

# MONTHLY TAX FEATURES

Volume 22, Number 8, October 1978



**Tax Foundation, Inc.**

1875 Connecticut Ave., N.W. □ Washington, D. C. 20009 □ 202-328-4500 □

## Ten Largest Areas Pay Over 25% of All Taxes

The ten largest metropolitan areas in the U.S. now carry more than one-fourth of the nation's Federal tax burden, according to a new study by the Tax Foundation.

The ten most populous SMSAs (Standard Metropolitan Statistical Areas, as defined by the Office of Management and Budget) gave Washington \$78.2 billion in taxes in fiscal year 1976, latest figures available. That represented 27 percent of the total \$287.4 billion Federal tax bill.

These highly taxed areas are New York, New York-New Jersey; Chicago, Illinois; Los Angeles-Long Beach, California; Philadelphia, Pennsylvania-New Jersey; Detroit, Michigan; Washington, DC-Maryland-Virginia; San Francisco-Oakland, California; Boston, Massachusetts-New Hampshire; Nassau-Suffolk, New York; and Dallas-Fort Worth, Texas.

The new study by the Tax Foundation analyzes the 261 SMSAs, which account for approximately 78 percent of the nation's personal income and which contain 73 percent of the nation's population.

In 1976, the average per capita tax burden for the nation as a whole totaled \$1,343. Residents of the 261 metropolitan areas analyzed by the Foundation paid an average of \$1,444 per capita, or 35 percent more than the \$1,066 per capita Federal

tax bill borne by those who live outside metropolitan areas. Per capita Federal taxes nationwide in 1978 were estimated at \$1,784, about 33 percent higher than in 1976; per capita estimates should be increased accordingly in arriving at current tax burdens.

To allocate the Federal tax burden, Foundation economists employ special techniques to ascertain the taxes actually borne by residents of each SMSA, regardless of where those taxes are collected. Official government agency data are not designed to reflect this geographic origin. Receipts taken into account in the study include taxes on individual and corporate income, estates and gifts, social security, and excise, customs and miscellaneous levies.

Per capita, residents of Anchorage, Alaska (\$2,609) and Midland, Texas (\$2,328), which do not even rank among the fifty largest SMSAs, bore the heaviest tax burden. Other high payers were citizens of Bridgeport, Connecticut (\$2,216); Washington, DC-Maryland-Virginia (\$1,923); Reno, Nevada (\$1,882); Newark, New Jersey (\$1,845); San Francisco-Oakland, California (\$1,834); Nassau-Suffolk, New York (\$1,759); Chicago, Illinois (\$1,728); and Peoria, Illinois (\$1,717).

*(Continued on page 2)*

## Conference to Probe Fiscal Requirements Of Healthier Economy

"Tax Policy for a Healthier Economy" will be the theme of the Tax Foundation's 30th National Conference to be held Wednesday, December 6, 1978, at the Plaza Hotel in New York City.

The all-day conference will feature analysis and discussion of major tax and fiscal issues by leading authorities from both the public and private sectors.

"Tax and Expenditure Limitation" will be the topic of the morning session, which will include presentations by Donald G. Hagman, Professor of Law, University of California at Los Angeles; Richard Headlee, President, Alexander Hamilton Life Insurance Company; and Lewis K. Uhler, President of The National Tax-Limitation Committee.

The luncheon session will be chaired by Thomas M. Macioce, President of the Tax Foundation and President of Allied Stores Corporation. The Hon. Joe D. Waggoner, Jr., U.S. Representative from Louisiana, Member of the House Ways and Means Committee, will speak at the luncheon.

The Conference's afternoon session will be devoted to discussion of "Investment, Innovation, and Taxation," with

*(Continued on page 2)*

# Largest Areas Public Retirement Pay Soars

(Continued from page 1)

The accompanying table gives complete data for "Total and Per Capita Federal Tax Burdens in the 50 Largest Metropolitan Areas, Fiscal Year 1976." Copies of the complete study are available free from Tax Foundation, Inc., 1875 Connecticut Ave., N.W., Washington, DC 20009.

Benefits paid to retired public employees increased 349 percent between 1966 and 1976, according to analysis just released by the Tax Foundation. In 1966, beneficiaries of Federal, state and local pension systems received a total of \$5.5 billion. Ten years later, their retirement payments totaled \$24.6 billion.

Federal pension systems account for most of the money spent on retirement benefits for public employees, and also showed the sharpest increase for the ten-year period studied by the Foundation's economists. (For more complete details on Federal systems, see January-February 1978 *Monthly Tax Features* and Tax Foundation Research Publication No. 34, "Federal Employee Retirement Systems.")

In 1966, 1.3 million Federal civilian and military retirees received about \$3.5 billion in benefits. By 1976, 2.6 million retirees were collecting a total of \$16.5 billion in benefits, a 374 percent increase in payments.

There were only 945,000 state and local retirees in 1966, and they received a little less than \$2 billion in benefits. Within ten years, their ranks had nearly doubled to 1.8 million at a total cost of \$8.0 billion.

The table at the bottom of page 4 gives detailed figures for "Benefits and Beneficiaries of Public Employee Retirement Systems, Selected Calendar Years, 1966-1976."

## TOTAL AND PER CAPITA FEDERAL TAX BURDENS IN THE 50 LARGEST METROPOLITAN AREAS<sup>a</sup>

FISCAL YEAR 1976

SMSA and state	Federal tax burden		
	Total (millions)	Per capita	
		Amount	Rank <sup>b</sup>
Albany-Schenectady-Troy, New York	1,040	1,298	124
Anaheim-Santa Ana-Garden Grove, Calif.	2,727	1,566	27
Atlanta, Georgia	2,602	1,426	69
Baltimore, Maryland	3,020	1,409	74
Birmingham, Alabama	1,028	1,287	129
Boston, Mass.-N.H.	5,617	1,430	64
Bridgeport, Conn.	1,767	2,216	3
Buffalo, N.Y.	1,708	1,288	128
Chicago, Illinois	12,083	1,728	9
Cincinnati, Ohio-Kentucky-Indiana	1,930	1,389	81
Cleveland, Ohio	3,146	1,594	21
Columbus, Ohio	1,416	1,306	119
Dallas-Fort Worth, Texas	3,896	1,515	41
Dayton, Ohio	1,150	1,373	84
Denver-Boulder, Colorado	2,217	1,573	25
Detroit, Michigan	6,914	1,553	29
Fort Lauderdale-Hollywood, Florida	1,333	1,503	46
Hartford-New Britain-Bristol, Conn.	1,675	1,576	24
Houston, Texas	3,876	1,658	15
Indianapolis, Indiana	1,648	1,429	65
Kansas City, Missouri-Kansas	1,950	1,516	40
Los Angeles-Long Beach, Calif.	10,677	1,533	34
Louisville, Kentucky-Indiana	1,194	1,334	104
Memphis, Tennessee-Arkansas-Mississippi	1,102	1,256	146
Miami, Florida	2,199	1,505	44
Milwaukee, Wisconsin	2,200	1,539	32
Minneapolis-St. Paul, Minn.-Wisconsin	3,099	1,522	35
Nassau-Suffolk, New York	4,624	1,759	8
New Orleans, Louisiana	1,422	1,294	126
New York, New York-New Jersey	15,868	1,645	16
Newark, New Jersey	3,673	1,845	6
Norfolk, Va. Beach-Portsmouth, Va.-N.C.	852	1,097	221
Philadelphia, Pennsylvania-New Jersey	6,994	1,485	49
Phoenix, Arizona	1,589	1,282	134
Pittsburgh, Pennsylvania	3,378	1,461	56
Portland, Oregon-Washington	1,635	1,502	47
Providence-Warwick-Pawtucket, R.I.	1,147	1,351	96
Riverside-San Bernardino-Ontario, Calif.	1,382	1,120	212
Rochester, New York	1,484	1,522	36
Sacramento, California	1,180	1,327	109
St. Louis, Missouri-Illinois	3,410	1,440	62
Salt Lake City-Ogden, Utah	964	1,215	165
San Antonio, Texas	1,079	1,102	218
San Diego, Calif.	2,052	1,263	141
San Francisco-Oakland, Calif.	5,750	1,834	7
San Jose, Calif.	1,932	1,629	18
Seattle-Everett, Washington	2,394	1,686	13
Tampa-St. Petersburg, Florida	1,649	1,189	176
Toledo, Ohio-Michigan	1,098	1,404	76
Washington, D.C.-Md.-Virginia	5,819	1,923	4

a. Based on population as of July 1, 1975.

b. Rank among the 261 metropolitan areas included in the full study.

Source: "Memorandum on the Allocation of the Federal Tax Burden by Standard Metropolitan Statistical Area," Tax Foundation, September 1978.

## Conference

(Continued from page 1)

presentations by John J. Douglas, Vice Chairman of the Board, General Telephone & Electronics Corporation; Martin S. Feldstein, Professor of Economics, Harvard University; and Sheldon S. Cohen, Partner, Cohen & Uretz, and former Commissioner of the Internal Revenue Service.

Raymond J. Saulnier, Professor Emeritus, Columbia University, will chair the morning session. Roland M. Bixler, President, J-B-T Instruments, Inc., will chair the afternoon program.

The Tax Foundation Conference will be followed by the Foundation's 41st Annual Dinner at which The Hon. Al Ullman, Democrat of Oregon and Chairman of the House Ways and Means Committee, will receive the Foundation's Distinguished Public Service Award.

# State-Local Hiring Sharply Outpaces Private Sector Jobs

State-local employment over the past decade rose about twice as rapidly as did employment in the private sector, recent research by the Tax Foundation indicates. While state-local employment went up 38 percent, private employment grew only by 18 percent.

Another measure of this differential growth, according to the Foundation's economists, is that, in 1967, there was one state-local employee for every 7 workers in the private sector; by 1977, there was one state-local employee for every 6 private-sector workers.

In 1967, 7.6 million full-time equivalent employees collected paychecks from state-local government. In 1977, latest figures available, their ranks had increased to 10.5 million, a 38 percent jump.

October payroll costs in 1967 totaled about \$4.3 billion, while 1977 showed a 164 percent increase to \$11.3 billion.

The average paycheck for a state-local employee in October 1967 was \$563. By 1977, that paycheck had increased 91 percent to \$1,078.

New York had the most workers in 1967, with a roster of 817,000 full-time equivalent employees. California was a close second with 812,000. A decade later, the two leaders had switched places. California had 1.1 million state-local workers in 1977, while New York had 918,000.

While the number of state-local employees in a jurisdiction is associated to a significant degree with the size of the population served by the area, there are significant differences among areas in the number of public employees in comparison with population at large. In the average jurisdiction in 1977, there were 485 state-local workers per 10,000 members of the population. The District of Columbia and Alaska topped the list with 760 and 678 state-local employees per 10,000 population. Other high-ranking states were

## STATE AND LOCAL GOVERNMENT EMPLOYMENT, PAYROLLS, AND AVERAGE EARNINGS MONTH OF OCTOBER, 1967 AND 1977

State	Employees <sup>a</sup>			October payroll			Employees <sup>a</sup> per 1,000 population		
	Number (000)		Percent	Amount (millions)		Percent	1967		Percent
	1967	1977	increase	1967	1977	Increase	1967	1977	increase
Total.....	7,603	10,498	38	\$4,265	\$11,279	164	386	485	26
Alabama.....	120	177	48	52	156	200	338	480	42
Alaska.....	13	26	115	10	48	380	467	678	45
Arizona.....	67	127	90	40	140	250	409	552	35
Arkansas.....	64	96	50	26	75	188	323	447	38
California.....	812	1,088	34	591	1,476	150	424	497	17
Colorado.....	94	142	51	50	153	206	477	541	13
Connecticut.....	100	132	32	62	143	131	340	426	25
Delaware.....	21	31	48	11	33	200	408	530	30
District of Columbia.....	36	52	37	24	76	217	470	760	62
Florida.....	258	430	67	125	421	237	430	508	18
Georgia.....	169	274	62	73	228	212	374	543	45
Hawaii.....	32	47	47	19	57	200	429	530	24
Idaho.....	37	44	63	13	41	215	384	513	34
Illinois.....	385	494	28	228	594	119	354	439	24
Indiana.....	194	236	22	104	228	119	388	443	14
Iowa.....	108	144	33	57	114	165	392	499	27
Kansas.....	97	124	28	47	114	143	425	532	25
Kentucky.....	104	146	40	48	129	169	325	422	30
Louisiana.....	150	199	33	67	171	155	409	508	24
Maine.....	35	49	40	17	43	153	359	455	27
Maryland.....	144	217	51	84	244	190	392	524	34
Massachusetts.....	206	280	36	118	310	163	379	484	28
Michigan.....	326	428	31	201	537	167	379	468	23
Minnesota.....	140	194	39	84	222	164	392	488	24
Mississippi.....	85	116	39	31	90	190	361	494	37
Missouri.....	160	213	33	80	200	150	347	444	28
Montana.....	30	43	43	16	44	175	433	559	29
Nebraska.....	63	89	41	29	81	179	437	569	30
Nevada.....	21	37	76	13	40	208	471	577	23
New Hampshire.....	25	38	52	12	35	192	360	446	24
New Jersey.....	236	349	48	142	403	184	337	477	42
New Mexico.....	45	68	51	22	63	186	446	575	29
New York.....	817	918	12	518	1,149	122	445	512	15
North Carolina.....	172	279	62	86	251	192	342	504	47
North Dakota.....	28	31	11	14	32	129	445	478	24
Ohio.....	356	454	28	193	472	145	341	424	24
Oklahoma.....	101	140	39	45	119	164	404	488	23
Oregon.....	85	197	132	49	145	196	424	537	27
Pennsylvania.....	391	474	21	218	502	130	336	402	20
Rhode Island.....	32	44	38	18	46	167	355	474	34
South Carolina.....	87	146	68	36	122	239	335	506	51
South Dakota.....	29	33	14	13	29	123	425	485	14
Tennessee.....	148	212	43	65	178	174	379	494	30
Texas.....	400	631	58	193	588	205	368	491	33
Utah.....	44	64	45	23	63	174	428	501	17
Vermont.....	15	24	60	8	22	175	368	492	34
Virginia.....	162	262	62	80	243	204	357	510	43
Washington.....	130	189	45	79	227	187	422	516	22
West Virginia.....	68	91	34	30	81	170	378	489	29
Wisconsin.....	156	222	42	92	240	161	373	478	28
Wyoming.....	18	24	33	9	23	156	568	586	3

a. Full-time equivalent employees.

Source: Bureau of the Census, U.S. Department of Commerce, and Tax Foundation computations.

Wyoming (586), Nevada (577), New Mexico (575), and Nebraska (569).

Over 5 million of all state and local workers are in the field of education, which accounts for almost half of total state-local employment. Local schools alone employ 3.9 million workers, 37 percent of the total. Other significant areas of employee concentration are hospitals (989 thousand), police protection (561 thousand), highways (557 thousand), and public welfare (356 thousand).

The accompanying table gives detailed figures for all states and the District of Columbia for "State and Local Government Employment, Payrolls, and Average Earnings, Month of October, 1967 and 1977."

### About Tax Features

Tax Foundation, Inc., is a publicly supported, non-profit organization engaged in non-partisan research and public education on the fiscal and management aspects of government. Members of Tax Foundation are urged to pass their copies of *Tax Features* along to editors of their house publications.

Original material in *Monthly Tax Features* is not copyrighted and may be reproduced freely by the news media and others. Please credit Tax Foundation.

For additional information write to *Tax Foundation, 1875 Connecticut Avenue, N.W., Washington, D.C. 20009, or call (202) 328-4500.*

# Shift Seen In Who Pays Health Bill

America's bill for health care was more than six times as high in 1977 as it was in 1960, say economists at the Tax Foundation. And more of the costs were picked up by the government.

Analyzing data from the Social Security Administration, the Foundation determined that spending on health and medical care jumped 529 percent between 1960 and 1977, from \$25.9 billion to \$162.6 billion. The 1977 health outlay was more than twice as much as the 1970 total of \$69 billion.

Both private and public spending for health and medical care are on the increase, but the public expenditure is increasing at a much sharper rate. Private spending rose from \$19 billion in 1960 to \$94 billion in 1977, a 384 percent increase. Public outlays, however, soared 970 percent, from \$6 billion to \$68 billion in the same period of time.

Health-related spending now consumes a greater percentage of the nation's Gross National Product than it did 17 years ago. In 1960, 5 percent of the GNP went for health and medical care. In 1972, medical spending consumed 7 percent of the GNP. In 1977, the total hit almost 9 percent.

In 1977, Medicare and Medicaid accounted for 24 percent of all medical spending, with a total outlay of \$39 billion. In 1970, the nation's Medicare-Medicaid bill was \$12 billion, less than one-fifth (18 percent) of the total outlay.

Tax Foundation's economists say there is a significant, steady downward trend in the percentage of medical bills being paid directly by those who receive the health care. In 1960, direct payments comprised 49 percent of all payments; by 1970, they had dropped to 35 percent; and by 1977, they hit an all-time low of 27 percent of all money spent on health and medical care.

The accompanying table offers details for "Health and Medical Care Expenditures by Source of Funds and Type, Selected Fiscal Years, 1960-1977."

## Health and Medical Care Expenditures by Source of Funds and Type Selected Fiscal Year 1960-1977

Source of funds and type	Amount (billions)			Percent increase	
	1960	1970	1977 <sup>a</sup>	1970-77	1960-77
Total expenditures .....	\$25.9	\$69.2	\$162.6	135	529
Private expenditures, total .....	19.5	43.8	94.2	115	384
Health and medical services .....	18.8	41.3	91.3	121	385
Direct payments .....	12.6	24.3	43.3	78	244
Insurance benefits .....	4.7	14.4	39.3	173	736
Other <sup>b</sup> .....	1.5	2.7	8.7	229	466
Construction of facilities .....	.5	2.3	2.6	14	398
Medical research .....	.1	.2	.3	48	135
Public expenditures, total .....	6.4	25.4	68.4	170	970
Health and medical services .....	5.3	22.7	62.6	176	1,071
OASDHI .....	—	7.1	21.6	202	—
Public assistance .....	.5	5.2	17.6	238	3,474
General hospital and medical care .....	2.0	3.6	8.3	133	320
Public health activities <sup>c</sup> .....	.6	2.2	4.4	98	579
Veterans' care .....	.9	1.7	4.3	162	393
Defense Department care <sup>d</sup> .....	.8	1.5	3.4	127	314
Workmen's compensation .....	.4	1.0	2.6	165	521
Other <sup>e</sup> .....	.1	.6	.4	-34	227
Construction of facilities .....	.6	1.0	2.4	144	324
Medical research .....	.5	1.7	3.4	97	622
	Percentage distribution				
Total expenditures .....	100	100	100		
Private .....	75	63	58		
Public .....	25	37	42		
Federal .....	11	24	29		
State-local .....	13	13	14		
Exhibit: Total as a percent of GNP .....	5	7	9		

a. Preliminary.

b. Includes expenses for prepayment, industrial in-plant services, and philanthropy.

c. Includes maternal and child health programs and school health services. For 1977, includes OEO health and medical care, but not school health services.

d. For 1977, includes military dependents' medical care.

e. Includes temporary disability insurance and medical vocational rehabilitation. For 1960 and 1970, includes military dependents' medical care and OEO health and medical care.

Source: U.S. Department of Health, Education, and Welfare — Social Security Administration, and Tax Foundation computations.

## Benefits and Beneficiaries of Public Employee Retirement Systems<sup>a</sup> Selected Calendar Years 1966-1976

System	1966	1971	1976	Percent increase		
				1966-71	1971-76	1966-76
	Benefits (millions)					
All systems .....	\$5,479	\$10,947	\$24,596	100	125	349
Federal systems, total <sup>b</sup> .....	3,494	7,127	16,546	104	132	374
Civil service .....	1,713	3,329	8,584	94	158	401
Armed forces .....	1,703	3,660	7,674	115	110	351
State and local .....	1,985	3,820	8,050	92	111	306
	Beneficiaries (thousands)					
All systems .....	2,293	3,265	4,441	42	36	94
Federal systems, total <sup>b</sup> .....	1,348	1,886	2,601	40	38	93
Civil service .....	796	1,026	1,432	29	40	80
Armed forces .....	530	831	1,132	57	36	114
State and local .....	945	1,379	1,840	46	33	95
	Average annual benefits					
All systems .....	\$2,389	\$3,353	\$5,539	40	65	132
Federal systems, total <sup>b</sup> .....	2,592	3,779	6,362	46	68	145
Civil service .....	2,153	3,244	5,995	51	85	178
Armed forces .....	3,215	4,403	6,780	37	54	111
State and local .....	2,101	2,770	4,375	32	58	108

a. Includes retirees for age and service and disability, as well as survivors; excludes social security benefits.

b. Includes systems not shown separately.

Source: U.S. Department of Health, Education, and Welfare — Social Security Administration, and Tax Foundation computations.

*Editor's Note: Tax Foundation Research Publication No. 34, "Federal Employee Retirement Systems," is available for \$3 from Tax Foundation, 1875 Connecticut Ave., N.W., Washington, DC 20009.*