

Preface

The 38th edition of *Facts and Figures on Government Finance* arrives at a time when public finances are very much on the American public's mind. After emerging from a recession, the U.S. economy has continued to strengthen. This has eliminated most state budget deficits according to the newest estimates, but the official data recorded in this volume still harkens back to fiscal 2002 in many cases when tax revenues were dropping at a startling rate. Meanwhile, record federal spending has pushed the federal deficit to its highest level in years. The long-term viability of Social Security, Medicare and other federal entitlement programs is again on the front burner after simmering for almost two decades. In this presidential election year, these have both been major issues for the candidates. Local property taxes have also been a huge issue, as collections continue to rise and state legislators have been put under increasing pressure to find solutions to this problem.

This new edition includes a number of changes meant to enhance the usefulness and scope of the book's data. Some of the most important changes include:

- *Reorganization of the various sections to improve consistency.* The order of Section C ("Federal Government") has been rearranged to follow a more consistent pattern. Section E ("State Governments") has also been revamped. New tables have been added, and there has also been a rearrangement of existing tables.
- *Enhanced table formats and extended data series.* Many tables in this year's edition have been reformatted to improve the usability of the book and make the data more readily accessible. Also, several time-series have been extended to include estimates of recent years for which final data is unavailable.
- *Eliminating the small chapter on international data.* For several years, the book has included a short chapter of international comparisons, but the difficulty of obtaining current, authoritative, internationally comparable tax data has forced us to eliminate it from this edition.

While debates over public finances are loud, they are not always clear. The Tax Foundation aims to clarify the matter, at least to the extent possible by laying out the facts of public finances for all to see. As always, the devil is in the data.

We are quite sure that readers will find this year's edition of *Facts and Figures on Government Finances* to be the most extensive tabular presentation of essential government fiscal data available in any reference book today. Perhaps the most important aspect of this volume is the time-series data as much of this information is difficult to obtain, especially outside of Washington D.C. Making this information available to taxpayers around the nation is the heart of the Tax Foundation's mission, as it has been since the Foundation's establishment in 1937.

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Economist
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Introductory Notes to Tables

This book presents data on governmental revenues and expenditures compiled from many different sources. Differences among various data series on government finances can be confusing, so some introductory explanations may be of assistance to the reader.

Sources of Data

The chief source of data on federal government finances is the Office of Management and Budget (OMB). Each year *The Budget of the United States Government* contains final data for previous fiscal years' federal outlays and receipts and the administration's latest estimates for the current and forthcoming fiscal years.

The budget for 1969 was the first to adopt the unified budget format which includes the receipts and outlays of the trust funds, which were excluded from the old "administrative budget." The federal budget presents receipts and outlays on a cash basis instead of an accrual basis.

In the years since the unified budget format was adopted, a number of federal entities — generally those that carry out direct loan programs — have been removed from the budget by law, and some new off-budget entities have been established. To facilitate comparison of overall totals, federal budget tables in this volume include both on-budget and off-budget transactions.

The Treasury Department provides useful fiscal data in the *Treasury Bulletin* and other publications. In addition, the *Economic Report of the President* produced by the Council of Economic Advisors is a useful collection of data on economic activity. Another official source is the National Income and Product Accounts (NIPA) published by the Bureau of Economic Analysis (BEA) of the Department of Commerce. Since much economic analysis is now on a NIPA basis, there is value in having details of the government sector comparable to the data for the private sector. The NIPA budget presentation differs from the unified budget chiefly in two respects:

First, capital transactions that do not represent current flows of income and production are excluded—these are purely financial transactions or transactions in existing physical assets.

Second, business taxes (and certain other items) are on an accrual basis; corporate profits taxes, for example, are shown for the year in which tax liability is incurred rather than in the year actually paid. The same remarks apply to state and local government finances as shown in NIPA.

The basic source of data on the operations of state and local governments, and all governments combined, is the Governments Division, Bureau of the Census, Department of Commerce. It accomplishes the tremendous task of establishing and maintaining comparable data on the finances of all three levels of government. For this purpose the Census has adapted data from the Treasury Department and the Office of Management and Budget to concepts appropriate for all governments. For similar reasons, Census data on state government finances differ from those published in the budgets of the various states. It is important to remember that there are measurement differences between similar series published by all these agencies.

There are two important differences between the Census figures for federal finances and OMB budgetary figures:

- (1) The classification of functions differs substantially. For example, the

Census classification does not include a functional grouping of veterans' benefits; instead, expenditures under this heading in the federal Budget are distributed among other functions including education, hospitals, welfare, etc.

(2) Various enterprise operations are reported on a gross basis by the Census and on a net basis in the federal Budget. In the Census publications, "general expenditures" include total expenditures of the postal service, not merely the excess of expenditures over receipts as in the Budget.

"Total expenditures" in the Census includes expenditures for utilities, liquor stores, and insurance benefits as well as those for the more typical governmental functions. "General expenditures" includes only those for the usual governmental functions, such as education, highways, public welfare, and payment of interest. "Direct expenditures for own purposes" excludes payments to other levels of government.

Similar distinctions are made on the revenue side of Census figures. "Total revenue" includes payments from other governments, and revenue from own sources. "Revenue from own sources" includes utilities, liquor stores, and insurance trust revenue, as well as taxes, charges, and other general revenues. "General revenue from own sources" excludes revenue from utilities, liquor stores, and insurance trusts and payments from other levels of government.

Please note the source of data at the bottom of each table to understand the measurement basis of the figures.

Other Notes

(1) Since BEA recently revised the entire NIPA time series data back to 1929, NIPA data in all previous editions of *Facts and Figures on Government Finance* are not comparable.

(2) Unless otherwise noted, national totals include Alaska beginning in 1959 and Hawaii beginning in 1960.

(3) Fiscal year figures for the federal government prior to 1977 relate to the 12-month period beginning July 1 and ending June 30. As of 1977, the fiscal year is October 1 to September 30. For most state governments, the fiscal year is the 12 months starting July 1. Among units of local government, there is more variation in fiscal years; a considerable proportion use a period ending December 31. Beginning in 1963, financial data for local governments, as reported by the Bureau of the Census, are grouped in terms of fiscal years which closed within the 12 months ended June 30. Previously, local government amounts were grouped in terms of fiscal years ended within the particular calendar year.

(4) Per capita figures are based on population figures adjusted to the appropriate measure, i.e., fiscal (federal or state) vs. calendar year.

(5) All estimates are based on projections of data from past years or quarters. Therefore, unforeseen shifts in the economy will create discrepancies between the estimate and the actual figure.

(6) In the interest of maintaining comparability within the book, the data used for the state and local sections are drawn from the same year. State data for some data series are available from the Bureau of the Census for more recent years.