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22 States Pay More Federal Tax Dollars Than They Get Back Under Aid Programs

There was no free lunch in fiscal year 1981 for 22 states that sent more money to Washington to fund Federal grants-in-aid than they got back under such programs last year, according to Tax Foundation economists. The good news was that in fiscal year 1980, 23 states had found themselves in this "deficit" situation with regard to Federal aid.

Each year, Tax Foundation researchers compute how much the residents of individual states pay in Federal taxes, both for all Federal government operations and for grant-in-aid programs alone. The latter figure is compared with the various grants-in-aid coming to the states from Washington. In 1981, 22 states "lost money."

For the second year in a row, Texas headed the list, paying \$1.46 in taxes for each dollar of aid from Uncle Sam (6 cents more than Texas paid in 1980). Next came Connecticut (\$1.41), Florida (\$1.33), Kansas (\$1.28), and New Jersey (\$1.27).

Among states, the big "winners" in the grants sweepstakes were Vermont (56 cents), Alaska (57 cents), Mississippi (60 cents), South Dakota (60 cents), and Maine (66 cents).

For the first time ever, Pennsylvania joined the ranks of the "receiving" states. Michigan rejoined the

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Cost of Running Congress for 1982 Expected to Hit Record \$1.5 Billion

This year the cost of operating the Legislative Branch of the Federal Government will top \$1.5 billion, according to current budget estimates. This will represent an increase from fiscal year 1981 of over 24 percent. The 1982 spending total comes to nearly 10 times the \$165 million in Legislative Branch outlays recorded for 1960, and twice the \$726 million in spending recorded as recently as 1975, according to Tax Foundation analysis.

In 1978, Federal outlays for the Legislative Branch broke the \$1 billion mark for the first time, when the

tab for Senate, House of Representatives, and related agencies cost taxpayers \$1.05 billion for the fiscal year. This closely followed Tax Foundation's projection in its 1976 publication, "The Legislative Branch—The Next Billion Dollar Bureaucracy."

While cautioning about the growth of spending to support activities of Congress, the Foundation noted, "The more important issue . . . would seem to be the extent, if any, to which this increase in the size and costs of the Legislative Branch is resulting in

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**Federal Budget Outlays for the Legislative Branch by Unit
Selected Fiscal Years 1960-1982^a
(Thousands)**

Unit	1960	1965	1970	1975	1980	1982
Total	\$165,158	\$212,025	\$343,147	\$726,191	\$1,217,985	\$1,502,124
Congress, total	69,882	97,857	179,159	326,214	581,543	676,418
Senate	25,176	33,261	57,585	102,237	183,890	227,420
House of Representatives	41,005	58,212	108,279	178,988	324,569	367,959
Joint activities	3,701	6,414	13,295	44,989	73,084	81,039
Legislative agencies, total	95,276	114,138	173,218	399,977	636,442	825,706
Architect of the Capitol	26,218	25,459	18,797	50,894	89,496	145,431
Botanic Garden	333	532	620	998	1,583	2,165
Congressional Budget Office	—	—	—	—	12,101	13,100
General Accounting Office	38,178	44,948	69,857	125,941	201,192	238,026
Government Printing Office	15,508	17,454	34,141	121,436	115,747	119,499
Library of Congress	15,039	25,745	49,804	100,795	192,740	290,799
Office of Technology Assessment	—	—	—	2,723	11,131	12,595
Other ^b	—	—	2,972	12,560	23,378	13,661 ^c
Deductions for offsetting receipts	—	—	-12,203	-15,370	-10,926	-9,570

^aData for 1982 are preliminary.

^bIncludes U.S. Tax Court, for which gross outlays in fiscal 1982 are estimated at \$12,835 thousand.

^cDecline from 1980 reflects primarily the phasing out of the Temporary Commission on Financial Oversight of the District of Columbia, for which fiscal 1980 outlays were \$11,622 thousand.

Source: Office of Management and Budget.

The Front Burner

By Robert C. Brown

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"Backdoor Pay Raises"

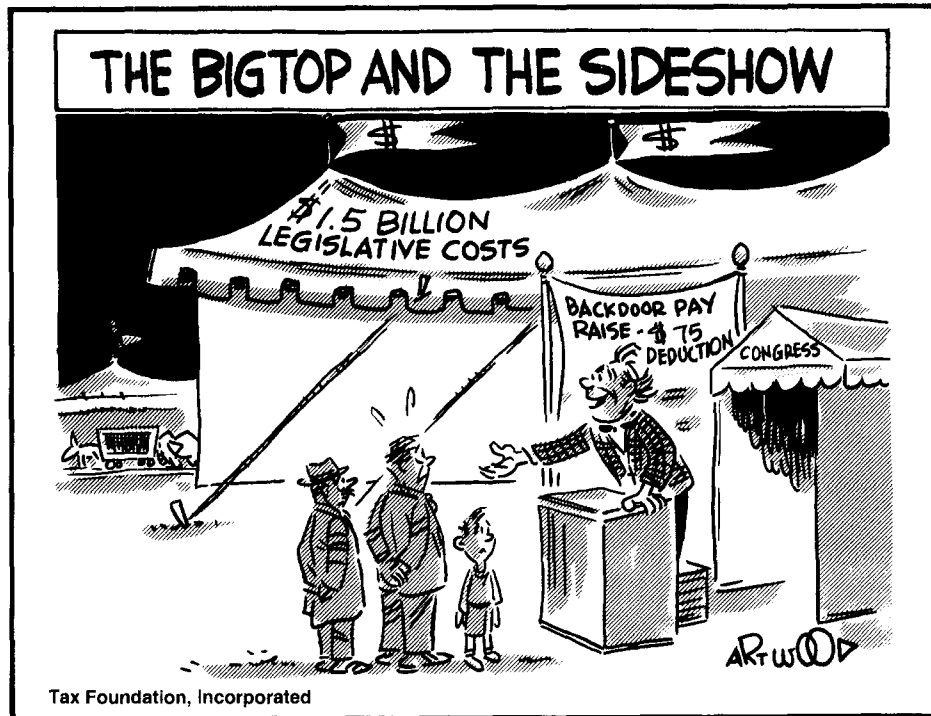
Last December was not the finest hour of the 97th Congress. That is when the current crop of Senators and Representatives voted themselves a backdoor pay raise in the form of a \$75 deduction, with no need to substantiate the claim, for each "congressional day" served, whether or not the lawmaker shows up and whether or not Congress even sits. This sack full of goodies could total as much as \$19,000 per year in tax breaks for each member of Congress at a time when the rest of us are groaning under the load of an economy gone sour.

This column will not denounce the Congress for being greedy, venal, conniving, or any of the other epithets hurled over this action. There have already been enough invectives.

The real issue is, What is a Senator or Representative worth? And this is a question never adequately answered since the days of the First Continental Congress.

Few Legislators have approached the issue with the boldness of Ben Johnson, Democrat of Kentucky. During a debate in 1925 over whether to raise Congressional pay from \$7,500 to \$10,000 a year, he thundered, "If my constituents should say that I am not worth \$10,000 a year here, then my answer to them is, Send somebody who is."

"The laborer is worthy of his hire," the Bible tells us. This applies to the U.S. Congress, too, no matter how unbiblical their behavior may, at times, be. Poor constituent relations, abuse of perks, venal and well-publicized incidents such as Abscam don't help make a case that a salary of almost \$61,000 may not be adequate in these times for those who serve in the Legislative Branch. The Hart Senate Office Building stands as an all-too-obvious monument of how well—and how foolishly—public officials can take care of themselves.



Nevertheless, abuse of a right does not invalidate the right. And Senators and Congressmen have a right to service without paying for the privilege, without having to spend large amounts of time garnering outside earnings, and without being made even more vulnerable to those who are only too willing to make up shortfalls in Congressional salaries from the coffers of special interest groups.

What to do? My recommendations, at least for openers, include:

- Vote—on the record—for a fair annual salary for Senators and Representatives.
- Make that pay as comparable as is humanly possible to equivalent responsibilities in the private sector.
- Eliminate all perks.
- Take this package to the voters and tell them what Ben Johnson told his constituents.

For sure, let the Congress stand and be counted on this issue, once and for all.

Cost of Congress

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the improvement and greater effectiveness of the legislative process and product."

Since 1978, spending on the Legislative Branch has continued to grow rapidly and is now more than halfway to the next billion. Congress alone will cost the taxpayers \$676 million in fiscal 1982—\$227 million for the Senate, \$368 million for the House of Representatives, and \$81 million for joint activities. Another \$826 million will be spent by such various legislative agencies as the Library of Congress, the General Accounting Office, the Architect of the Capitol, and others.

The Budget submitted in January of this year projects a \$52 billion reduction in outlays for the Legislative Branch in fiscal 1983.

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Nontax Revenues Net \$75.8 Billion For State-Local Government Units

Taxpayers almost everywhere are aware that their state and local tax bills have been rising rapidly over the years. These trends have been well documented. A development that has attracted less attention is the growth in general revenues raised by state-local governments from nontax sources, according to Tax Foundation economists.

In fiscal year 1980, for every tax dollar collected, these jurisdictions raised another 34 cents through nontax revenues. Ten years ago, 25 cents in nontax general revenues were raised for each dollar of taxes. In 1960, it was 20 cents.

Another striking indication of this shift is seen in the fact that revenues from nontax sources exceeded property tax yields in 1980—for the first time in history.

Nontax revenue sources provided \$75.8 billion in general revenues to state and local budgets in fiscal year 1980, as compared to \$223.5 billion in taxes. As a share of total own-source general revenues, nontaxes accounted for slightly more than one-fourth of the total.

These nontax revenues are labeled by the Bureau of the Census, which compiles the data, as "charges and miscellaneous general revenues." They include current charges received from the public for performance of specific services benefiting the person charged (also known as "user charges") and miscellaneous revenues. The latter include special assessments collected from property owners for specific improvements, such as paving, drainage, etc.; interest earnings; sales of government property; receipts from other sources such as state-owned mineral resources; and others.

Although the trend toward further dependence on nontaxes has been developing for many years, it gained considerable momentum in the last two years reported. From 1978 to 1980, while state-local taxes were rising at an annual rate of just over 7 percent, for example, charges and miscellaneous revenues catapulted by 20 percent. The most spectacular rise was in interest earnings: an annual average increase of 44 percent. Current charges grew at an annual

Currently Available

"Federal Expenditure and Tax Policy—1981 and Beyond," Proceedings of Tax Foundation's 33rd National Conference, December 2, 1981, 62 pages, \$5.00.

"Memorandum on the Allocation of the Federal Tax Burden and Federal Grants-in-Aid by State, Fiscal Year 1982," 5 pages. Single copies free.

"The Classified Real Property Tax," Research Bibliography No. 70, 1982, 10 pages. Single copies free.

rate of 13 percent and other nontax revenues at 21 percent a year.

Current charges generated \$44.4 billion in revenue during fiscal 1980. Of this total, \$12.7 billion (or 29 percent) came from hospital charges. Another \$10.4 billion (or 24 percent) originated in fees and charges of institutions of higher education (including auxiliary enterprises). Other major sources of current charge revenue include payments for such governmental services as sewerage, school lunch sales, air transportation, and housing and urban renewal.

Miscellaneous general revenues—interest earnings, property sales, and special assessments among them—totaled \$31.5 billion in general revenue. Of this, interest earnings accounted for a \$17.0 billion (54.0 percent) share. (Interest earnings for state-local general budgets, incidentally, exceeded expenditures for interest on general debt by \$2.4 billion.)

During the 1970s, nontaxes rose at about 1.5 times the speed that taxes did at state and local levels of government—up 243 percent for the decade, compared to 157 percent.

Interest earnings have proved the most rapidly rising component of nontax revenue growth in recent years. Just for the period 1970-1980, interest earnings of state and local governments showed a rise of 477 percent.

The accompanying table supplies details.

**General State-Local Revenue from Own Sources
by Type of Source
Selected Fiscal Years 1960-1980**

Year (period)	Own-source general revenue					
	Total	Taxes	Nontax sources			Other
			Total	Current charges	Interest earnings	
Amount (billions)						
1960	\$ 43.5	\$ 36.1	\$ 7.4	\$ 5.3	\$.6	\$ 1.5
1965	63.0	51.2	11.7	8.4	1.1	2.2
1970	108.9	86.8	22.1	14.9	3.0	4.3
1975	181.1	141.5	39.7	25.6	7.8	6.2
1980	299.3	223.5	75.8	44.4	17.0	14.4
Percent distribution						
1960	100.0	83.0	17.0	12.2	1.5	3.3
1965	100.0	81.4	18.6	13.3	1.8	3.5
1970	100.0	79.7	20.3	13.7	2.7	3.9
1975	100.0	78.1	21.9	14.1	4.3	3.4
1980	100.0	74.7	25.3	14.8	5.7	4.8
Average annual growth (percent)						
1960 to 1965	7.7	7.2	9.6	9.6	12.0	8.6
1965 to 1970	11.6	11.1	13.5	12.1	21.1	14.3
1970 to 1975	10.7	10.3	12.4	11.4	21.6	7.9
1975 to 1980	10.6	9.6	13.8	11.6	16.8	18.2

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

Taxes vs. Aid

(Continued from page 1)

"receivers" for the first time in five years. On the other hand, Maryland rejoined the ranks of the "payers" after a lapse of one year.

The \$92.5 billion in Federal grants-in-aid disbursed to state and local governments in 1981 represented an increase of \$3.9 billion or 4.4 percent over 1980. In the decade of the seventies, these aids increased at an annual rate of nearly 15 percent.

While the total increase in grants over 1980 was relatively small, there were significant changes in the distribution pattern, according to Tax Foundation economists. Thirty-six states experienced an increase in their Federal tax costs per dollar of aid in 1981, while 14 states enjoyed a reduction. Only Illinois paid the same amount of Federal taxes per dollar of aid in 1981 as in 1980: \$1.18.

One of the biggest shifts in the distribution pattern occurred in New Hampshire, where Federal tax burdens per dollar of aid rose from \$1.03 in 1980 to \$1.21 in 1981, catapulting New Hampshire from 21st to 8th place among the states in cost per aid dollar. Other states which experienced a significant increase of ten cents or more in taxes per dollar of aid were Florida, Georgia, Hawaii, South Carolina, South Dakota, and Utah.

On the other hand, residents of Indiana and Wisconsin experienced notable declines in the Federal aid tax costs per aid dollar of 12 cents and 10 cents, respectively.

The average "paying" state spent \$1.20 for every dollar of aid from Washington. The average "receiving" state paid 81 cents per dollar in the taxes/grants transaction.

The direct cost per dollar of aid does not tell the whole story, say Foundation economists. In order to qualify for most programs funded by Federal dollars, states must come up with matching funds and then must incur overhead costs. In 1981 it is estimated that, in matching funds alone, state and local governments provided an additional 42 cents for every dollar proffered by Uncle Sam.

The Tax Foundation formula for deriving the Federal tax burdens by state is designed to show where the tax dollars actually originate, rather than where they are collected. The grant-in-aid data are shown as reported by the U.S. Treasury.

In computing this analysis of Federal taxes versus grants-in-aid, Tax Foundation economists include general revenue sharing and trust fund

aids, but they do not count "shared revenues," such as payments in lieu of taxes on Federal lands in certain states.

The table below provides further details. Single copies of the complete "Memorandum on the Allocation of the Federal Tax Burden and Federal Grants-in-Aid by State, Fiscal Year 1982" are available free from the Tax Foundation.

**Federal Grants-In-Aid to State and Local Governments
and Estimated Federal Tax Burden for Federal Grants
Fiscal Year 1981**

State	Millions		Tax burden per dollar of aid	
	Grants ^a	Estimated tax burden for grants ^b	Amount	Rank
TOTAL	\$92,540.7	\$92,540.7	\$1.00	—
Alabama	1,463.4	1,166.0	.80	37
Alaska	438.8	249.9	.57	49
Arizona	857.3	1,008.7	1.18	12
Arkansas	882.0	638.5	.72	42
California	9,945.6	11,077.1	1.11	18
Colorado	994.2	1,249.3	1.26	6
Connecticut	1,180.0	1,665.7	1.41	2
Delaware	313.6	268.4	.86	31
Florida	2,865.9	3,821.9	1.33	3
Georgia	2,167.1	1,767.5	.82	34
Hawaii	443.0	416.4	.94	26
Idaho	347.5	296.1	.85	32
Illinois	4,610.0	5,441.4	1.18	11
Indiana	1,728.7	2,109.9	1.22	7
Iowa	960.8	1,138.2	1.18	10
Kansas	772.5	990.2	1.28	4
Kentucky	1,423.7	1,129.0	.79	39
Louisiana	1,726.6	1,536.2	.89	29
Maine	536.0	351.7	.66	46
Maryland	1,917.0	1,971.1	1.03	22
Massachusetts	2,888.9	2,480.1	.86	30
Michigan	4,106.6	3,923.7	.96	25
Minnesota	1,772.4	1,665.7	.94	27
Mississippi	1,083.1	647.8	.60	48
Missouri	1,658.4	1,860.1	1.12	17
Montana	428.3	286.9	.67	44
Nebraska	516.9	601.5	1.16	14
Nevada	340.9	397.9	1.17	13
New Hampshire	306.1	370.2	1.21	8
New Jersey	2,891.0	3,673.9	1.27	5
New Mexico	604.6	416.4	.69	43
New York	10,374.3	7,643.9	.74	40
North Carolina	1,907.8	1,878.6	.98	23
North Dakota	306.1	222.1	.73	41
Ohio	3,725.2	4,432.7	1.19	9
Oklahoma	1,040.4	1,129.0	1.09	20
Oregon	976.0	1,055.0	1.08	21
Pennsylvania	4,885.9	4,765.8	.98	24
Rhode Island	482.0	388.7	.81	36
South Carolina	1,007.5	925.4	.92	28
South Dakota	353.6	212.8	.60	47
Tennessee	1,821.8	1,499.2	.82	33
Texas	4,144.2	6,070.7	1.46	1
Utah	573.8	462.7	.81	35
Vermont	279.2	157.3	.56	50
Virginia	1,884.1	2,128.4	1.13	16
Washington	1,738.5	1,924.8	1.11	19
West Virginia	940.8	629.3	.67	45
Wisconsin	2,298.3	1,823.1	.79	38
Wyoming	199.9	231.4	1.16	15
District of Columbia	1,430.4	342.4	.24	51

^aExcludes shared revenues and payments in lieu of taxes; includes general revenue sharing and trust fund aids.

^bThe total tax burden for grants is assumed to equal grant payments.

Source: Tax Foundation computations based on data from U.S. Treasury Department and Office of Management and Budget.