska City	1.9	137.2
Norfolk	-1.7	49.0
North Platte	6.7	-8.2
Ogallala	0.9	-33.2
Omaha	-3.5	-1.8
Scottsbluff/Gering	-0.1	81.4
Seward	4.4	17.6
Sidney	2.7	51.2
South Sioux City	5.4	-1.6
York	9.9	108.3

(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

be impacted in a much different way than this analysis suggests.

#### Tax Programs

- Tax on wealthy (lesser). Nebraska has a lower percentage of those with adjusted gross taxable incomes greater than \$200,000 than the nation as a whole. In Nebraska 0.5 percent of the income tax returns have incomes greater than \$200,000. The nation's figure is 0.7 percent.
- Earned income tax credit (greater). The proposal is an offset to energy taxes and will benefit the working poor—those who are working but who are at the bottom end of the income distribution. Nebraska has a higher percentage of persons who would be classified as working poor. In 1990 43.6 percent of Nebraskans had taxable incomes below \$15,000. The percentage for the U.S. as a whole is 41.1 percent.
- Energy tax (BTU tax) (greater?). The BTU tax will be 8.6 cents per million BTUs. The BTU is a measure of the heat content in energy sources. The BTU tax on

most oil-based fuels will be double. Two sectors in Nebraska's economy will be hit especially hard by a BTU tax—agriculture and transportation. 10.4 percent of Nebraska farm production expenses go to energy and energy-related products such as fuels, pesticides, and fertilizers. The transportation sector is a major sector in Nebraska's economy with its trucking and railroad industries. By 1997 gasoline and diesel fuels will be taxed at 7.5 cents per gallon for

**Table III**  
**Price Indices**

	January 1993	% Change vs. Year Ago	YTD % Change vs. Year Ago
Consumer Price Index - U* (1982-84 = 100)			
All Items	142.6	3.3	3.3
Commodities	130.4	2.5	2.5
Services	155.2	3.7	3.7

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

**Table IV**  
**Net Taxable Retail Sales of Nebraska Regions and Cities**

Region Number and City (1)	City Sales (2)		Region Sales (2)		Year to Date % Change vs. Year Ago
	November 1992 (000s)	% Change vs. Year Ago	November 1992 (000s)	% Change vs. Year Ago	
NEBRASKA	955,236	1.9	1,064,106	3.2	4.4
1 Omaha	334,243	1.3	403,881	3.1	5.9
Bellevue	13,384	3.9	*	*	*
Blair	4,543	0.0	*	*	*
2 Lincoln	127,897	3.8	144,193	5.3	3.0
3 South Sioux City	6,447	11.3	8,608	14.4	10.6
4 Nebraska City	3,957	-3.5	18,286	4.0	1.1
6 Fremont	17,452	0.4	29,734	1.5	2.2
West Point	3,063	-10.2	*	*	*
7 Falls City	2,213	-8.6	9,060	1.9	0.5
8 Seward	4,560	4.1	14,729	5.3	3.5
9 York	6,879	-5.0	13,698	-3.1	-1.0
10 Columbus	17,480	-11.7	28,578	-6.8	-0.1
11 Norfolk	21,463	-0.1	35,135	2.9	2.2
Wayne	3,099	7.2	*	*	*
12 Grand Island	37,125	3.2	50,129	4.6	6.2
13 Hastings	17,348	6.5	25,882	6.9	3.5
14 Beatrice	8,699	3.3	18,651	9.1	2.5
Fairbury	3,342	29.4	*	*	*
15 Kearney	21,403	2.8	28,261	2.8	3.9
16 Lexington	6,629	3.0	16,062	-1.6	3.6
17 Holdrege	4,729	-4.3	7,876	-1.4	0.4
18 North Platte	17,346	2.4	21,345	3.2	2.9
19 Ogallala	3,842	-27.4	9,116	-8.7	-3.0
20 McCook	8,012	-2.9	10,558	-5.1	0.3
21 Sidney	4,966	5.1	8,836	4.3	7.4
Kimball	1,654	0.4	*	*	*
22 Scottsbluff/Gering	19,022	-5.9	25,721	-4.2	0.5
23 Alliance	4,955	-0.5	13,203	-0.5	-0.5
Chadron	2,603	0.2	*	*	*
24 O'Neill	3,466	-9.6	13,281	-3.9	-3.4
Valentine	2,813	-0.2	*	*	*
25 Hartington	1,595	-2.8	7,186	-9.0	-3.5
26 Broken Bow	3,663	-3.7	11,610	7.4	-0.8

(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

gasoline and 8.322 cents for diesel. By 1997 Nebraska's energy office estimates that the annual energy tax will be \$127.14 per Nebraskan.

- Increased taxes on Social Security benefits (greater). A somewhat larger percentage of Nebraskans is at retirement age than is true nationally. Nebraska's share of the U.S. Social Security payments is 0.68 percent, while Nebraska's share of the total population is 0.63 percent.
- Investment tax credit (greater). This tax is meant to benefit smaller companies. Nebraska has a higher percent of small companies than the nation does.

#### Spending Programs

- Highways (greater). Nebraska has a larger share of road miles per capita than is true nationally. Nebraska has 60.8 miles per thousand persons, while the U.S. has 15.4 miles per thousand.
- Children (slightly greater). Nebraska's share of young children is slightly greater than its population share. Nebraska has 0.65 percent of the nation's children under five years old. Thus, we should benefit from the planned increases in WIC and Head Start programs unless the increases are targeted to the nation's major urban areas.
- Agricultural cuts (greater). Nebraska has one of the largest shares of its Gross State Product coming from the agricultural industry of any state in the nation—11.6 percent. For the U.S. as a whole the proportion is 2.2 percent. Some of the proposed cuts may not impact Nebraska as much as they will other ag states. For example, the cap on subsidies to rich farmers is more likely to affect California farms than Nebraska farms. Nebraska tends to restrict large corporate farms.
- Medicare and Medicaid cuts (smaller). The proposed cuts in Medicare and Medicaid are probably only the tip of the iceberg of future changes in health care. The current plan is aimed at decreasing payments to labs and doctors. These dollars may be shifted to insured patients. While Nebraska has somewhat higher percentage of elderly than the nation as a whole, Nebraska's share of medical payments, chiefly in the form of Medicare and Medicaid, is 0.55 percent of the U.S. Thus, we are somewhat underrepresented compared to our percentage of the total U.S. population (0.63 percent). It will be several months before a comprehensive health care plan is announced.


Whether you gain or lose from the proposed new program depends on your own position. Nevertheless, the nation will gain if the tide of increasing deficits is stemmed.

## County of the Month

# Hamilton



### Aurora—County Seat

License plate prefix number: 28  Next County of Month

Size of county: 541 square miles, ranks 73rd in the state

Population: 8,862 in 1990, a change of -4.7 percent from 1980

Median age: 35.2 years in Hamilton County, 33.0 years in Nebraska in 1990

Per capita personal income: \$16,537 in 1990, ranks 53rd in the state

Net taxable retail sales (\$000): \$44,461 in 1991, a change of +0.6 percent from 1990; \$40,278 during January-November 1992, a change of +0.1 percent from the same period one year ago

Number of business and service establishments: 261 in 1990; 59.0 percent had less than five employees

Unemployment rate: 2.3 percent in Hamilton County, 2.7 percent in Nebraska for 1991

### Nonfarm employment (1991):

	State	Hamilton County
Wage and salary workers	736,172	2,422
(percent of total)		
Manufacturing	13.5%	14.9%
Construction and Mining	4.0	1.8
TCU	6.4	6.7
Retail Trade	18.3	16.5
Wholesale Trade	7.0	8.6
FIRE	6.6	6.4
Services	24.4	21.5
Government	19.8	23.6
Total	100.0%	100.0%

### Agriculture:

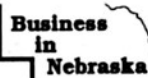
Number of farms: 770 in 1987, 821 in 1982

Average farm size: 443 acres in 1987

Market value of farm products sold: \$104 million in 1987 (\$135,058 average per farm)

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

Merlin W. Erickson



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

Business in Nebraska is issued as a public service and mailed free of charge upon request to 200 CBA, University of Nebraska-Lincoln, Lincoln, NE 68588-0406. Copyright 1993 by Bureau of Business Research, University of Nebraska-Lincoln. ISSN 0007-683X.

March 1993, Volume 48, No. 579

University of Nebraska-Lincoln—Graham Spanier, *Chancellor*  
College of Business Administration—Gary Schwendiman, *Dean*

Bureau of Business Research  
John S. Austin, *Research Associate*  
Carol Boyd, *Staff Secretary*  
David DePruiter, *Information Systems Manager*  
Merlin W. Erickson, *Research Associate*  
F. Charles Lamphear, *Director*  
Jan Laney, *Composing Technician*  
Lisa Valladao, *Information Specialist*  
Margo Young, *Communications Associate*

It is the policy of the University of Nebraska—Lincoln not to discriminate on the basis of sex, age, handicap, race, color, religion, marital status, veteran's status, national or ethnic origin, or sexual orientation.

Nonprofit Org.  
U.S. Postage  
PAID  
Lincoln, Nebraska  
Permit No. 46