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TRENDS IN THE FISCAL CONDITION OF CITIES: 1978–1980

A STUDY

PREPARED FOR THE USE OF THE

SUBCOMMITTEE ON FISCAL AND INTERGOVERNMENTAL POLICY

OF THE

JOINT ECONOMIC COMMITTEE

CONGRESS OF THE UNITED STATES

APRIL 20, 1980

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April 16, 1980

The Honorable Lloyd Bentsen
Chairman
Joint Economic Committee
U. S. Congress
Washington, D.C.

Dear Mr. Chairman:

I am pleased to transmit herewith a study prepared for the use of the Subcommittee on Fiscal and Intergovernmental Policy of the Joint Economic Committee entitled "Trends in the Fiscal Condition of Cities: 1978-1980."

This study assesses the fiscal condition of over 300 cities with populations greater than 10,000. It analyzes their current revenues and expenditures, balance sheet, assets and liabilities, borrowing, employment patterns, and capital and selected functional expenditures. The study reports 1978 and 1979 data as well as 1980 projections.

The Subcommittee is particularly grateful to the city officials who gave so generously of their time and expertise in completing our lengthy and detailed survey. I am hopeful that this report will be useful to Members of Congress, the Executive Branch, and State and local officials in determining policies for the coming year.

The study was conducted by Deborah Matz of the Committee staff and John Petersen of the Government Finance Research Center of the Municipal Finance Officers Association. Research assistance was provided by Michael Nardone of the Committee staff and Jack Haley and Michael O'Hanlon of MFOA.

Sincerely,

Bill

William S. Moorhead
Chairman, Subcommittee
on Fiscal and
Intergovernmental Policy

C O N T E N T S

INTRODUCTION AND SUMMARY

This report is a reflection of the Subcommittee's continuing interest in and commitment to analyzing the fiscal condition of American cities. Conducted jointly by the Government Finance Research Center of the Municipal Finance Officers Association and the Subcommittee, this survey is intended to provide an up-to-date and comprehensive picture of recent trends in city government finances.

The survey was mailed to 539 cities with populations of 10,000 or more, of which 302 responded. Throughout, the data are reported on the basis of city size. To enhance comparability, the New York City data are not included in this report. (Additional discussion of the methodology of the survey can be found in the Methodology Section.)

The major findings are:

. For all cities, current expenditures are rising faster than current revenues. As a result, the percentage of cities with operating deficits increased between 1978-1979 and by 1980 a greater proportion of cities are anticipating deficits than are anticipating surpluses.

- In the wake of Proposition 13 and similar measures, city property tax receipts declined in absolute terms and as a proportion of total city revenues in fiscal year 1979. Although property tax receipts are anticipated to rebound somewhat in 1980, their overall significance in city budgets has greatly diminished in the past two years.

- Federal funds used for city operating purposes have declined both absolutely and as a proportion of current total revenues for all sizes of cities except the largest cities during the period under review. Federal aid to the largest cities increased slightly in absolute terms while declining relative to other revenue sources.

- Reductions in property tax and Federal aid revenues are being partially offset by increases in local non-property taxes, as well as by new and increased user charges and State aid.

- In terms of their balance sheets, cities evidently have been successful in strengthening their overall asset position in 1978 and 1979 and have maintained good levels of liquidity. However, a sustained move toward operating deficits could erode these positions and subject cities to cash-flow problems.

- City capital outlays, buoyed by Federal grants, generally increased between 1978 and 1979. Further increase is planned for 1980, especially by the largest cities, as cities plan to catch up on deferred capital spending plans. However, these plans are contingent on increases in long-term borrowing and, for the largest cities, a dramatic upsurge in Federal grants for capital purposes. Failure to borrow and to receive Federal capital grants will torpedo the anticipated growth in such spending.

- In contrast to general government activity, expenditures and revenues of self-supporting city enterprises (such as water, sewer, electric, and transit utilities) have grown sharply over the period for cities of all sizes. However, growth in expenditures has outstripped revenue growth. As a result, the operating revenues net of operating expenditures have dropped rapidly,

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especially in the case of the largest cities. Failure to reverse this trend could halt the capital spending plans of many city enterprises, especially in times of tight monetary conditions.

- City long-term borrowing has been eratic during the period 1978 and 1979, a pattern anticipated to continue into 1980. Most noticeable -- and in keeping with the surge in enterprise capital spending -- has been the growth in long-term debt incurred for enterprise activities. As a result of low levels of borrowing for general government purposes, there has been practically no growth in such (usually tax-supported) debt outstanding.

- For all cities, the simple average of the change in their total workforces between 1978-1979 was only 0.9 percent and the change in their full-time, permanent workforces averaged only 2 percent. For 1980, the small and largest cities plan reductions in full-time workers and all cities foresee reductions in their total workforces, including part-time and CETA workers.

- Except for small cities, all cities experienced large reductions in their CETA workforces in 1979. All categories of cities are projecting further large reductions in 1980.

- Police, fire, and sanitation expenditures increased at a greater rate than total expenditures between 1978 and 1979, and the same trend is projected for 1980. Wages and salaries, however, lagged the increase in the total of such expenditures and, in all cases, fell well short of the rate of inflation.

Conclusions

Despite the fact that the period under study was one of economic recovery, cities, generally, have not flourished. An increasing proportion of cities experienced operating deficits in 1978 and 1979, a trend which is projected to continue in 1980.

In the coming decade, one can expect a growing number of cities to experience severe fiscal stress. Most cities enhanced their solvency in recent years as a result of three factors: national economic recovery, increased direct Federal assistance, and deferred capital expenditures. These factors, however, are changing. For most cities, the unexpectedly high rate of inflation will probably increase city expenditures more than revenues.

Generally, projected city budgets have tended to be conservative, with revenues intentionally underestimated and expenditures overstated. As a result, a greater number of cities tend to budget for operating deficits than actually realize them. However, the unexpectedly high rate of inflation this year may ultimately force expenditures to meet or exceed budgeted amounts. For example, the modest wage and salary increases in 1979 (an average of 4.9 percent in the largest cities) indicates that negotiated settlements in 1980 may exceed budget projections.

Also, increased reliance on cyclically sensitive income and sales taxes and user charges renders more and more cities vulnerable to fiscal stress in economic downswings. In addition, Federal aid to cities has tapered off and is rapidly declining in real terms, a trend not likely to be reversed in the near future. Finally, expenditures which have been deferred will ultimately need to be made to maintain a viable city operation. It seems likely that employees will demand compensatory increases in 1980 to make up for losses to inflation. In addition, because in past years capital expenditures have frequently been deferred to adjust for revenue shortfalls, the deterioration of the capital plant in many cities has reached a critical stage. Capital expenditures, therefore, may be deferred in the future, only at the risk of physical collapse.

Above and beyond these potential problems, it appears that the burden of substituting user charges and sales and income taxes for property taxes is likely to be borne by the lower income populations. These taxes and fees are generally a flat rate from which none of the population is exempted. If services previously provided by the general fund are now placed on a user-pays-cost basis, lower income residents are likely to be more adversely affected than higher income individuals.

While the fiscal outlook for cities is stern, there are some favorable prospects on the horizon. It is clear that cities have already begun to retrench. They will not be caught by surprise. City workforces are getting leaner. Cities are attempting to hold the line on expenditures and already rely more on user-pays-cost revenues. In addition, Federal aid dependency is already in decline and cities consequently have begun the process of adjusting to less assistance from that source. Thus, because many cities have begun the retrenchment process, further retrenchment may not be as difficult or as disruptive as initial efforts may have been.

METHODOLOGY

Cities -- like other governments -- typically keep their books and control their activities through a series of funds. Because of this, it is frequently difficult to get a comprehensive picture of their financial activities unless special pains are taken to recognize the accounting and programmatic distinctions among the fund groups. The survey attempted to simplify some of these difficulties by asking cities to consolidate their finances into two major groups: first, the finances of "general government" activities that are typically supported by general revenues (primarily taxes) and second, the "enterprise" activities that are run largely on a self-supporting basis through the "sale" of certain goods and services by means of user charges and fees. Furthermore, within the general government accounting structure, capital outlays and debt transactions are frequently carried on through use of separate funds, often using receipts that are restricted to those purposes.

It must be recognized, therefore, that to develop estimates of overall financial operations and conditions, certain simplifications and consolidations were necessary. These were largely left to the respondents to perform, relying on a set of careful definitions to guide their judgments as to the most appropriate categorization and compilation (see Appendix II). Therefore, while the individual financial items should be generally comparable among cities in the survey, they may not be directly comparable to figures reported elsewhere regarding city finances, including the cities' own financial reports.

This survey was mailed to 539 cities with populations of 10,000 or more. Throughout, the data are reported on the basis of city size. To enhance comparability, New York City data are not included in the report.

Survey Sample And Responses By City Size

City Size	Surveyed	Responded
Small (10,000-49,999)	278	129
Medium (50,000-99,999)	107	68
Large (100,000-249,999)	97	60
Largest (250,000 and over)*	57	45
Total	539	302

* Excluding New York City.

A list of the respondents is found in Appendix I. All data have been compiled in accordance with the fiscal year of the reporting jurisdiction. Throughout, all references to years refer to fiscal years. Because the survey was mailed in the Fall, 1979, and some cities have fiscal years which end with the calendar year, 1979 "actual" data may, in some instances, represent estimates. In all cases, 1980 data represent budgeted and anticipated outlays. All per capita amounts in this report are based on 1975 population data.

GENERAL OPERATING REVENUES AND EXPENDITURES

The first set of survey questions related to a combined statement of each city's general government current operating receipts and current expenditures. Normally, most general government expenditures and receipts will be contained in the city's general fund. However, because of different accounting structures and service responsibilities, general government activities may be accounted for in a variety of other funds. Therefore, governments were asked to combine all city funds except enterprises (or special utility funds), intergovernmental service funds, and those trust funds for which the city acts only as a fiduciary. The questionnaire asked for a breakdown of current receipts by major types of taxes and other current revenues from own sources, and those State and Federal grants used for current operating purposes (as opposed to capital outlays). The desired result was for a complete picture of those revenues used to provide current city expenditures (as opposed to their capital outlays).

In addition to the current expenditures, cities were also asked in this part of the questionnaire to give their outlays for debt service. Although the repayment of principal in yearly debt service does not constitute

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a current operating expenditure, as a practical matter, such payments usually are made out of current revenues. Since these contractual commitments are not postponable, they constitute an ongoing drain on current revenues as do most current operating costs.

In each category of cities, the increase in revenues from 1978 to 1979 fell short of the increase in expenditures (see Table 1). The largest disparity occurred in the small cities which averaged a 4 percent increase in current revenues and a 9.5 percent increase in current expenditures in 1979 over 1978. The same trend of expenditure increases exceeding current revenue increases is projected for 1980. In each case, the projected increase in revenues for 1980 is less than the increase in revenues experienced in 1979. In both the smallest and largest cities, the increase in expenditures is expected to fall short of the 1979 increase, while, in the case of the medium and large cities, the increase in expenditures is expected to exceed the previous year's.

Operating Surpluses And Deficits

Table 2 classifies cities by those experiencing operating surpluses or deficits as defined by the survey. In each category of cities, the proportion of cities with an operating surplus declined between 1978

TABLE 1

CURRENT REVENUES AND CURRENT EXPENDITURES
PER CAPITA

City Size	1978 (Act.)	1979 (Act.)	1980a	% Change 1978-1979	% Change 1979-1980
Small					
a. Revenue	$270.11	$281.03	$292.07	4.0%	3.9%
b. Expenditures	$261.07	$285.86	$309.24	9.5%	8.2%
Medium					
a. Revenue	$284.17	$293.02	$300.79	3.1%	2.7%
b. Expenditures	$266.95	$282.15	$302.19	5.7%	7.1%
Large					
a. Revenue	$332.94	$352.32	$365.76	5.8%	3.8%
b. Expenditures	$335.29	$355.78	$381.31	6.1%	7.2%
Largest					
a. Revenue	$424.15	$444.32	$459.35	4.8%	3.4%
b. Expenditures	$409.71	$443.25	$466.51	8.2%	5.2%

1980a=budgeted or anticipated amounts for Fiscal Year 1980

TABLE 2

BUDGETED AND ACTUAL REVENUES, EXPENDITURES, SURPLUSES AND DEFICITS

	1978 Budgeted	1978 Actual	1979 Budgeted	1979 Actual	1980 Budgeted
Small Cities:					
a. Avg. Revenue per Capita	$252.90	$270.11	$268.92	$281.03	$292.07
b. Avg. Expenditure per Capita	$252.01	$261.07	$288.24	$285,86	$309.24
c. Percentage of Cities in Surplus	43.7%	69.7%	32.8%	54.6%	43.7%
d. Avg. Surplus(in thou.)	959	784	521	752	593
e. Surplus/Expenditures	13.8%	12.8%	6.8%	10.6%	8.3%
f. Percentage in Deficit	56.3%	30.3%	67.2%	45.4%	56.3%
g. Avg. Deficit(in thou.)	701	1,005	1,028	1,192	1,281
h. Deficit/Expenditure	10.6%	11.0%	13.2%	14.2%	13.8%
Medium Cities:					
a. Avg. Revenue per Capita	$268.33	$284.17	$280.88	$293.02	$300.79
b. Avg. Expenditure per Capita	$267.36	$266.95	$283.78	$282.15	$302.19
c. Percentage of Cities in Surplus	45.6%	64.7%	41.2%	55.9%	51.5%
d. Avg. Surplus(in thou.)	2,495	2,997	3,084	3,070	2,576
e. Surplus/Expenditures	12.5%	14.6%	14.4%	15.0%	12.7%
f. Percentage in Deficit	54.4%	35.3%	58.8%	44.1%	48.5%
g. Avg. Deficit(in thou.)	1,961	1,995	2,513	2,122	2,939
h. Deficit/Expenditure	10.6%	12.0%	12.8%	10.7%	12.6%
Large Cities:					
a. Avg. Revenue per Capita	$316.58	$332,94	$341.57	$352.32	$365.76
b. Avg. Expenditure per Capita	$335.44	$335.29	$357.16	$355.78	$381.31
c. Percentage of Cities in Surplus	30.5%	67.8%	30.5%	49.2%	32.2%
d. Avg. Surplus(in thou.)	2,634	2,769	2,675	2,810	2,737
e. Surplus/Expenditures	5.1%	6.2%	5.1%	6.2%	5.0%
f. Percentage in Deficit	69.5%	32.2%	69.5%	50.8%	67.8%
g. Avg. Deficit(in thou.)	5,200	6,917	4,518	3,731	4,718
h. Deficit/Expenditure	10.5%	11.3%	8.4%	6.2%	8.2%
Largest Cities (excluding New York City):					
a. Avg. Revenue per Capita	$402.83	$424.15	$427.10	$444.32	$459.35
b. Avg. Expenditure per Capita	$403.36	$409.71	$435.55	$443.25	$466.51
c. Percentage of Cities in Surplus	40.9%	68.2%	31.8%	52.3%	34.1%
d. Avg. Surplus(in thou.)	19,558	17,063	12,690	16,972	15,018
e. Surplus/Expenditures	5.7%	6.1%	3.4%	5.3%	4.3%
f. Percentage in Deficit	59.1%	31.8%	68.2%	47.7%	65.9%
g. Avg. Deficit(in thou.)	14,104	8,314	13,641	17,186	14,538
h. Deficit/Expenditure	7.5%	4.2%	6.1%	7.5%	5.6%

and 1979. This trend, too, is projected to continue into 1980. For those smallest and largest cities that realized operating surpluses in 1979 and that are projecting surpluses for 1980, the surplus as a percentage of total expenditures has declined from 1978 to 1979 and is expected to drop further in 1980.

The ratio of operating surplus to expenditures increased slightly between 1978-1979 for cities in the medium category and remained the same for those in the large category. But cities in both of these categories are projecting a reduction in this ratio in 1980. The number of cities with operating deficits increased in each size category from 1978 to 1979 and is expected to increase further in 1980. In both the small and the largest cities, the mean percentage of the deficit to total expenditures increased between 1978 and 1979, while, in the medium and large cities, the percentage was reduced. The reverse is true for 1980 projections -- the smallest and largest cities are projecting that the ratio of the operating deficit to total expenditures will decline somewhat from the 1979 level, while the medium cities are predicting an increase in this ratio.

In each size category, the proportion of cities experiencing operating surpluses exceeded by considerable margin the proportion of cities in deficit in 1978. In 1979, the margin narrowed significantly and, by 1980, in three out of the four categories -- small cities, large cities, and the largest cities -- a larger proportion of cities is projecting deficits than is projecting surpluses.

It should be noted that the above tendency toward deficits in 1980 may, in fact, be due in part to conservative budgeting practices. In each category of cities, for both 1978 and 1979, the percentage of cities projecting deficits was significantly larger than the percentage that actually had an operating deficit. However, a review of the original budget projections and the actual budget for 1978 and 1979 indicates that, in most categories, those cities which both projected and realized a current budget deficit had an actual average deficit that exceeded the projected amount (see Table 2). For those governments which had budgeted operating surpluses in 1978 and 1979, there is no clear trend. In some instances, the actual average surplus exceeded the projected amount and, in other instances, it fell short.

According to Table 3, conservative budget practices seem to be a common practice. Actual current expenditures were less than budgeted expenditures for cities in the medium and large categories in 1978. In 1979, this was true of small cities in addition to the medium and large cities. Actual current revenues, on the other hand, exceeded budgeted amounts for all

TABLE 3

ACTUAL EXPENDITURES* AND RECEIPTS
AS A RATIO OF
THOSE BUDGETED FOR GENERAL GOVERNMENT
CURRENT OPERATING PURPOSES

City Size	Actual/Budgeted Current Expenditures		Actual/Budgeted Current Revenues	
	1978	1979	1978	1979
Small	1.039	0.992	1.068	1.045
Medium	0.998	0.995	1.059	1.043
Large	0.992	0.998	1.052	1.031
Largest	1.017	1.021	1.053	1.040

* Excluding debt service.

categories of cities in both 1978 and 1979. The largest cities, on the other hand, tended to underestimate current expenditures, thus leaving less of a buffer between them and underestimated revenues. On the basis of this experience, it might be assumed that expenditures are budgeted high and revenues, low. However, this may not be the case in 1980. The unexpectedly high rate of inflation in our national economy may force expenditures close to or above budgeted amounts. Unlike many states, most cities do not have income and sales taxes and will not, therefore, be the recipients of unplanned revenues from these price-sensitive sources in the coming year. Therefore, notwithstanding prevalent conservative budget practices, the 1980 projections ought to be viewed in light of the national economic factors which will be influencing them.

Components Of Current Revenue

Probably the single most interesting change occurring in the components of current city revenues is the reduction in property tax receipts, both absolutely and as a proportion of total revenues (see Tables 4 and 5). While taxable property values generally increased between 1978 and 1979, property tax receipts decreased in all size categories. This has resulted in a decline in the proportion of property tax receipts to total

TABLE 4

COMPOSITION OF CURRENT GENERAL REVENUES
IN PER CAPITA AMOUNTS AND
ANNUAL PERCENT CHANGE

	1978 (Act.)	1979 (Act.)	1980a	% Change 1978-1979	% Change 1979-1980
Total Current Revenue: Small Cities	$270.11	$281.03	$292.07	4.0%	3.9%
1. Property Tax	$110.56	$107.74	$114.43	-2.5	6.2
2. Other Local Taxes	$ 57.31	$ 64.59	$ 69.16	12.7	7.1
3. User Charges	$ 13.60	$ 14.72	$ 14.98	8.2	1.6
4. Fees & Misc.	$ 33.56	$ 35.49	$ 34.00	5.8	-4.2
5. State Aid*	$ 37.72	$ 42.18	$ 43.67	11.9	3.5
6. Fed Aid*	$ 17.36	$ 16.24	$ 15.83	-6.4	-2.5
Total Current Revenue: Medium Cities	$284.17	$293.02	$300.79	3.1%	2.7%
1. Property Tax	$105.98	$100.53	$108.52	-5.2	7.9
2. Other Local Taxes	$ 56.50	$ 62.89	$ 66.79	11.3	6.2
3. User Charges	$ 17.28	$ 16.86	$ 18.72	-2.4	11.0
4. Fees & Misc.	$ 37.63	$ 43.57	$ 39.85	15.8	-8.5
5. State Aid	$ 37.11	$ 42.83	$ 44.14	15.4	3.1
6. Fed Aid	$ 29.67	$ 26.34	$ 22.79	-11.2	-13.5
Total Current Revenue: Large Cities	$332.94	$352.32	$365.76	5.8%	3.8%
1. Property Tax	$124.94	$121.96	$130.49	-2.4	7.0
2. Other Local Taxes	$ 68.16	$ 75.08	$ 78.80	10.1	5.0
3. User Charges	$ 15.93	$ 16.35	$ 18.20	2.6	11.3
4. Fees & Misc.	$ 41.47	$ 48.13	$ 48.10	16.1	-0.1
5. State Aid	$ 47.28	$ 56.30	$ 60.21	19.1	6.9
6. Fed Aid	$ 35.16	$ 34.50	$ 29.97	-1.8	-13.1
Total Current Revenue: Largest Cities	$424.15	$444.32	$459.35	4.8%	3.4%
1. Property Tax	$120.67	$109.89	$114.38	-8.9	4.1
2. Other Local Taxes	$104.39	$114.07	$123.71	9.3	8.5
3. User Charges	$ 20.36	$ 22.14	$ 25.12	8.7	13.5
4. Fees & Misc.	$ 50.24	$ 57.07	$ 63.67	13.6	11.6
5. State Aid	$ 59.83	$ 72.00	$ 68.16	20.3	-5.3
6. Fed Aid	$ 68.65	$ 69.15	$ 64.30	0.7	-7.0

* Includes only that aid used for operating purposes.

TABLE 5

COMPOSITION OF CURRENT GENERAL REVENUES

	Actual 1978 (% of Total)	Actual 1979 (% of Total)	1980a (% of Total)
Total Current Revenues & Receipts: Small Cities	100.0%	100.0%	100.0%
1. Property Tax	40.9	38.3	39.2
2. Other Local Taxes	21.2	23.0	23.7
3. User Charges	5.0	5.2	5.1
4. Fees & Misc.	12.4	12.6	11.6
5. State Aid*	14.0	15.0	15.0
6. Fed Aid*	6.4	5.8	5.4
Total Current Revenues & Receipts: Medium Cities	100.0	100.0	100.0
1. Property Tax	37.3	34.3	36.1
2. Other Local Taxes	19.9	21.5	22.2
3. User Charges	6.1	5.8	6.2
4. Fees & Misc.	13.2	14.9	13.2
5. State Aid	13.1	14.6	14.7
6. Fed Aid	10.4	9.0	7.6
Total Current Revenues & Receipts: Large Cities	100.0	100.0	100.0
1. Property Tax	37.5	34.6	35.7
2. Other Local Taxes	20.5	21.3	21.5
3. User Charges	4.8	4.6	5.0
4. Fees & Misc.	12.5	13.7	13.1
5. State Aid	14.2	16.0	16.5
6. Fed Aid	10.6	9.8	8.2
Total Current Revenues & Receipts: Largest Cities	100.0	100.0	100.0
1. Property Tax	28.5	24.7	24.9
2. Other Local Taxes	24.6	25.7	26.9
3. User Charges	4.8	5.0	5.5
4. Fees & Misc.	11.8	12.8	13.9
5. State Aid	14.1	16.2	14.8
6. Fed Aid	16.2	15.6	14.0

* Includes only that aid used for current general government operating purposes.

revenues in all size categories, with the largest cities realizing the greatest reduction in property tax receipts as a proportion of total revenues -- from 28.5 percent in 1978 to 24.7 percent in 1979. For 1980, cities of all sizes are projecting slight increases in their property tax revenues over 1979. However, in no city category does the projected proportion of property tax receipts to total current revenues in 1980 equal that of 1978. These results tend to be skewed somewhat by the enormous decline in property tax revenues in California cities in 1979. However, even when the California cities are excluded, property tax revenues for all other cities increased by only 2 percent in 1979. (For a comparison of selected items for California and non-California cities, see Appendix III.)

Similarly, Federal aid used for operating purposes declined in all size categories except the largest cities from 1978 to 1979 and represented for all sizes an increasingly smaller proportion of total revenues. Here, again, additional reductions in Federal aid absolutely and in relation to total revenues are projected in all size categories for 1980. The reductions in property tax receipts and Federal aid relative to total revenues were compensated for by increases in other local taxes, fees and miscellaneous revenue, and State aid between 1978 and 1979. This trend has occurred in all size categories.

It is evident that the fiscal mix of city governments is undergoing a rapid change. While the reduction in Federal aid is beyond the control of local officials, apparently the tax and expenditure limitation movements have encouraged local governments to substitute for reliance on property taxes more reliance on other forms of revenues. Thus, the revenue burden is being redistributed from real property owners to the population-at-large and, in particular, to the users of certain facilities and services.

Traditionally, property tax receipts have tended to show less elasticity than sales or income taxes, and remained relatively constant despite changes in the economic cycles. Unlike property taxes, sales and income taxes and certain user fees tend to increase in upswings and decline in downswings. While the property tax remains the most significant local revenue source, the number of local governments that have adopted alternative revenue sources is substantial and destined to grow. Although for the most part only the largest cities have income taxes, a growing number of local governments have been utilizing sales taxes and it is evident that user charges and fees are becoming popular sources of funds. Because these revenue sources tend to be more cyclically sensitive, it is likely that, in coming years, cities will be increasingly prone to fiscal swings reflecting changing economic conditions.

Although questions relating to the final incidence of local taxes remain unresolved, it appears that a shift from property taxes to local sales and income taxes, and user charges and fees may adversely affect lower-income residents. Lower-income families and individuals tend to reside in rental apartments and property tax reductions may not be reflected in reduced rents. At the same time, many locally raised sales and income taxes are levied at a flat rate with no exemptions. Furthermore, city services, such as recreation, libraries, and education programs that in the past have been provided from general funds, will increasingly be placed on a user-pays-cost basis. Low-income residents who must now pay directly for these services or lose them will, therefore, be more adversely affected by the new taxes and charges than higher income individuals.

GENERAL GOVERNMENT BALANCE SHEET

Primary interest in the balance sheet data for the general operating funds relates to the quantity and quality of assets with respect to current liabilities (those due within one year) and the ongoing transaction needs of the city in carrying out its daily operations.

The cities were asked to supply balance sheet information pertaining to current assets and liabilities available to support general government operating activities. Accordingly, they were asked to exclude those funds held for trust accounts, debt service, capital projects, and bond funds, since these are typically restricted to capital purposes or the repayment of debt, and are not available for other general purposes. The assets reported, therefore, should serve as a reasonably good proxy for funds generally available for supporting the current operating activities of cities.

There are various possible measures of liquidity and two of the more important are the "current" ratio, which is the ratio of current assets to current liabilities and the "quick" ratio, which is the ratio of cash and investments to current liabilities. Generally, if a government is supporting its spending by increasing short-term liabilities (or by liquidating its assets) these ratios will be decreasing. The "quick" ratio is a useful measure of the liquidity of the assets themselves and how quickly they can be converted to cash. This may be important if the other assets (taxes collected and accounts receivable) prove to be illiquid. A third measure of liquidity is the ratio of net current assets (working capital) to total expenditures. Governments that have low ratios (few net assets to expenditures) may find themselves having cash-flow problems and forced to borrow in the case of short-falls in revenues or other receipts.

As may be seen in Table 6, the ratio of current assets to liabilities has not shown any particular trend during the period for all the city categories, except that there appears to be some decline in the current ratio anticipated for 1980. Also, there appears to be some deterioration of the ratio of cash and investments to liabilities in the small and medium cities, although the larger cities seem to improve or maintain their ratios. On average, however, the city balance sheets do not reflect any noticeable deterioration over the period in either of the ratios.

Perhaps more meaningful is the ratio of net current assets to current operating expenditures. This reflects the working capital available to meet the recurring financing needs of the cities. In this

TABLE 6

RATIOS OF CURRENT ASSETS TO CURRENT LIABILITIES AND CASH AND INVESTMENTS TO CURRENT LIABILITIES

	1978	1979	1980a
Small Cities			
1. Assets to Liabilities	3.46	3.33	3.38
2. Cash and Investments to Liabilities	2.40	2.36	2.24
Medium Cities			
1. Assets to Liabilities	3.72	3.49	3.29
2. Cash and Investments to Liabilities	2.79	2.64	2.49
Large Cities			
1. Assets to Liabilities	3.53	3.62	3.72
2. Cash and Investments to Liabilities	2.31	2.28	2.39
Largest Cities			
1. Assets to Liabilities	2.58	2.79	2.25
2. Cash and Investments to Liabilities	1.86	2.10	1.66

regard, the results shown in Table 7 indicate that the ratio of net assets to operating expenditures grew from 1978 to 1979 but are anticipated to decline in 1980. It should be noted that the working capital ratio of governments declines with city size. In other words, the largest cities tend to experience a lower coverage of expenditures by net assets than do smaller units. This should not be seem as a sign of weakness, but rather a demonstration of the economies of scale in liquid asset management by larger units.

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TABLE 7

NET CURRENT ASSETS AT END OF YEAR
AS A PERCENTAGE OF CURRENT OPERATING EXPENDITURES

City Size	1978	1979	1980a
Small	28.7%	29.3%	27.4%
Medium	25.2	27.4	25.9
Large	20.5	22.3	22.3
Largest	10.8	11.9	10.1

CAPITAL OUTLAYS AND FINANCING

The survey contained questions designed to determine recent trends in city capital outlays and how they are being financed. As in the case of operating expenditures, the distinction was made between general government capital expenditures and those on behalf of city utility enterprise activities. This section discusses only those capital expenditures associated with activities of a general purpose nature.

Capital expenditures by cities showed growth from 1978, 1979, and 1980 anticipated, although the trends were by no means smooth. Perhaps the most notable feature of the capital outlay pattern shown in Table 8 is the large percentage increases planned for 1980 by the small and largest cities. Obviously, fulfillment of these plans will require the existence of sufficient funds, a point to be discussed below. Suffice it to say, cities are planning for a major increase in capital spending.

In gauging anticipated 1980 capital expenditures, it should be noted that cities on average have fallen far below their budgeted amounts. Referring to Table 9, it can be seen that actual capital expenditures in 1978 and 1979 averaged only about 70 to 80 percent of those

TABLE 8

GENERAL GOVERNMENT CAPITAL EXPENDITURES
PER CAPITA

City Size	1978	1979	1980a	Percent Change 1978-1979	Percent Change 1979-1980
Small	$34.08	$36.26	$ 49.95	6.38%	37.74%
Medium	45.36	52.74	56.69	16.26	7.50
Large	56.37	54.52	63.29	-3.27	16.08
Largest	59.75	66.32	103.29	11.00	55.73

TABLE 9

ACTUAL EXPENDITURES AND RECEIPTS
AS A RATIO OF
THOSE BUDGETED FOR GENERAL GOVERNMENT
CAPITAL PURPOSES

City Size	Actual/Budget Capital Expenditures 1978	Actual/Budget Capital Expenditures 1979	Actual/Budget Capital Receipts 1978	Actual/Budget Capital Receipts 1979
Small	0.727	0.740	0.853	0.790
Medium	0.800	0.834	0.896	0.919
Large	0.830	0.770	0.865	0.794
Largest	0.760	0.795	0.811	0.745

that were planned. Such "undershooting" of the budgeted amounts may stem from several factors, including delays in receipts of grant or borrowed funds, various construction delays, a conservative tendency to overestimate the rate of takedown of funds, and perhaps a conscious budget policy of using the capital expenditure accounts as a cushion for additional liquidity. In the latter regard, it is important to note that capital expenditures have typically been used as a buffer whereby shortfalls in revenues or unforeseen current expenditures can be financed by deferring capital outlays. Because deferrals of capital expenditures in recent years have so exacerbated the deterioration of the physical plant in some cities, capital expenditures may not be deferrable in the future.

Sources of Capital Expenditure Funds

In general, there are three major ways to finance capital expenditures: through current revenues, intergovernmental grants, and borrowing. Beyond this generalization, tracing the mechanics of financing long-term expenditures can become complex. Payments on major capital projects often extend over a long period of time. Their financing presents special opportunities for temporary or interim financing arrangements to take place before the final or definitive method of paying for them is employed.

On the other hand, many capital outlays for equipment and minor facilities are relatively small and recurring, and are typically financed out of current receipts or accumulated reserves. The variety of sources of funds creates special problems for determining how long-lived improvements are financed in any one time period.

Through the years, major capital outlays of city governments, usually involving substantial construction costs, have been financed by long-term borrowing. A traditional rule of thumb has been that 50 percent of the dollar volume is financed by the sale of bonds. Recently, however, intergovernmental grants -- especially those from the Federal Government -- have come to occupy a major role. This trend toward reliance on Federal grant support of city capital outlays was accelerated in the late 1970s with the enactment of the Public Works Employment Act of 1976 and 1977 which authorized $6 billion for the State and local sector, with approximately $1 billion in cash payments still to flow, much of it to cities.

Table 10 provides, by city size, the composition of financing sources of capital outlays for the cities surveyed for 1978, 1979, and 1980 anticipated. On

TABLE 10

GENERAL GOVERNMENT
CAPITAL OUTLAY FINANCING
PERCENTAGE COMPOSITION

	1978	1979	1980a
Small Cities			
1. Borrowing, Short-term	16.2%	11.0%	7.1%
2. Borrowing, Long-term	14.1	14.1	20.4
3. State Aid	4.8	5.0	7.5
4. Federal Aid	29.6	30.6	23.2
5. Current Revenue	28.6	31.4	30.2
6. Prior Reserves*	6.6	7.9	11.6
	100.0	100.0	100.0
Medium Cities			
1. Borrowing, Short-term	7.2%	9.2%	12.2%
2. Borrowing, Long-term	13.1	14.6	17.2
3. State Aid	6.3	5.5	5.4
4. Federal Aid	34.3	34.9	22.9
5. Current Revenue	21.1	20.7	26.2
6. Prior Reserves	17.8	15.2	16.3
	100.0	100.0	100.0
Large Cities			
1. Borrowing, Short-term	2.1%	4.7%	2.9%
2. Borrowing, Long-term	28.1	24.4	38.4
3. State Aid	5.3	4.7	6.7
4. Federal Aid	27.4	34.0	31.2
5. Current Revenue	12.7	14.4	12.2
6. Prior Reserves	24.4	17.7	8.6
	100.0	100.0	100.0
Largest Cities			
1. Borrowing, Short-term	4.8%	4.7%	1.7%
2. Borrowing, Long-term	27.0	29.6	26.1
3. State Aid	8.1	7.6	5.6
4. Federal Aid	34.5	29.9	44.8
5. Current Revenue	18.6	18.8	17.6
6. Prior Reserves	7.0	9.4	4.2
	100.0	100.0	100.0

* Reserves of current revenues accumulated in previous periods.

average, cities reported a higher receipt of funds for capital purposes than capital expenditures, which showed some accumulation of cash reserves to meet future outlays on projects in progress.

As may be seen, the data show that the sources of financing were fairly equally divided between borrowing, intergovernmental payments, and current revenues and reserves. During the period in question, the proportionate importance of sources remained fairly stable. They do not vary radically among the sizes of units, except that the smaller jurisdictions appear somewhat more dependent upon short-term borrowing, current revenues, and prior reserves, while the larger cities have greater dependence on long-term borrowing and State and Federal intergovernmental assistance. Review of the sources by percentage also show that, while all but the largest cities budgeted for some decline in the relative importance of Federal assistance in 1980, the largest cities anticipated a sizeable increase. Clearly, the general government capital outlays of the largest cities -- which are expected to rise dramatically in 1980 -- are most dependent on their actually receiving Federal aid.

Short-Term Borrowing

The questionnaire was designed to permit a distribution of short-term borrowing on the basis of how such interim financing would be permanently funded. Table 11 presents the percentage distributions of short-term borrowing among the sources of ultimate funding for capital projects. This, in turn, permits the allocation of total capital funds among the major types of sources: long-term borrowing, intergovernmental aid, and current revenues and reserves.

The results of these allocations for the average of the three fiscal years surveyed are presented in Table 12. As noted above, they show a very heavy reliance on the part of all cities on intergovernmental payments and current revenues and reserves of past revenues, with long-term borrowing of relatively greater significance for the large and largest units. Clearly, reductions in Federal aid and bond market difficulties coming at the same time can cause massive dislocations of capital spending plans, especially for the major cities, which depend on these sources for approximately 70 percent of their capital outlay funds. Recent and anticipated trends in city borrowing and indebtedness are discussed in more detail below.

TABLE 11

METHOD OF FINANCING SHORT-TERM BORROWING FOR CAPITAL PURPOSES
PERCENTAGE COMPOSITION BY ULTIMATE FUNDING SOURCE

	Small Cities			Medium Cities			Large Cities			Largest Cities		
	1978	1979	1980a	1978	1979	1980a	1978	1979	1980a	1978	1979	1980a
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Current Revenues	22.4	33.8	53.4	53.9	39.4	22.2	31.8	12.1	7.6	43.4	43.5	40.0
Long-Term Debt	55.1	38.1	1.9	29.0	49.0	56.6	37.9	87.9	79.4	49.2	48.0	45.6
State Aid	-	-	-	1.2	0.63	-	-	-	-	5.62	6.7	9.68
Federal Aid	1.92	0.24	1.13	-	-	-	8.7	-	12.9	1.73	1.7	-
Not Reported	20.6	27.7	43.5	15.9	11.0	15.7	21.6	-	-	-	-	-

TABLE 12

PERCENTAGE COMPOSITION OF
ULTIMATE SOURCES OF CAPITAL FUNDS:
AVERAGE FOR 1978 THROUGH 1980 ANTICIPATED

	Percentage Composition
Small Cities:	
a. Long-term Borrowing	20.6%
b. Intergovernmental Aid	33.7
c. Current Revenues and Reserves	42.5
d. Unallocable	3.2
e. Total	100.0%
Medium Cities:	
a. Long-term Borrowing	19.5%
b. Intergovernmental Aid	36.6
c. Current Revenues and Reserves	42.5
d. Unallocable	1.4
e. Total	100.0%
Large Cities:	
a. Long-term Borrowing	32.6%
b. Intergovernmental Aid	36.5
c. Current Revenues and Reserves	30.5
d. Unallocable	0.4
e. Total	100.0%
Largest Cities:	
a. Long-term Borrowing	29.4%
b. Intergovernmental Aid	43.9
c. Current Revenues and Reserves	26.7
d. Unallocable	0.0
e. Total	100.0%

ENTERPRISE FUND FINANCES

The survey contained questions designed to determine recent trends in city enterprise fund activities. Enterprise activities, as defined in the survey, are those government functions that are generally self-supporting through user charges (as opposed to general government revenues) and that are operated by the city, and accounted for in separate enterprise or special utility funds. Common city enterprise functions are water and sewer (when funded by user charges), electric, gas, airports, and local transit. This section discusses enterprise revenue and expenditures for both operating and capital activities.

As seen in Tables 13 and 14, the per capita total revenues and expenditures for enterprise fund activities showed growth in all city size classifications over the period 1978 through 1980. The largest rates of increase were seen in the small and largest cities, while the medium and large cities experienced somewhat slower growth. In all but one instance, the rate of increase in both expenditures and revenues is expected to be higher between 1979-1980 than it was between 1978-1979. Moreover, expenditures are rising more rapidly than revenues.

TABLE 13

ENTERPRISE FUND REVENUES1/
PER CAPITA

City Size	1978	1979	1980 a	Percent Change	
				1978-1979	1979-1980
Small	$115.67	$138.65	$163.30	19.87%	19.78%
Medium	116.49	123.23	137.85	5.79	11.86
Large	109.82	117.74	128.61	7.22	9.23
Largest	147.61	167.16	198.87	13.24	18.96

1/ Includes operating revenues, state and Federal aid, and other revenues.

TABLE 14

ENTERPRISE FUND TOTAL EXPENDITURES1/
PER CAPITA

City Size	1978	1979	1980a	Percent Change 1978-1979	Percent Change 1979-1980
Small	$105.45	$140.80	$184.25	33.52%	30.86%
Medium	110.77	128.48	149.75	15.98	16.55
Large	124.86	134.73	151.65	7.90	12.56
Largest	163.96	185.87	222.21	11.78	19.55

1/ Includes operating expenses, interest expense, and capital expenditures while excluding depreciation.

Focusing on total revenues and expenditures of enterprises can be misleading, however. Enterprises receive revenues from a variety of sources, including user charges, grants from States and the Federal Government, and other miscellaneous receipts. Furthermore, most capital spending by enterprises is financed by long-term borrowing. Because these government entities conduct activities on a self-supporting basis, particular attention is given to operating revenues derived from the performance of services in relationship to those recurring expenses needed to pay for day-to-day operations. Thus, the questionnaire was designed to derive a net operating revenue figure for the enterprise fund. Changes in net operating revenue give a good indication of how well charges for services are keeping pace with the current expenditures incurred in providing them.

Table 15 gives the average enterprise net revenues per capita for the cities in the survey. Except for the small increase between 1978 and 1979 in the largest cities, net operating revenues have shown a steady decline over the years. It should be noted that in 1980 the largest cities are anticipating a sharp drop in net revenues as operating expenditures are expected to increase at more than twice the rate of operating revenues.

TABLE 15

ENTERPRISE FUND NET OPERATING REVENUES
PER CAPITA

City Size	1978	1979	1980[a]
Small	$18.43	$13.36	$13.21
Medium	13.56	11.98	7.49
Large	12.89	11.26	9.83
Largest	12.34	14.28	1.36

The decline in the overall current position of the enterprise fund can also be shown by the upward trend of the enterprise fund operating ratio (see Table 16). The operating ratio for the enterprise fund is increasing, because the operating expenditures are increasing at a faster rate than the operating revenues. The largest cities are expecting the ratio to increase to 0.99 in 1980, which means that they will be able to just cover operating expenses with operating revenues. If the increase in expenses is greater than expected in 1980, or if the trend continues into 1981, the largest city enterprise funds, on average, will be operating at a deficit. If this occurs, capital expenditures may have to be forgone in order to cover operating expenses and problems of gaining access to the bond market will be underscored.

City enterprises are typically heavy users of capital funds and make substantial capital outlays. As may be seen in Table 17, there has been generally substantial growth during the period 1978-1979, particularly on the part of small cities.

TABLE 16

ENTERPRISE FUND OPERATING RATIO

City Size	1978	1979	1980a
Small	0.81	0.87	0.88
Medium	0.85	0.88	0.93
Large	0.86	0.89	0.91
Largest	0.90	0.90	0.99

TABLE 17

ENTERPRISE FUND CAPITAL OUTLAYS
PER CAPITA

City Size	1978	1979	1980a	Percent Change 1978-1979	Percent Change 1979-1980
Small	$26.65	$46.67	$78.02	75.12%	67.17%
Medium	31.40	37.38	42.90	19.04	14.77
Large	48.61	47.10	51.93	-3.11	10.25
Largest	47.68	54.79	63.76	14.91	16.37

LONG-TERM BORROWING AND DEBT OUTSTANDING

Cities in the survey were asked to identify the amount of long-term debt outstanding by type of security and by whether it was for general government or city enterprise purposes. It should be noted that, although most general government long-term debt was tax-supported general obligations, some limited obligation "revenue bond" borrowing was done for general government purposes. Likewise, some general obligation debt was reported as sold for enterprise purposes.

The years 1978 and 1979 were active ones in the municipal bond market but not necessarily for all city government borrowers. Since the latter part of 1979 and thus far in 1980, the capital markets have been under severe pressure, with many borrowing plans being sidetracked. As Table 18 indicates, the average per capita borrowing by the cities in the sample fluctuated sharply from year to year and showed no sustained trend. Also, there was no great difference, on average, in per capita borrowing among the size categories. However, borrowing for enterprise purposes uniformily tended to exceed borrowing for general government purposes.

TABLE 18

LONG-TERM BORROWING PER CAPITA
FOR GENERAL GOVERNMENTAL AND ENTERPRISE PURPOSES

City Size	1978	1979	1980a
Small			
a. General Government	$21.48	$14.42	$27.88
b. Enterprise	58.92	15.45	50.56
c. Total	80.40	29.87	78.44
Medium			
a. General Government	$11.83	$17.40	$18.27
b. Enterprise	26.28	40.97	28.69
c. Total	38.11	58.37	46.96
Large			
a. General Government	$39.81	$16.47	$34.20
b. Enterprise	42.21	16.81	30.19
c. Total	82.02	33.28	64.39
Largest			
a. General Government	$28.28	$30.25	$25.23
b. Enterprise	32.87	52.04	39.11
c. Total	61.15	82.29	64.34

The relatively higher levels of enterprise borrowing is also reflected in the growth trends in debt outstanding as shown in Table 19. It should be noted that the outstanding debt issued for general government purposes is estimated to have actually decreased in some years for all but the largest cities, as cities were retiring more debt than they were creating through new borrowings. Enterprise debt, however, grew rapidly. This reflects a national trend at all levels of government to reduce reliance on tax-supported debt and to enlarge the use of limited obligations secured on nontax revenue sources. Table 19 shows a fairly large planned increase in long-term debt outstanding, particularly on the part of small cities. Although this is not out of line with the level of borrowings in 1978, the current, extremely high interest rates in the tax-exempt bond market will probably severely curb these borrowing plans.

TABLE 19

ANNUAL GROWTH IN GENERAL GOVERNMENT
AND ENTERPRISE DEBT

City Size	Percent Change		
	1978	1979	1980a
Small			
a. General Government Debt	0.1%	-0.1%	7.2%
b. Enterprise Debt	32.9	2.9	21.9
c. Total	15.0	1.0	15.1
Medium			
a. General Government Debt	-1.8%	*	0.4%
b. Enterprise Debt	9.4	16.4	8.6
c. Total	3.6	8.6	5.0
Large			
a. General Government Debt	-2.1%	-6.4%	-0.1%
b. Enterprise Debt	15.4	3.9	7.6
c. Total	3.9	-2.2	2.7
Largest			
a. General Government Debt	1.1%	3.4%	*
b. Enterprise Debt	9.4	8.1	7.8
c. Total	3.7	5.7	4.6

* Less than 0.05 percent change.

CHANGES IN WORKFORCE

In this question, cities were asked to report the average number of employees on their payroll in 1978, 1979, and 1980 anticipated broken down on the basis of full-time permanent, CETA, and part-time and seasonal employees.

Despite the fact that the years under study were years of national economic recovery, in each size category, total city workforces were only slightly increased, remained the same, or were reduced between 1978 and 1979 (see Table 20). The increase in the number of full-time, permanent employees between 1978 and 1979 for all city categories, averaged only 2 percent.

The projections for 1980 are for net reductions in full-time, permanent employees in the small and largest size categories and for small increases in the middle two categories. Thus, in order to promote sound fiscal health, it appears that cities are exercising considerable restraint in increasing the size of their workforces. This restraint and, in some cases, net reductions in the workforces should be weighed when considering the fiscal situation in these cities. Frequently, a positive balance sheet masks underlying

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TABLE 20

CHANGES IN WORKFORCE

	1978 (Act.)	1979 (Act.)	1980a	% Change 1978-1979	% Change 1979-1980
Small Cities					
1. Full Time	267	274	274	2.7%	-0.1%.
2. CETA	22	30	15	34.7	-49.5
3. Part Time-Seas.	79	81	81	1.4	1.0
4. Total	369	385	370	4.3	-3.7
Medium Cities					
1. Full Time	731	748	766	2.4%	2.5%
2. CETA	118	106	77	-10.0	-27.2
3. Part Time-Seas.	146	141	142	-3.4	0.9
4. Total	995	995	986	0.0	-0.9
Large Cities					
1. Full Time	1,838	1,859	1,902	1.1%	2.3%
2. CETA	365	306	253	-16.0	-17.3
3. Part Time-Seas.	342	349	345	1.8	-1.0
4. Total	2,545	2,514	2,501	-1.2	-0.5
Largest Cities					
1. Full Time	8,938	9,060	8,873	1.4%	-2.1%
2. CETA	1,042	940	701	-9.8	-25.4
3. Part Time-Seas.	849	896	867	5.5	-3.2
4. Total	10,829	10,895	10,441	0.6	-4.2

erosion of the tax base, reduced service levels, and shrunken workforces.

Changes in Workforce By Unemployment Level

In 1979, with the exception of high unemployment cities, all other categories of cities experienced very slow growth or net declines in their total workforces (see Table 21). Similarly, the full-time, permanent workforces of the low and medium unemployment categories increased slightly or experienced slight net reductions between 1978 and 1979. The high unemployment categories -- with the exception of the large city-high unemployment category -- experienced much more rapid growth in their total workforces than either the low or medium unemployment cities in each category. This phenomenom seems largely to be attributable to changes in the number of CETA workers. The large increase in the total workforce in the small city-high unemployment category results from the extremely large (117.6 percent) increase in their CETA workforces. Likewise, the increase in the CETA workforces in the medium size-high unemployment cities is also partly responsible for the increase in their total workforces.

Unlike the above situations, largest cities in the high unemployment category experienced a very slight (0.3 percent) average increase in their CETA

TABLE 21

CHANGES IN WORKFORCE
BY CITY SIZE AND UNEMPLOYMENT LEVEL

	1978			1978-1979 % Change			1979-1980 % Change		
	Low Unemp.	Medium Unemp.	High Unemp.	Low Unemp.	Medium Unemp.	High Unemp.	Low Unemp.	Medium Unemp.	High Unemp.
Small Cities									
Full Time	212	325	315	3.4%	2.2%	2.3%	1.9%	-3.0%	1.6%
CETA	13	26	40	-22.1	12.9	117.6	-43.1	-27.6	-66.1
Part Time-Seasonal	70	97	74	4.1	-4.0	7.5	-0.1	3.2	-0.7
Total	295	449	429	2.4	1.5	13.9	-0.1	-3.3	-10.8
Medium Cities									
Full Time	617	852	827	1.5	-1.2	8.7	2.5	1.9	3.0
CETA	68	171	162	-11.3	-25.4	12.9	-37.2	-17.3	-28.9
Part Time-Seasonal	130	196	115	3.7	-5.3	-17.4	2.4	-2.6	5.3
Total	815	1,220	1,104	0.8	-5.2	6.6	-0.4	-0.9	-1.8
Large Cities									
Full Time	1,630	1,893	2,315	2.0	0.4	0.6	1.8	3.2	2.1
CETA	312	244	706	-15.3	-12.6	-18.7	-27.5	-11.7	-8.1
Part Time-Seasonal	281	397	422	0.9	2.3	2.6	-4.5	3.0	-0.8
Total	2,223	2,534	3,443	-0.6	-0.6	-3.1	-2.5	1.9	0.0
Largest Cities									
Full Time	5,958	10,274	12,546	-1.2	0.0	7.3	4.9	-0.7	-12.3
CETA	557	1,351	1,382	-18.7	-10.4	0.3	-18.6	-29.3	-21.4
Part Time-Seasonal	460	943	1,539	0.7	-7.5	30.7	7.1	-4.5	-7.5
Total	6.975	12,568	15,467	-2.4	-1.7	9.0	3.5	-3.8	-12.5

workforces. These cities experienced a significant average increase, however, in their full-time, permanent workforces. It seems likely that, as the CETA workers completed their temporary public employment tenure, the local governments continued to employ them at their own expense. At the same time, the CETA workforces in the large city-high unemployment category experienced a significant net reduction (-18.7 percent). These data indicate that notwithstanding a similar high rate of unemployment, small cities were increasing their CETA workforces rapidly while, in larger cities, the CETA workforces were remaining virtually constant or being reduced.

Almost all categories of cities are projecting net reductions or very slight increases in their total workforces in 1980. The smallest and largest cities in the high unemployment category are projecting the greatest reductions in their total workforces (-10.8 percent and -12.5 percent, respectively). Cities in all size categories, regardless of unemployment level, are projecting large reductions in their CETA workforces. Almost all categories of cities are planning only minor increases in their full-time, permanent workforces. The small cities with medium unemployment, and the largest cities with medium and high unemployment are anticipating net reductions in their full-time, permanent workforce. The greatest such reduction is anticipated by the largest cities with high unemployment (-12.3 percent).

POLICE, FIRE, AND SANITATION EXPENDITURES

In an effort to determine the status of primary services, cities were requested to report expenditures for police, fire, and sanitation. For each, they reported wages and salaries (excluding fringe benefits), other current expenditures (including fringe benefits and excluding wages and salaries), and capital outlays.

In all categories of cities, expenditures for police, fire, and sanitation generally increased by a greater rate than total expenditures between 1978 and 1979 (see Table 22). The two exceptions to this were sanitation expenditures in the medium and largest cities -- both of which increased by a smaller rate than total expenditures in those categories. The projections for 1980 indicate that all city categories are anticipating that total police, fire, and sanitation expenditures will each be increased at a greater rate than total expenditures are expected to be increased in 1980.

The small cities increased per capita expenditures for police, fire, and sanitation at a faster rate than any other size category in 1979. They also increased police, fire, and sanitation wages and salaries by more

TABLE 22

PER CAPITA POLICE, FIRE, AND SANITATION EXPENDITURES

	1978 (Act.)	1979 (Act.)	1980a	% Change 1978-1979	% Change 1979-1980
Small Cities					
Police					
a. Wages & Salaries	$31.94	$35.10	$38.85	9.9%	10.7%
b. Other Current	10.55	11.81	12.78	11.9	8.2
c. Capital	1.56	1.78	1.52	14.1	-14.6
d. Total	44.01	48.66	53.15	10.6	9.2
Fire					
a. Wages & Salaries	$32.97	$26.32	$29.40	9.8%	11.7%
b. Other Current	7.29	7.95	8.61	9.1	8.3
c. Capital	1.03	1.32	1.36	28.2	3.0
d. Total	32.33	35.55	39.37	10.0	10.7
Sanitation					
a. Wages & Salaries	$ 7.84	$ 8.48	$ 9.22	8.2%	8.7%
b. Other Current	9.48	10.46	11.69	10.3	11.8
c. Capital	1.64	2.24	2.46	36.6	9.8
d. Total	19.01	21.17	23.38	11.4	10.4
Medium Cities					
Police					
a. Wages & Salaries	$33.87	$36.60	$40.89	8.1%	11.7%
b. Other Current	9.41	10.27	12.00	9.1	16.8
c. Capital	1.64	1.23	1.28	-25.0	4.1
d. Total	44.92	48.10	54.19	7.1	12.7
Fire					
a. Wages & Salaries	$27.11	$28.72	$30.97	5.9%	7.8%
b. Other Current	5.95	6.53	7.56	9.7	15.8
c. Capital	0.87	0.93	0.90	6.9	-3.2
d. Total	33.94	36.18	39.43	6.6	9.0
Sanitation					
a. Wages & Salaries	$ 7.56	$ 7.93	$ 8.53	4.9%	7.6%
b. Other Current	6.62	6.63	7.89	0.1	19.0
c. Capital	3.22	2.91	2.73	-9.6	-6.2
d. Total	17.38	17.48	19.15	0.6	9.6

TABLE 22
(CONTINUED)

	1978 (Act.)	1979 (Act.)	1980a	% Change 1978-1979	% Change 1979-1980
Large Cities					
Police					
a. Wages & Salaries	$35.66	$38.64	$42.99	8.4%	11.3%
b. Other Current	10.99	12.19	13.91	10.9	14.1
c. Capital	0.84	1.15	1.53	36.9	33.0
d. Total	47.50	51.98	58.44	9.4	12.4
Fire					
a. Wages & Salaries	$28.89	$30.99	$33.62	7.3%	8.5%
b. Other Current	7.04	8.05	8.90	14.3	10.6
c. Capital	0.61	0.73	0.65	19.7	-11.0
d. Total	36.53	39.78	43.16	8.9	8.5
Sanitation					
a. Wages & Salaries	$ 9.68	$10.16	$10.80	5.0%	6.3%
b. Other Current	7.50	8.28	9.36	10.4	13.0
c. Capital	1.00	1.18	2.01	18.0	70.3
d. Total	18.18	19.62	22.17	7.9	13.0
Largest Cities					
Police					
a. Wages & Salaries	$61.33	$64.32	$68.50	4.9%	6.5%
b. Other Current	19.05	22.62	25.72	18.7	13.7
c. Capital	1.20	1.31	1.98	9.2	51.1
d. Total	81.58	88.25	96.21	8.2	9.0
Fire					
a. Wages & Salaries	$32.50	$34.09	$37.13	4.9%	8.9%
b. Other Current	9.10	11.14	12.49	22.4	12.1
c. Capital	1.02	0.86	0.82	-15.7	-4.7
d. Total	42.63	46.09	50.44	8.1	9.4
Sanitation					
a. Wages & Salaries	$13.03	$31.68	$14.58	5.0%	6.6%
b. Other Current	10.10	10.91	12.81	8.0	17.4
c. Capital	1.37	1.17	2.23	-14.6	90.6
d. Total	24.50	25.76	29.62	5.1	15.0

than any other size category in that year. The smallest wage bill increases occurred in the largest cities, which on average increased the per capita wages for police, fire, and sanitation by 4.9 percent for each function in 1979. These cities also significantly reduced their capital expenditures for both fire and sanitation services in that year. Insofar as the projections for 1980, little pattern emerges on the basis of city size, except that the smallest increases in wages will continue to be seen in the largest cities. However, such cities are also proposing the largest increase in capital expenditures for police and sanitation services. If such capital spending increases are not realized by the largest cities, then the total increases projected for such services will fall significantly below the total increases projected by the other size cities.

In light of the double-digit inflation being experienced nationally, some of these wage projections will probably be exceeded in upcoming negotiations of current contracts. For example, police, fire, and sanitation wages in the largest cities, as indicated above, increased by an average of only 4.9 percent between 1978 and 1979. It seems likely that, in the coming year, employees in these cities will attempt to compensate for the effect of inflation on their 1979 as well as their 1980 wages. As a result, budget projections, which have been sufficiently conservative in the past, may turn out to have underestimated certain costs, particularly wages, due to the rapid inflation afflicting the nation.

APPENDIX I

CITIES RESPONDING TO SURVEY

CITIES RESPONDING TO THE JOINT ECONOMIC COMMITTEE QUESTIONNAIRE
LISTED ALPHABETICALLY BY STATE WITHIN POPULATION SIZE GROUPS
POPULATION GROUP 10,000 THRU 49,999

- ALABAMA
  - ANNISTON
- ARKANSAS
  - WEST MEMPHIS
- ARIZONA
  - FLAGSTAFF
- CALIFORNIA
  - BEVERLY HILLS
  - CORONA
  - GLENDORA
  - LA MESA
  - LA MIRADA
  - PACIFICA
  - PIEDMONT
  - PLACENTIA
  - REDDING
  - ROSEVILLE
  - SANTA FE SPRINGS
  - SANTA MARIA
  - SEAL BEACH
  - SOUTH SAN FRANCISCO
  - UKIAH
  - WOODLAND
  - YUBA CITY
- CULORADO
  - COMMERCE CITY
  - ENGLEWOOD
  - LITTLETON
  - NORTHGLENN
- CONNECTICUT
  - EAST HAVEN
  - NAUGATUCK
  - WINDSOR
- FLORIDA
  - BELLE GLADE
  - FORT MYERS
  - MIRAMAR
  - PLANTATION
  - SARASOTA
  - SOUTH MIAMI
- GEORGIA
  - EAST POINT
  - ROSWELL
  - VALDOSTA
- IDAHO
  - MOSCOW
- ILLINOIS
  - DE KALB
  - DIXON
  - ELMWOOD PARK
  - GRANITE CITY
  - LAKE FOREST
  - NORTH CHICAGO
  - PALATINE
  - PARK FOREST
  - ROLLING MEADOWS
  - SCHAUMBURG
  - ST CHARLES
  - STREAMWOOD
  - WESTCHESTER
  - WHEATON
- KANSAS
  - LENEXA
  - PITTSBURG
  - PRAIRIE VILLAGE
- KENTUCKY
  - COVINGTON
  - NEWPORT
  - RICHMOND
- LOUISIANA
  - MORGAN CITY
- MASSACHUSETS
  - CHELSEA
  - FOXBOROUGH
  - LEXINGTON
  - MARLBOROUGH
  - SALEM
  - SOUTHBRIDGE
- MARYLAND
  - ROCKVILLE
- MICHIGAN
  - BATTLE CREEK
  - ESCANABA
  - GARDEN CITY
  - GROSSE POINTE PARK
  - INKSTER
  - MADISON HEIGHTS
  - MONROE
  - MUSKEGON
  - NORTON SHORES
- MINNESOTA
  - BROOKLYN PARK
  - HASTINGS
  - SHOREVIEW
  - WORTHINGTON
- MISSOURI
  - CRESTWOOD
  - ST PETERS
- NORTH CAROLINA
  - ALBEMARLE
  - BURLINGTON
  - WILSON
- NORTH DAKOTA
  - JAMESTOWN
- NEBRASKA
  - GRAND ISLAND
- NEW JERSEY
  - FAIRVIEW
  - HACKENSACK
  - LOWER
  - MOUNT LAUREL
  - NEW HANOVER
  - OCEAN
  - PHILLIPSBURG
  - PLAINFIELD
  - RED BANK
- NEW MEXICO
  - FARMINGTON
- NEVADA
  - NORTH LAS VEGAS
- NEW YORK
  - LACKAWANNA
  - PORT CHESTER
  - POUGHKEEPSIE
- OHIO
  - BEDFORD
  - ROCKY RIVER
- OKLAHOMA
  - EDMOND
- OREGON
  - ALBANY
  - CORVALLIS
  - SPRINGFIELD
- PENNSYLVANIA
  - STATE COLLEGE
- RHODE ISLAND
  - COVENTRY
  - NORTH KINGSTON
- SOUTH CAROLINA
  - ANDERSON
- SOUTH DAKOTA
  - BROOKINGS
- TENNESSEE
  - KINGSPORT
- TEXAS
  - EULESS
  - FREEPORT
  - LUFKIN
  - TEMPLE
  - WHITE SETTLEMENT
- VIRGINIA
  - VIENNA
- WASHINGTON
  - KIRKLAND
  - OLYMPIA
  - RENTON
- WISCONSIN
  - BELOIT
  - EAU CLAIRE
  - GLENDALE
  - GREENDALE

CITIES RESPONDING TO THE JOINT ECONOMIC COMMITTEE QUESTIONNAIRE
LISTED ALPHABETICALLY BY STATE WITHIN POPULATION SIZE GROUPS
POPULATION GROUP 50,000 THRU 99,999

ALABAMA
- TUSCALOOSA

ARIZONA
- SCOTTSDALE
- TEMPE

CALIFORNIA
- ALAMEDA
- BELLFLOWER
- COMPTON
- CONCORD
- DALY CITY
- FOUNTAIN VALLEY
- HAWTHORNE
- NEWPORT BEACH
- OCEANSIDE
- ONTARIO
- OXNARD
- POMONA
- RICHMOND
- SALINAS
- SANTA ROSA
- WEST COVINA
- WESTMINSTER

COLORADO
- FORT COLLINS

CONNECTICUT
- BRISTOL
- EAST HARTFORD
- NEW BRITAIN

DELAWARE
- WILMINGTON

FLORIDA
- GAINESVILLE
- MIAMI BEACH
- PENSACOLA

IOWA
- DUBUQUE
- SIOUX CITY
- WATERLOO

ILLINOIS
- CHAMPAIGN
- SKOKIE

INDIANIA
- BLOOMINGTON

KANSAS
- OVERLAND PARK

LOUISIANA
- LAFAYETTE
- MONROE

MASSACHUSETS
- PITTSFIELD
- WEYMOUTH

MICHIGAN
- ROSEVILLE
- ROYAL OAK
- SAGINAW
- STERLING HEIGHTS
- TROY

MISSOURI
- COLUMBIA

MONTANA
- BILLINGS

NORTH CAROLINA
- HIGH POINT
- WILMINGTON

NORTH DAKOTA
- FARGO

NEW JERSEY
- CAMDEN
- EAST ORANGE
- HAMILTON
- TRENTON
- UNION CITY
- WOODBRIDGE

NEW YORK
- TROY

OHIO
- KETTERING
- PARMA
- SPRINGFIELD

OKLAHOMA
- ENID
- LAWTON

PENNSYLVANIA
- LOWER MERION

RHODE ISLAND
- PAWTUCKET

TEXAS
- ODESSA
- PORT ARTHUR
- SAN ANGELO
- WICHITA FALLS
- HASTINGS
- SHOREVIEW
- WORTHINGTON

VIRGINIA
- ROANOKE

WISCONSIN
- GREEN BAY
- OSHKOSH
- WEST ALLIS

WEST VIRGINIA
- CHARLESTON

CITIES RESPONDING TO THE JOINT ECONOMIC COMMITTEE QUESTIONNAIRE
LISTED ALPHABETICALLY BY STATE WITHIN POPULATION SIZE GROUPS
POPULATION GROUP 100,000 THRU 249,999

ALASKA
- ANCHORAGE

ALABAMA
- HUNTSVILLE
- MOBILE
- MONTGOMERY

ARKANSAS
- LITTLE ROCK

ARIZONA
- MESA

CALIFORNIA
- BERKELEY
- FRESNO
- GARDEN GROVE
- GLENDALE
- HUNTINGTON BEACH
- PASADENA
- SANTA ANA
- STOCKTON
- TORRANCE

COLORADO
- COLORADO SPRINGS
- LAKEWOOD
- PUEBLO

CONNECTICUT
- BRIDGEPORT
- HARTFORD
- STAMFORD

FLORIDA
- FORT LAUDERDALE
- HOLLYWOOD
- ST PETERSBURG

GEORGIA
- COLUMBUS
- MACON

IOWA
- CEDAR RAPIDS
- DES MOINES

IDAHO
- BOISE

ILLINOIS
- ROCKFORD

INDIANIA
- FORT WAYNE

KANSAS
- TOPEKA

LOUISIANA
- SHREVEPORT

MASSACHUSETS
- SPRINGFIELD
- WORCESTER

MICHIGAN
- WARREN

MISSOURI
- INDEPENDENCE
- SPRINGFIELD

MISSISSIPPI
- JACKSON

NORTH CAROLINA
- GREENSBORO
- RALEIGH
- WINSTON-SALEM

NEBRASKA
- LINCOLN

NEW JERSEY
- ELIZABETH

NEVADA
- LAS VEGAS

OHIO
- DAYTON

PENNSYLVANIA
- ALLENTOWN

SOUTH CAROLINA
- COLUMBIA

TENNESSEE
- KNOXVILLE

TEXAS
- AMARILLO
- BEAUMONT
- LUBBOCK
- WACO

VIRGINIA
- CHESAPEAKE
- HAMPTON
- NEWPORT NEWS
- PORTSMOUTH
- RICHMOND
- VIRGINIA BEACH

WASHINGTON
- SPOKANE

WISCONSIN
- MADISON

CITIES RESPONDING TO THE JOINT ECONOMIC COMMITTEE QUESTIONNAIRE
LISTED ALPHABETICALLY BY STATE WITHIN POPULATION SIZE GROUPS
POPULATION GROUP 250,000 & OVER

ALABAMA
- BIRMINGHAM

ARIZONA
- PHOENIX
- TUCSON

CALIFORNIA
- LONG BEACH
- LOS ANGELES
- OAKLAND
- SACRAMENTO
- SAN DIEGO
- SAN FRANCISCO

COLORADO
- DENVER

FLORIDA
- JACKSONVILLE
- TAMPA

GEORGIA
- ATLANTA

HAWAII
- HONOLULU

ILLINOIS
- CHICAGO

KANSAS
- WICHITA

LOUISIANA
- BATON ROUGE
- NEW ORLEANS

MASSACHUSETS
- BOSTON

MARYLAND
- BALTIMORE

MINNESOTA
- MINNEAPOLIS
- ST PAUL

MISSOURI
- KANSAS CITY
- ST LOUIS

NORTH CAROLINA
- CHARLOTTE

NEBRASKA
- OMAHA

NEW JERSEY
- NEWARK

NEW YORK
- BUFFALO
- NEW YORK
- ROCHESTER

OHIO
- CINCINNATI
- COLUMBUS

OKLAHOMA
- OKLAHOMA CITY
- TULSA

OREGON
- PORTLAND

PENNSYLVANIA
- PHILADELPHIA

TENNESSEE
- MEMPHIS
- NASHVILLE-DAVIDSON

TEXAS
- AUSTIN
- DALLAS
- FORT WORTH
- HOUSTON
- SAN ANTONIO

VIRGINIA
- NORFOLK

WISCONSIN
- MILWAUKEE

APPENDIX II

GLOSSARY

Accounts Payable - Liabilities on open account owed to private persons or businesses for goods and services received by a government unit (but not including amounts due other funds of the same government unit).

Capital Expenditures (outlays) - Direct expenditures for construction of buildings, roads and other improvements, and for purchases of equipment, land and existing structures. Includes amounts for additions, replacement and major alterations to fixed works and structures. However, expenditures for repairs of such works and structures are classified as current operating expenditures.

Current Assets - Those assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities.

Debt Service - The amount of money necessary to pay the interest on the outstanding debt and the principal of maturing bonded debt (not payable from a Sinking Fund) or to provide a Sinking Fund for the redemption of bonds payable from this fund.

Enterprise Activities - As defined here, these are government functions that are generally self-supporting through user charges (as opposed to general government revenues) and that are operated by the city, and accounted for in enterprise or special utility funds. Common city enterprise functions are water and sewer (when funded by user charges), electric, gas, airports, and local transit.

Enterprise Fund - To account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

General Fund - The fund that is available for any legally authorized purpose and that is, therefore, used to account for all revenues and all activities not provided for in other funds. The General Fund is used to finance the ordinary operations of a governmental unit.

General Government Activities - Basic services that are primarily financed by general revenues, e.g., police and fire, health and hospitals, sewerage, sanitation, education, streets, parks and recreation, courts, and general administration.

General Obligation Debt - Debt for whose payment the full faith and credit of the issuing body are pledged. General obligation debts are considered to be those payable from taxes and other general revenues.

Internal Service Funds - To account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost-reimbursement basis.

Limited Liability Debt - Debt, the principal of and interest on which are to be paid solely from a specific source (such as the service enterprise). Such debt does not represent an obligation against a city's general revenue.

Long-Term Debt - Debt payable more than 1 year after date of issue.

Operating Expenditures - Expenditures for compensation, supplies, materials, and contract services that are used in current operations. Not included in this is the expenditure for capital or fixed assets.

Operating Revenues - Revenues derived from the current operation of a government, i.e., property taxes, personal property taxes, user charges and all licenses and fees. In the case of enterprise activities, operating revenues would include revenue from the sale of goods and services.

Original Budget - The amount budgeted at the beginning of the fiscal year and prior to any amendments that have occurred during that year.

Permanent Employee - Those employees who are employed by the municipality on a continuous full-time basis, not those funded by CETA, nor those who are considered part-time or seasonal employees.

Sanitation - (Other than sewerage) - Street cleaning, and collection and disposal of garbage and other waste.

Short-Term Debt Outstanding - Interest-bearing debt payable within 1 year from date of issue, such as bond anticipation notes, revenue anticipation notes and tax anticipation notes and warrants. Includes obligations having no fixed maturity date if payable from a tax levied for collection in the year in their issuance.

Sinking Fund - A fund established for periodical contribution (and earnings thereon) to provide for the retirement of outstanding debt specified to be retired from such funds.

COMPARISON OF SELECTED SURVEY ITEMS FOR CALIFORNIA AND NON-CALIFORNIA CITIES

In June, 1978, just before the start of fiscal year 1979 for California cities, the voters in that State approved Proposition 13, a constitutional amendment that rolled back and placed a limit on property taxes. Cities and other local jurisdictions moved quickly to summon up other revenue sources and to cut back expenditures, while the State of California adopted a massive program of assistance to help local governments replace their suddenly shrinking property tax receipts. While cities in other states, either under mandate or voluntarily, also held back on property taxes, no state matched the size and sweep of the California reduction in local property tax collections.

Table III-1 compares selected survey results for the 37 California cities versus the 242 in other states. As may be seen, total current revenue grew slightly in California between 1978 and 1979, while property taxes were cut sharply (about 50 percent) for cities of all sizes. A major lift was provided by large increases in state aid, ranging from 15 to 76 percent (for the largest cities in that state). Current expenditures

TABLE III-1

COMPARISON OF SELECTED SURVEY ITEMS
FOR CALIFORNIA AND NON-CALIFORNIA CITIES:
MEAN RATIOS OF GROWTH, 1978-1979 AND 1979-1980

	1978-1979		1979-1980a	
	Calif.	Other	Calif.	Other
Small				
a. Current Revenues	1.7%	4.5%	-0.2%	4.7%
b. Property Tax	-52.4	2.9	15.4	5.7
c. State Aid	24.0	-7.2	10.3	5.0
d. Current Expenditure	4.3	10.3	10.8	7.9
e. Capital Outlays	-3.8	8.9	83.7	27.6
f. Total Employees	-3.4	5.5	-0.2	-4.1
Medium				
a. Current Revenue	1.1%	3.5%	-1.6%	3.6%
b. Property Tax	-49.4	1.1	18.6	7.2
c. State Aid	47.7	9.7	-5.1	5.0
d. Current Expenditure	1.2	7.2	10.2	6.8
e. Capital Outlays	-16.8	30.4	19.0	4.3
f. Total Employees	-8.9	1.9	-0.8	-1.0
Large				
a. Current Revenue	4.5%	6.0%	3.8%	3.8%
b. Property Tax	-50.6	1.7	-15.9	6.6
c. State Aid	14.7	16.1	-4.3	8.3
d. Current Expenditure	7.0	7.9	4.7	8.1
e. Capital Outlays	-10.7	-2.6	5.4	17.0
f. Total Employees	-3.2	-1.0	-3.7	-0.2
Largest				
a. Current Revenue	0.6%	5.7%	1.8%	3.7%
b. Property Tax	-52.4	2.2	20.5	2.1
c. State Aid	75.9	10.9	-30.2	1.3
d. Current Expenditure	-0.5	11.2	6.1	4.9
e. Capital Outlays	5.4	11.6	-14.1	61.2
f. Total Employees	-1.5	1.0	-5.8	-3.8

also reflected the budgetary pressure. Capital outlays were reduced in all California cities except the largest and total city employment (including full-time, part-time, and CETA workers) also declined.

Projected 1979 and 1980 changes reflect some rebound in California and nationwide anticipated in the property tax, although overall current revenue growth will remain slow. Except for the large city category (which has seen a continuing decline in property tax levies), California cities also anticipate faster growth in current expenditures than cities in other states. The same is true for capital outlays, except for the largest California cities which foresee a decline in 1980. Last, total city employment continues in a decline, a trend on which cities in the other states seem now to be embarked.

APPENDIX IV

AGGREGATE ESTIMATES BASED ON SURVEY RESULTS

The results of the city survey have been uniformly presented by city size, using per capita averages (based on 1975 population) to enhance comparability. It is possible, however, to use the results to generate overall per capita averages for all cities in the survey universe; that is, all cities (excluding New York) with populations in excess of 10,000 as of 1975.

Table IV-1 gives for certain key financial items the overall per capita results using the weighting factors described below. Again, the reader is cautioned that the reported results pertain to the cities in the survey universe and, therefore, reflect about 68 percent of all city behavior (because of the exclusion of New York City and those units of less than 10,000 population).

Overall per capita current revenues for general operating purposes rose at a very slow rate (4.3 percent) between 1978 and 1979 and is projected to grow even more slowly (3.9 percent) in 1980 according to the anticipated data supplied by the respondents. Current expenditures, on the other hand, are budgeted to grow

TABLE IV-1

CITY AVERAGES -- ALL CITIES IN SURVEY UNIVERSE --
SELECTED FINANCIAL ITEMS (DOLLARS PER CAPITA)

General Government	1978	1979	1980a	Percent Change 1978-1979	Percent Change 1979-1980a
Current Revenues	$348	$363	$377	4.3%	3.8%
Outlays:					
Current Expenditures	308	331	359	7.5	8.6
Debt Service	27	27	29	*	4.4
Capital Outlays	53	58	75 (60)	9.4	29.3 (3.5)
Total	388	417	463 (448)	7.5	11.0 (7.4)
Source of Capital Funds	62	65	81 (65)	4.8	24.6 (*)
Enterprise Funds					
Total Revenues	$151	$171	$196	13.9%	14.6%
Outlays:					
Current Expenditures	102	120	135	17.6	12.5
Capital Outlays	41	52	65	26.8	25.9
Total	143	172	200	20.3	16.3

* Less than 0.05 percent.

at a somewhat faster rate in 1980 than they did in 1979. As noted in the main report, a consequence of this will be growing operating deficits on the part of city governments.

General government capital outlays showed faster growth in 1979 and are budgeted for extremely rapid growth in 1980. However, as the text of the report indicates, capital budgets have been consistently overestimated. Allowing for realization of only 80 percent of the capital spending plans would reduce the projected actual amount to a point where only a 3.5 percent increase would be realized, as is shown parenthetically in the table. This result also would be more in keeping with the realities of current municipal bond market conditions and ongoing reductions in Federal aid.

Capital fund sources are anticipated to rise by 29 percent in 1980. But, as in the case of capital outlays, cities have typically overstated their sources of capital funds. Adjusting for only an 80 percent realization rate, the rate of growth projected for 1979-1980 drops to zero. This would indicate a growing erosion in the buffer between capital outlays and funds available to finance them.

Total general government per capita outlays are a composite of current operting, debt service, and capital expenditure outlays. As may be seen in Table IV-1, growth in total general outlays was estimated to be 7.5 percent for all cities on average between 1978 and 1979. As previously noted, the 11 percent increase in per capita spending projected for 1980 depends heavily on realizing capital spending increases. The parenthetical figure reflects an adjustment for the lower growth rate in the capital outlay component, with the result that total general expenditure growth drops to only 3.5 percent.

Table IV-1 also gives overall per capita average estimates for enterprise fund financial aggregates. In the most part, total revenues and expenditures have grown and are projected to continue growing at rates greater than those for the general government activities. Capital expenditures show especially strong growth, both in 1978-1979, and 1980 anticipated. Again, realization of these capital spending increases in 1980 will depend heavily on the ability of the enterprise utilities to sell debt issues, a situation very much in doubt in early 1980.

To derive the above overall averages for city data, the group averages by city size were weighted by the estimated contribution of each class to total economic activity of all cities. As a proxy for overall activity, the total of general revenues and utility revenues was used, as defined by the U. S. Bureau of the Census, Census of Governments. The total revenues for cities in each population group was calculated for 1977, the latest year for which such data are available, and the proportion of aggregate total revenues represented by those cities in each population class was computed. Table IV-2 gives the proportion of total revenues represented by city size classes in the survey.

The importance of individual financial items will vary among the city size classes. Nonetheless, the weighting factors represented by the above proportions, when applied to the respective strata averages, should give a reasonable estimate of average dollar-weighted experience for all cities in the sample universe. It should be noted that not including cities of under 10,000 in the population leads to only 10.3 percent of the total dollar value of total city revenue omitted from the sample.

TABLE IV-2

WEIGHTING FACTORS

City Size (000's of pop.)	1977 Total Revenues (millions)	Percentages	
		All Cities	Universe Sampled*
over 250	$21,721	30.45%	44.60%
100 to 249.9	7,798	10.93	16.01
50 to 99.9	6,482	9.09	13.31
10 to 49.9	12,699	17.80	26.08
Sample Subtotal	48,700	68.27	100.00
New York City	$15,262	21.39%	
Below 10,000	7,378	10.34	
Total	$71,340	100.00%	

* Excluding New York City.