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1st Session }

TRENDS IN THE FISCAL CONDITION OF CITIES: 1979–81

A STAFF STUDY

PREPARED FOR THE USE OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

MAY 18, 1981

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JOINT ECONOMIC COMMITTEE

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LETTERS OF TRANSMITTAL

MAY 13, 1981.

To the Members of the Joint Economic Committee:

I am pleased to transmit herewith a staff study entitled "Trends in the Fiscal Condition of Cities: 1979–81."

Although the sample differs from those of previous Joint Economic Committee surveys on city finances, this study reflects the committee's continued interest in and concern over the fiscal condition of our cities.

Among other things, this study analyzes city government revenues, expenditures, assets and liabilities, and borrowing and employment patterns.

The committee once again is deeply grateful to the city officials who provided the necessary data as well as valuable recommendations. Without their expertise and cooperation this study could not have been conducted.

It should be noted that these data were collected prior to the proposal or consideration of the 1982 Federal budget.

The study was conducted by Deborah Matz of the Joint Economic 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 Joseph Kelley of MFOA. The manuscript was typed by Jane Bennett of the committee staff.

Sincerely,

HENRY S. REUSS,
Chairman, Joint Economic Committee.

MAY 8, 1981.

Hon. HENRY S. REUSS,
Chairman, Joint Economic Committee,
Congress of the United States, Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a staff study entitled "Trends in the Fiscal Condition of Cities: 1979–81."

The committee is grateful to Royce Crocker of the Congressional Research Service, Library of Congress; Carl Backman, Craig Boyle, and Cathy Gust of the Senate Computer Center; and Thomas Muller of The Urban Institute for their valuable assistance and suggestions.

Sincerely,

JAMES K. GALBRAITH,
Executive Director, Joint Economic Committee.

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INTRODUCTION AND SUMMARY

The health of our Nation's and our cities' economies are inextricably related. Sharp swings in our national economy often create severe dislocations at the local level. In addition, reductions in private sector jobs and policies which induce urban populations to suburbs have forced many cities, large and small, into operating deficits.

Likewise, the fiscal condition of our Nation's cities is a microcosm of the Nation's economic vitality. When cities are plagued by severe fiscal stress, often, so too are their State governments. The combined State and local government sector expenditures comprise over 13 percent of our Gross National Product (GNP). When these sectors are weak, they drain our national economy; enjoying less tax revenue and requiring greater amounts of individual and public sector transfer payments from the Federal Government.

It is apparent that all sectors will be forced to live with less Federal assistance in the coming years. However, drastic and sudden reductions in assistance to State and local governments will exacerbate the already serious fiscal problems revealed in this study. Although State and local governments may benefit from personal and corporate tax cuts, these benefits will not be felt for some time. Budget reductions will have an immediate impact.

The data in this survey were reported prior to the announcement and consideration of the 1982 Federal budget proposals and, if anything, are probably optimistic. The results, however, are grim.

The Committee has conducted similar surveys in the past. It should be noted that while many of the same cities responded to each of the surveys, the samples are not identical. Caution should, therefore, be exercised when comparing the survey results.

The major findings are:

* For all cities, the average increase in both revenues and expenditures was below the rate of inflation in 1979-1980. For 1981, all cities are anticipating that revenue increases will be significantly below expenditures increases.

* More than 50 percent of the cities reported operating deficits, as defined in this survey, in both 1979 and 1980. Operating deficits were not confined to the largest cities. Large proportions of cities of all sizes reported

operating deficits in both 1979 and 1980. However, the greatest proportion of cities in deficit occurred in the largest cities. In 1980, over 70 percent of the largest cities were in deficit and for 1981 all but four of the largest cities anticipate running deficits.

* A majority of the population residing in the jurisdictions surveyed live in cities which have deficits.

* For all cities, three main trends are apparent concerning changes in revenue: less Federal aid, little growth in State aid and large increases in fees for such purposes as driving licenses, car registration, building permits and the like.

* In terms of the composition of city revenues, the shares represented by

Federal and State aid have declined in all cities.

* Notwithstanding the widespread concern over tax limitation measures, in absolute dollars, the largest increase in local revenue for 1981 is projected in property taxes -- a reversal of last year's survey results. Similarly, as a percentage of total revenues, "other local taxes" have increased in all cities.

* Intergovernmental assistance comprises 32¢ out of every dollar of total current revenue in the largest cities. Because these cities are more dependent on direct Federal aid than smaller cities, they stand to bear the brunt of proposed reductions in the Federal grant system.

* Capital outlays have increased by an average of 19.4 percent for all the cities surveyed in 1980. Further increases are planned for 1981, despite reductions in the proportion of total capital outlays financed from Federal sources. This probably reflects a realization by city officials of the vital role infrastructure plays in the economic development process. However, these planned capital expenditure increases may be moderated or reversed as Federal assistance continues to decline.

* Debt outstanding, particularly tax-supported general obligation debt, continues to grow very slowly. The emphasis in borrowing continues to be in the self-supporting enterprise activities, reflecting the increasing importance of nontax revenues in city

finances. In the face of decreasing Federal aid for capital purposes, capital spending plans will increasingly rely on access to the credit markets, a process that is difficult and costly in view of high interest rates and city fiscal pressures.

* All cities experienced large reductions in their CETA workforces (averaging 34 percent) in 1980. For 1981, all cities are predicting additional steep CETA declines. However, even these projections are probably understated as they preceded the Administration's proposed budget which would terminate the public service jobs program under Titles II and VI of CETA.

* The full-time permanent workforces in the medium and largest cities declined, while the small and large city

workforces increased in 1980. For 1981, all cities projected increases in their full-time permanent workforces. These increases were of sufficient size to compensate for the then-anticipated absolute reduction in CETA workers.

* Wage and salary increases for police, fire and sanitation workers were frequently below the rate of inflation. However, in the largest cities the shortfall was dramatic. For 1981, wage and salary increases proposed in the largest cities are below the increases projected by other size cities for all services.

Conclusions

Last year's survey indicated that an increasing proportion of cities would experience operating deficits. The number and proportion of cities which reported deficits in this report surpassed even the most pessimistic projections. And it should be noted that cities with deficits are not confined to any one region or size. Thus, in light of the seemingly intractable high rate of inflation facing the Nation and the proposed reductions in Federal intergovernmental assistance, the outlook for cities is bleak.

Many cities have already retrenched their service levels. For these cities, merely maintaining existing service levels will require further increases in local taxes, user charges, and fees. In addition to the fact that increasing dependence upon several of these revenue sources would disproportionately burden the poor, it could well create another round of urban emigration. These cities have suffered as high tax rates have combined with other factors to drive many middle-class residents and firms to suburban locations. In a number of instances there was reason to believe the worst was over and the cities had adjusted to their new situations. This potential stability, however, is now in grave danger of disintegrating. Thus, the Federal Government may have to develop a policy for dealing with municipal default on other than an ad hoc basis. And, while the State government should be the first source of municipal fiscal relief, not infrequently we will find State governments themselves fiscally strained and incapable of providing the necessary revenues.

Complicating the fiscal strain caused by reduced Federal funds will be the pressure for larger employee wage and salary increases; particularly in the largest cities. While wage and salary increases in other size cities were frequently below the rate of inflation, in the largest cities they did not even approach it. Given the fact that 75.4 percent of the workforces in the largest cities belong to collective bargaining units and 55.1 percent of these employees are covered by contracts which expire in 1981, city officials can expect mounting pressure for cost-of-living increases in the coming year.

One encouraging change which has occurred in cities is the sharp increase in capital outlays. It appears that city government officials have come to recognize that maintaining and rehabilitating their capital plant is a vital step in the economic development process. However sanguine this finding may be, it is tempered by the fact

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that with reduced Federal assistance, many of these activities may be slowed or halted. Unfortunately, these are the very activities which are necessary if cities are to redevelop or reshape their corporate tax bases and reduce their dependence on Federal funds.

The results of this study strongly support the need for reindustrialization policies, given the severe fiscal consequences to cities of declining middle class populations and private sector jobs. The study also shows the danger of too-heavy reliance on Federal assistance. For many cities, however, there are few alternatives. Even reindustrialization, which will undoubtedly help many cities, is a long-run solution. In the near term, short of imperiling the health and safety of its residents, cities will have to raise taxes, user charges, and fees to compensate for diminished Federal assistance.

But because of the magnitude of the proposed Federal cuts and the abruptness with which they will likely be implemented, many economic development initiatives will be reversed; the population of many cities will be forced to forego certain services and to pay more for others, and an increasing number of cities will find themselves on the brink of fiscal collapse.

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 groups of funds. 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. Within the general government accounting structure, capital outlays and debt transactions are frequently carried on through separate funds, often with receipts that are restricted to those purposes.

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 594 cities with populations of 10,000 or more. Throughout, the data are reported on the basis of city size. To enhance comparability, data are reported on a per capita basis, where feasible.

Survey Sample and Responses

City Size	Surveyed	Responded
SMALL (10,000-49,999)	301	120
MEDIUM (50,000-99,999	137	66
LARGE (100,000-249,999)	100	53
LARGEST (250,000 and over)	56	36
TOTAL	594	275

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, 1980, and some cities have fiscal years which end with the calendar year, 1980 "actual" data may, in some instances, represent estimates. In all cases, 1981 data represent budgeted and anticipated outlays. All per capita amounts in this report are based on 1976 population data.

Further, data for "all cities" have been calculated as the simple average of per capita amounts.

GENERAL OPERATING REVENUES AND EXPENDITURES

The survey was designed to produce a combined statement of each city's general government current operating receipts and current and capital expenditures. For the purpose of this analysis, capital expenditures were considered separately. Normally, most general government expenditures and receipts will be contained in a 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 well as capital outlays. The desired result was for a complete picture of those revenues used to provide current city expenditures.

In addition to the current expenditures, cities were asked to give their outlays for long-term interest and principal. Although the repayment of principal in yearly debt service does not constitute 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.

For all cities, the increase in both current operating revenues and expenditures was less than the rate of inflation in 1979-1980 (see Table 1). The most significant shortfall occurred in the large cities. The

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TABLE 1

CURRENT REVENUES AND CURRENT
EXPENDITURES PER CAPITA
BY CITY SIZE

	1979	1980	1981a	Percent Change 1979-1980	Percent Change 1980-1981a
SMALL CITIES (n=109)					
Revenues	$262.17	$287.22	$299.64	9.6%	4.3%
Expenditures	273.23	292.63	331.12	7.1	13.2
MEDIUM CITIES (n=51)					
Revenues	314.43	341.80	355.01	8.7	3.9
Expenditures	312.85	339.54	378.85	8.5	11.6
LARGE CITIES (n=47)					
Revenues	332.02	354.48	367.20	6.8	3.6
Expenditures	341.19	366.12	408.16	7.3	11.5
LARGEST CITIES (n=29)					
Revenues	471.38	506.71	535.27	7.5	5.6
Expenditures	492.74	529.23	571.99	7.4	8.1
ALL CITIES (n=236)					
Revenues	313.08	339.38	354.01	8.4	4.3
Expenditures	322.30	346.48	386.38	7.5	11.5

1981a = budgeted or anticipated amounts for Fiscal Year 1981

average revenue increase for these cities was the smallest (6.8 percent) and fell short of the expenditure increase by 0.5 percent. For 1981, in each category of cities it is anticipated that expenditure increases will exceed revenue increases significantly.

Operating Surpluses and Deficits

Table 2 indicates the average surplus or deficit per capita for each size category of cities as defined above (including long-term debt service requirements). In both 1979 and 1980 more than 50 percent of the cities -- of all sizes-- in the sample reported actual operating deficits (see Chart 1). The proportion of large and largest cities in deficit increased between 1979 and 1980. In addition, for these cities the average per capita deficit increased by 26.9 percent and 5.4 percent respectively.

TABLE 2

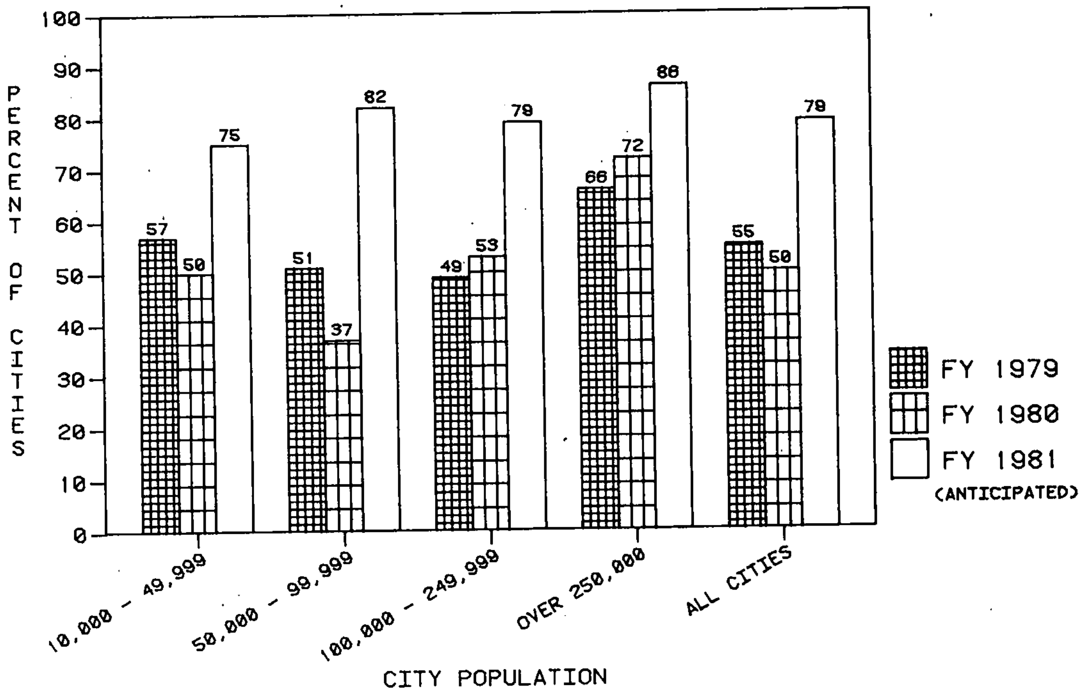
ACTUAL AND ANTICIPATED
SURPLUSES AND DEFICITS
BY CITY SIZE

	1979	1980	1981a
SMALL CITIES (n=109)			
a. Average Surplus or Deficit Per Capita	$-11.07	$-5.41	$-31.49
b. Total Surplus or Deficit as % of Total Expenditures	- 4.1%	- 1.8%	- 9.5%
c. # of Cities in Surplus	47	55	27
d. % of Group Population in Surplus	42.2%	52.4%	24.2%
e. # of Cities in Deficit	62	54	82
f. % of Group Population in Deficit	57.8%	47.6%	75.8%
MEDIUM CITIES (n=51)			
a. Average Surplus or Deficit Per Capita	$ 1.59	$ 2.26	$-23.84
b. Total Surplus or Deficit as % of Total Expenditures	0.5%	0.7%	- 6.3%
c. # of Cities in Surplus	25	32	9
d. % of Group Population in Surplus	47.9%	61.0%	17.0%
e. # of Cities in Deficit	26	19	42
f. % of Group Population in Deficit	52.1%	39.0%	83.0%
LARGE CITIES (n=47)			
a. Average Surplus or Deficit Per Capita	$-9.17	$-11.64	$-40.96
b. Total Surplus or Deficit as % of Total Expenditures	-2.7%	- 3.2%	-10.0%
c. # of Cities in Surplus	24	22	10
d. % of Group Population in Surplus	50.1%	45.3%	24.1%
e. # of Cities in Deficit	23	25	37
f. % of Group Population in Deficit	49.9%	54.7%	75.9%
LARGEST CITIES (n=29)			
a. Average Surplus or Deficit Per Capita	$-21.36	$-22.52	$-36.72
b. Total Surplus or Deficit as % of Total Expenditures	- 4.3%	- 4.3%	- 6.4%
c. # of Cities in Surplus	10	8	4
d. % of Group Population in Surplus	25.2%	17.7%	8.6%
e. # of Cities in Deficit	19	21	25
f. % of Group Population in Deficit	74.8%	82.3%	91.4%
ALL CITIES (n=236)			
a. Average Surplus or Deficit Per Capita	$- 9.22	$- 7.09	$-32.36
b. Total Surplus or Deficit as % of Total Expenditures	- 2.9%	- 2.0%	- 8.4%
c. # of Cities in Surplus	106	117	50
d. % of Group Population in Surplus	33.6%	30.1%	13.7%
e. # of Cities in Deficit	130	119	186
f. % of Group Population in Deficit	66.4%	69.9%	86.3%

1981a = budgeted or anticipated amounts for Fiscal Year 1981

CHART 1

PERCENT OF RESPONDENT CITIES WITH OPERATING FUND DEFICITS BY CITY POPULATION SIZE



Only medium size cities experienced an average operating surplus in 1979 or 1980. However, in both years the per capita surplus was small -- a negligible percentage of total operating expenditures. For the large cities, the average ratio of the deficits to total expenditures increased, while for small cities it decreased and for the largest it remained constant.

The populations of the small and large cities in deficit encompassed approximately half of the total population of the small and large cities in the sample. In 1979, three-quarters of the population of the largest cities resided in those cities experiencing deficits. This increased to 82.3 percent in 1980 during which time over 70 percent of the largest cities were in deficit.

For 1981, all but four of the largest cities are anticipating deficits and in each of the other categories the number of cities projecting deficits in 1981 is up sharply from those in deficit in 1980.

Changes in Current Revenues

According to Table 3, three common threads connect cities in all categories with regard to the changes in current revenues. First, cities in all size categories received less Federal aid in 1980 than in 1979. The decrease for all categories averaged 5.5 percent. Second, State aid was the slowest growing component of revenues for cities in all categories. For the largest cities, State aid remained virtually unchanged from the previous year -- increasing by 0.7 percent. Finally, the growth in fees and miscellaneous revenues in 1980 has been dramatic, more than offsetting the absolute reduction in Federal aid for all size categories. While the largest increase in fees and miscellaneous revenues occurred in

TABLE 3

CURRENT GENERAL REVENUES
IN PER CAPITA AMOUNTS AND
ANNUAL PERCENT CHANGE
BY CITY SIZE

	1979	1980	1981a	% Change 1979-1980	% Change 1980-1981a
SMALL CITIES (n=109)					
Total Current Revenue	$262.17	$287.22	$299.64	9.6%	4.3%
1. Property Tax	88.74	96.08	105.02	8.3	9.3
2. Other Local Taxes	52.14	58.49	57.47	12.2	- 1.8
3. User Charges	17.83	19.86	20.27	11.4	2.1
4. Fees and Misc.	35.65	41.78	38.96	17.2	- 6.8
5. State Aid*	42.70	45.14	49.08	5.7	8.7
6. Federal Aid*	15.34	13.98	15.94	- 8.8	14.0
7. Transfers from Enterprise Funds	9.78	11.88	12.91	21.5	8.7
MEDIUM CITIES (n=51)					
Total Current Revenue	$314.43	$341.80	$355.01	8.7%	3.9%
1. Property Tax	116.41	127.66	139.21	9.7	9.0
2. Other Local Taxes	52.02	60.02	64.21	15.4	7.0
3. User Charges	16.29	17.51	21.31	7.5	21.7
4. Fees and Misc.	41.66	48.17	43.51	15.6	- 9.7
5. State Aid*	49.94	51.88	55.14	3.9	6.3
6. Federal Aid*	30.90	29.39	23.54	- 4.9	-19.9
7. Transfers from Enterprise Funds	7.22	7.18	8.08	- 0.5	12.6
LARGE CITIES (n=47)					
Total Current Revenue	$332.02	$354.48	$367.20	6.8%	3.6%
1. Property Tax	108.49	117.15	125.98	8.0	7.5
2. Other Local Taxes	66.00	71.55	77.94	8.4	8.9
3. User Charges	14.73	15.33	17.12	4.0	11.6
4. Fees and Misc.	43.92	51.91	46.96	18.2	- 9.6
5. State Aid*	49.99	51.02	53.19	2.1	4.2
6. Federal Aid*	41.18	39.19	37.50	- 4.8	- 4.3
7. Transfers from Enterprise Funds	7.71	8.33	8.52	8.1	2.3
LARGEST CITIES (n=29)					
Total Current Revenue	$471.38	$506.71	$535.27	7.5%	5.6%
1. Property Tax	105.01	112.56	122.28	7.2	8.6
2. Other Local Taxes	116.07	130.05	135.64	12.0	4.3
3. User Charges	25.00	25.61	27.71	2.4	8.2
4. Fees and Misc.	53.77	68.09	70.21	26.6	3.1
5. State Aid*	88.34	88.99	96.34	0.7	8.3
6. Federal Aid*	76.09	73.50	76.28	- 3.4	3.8
7. Transfers from Enterprise Funds	7.10	7.93	6.82	11.7	-14.0

1981a = budgeted or anticipated amounts for Fiscal Year 1981

*Includes only that aid used for operating purposes.

the largest cities (26.6 percent) the increase in each size category of cities far outpaced the percent increase in all other revenue sources. Fees and miscellaneous revenues include new and increased fees for driver's licenses, automobile registration, liquor licenses, building permits, and the like. Interestingly, for 1981, all but the largest cities are projecting reductions in fees and miscellaneous revenues from the large increases in 1980.

In a reversal of last year's survey results, all cities are projecting that property taxes will be the source of the largest dollar amount of increase in revenue in 1981. This may be due to the impact of inflation on property values and/or to the diminished impact of certain one-time property tax reductions or roll-backs.

In percentage terms, the largest relative increase in revenue in 1981 in the smallest

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cities is projected to be Federal aid (14 percent); in medium cities, user charges (21.7 percent); in large cities, user charges (11.6 percent). In the largest cities, the greatest relative revenue increases are projected to be balanced among property taxes (8.6 percent), State aid (8.3 percent), and user charges (8.2 percent).

It should be noted that these projections were made prior to the submission and consideration of the 1982 Federal budget proposals. If these or similar proposals which greatly reduce Federal aid to State and local governments are adopted, it is likely that not only Federal, but State revenues as well will have been overestimated even in those instances where reductions are anticipated. Unless local expenditures are reduced accordingly, local taxes, user charges and fees are likely to be increased significantly in the coming years. Because these increased revenues, particularly those derived from sales taxes, user charges, and fees, are collected from individuals based on consumption and not on income, in all likelihood the relative burden will fall most heavily on the cities' poorest residents.

Changes in Composition of Total Revenues

Notwithstanding the fact that tax limitations have been adopted in a number of States, according to Table 4 property taxes as a percent of total revenue increased in two of the four categories (medium and large cities). Reflecting the pressure to find alternative revenue sources, reliance on "other local taxes" has increased in all of the size categories. Nonetheless, for all city categories except the largest cities, the property tax is still the single greatest revenue source accounting for over one-third of total current revenues.

TABLE 4

PERCENT COMPOSITION OF CURRENT REVENUES
BY CITY SIZE

	1979 (% of Total)	1980 (% of Total)	1981a (% of Total)
SMALL CITIES (n=109)			
Total Current Revenue	100 %	100 %	100 %
1. Property Tax	33.9	33.5	35.1
2. Other Local Taxes	19.9	20.4	19.2
3. User Charges	6.8	6.9	6.8
4. Fees and Misc.	13.6	14.6	13.0
5. State Aid	16.3	15.7	16.4
6. Federal Aid	5.9	4.9	5.3
7. Transfers from Enterprise Funds	3.7	4.1	4.3
MEDIUM CITIES (n=51)			
Total Current Revenues	100 %	100 %	100 %
1. Property Tax	37.0	37.4	39.2
2. Other Local Taxes	16.5	17.6	18.1
3. User Charges	5.2	5.1	6.0
4. Fees and Misc.	13.3	14.1	12.3
5. State Aid	15.9	15.2	15.5
6. Federal Aid	9.8	8.6	6.6
7. Transfers from Enterprise Funds	2.3	2.1	2.3
LARGE CITIES (n=47)			
Total Current Revenues	100 %	100 %	100 %
1. Property Tax	32.7	33.1	34.3
2. Other Local Taxes	19.9	20.2	21.2
3. User Charges	4.4	4.3	4.7
4. Fees and Misc.	13.2	14.6	12.8
5. State Aid	15.1	14.4	14.5
6. Federal Aid	12.4	11.1	10.2
7. Transfers from Enterprise Funds	2.3	2.4	2.3
LARGEST CITIES (n=29)			
Total Current Revenues	100 %	100 %	100 %
1. Property Tax	22.3	22.2	22.8
2. Other Local Taxes	24.6	25.7	25.3
3. User Charges	5.3	5.1	5.2
4. Fees and Misc.	11.4	13.4	13.1
5. State Aid	18.7	17.6	18.0
6. Federal Aid	16.1	14.5	14.3
7. Transfers from Enterprise Funds	1.5	1.6	1.3

1981a = budgeted or anticipated amounts for Fiscal Year 1981

These increases in local own-source revenues as a proportion of total revenues result from the reduced importance of intergovernmental aid in all categories of cities. This trend is projected to continue in 1981.

All categories are projecting increases in the proportion of total current revenue comprised of property taxes, with the largest jumps anticipated in small and medium size cities(1.6 percent and 1.8 percent respectively). Although all but the small cities are anticipating reductions in the proportion of total revenues comprised of Federal aid in 1981, cities in all categories are anticipating that the proportion of State aid to total revenues will increase slightly in 1981.

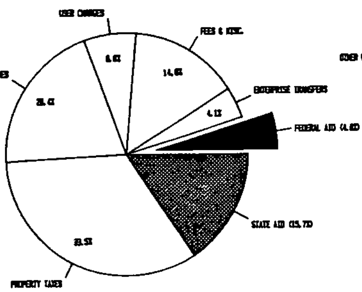
According to Chart 2, intergovernmental assistance in the largest cities accounts for 32¢ of each dollar of total current revenue

CHART 2

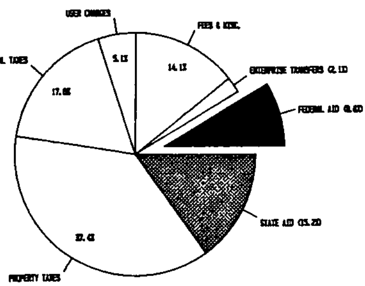
CITY REVENUE SOURCES -- FY 1980

PERCENT COMPOSITION
CITIES GROUPED BY POPULATION SIZE

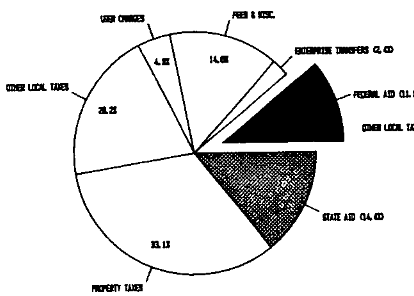
POPULATION -- 10,000 TO 49,999



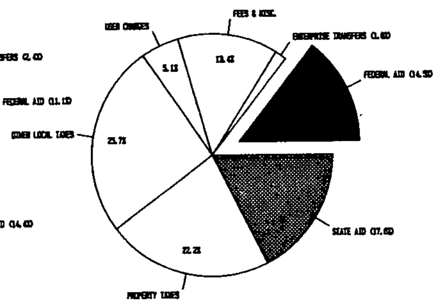
POPULATION -- 50,000 TO 99,999



POPULATION -- 100,000 TO 249,999



POPULATION -- OVER 250,000



while the small cities receive 21¢ in intergovernmental assistance for each dollar of revenue raised. Because Federal and State aid -- individually and combined -- comprise a larger proportion of the largest cities revenues than any other size cities, the largest cities stand to bear the brunt of reductions in the Federal grant-in-aid system.

In many of the largest cities retrenchment has already occurred, and to maintain existing service levels will require further increases in local taxes, user charges, and fees. It is these cities, moreover, which in the past have suffered as high tax rates have combined with other factors to encourage the flight of population and business to suburban locations. A sharp and sudden reduction in intergovernmental assistance can mean a further deterioration of services and/or a new round of tax increases. Either can generate a new wave of out-migration and a further decline in the fiscal viability of many cities. And while cities stand to benefit from personal and corporate tax cuts, in all likelihood the effects of these changes will not be felt for some time.

GENERAL GOVERNMENT BALANCE SHEET

Primary interest in the balance sheet data for the general government 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.

Cities were asked to supply balance sheet information pertaining to current assets and liabilities available to support general government activities. Accordingly, they were asked to exclude those funds held for trust accounts and enterprise activities, since these are typically restricted 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 spending activities of cities. (Because of the questionnaire design, the assets contain amounts in bond funds that are intended for capital outlays -- in many cases, these are not available for current expenditures.)

There are various possible measures of liquidity. 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 shown in Table 5, the ratio of current assets to liabilities displays no particular trend during the period for all the city categories. However, there appears to be some deterioration of the ratio of cash and investments to (quick ratio) liabilities in the largest cities, although the other cities expect to improve or maintain their quick ratios in fiscal year 1981. On average, however, the city balance sheets do not reflect any noticeable deterioration over the period in either of the ratios.

TABLE 5

GENERAL GOVERNMENT BALANCE SHEET

	1979	1980	1981a
SMALL CITIES (n=89)			
1. Current Ratio*	2.69	2.65	2.73
2. Quick Ratio**	1.78	1.83	1.89
MEDIUM CITIES (n=45)			
1. Current Ratio*	3.08	3.10	3.08
2. Quick Ratio**	2.28	2.25	2.27
LARGE CITIES (n=33)			
1. Current Ratio*	3.89	3.88	3.93
2. Quick Ratio**	2.79	2.91	2.89
LARGEST CITIES (n=24)			
1. Current Ratio*	1.83	1.74	1.80
2. Quick Ratio**	1.21	1.13	1.13

* Current ratio is the ratio of current assets to current liabilities.

** Quick ratio is the ratio of cash and investments to liabilities.

Assets consist of demand deposits, cash, investments, taxes receivable, receivables from other funds, and other current receivables.

1981a = budgeted or anticipated amounts for Fiscal Year 1981.

Another interesting statistic 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. The results shown in Table 6 indicate that the ratio of net assets to operating expenditures decreased from 1979 to 1980 and is anticipated to decline in 1981 for all sizes of cities. Normally, 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 does not seem to be the case with the large size cities in the sample, however. This should not be seen as a sign of weakness, but rather a demonstration of the economies of scale in liquid asset management by larger units.

TABLE 6

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

	1979	1980	1981a
SMALL CITIES	38.6%	38.9%	31.7%
MEDIUM CITIES	34.6	33.2	26.9
LARGE CITIES	39.9	37.7	34.9
LARGEST CITIES	21.2	17.3	15.6

1981a = budgeted or anticipated amounts for fiscal year 1981

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 significant growth from 1979 to 1980, and more growth in 1981 is anticipated. For all cities, the average increase in 1980 capital outlays totaled 19.4 percent. A major source of the financing, although a reduced proportion in most cases, is Federal funds. Perhaps the most notable feature of the capital outlay pattern shown in Table 7 is

TABLE 7

GENERAL GOVERNMENT CAPITAL EXPENDITURES
PER CAPITA BY CITY SIZE

	1979	1980	1981a	Percent Change 1979-1980	Percent Change 1980-1981a
SMALL CITIES (n=108)	$51.31	$61.95	$74.67	20.7 %	20.5 %
MEDIUM CITIES (n=50)	53.59	54.56	86.17	1.8	57.9
LARGE CITIES (n=48)	54.55	71.22	83.56	30.6	17.3
LARGEST CITIES (n=29)	67.10	83.67	109.09	24.7	30.4
ALL CITIES (n=235)	54.41	64.95	83.18	19.4	28.1

1981a = budgeted or anticipated amounts for Fiscal Year 1981

the large percentage increases planned for 1981 by cities of all sizes. But, meeting these expectations will require the existence of sufficient funds for capital purposes, and this may prove to be a problem.

In gauging anticipated 1981 capital expenditures, it should be noted that cities on average have in the past fallen far below their budgeted amounts. From Table 8, it can be seen that actual capital expenditures in 1979 and 1980 averaged only about 75 percent of those that were planned. Such "undershooting" of the budgeted amounts may stem from several factors, including delays in receipts of grant or borrowed funds, construction delays, tendencies 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. Capital expenditures have typically been used as a

TABLE 8

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

	Actual/Budget Capital Expenditures		Actual/Budget Capital Receipts	
	1979	1980	1979	1980
SMALL CITIES (n=108)	0.630	0.682	0.761	0.793
MEDIUM CITIES (n=50)	0.754	0.666	0.863	0.764
LARGE CITIES (n=48)	0.728	0.862	0.746	0.841
LARGEST CITIES (n=29)	0.717	0.800	0.739	0.853
ALL CITIES (n=235)	0.685	0.730	0.773	0.805

buffer whereby shortfalls in revenues or unforeseen current expenditures can be financed by deferring capital outlays. If the cities achieve only 75 percent of their planned capital outlays in 1981, capital outlays per capita would be, on average, $62 per capita, virtually no change from the 1980 level. If Federal assistance is substantially reduced, there is a good chance that even this estimate is optimistic.

Sources of Capital Expenditure Funds

There are three major ways to finance capital expenditures: 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 value of major capital outlays is financed by the sale of bonds. During the 1970's, intergovernmental grants -- especially those from the Federal Government -- came to occupy a major role. Analysis in last year's survey indicated, however, that long-term borrowing as a source of funds for capital outlays had fallen behind intergovernmental grants in importance, and represented only about 20 to 30 percent of total funds raised.

Table 9 provides the composition of financing sources of capital outlays for the cities surveyed for 1979, 1980, and 1981 anticipated. As Table 9 shows, the sources of financing were divided between borrowing (long- and short-term), intergovernmental payments (State and Federal), and current revenues and carry-over balances. During the period, for all cities long-term borrowing has become more important, while Federal aid has become less so except for the largest cities. The sources do not vary radically among the sizes of cities, except that the smaller jurisdictions appear somewhat more dependent on financing capital improvements from current revenues, while the larger

TABLE 9

GENERAL GOVERNMENT
CAPITAL OUTLAY FINANCING
PERCENTAGE COMPOSITION
BY CITY SIZE

	1979	1980	1981a
SMALL CITIES (n=108)			
1. Short-term Debt	5.5%	5.7%	3.2%
2. Long-term Debt	13.5	17.6	17.5
3. State Aid	5.2	3.3	5.0
4. Federal Aid	24.4	20.8	19.1
5. Current Revenues	33.4	35.2	38.6
6. Carry-over Balance	15.8	16.1	15.3
7. Transfer from Enterprise	2.1	1.3	1.3
TOTAL	100.0%	100.0%	100.0%
MEDIUM CITIES (n=50)			
1. Short-term Debt	5.7%	9.9%	6.3%
2. Long-term Debt	11.9	15.1	22.1
3. State Aid	6.5	8.6	3.5
4. Federal Aid	24.4	20.3	19.6
5. Current Revenues	32.2	27.6	25.8
6. Carry-over Balance	19.1	17.6	22.0
7. Transfer from Enterprise	0.3	0.9	0.8
TOTAL	100.0%	100.0%	100.0%
LARGE CITIES (n=48)			
1. Short-term Debt	3.6%	3.1%	0.0%
2. Long-term Debt	23.9	22.3	31.6
3. State Aid	5.2	16.0	18.6
4. Federal Aid	36.5	26.2	23.1
5. Current Revenues	19.7	21.1	16.7
6. Carry-over Balance	10.4	10.3	9.8
7. Transfer from Enterprise	0.7	1.0	0.3
TOTAL	100.0%	100.0%	100.0%
LARGEST CITIES (n=29)			
1. Short-term Debt	6.1%	8.0%	4.3%
2. Long-term Debt	31.9	32.1	32.4
3. State Aid	7.2	5.9	5.4
4. Federal Aid	27.8	29.4	31.8
5. Current Revenues	22.0	18.6	18.3
6. Carry-over Balance	4.3	5.6	7.7
7. Transfer from Enterprise	0.7	0.6	0.3
TOTAL	100.0%	100.0%	100.0%
ALL CITIES (n=235)			
1. Short-term Debt	5.3%	6.3%	3.4%
2. Long-term Debt	17.5	20.2	23.5
3. State Aid	5.7	7.2	7.4
4. Federal Aid	27.0	23.0	21.9
5. Current Revenues	29.2	28.5	28.5
6. Carry-over Balance	14.0	13.7	14.5
7. Transfer from Enterprise	1.3	1.0	0.9
TOTAL	100.0%	100.0%	100.0%

1981a = budgeted or anticipated amounts for Fiscal Year 1981

cities have greater dependence on long-term borrowing and State and Federal intergovernmental assistance.

Review of the sources of funds by their percentage composition also shows that all but the largest cities have budgeted for declines in the relative importance of Federal assistance in 1981 and for an increase in long-term borrowing. With the largest cities expecting an increase of 30 percent in 1981 in their capital spending, yet relying for 32 percent of the financing from Federal aid, it is unlikely that these expectations will be achieved.

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), 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.

Table 10 gives the average per capita total revenues and expenditures for enterprise activities as reported by the 227 respondents reporting such activities. Total revenues are growing in excess of 13 percent

TABLE 10

ENTERPRISE FUND
TOTAL EXPENDITURES AND REVENUES PER CAPITA
ALL CITIES (n=227)

	1979	1980	1981a	Percent Change 1979-1980	Percent Change 1980-1981a
REVENUES					
1. Operating Revenues	$131.25	$148.41	$167.74	13.1%	13.0%
2. State Aid	1.09	1.50	2.03	37.6	35.3
3. Federal Aid	10.76	12.23	14.39	13.7	17.6
4. Other Revenues	10.94	12.46	14.36	13.9	15.2
TOTAL	$154.04	$174.60	$198.52	13.3%	13.7%
EXPENDITURES					
1. Operating Expenditures	$103.31	$120.83	$141.47	17.0%	17.1%
2. Capital Expenditures	38.98	42.30	53.26	8.5	25.9
3. Interest Expenditures	9.59	9.82	10.78	2.4	9.8
TOTAL	$151.88	$172.95	$205.51	13.9%	18.8%

1981a = budgeted or anticipated amounts for fiscal year 1981

a year, well above the growth rate seen in general government revenues. State and Federal aid make up minor shares of total receipts (almost all of it for capital grants) but has shown strong growth. The growth in expenses outpaced that of revenues in 1980, and are anticipated to outdistance them greatly in 1981.

Focusing on total revenues and expenditures of enterprise funds 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 11 gives the operating revenues, expenditures and net revenues per capita for the cities in the survey reporting such activities. Small cities have enjoyed some improvement in net revenues. However, all other city categories have experienced a drop in net revenues as operating expenditures increased at a faster rate than operating revenues.

The decline in the overall current position of the enterprise fund is also illustrated by the upward trend of the enterprise fund operating ratio (enterprise

TABLE 11

ENTERPRISE FUND
OPERATING REVENUES, OPERATING EXPENSES,
AND NET OPERATING REVENUES PER CAPITA
BY CITY SIZE

	1979	1980	1981a	Percent Change 1979-1980	Percent Change 1980-1981a
SMALL CITIES (n=96)					
1. Operating Revenues	$144.01	$166.43	$184.32	15.6%	10.7%
2. Operating Expenditures	124.30	145.65	171.43	17.2	17.7
NET REVENUES	$ 19.71	$ 20.78	$ 12.89	5.4%	-38.0%
MEDIUM CITIES (n=56)					
1. Operating Revenues	$125.23	$134.93	$153.79	7.7%	14.0%
2. Operating Expenditures	106.73	117.77	129.36	10.3	9.8
NET REVENUES	$ 18.50	17.16	24.43	- 7.2%	42.4%
LARGE CITIES (n=46)					
1. Operating Revenues	$119.33	$135.23	$159.84	13.3%	18.2%
2. Operating Expenditures	101.48	117.50	140.87	15.8	19.9
NET REVENUES	$ 17.85	$ 17.73	$ 18.97	- 0.7%	7.0%
LARGEST CITIES (n=29)					
1. Operating Revenues	$119.52	$135.70	$152.35	13.5%	12.3%
2. Operating Expenditures	105.12	126.74	151.02	20.6	19.2
NET REVENUES	$ 14.40	$ 8.96	$ 1.33	-37.8%	-85.0%
ALL CITIES (n=227)					
1. Operating Revenues	$131.25	$148.41	$167.74	13.1%	13.0%
2. Operating Expenditures	112.89	130.65	152.25	15.7	16.5
NET REVENUES	$ 18.36	$ 17.76	$ 15.49	- 3.3%	-12.8%

1981a = budgeted or anticipated amounts for fiscal year 1981

expenditures divided by enterprise revenues -- see Table 12). The operating ratio for the enterprise fund increases 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 1981, which means that they will barely be able to cover operating expenses with operating revenues. If the increase in expenses is greater than expected in 1981 (or if the trend continues in future years), the largest city enterprise funds, on average, will be operating at a deficit. A remedy in such situations is to raise charges or defer capital and maintenance outlays.

City enterprises are typically heavy users of capital funds and make substantial capital outlays. As may be seen in Table 13, there are major increases planned for 1981, by small cities. Given the adverse trend in

TABLE 12

ENTERPRISE FUND OPERATING RATIO
(enterprise expenditures divided by enterprise revenues)
BY CITY SIZE

	1979	1980	1981a
SMALL CITIES (n=96)	.86	.88	.93
MEDIUM CITIES (n=56)	.85	.87	.84
LARGE CITIES (n=46)	.85	.87	.88
LARGEST CITIES (n=29)	.88	.93	.99

1981a = budgeted or anticipated amounts for fiscal year 1981

TABLE 13

ENTERPRISE FUND CAPITAL OUTLAYS
PER CAPITA BY CITY SIZE

	1979	1980	1981a	Percent Change 1979-1980	Percent Change 1980-1981a
SMALL CITIES (n=96)	$34.45	$34.50	$55.87	0.1%	61.9%
MEDIUM CITIES (n=56)	40.13	46.92	54.45	16.9	16.0
LARGE CITIES (n=46)	45.47	47.41	47.23	4.3	- 0.4
LARGEST CITIES (n=29)	41.50	51.08	51.89	23.1	1.6
ALL CITIES (n=227)	38.98	42.30	53.26	8.5	25.9

1981a = budgeted or anticipated amounts for Fiscal Year 1981

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. 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.

Since 1979, the capital markets have been under severe pressure, and many borrowing plans have been sidetracked. As Table 14 indicates, average per capita indebtedness generally increases with the size of the jurisdiction. The trends in debt are mixed, but generally show debt per capita growing slowly in the larger units.

TABLE 14

PER CAPITA LONG-TERM DEBT
FOR GENERAL GOVERNMENT AND ENTERPRISE PURPOSES
BY CITY SIZE

	1979	1980	1981a	Percent Change	
				1979-1980	1980-1981a
SMALL CITIES					
General (n=104)	$216.96	$245.19	$246.92	13.0%	0.7%
Enterprise (n=82)	174.71	190.87	191.33	9.3	0.2
MEDIUM CITIES					
General (n=53)	202.05	200.91	199.79	- 0.6	- 0.6
Enterprise (n=44)	211.66	236.74	242.70	11.8	2.5
LARGE CITIES					
General (n=48)	223.28	234.96	253.93	5.2	8.1
Enterprise (n=44)	315.26	337.13	353.81	6.9	4.9
LARGEST CITIES					
General (n=35)	339.84	345.87	352.17	1.8	1.8
Enterprise (n=30)	245.58	258.09	278.41	4.8	7.9

1981a = budgeted or anticipated amounts for Fiscal Year 1981

NOTE: Because of differing sample sizes, per capita debt numbers for General Government and Enterprise are not additive.

The relatively higher levels of enterprise borrowing is also reflected in the growth trends in debt outstanding as shown in Table 14. Enterprise debt continues to grow. 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 14 shows no large planned increases in long-term debt outstanding. The current, extremely high interest rates in the tax-exempt bond market will probably severely curb even these relatively modest borrowing plans and sidetrack capital spending, as noted, in the process.

CHANGES IN WORKFORCE

Respondents were asked to report the average number of employees on their payroll in 1979, 1980, and 1981 anticipated broken down on the basis of full-time permanent, CETA and part-time and seasonal employees.

In all but the small cities, total employment declined between 1979-1980 (see Table 15). This followed little or no growth in employment in the previous year as reported in last year's survey. The largest decline occurred in the medium size cities which averaged an 8.2 percent workforce reduction. These cities also experienced the largest average reduction in their full-time permanent workforce (-7.3 percent). In particular, the sharp reductions in the Comprehensive Employment and Training

TABLE 15

CHANGES IN WORKFORCE
BY CITY SIZE

	1979	1980	1981a	Percent Change 1979-1980	Percent Change 1980-1981a
SMALL CITIES (n=116)					
1. Full-Time Permanent	260	267	273	2.8%	2.2%
2. CETA	14	8	7	-39.8	-14.9
3. Part-Time & Seasonal	40	42	41	4.4	- 2.4
TOTAL	314	318	321	1.2%	1.1%
MEDIUM CITIES (n=64)					
1. Full-Time Permanent	947	878	892	- 7.3	1.5
2. CETA	82	60	51	-27.0	-15.2
3. Part-Time & Seasonal	102	100	101	- 2.2	0.7
TOTAL	1,131	1,038	1,043	- 8.2%	0.5%
LARGE CITIES (n=50)					
1. Full-Time Permanent	1,727	1,762	1,800	2.0	2.2
2. CETA	156	94	73	-39.7	-22.0
3. Part-Time & Seasonal	219	228	207	4.3	- 9.4
TOTAL	2,101	2,084	2,080	- 0.8%	- 0.2%
LARGEST CITIES (n=36)					
1. Full-Time Permanent	12,512	12,459	12,522	- 0.4	0.5
2. CETA	1,214	843	700	-30.5	-17.0
3. Part-Time & Seasonal	379	395	385	4.2	- 2.7
TOTAL	14,106	13,698	13,607	- 2.9%	- 0.7%

1981a = budgeted or anticipated amounts for Fiscal Year 1981

Administration (CETA) workforces in all size categories (averaging 34 percent) contributed mightily to the overall decline.

For 1981, cities of all sizes are once again projecting steep, albeit reduced, declines in CETA workforces. In all but the largest cities, increases projected in the full-time permanent workforces for 1981 would offset absolute CETA reductions. However, it should be noted once again that these projections were made late last year. This was prior to the submission of the 1982 Federal budget proposals which would eliminate the public service jobs program under Titles II and VI of CETA. If these are enacted, the projections will have greatly understated the extent of the decline in CETA employees. The result will be reduced service levels or substantial increases in the non-CETA workforce to compensate for the CETA cuts.

The cities which are likely to be most severely affected if the CETA reductions are adopted are the largest cities, where CETA employees represented over 6 percent of the total workforce in 1980. These cities have already retrenched service levels significantly and further employment reductions may not be possible without affecting vital city sevices. Yet fiscal pressure will preclude their increasing their full-time permanent or part-time workforces to compensate for CETA reductions.

EXPENDITURES FOR POLICE, FIRE, AND SANITATION

In an attempt to determine the status of primary services, this report analyzes expenditures for police, fire, and sanitation wages and salaries as well as the number of full-time employees in each service.

Table 16 presents the number of employees by type of employment per 10,000 city residents. As may be seen, the average number of sanitation employees per 10,000 population was reduced in all categories of cities. The largest cities faced net reductions in police and fire workforces per 10,000 population, as well.

According to Table 17, in all categories of cities expenditures for police, fire, and sanitation generally increased by a greater rate than total current expenditures between

TABLE 16

POLICE, FIRE, AND SANITATION
NUMBER OF FULL TIME EMPLOYEES
PER 10,000 POPULATION
BY CITY SIZE

	1979	1980	1981a	% Change 1979-1980	% Change 1980-1981a
SMALL CITIES					
1. Police (n=108)	21.9	22.4	22.9	2.0	2.5
2. Fire (n=93)	15.3	15.6	15.7	2.1	0.7
3. Sanitation (n=78)	10.4	10.2	10.3	-1.8	0.8
MEDIUM CITIES					
1. Police (n=55)	21.4	22.1	22.9	3.2	3.6
2. Fire (n=53)	16.0	16.2	16.5	1.7	1.7
3. Sanitation (n=39)	7.5	7.2	7.1	-3.5	-1.2
LARGE CITIES					
1. Police (n=46)	21.8	22.4	23.0	2.9	2.6
2. Fire (n=46)	17.0	17.4	17.5	1.9	1.0
3. Sanitation (n=41)	9.0	8.9	9.0	-1.0	1.1
LARGEST CITIES					
1. Police (n=31)	29.5	29.3	30.1	-0.8	2.8
2. Fire (n=31)	18.3	18.3	18.2	-0.4	-0.2
3. Sanitation (n=29)	10.9	10.4	10.5	-4.2	1.0
ALL CITIES					
1. Police (n=240)	22.8	23.2	23.9	1.9	2.8
2. Fire (n=223)	16.2	16.5	16.6	1.6	0.9
3. Sanitation (n=187)	9.6	9.3	9.4	-2.3	0.6

1981a = budgeted or anticipated amounts for Fiscal Year 1981

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TABLE 17

POLICE, FIRE, AND SANITATION
PER CAPITA WAGES AND SALARIES
BY CITY SIZE

	1979	1980	1981a	Percent Change 1979-1980	Percent Change 1980-1981a
SMALL CITIES					
1. Police (n=108)	$38.05	$42.61	$48.05	12.0%	12.8%
2. Fire (n=93)	26.87	30.16	33.15	12.2	9.9
3. Sanitation (n=78)	11.56	12.62	13.85	9.2	9.8
MEDIUM CITIES					
1. Police (n=55)	42.46	47.86	53.32	12.7	11.4
2. Fire (n=53)	33.58	36.90	40.11	9.9	8.7
3. Sanitation (n=39)	10.16	10.43	11.61	2.7	11.3
LARGE CITIES					
1. Police (n=46)	41.45	45.88	51.06	10.7	11.3
2. Fire (n=46)	33.51	37.17	41.25	10.9	11.0
3. Sanitation (n=41)	12.19	12.96	14.79	6.3	14.1
LARGEST CITIES					
1. Police (n=31)	66.92	70.94	77.50	6.0	9.3
2. Fire (n=31)	44.30	47.69	50.69	7.7	6.3
3. Sanitation (n=29)	16.24	16.63	17.22	2.4	3.6
ALL CITIES					
1. Police (n=240)	43.44	48.10	53.64	10.7	11.5
2. Fire (n=223)	32.26	35.65	38.91	10.5	9.2
3. Sanitation (n=187)	12.13	12.86	14.11	6.0	9.7

1981a = budgeted or anticipated amounts for Fiscal Year 1981

1979 and 1980 (see Table 1 for comparison). Exceptions include sanitation workers in large cities and both police and sanitation workers in the largest cities. While total wages and salaries increased for each of the services in the largest cities, employees in these cities realized the smallest average gains. Although increases in other size categories frequently lagged the inflation rate, in the largest cities the increases did not even approach it.

Table 17 indicates that, in projecting 1981 wage and salary increases, again, the increase projected in the largest cities is less than the increases projected by other size cities for all services.

Although the samples are not identical, the results of this survey, for two consecutive years, have shown that police, fire, and sanitation employees in the largest cities are realizing the smallest wage and salary gains. More importantly, these gains have been significantly below the rate of inflation.

Further, three-quarters of the workforce in these cities belong to collective bargaining units, and over half the employees are covered by contracts which expire in 1981 (see Table 18). Employees in many fiscally stressed cities have agreed to wage increase deferrals. With continuing inflation and erosion of real income, the possibility of public employee work stoppages and disruptions, given the high proportion of contracts coming due for renegotiation, appears to be especially serious in the largest cities.

TABLE 18

PERCENT OF EMPLOYEES IN COLLECTIVE
BARGAINING UNITS AND EMPLOYEES
WHOSE CONTRACTS EXPIRE IN 1981
BY CITY SIZE

	% in Collective Bargaining Units	% Covered by Contract Expiring 1981
SMALL CITIES	41.8%	25.7%
MEDIUM CITIES	59.1	35.7
LARGE CITIES	42.3	24.5
LARGEST CITIES	75.4	55.1

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
- OPELIKA
- PRICHARD

ARIZONA
- DOUGLAS
- FLAGSTAFF
- SIERRA VISTA

CALIFORNIA
- CORONA
- COVINA
- GLENDORA
- LA MESA
- PACIFICA
- PIEDMONT
- PITTSBURG
- PLACENTIA
- REDDING
- ROSEVILLE
- SAN CLEMENTE
- SANTA MARIA
- SOUTH SAN FRANCISCO
- YUBA

COLORADO
- COMMERCE
- DURANGO
- LITTLETON
- LONGMONT

CONNECTICUT
- EAST HAVEN
- WINDSOR

FLORIDA
- BELLE GLADE
- COCOA
- LAKELAND
- OCALA
- PLANTATION

GEORGIA
- ROSWELL
- TIFTON
- VALDOSTA

ILLINOIS
- BLOOMINGTON
- ELMWOOD PARK
- LAKE FOREST
- PALATINE
- PARK FOREST
- RIVERSIDE
- SCHAUMBURG
- ST CHARLES
- WHEATON
- WINNETKA

KANSAS
- OLATHE
- PRAIRIE VILLAGE

KENTUCKY
- COVINGTON
- RICHMOND

LOUISIANA
- BOSSIER CITY
- MORGAN

MARYLAND
- HYATTSVILLE
- ROCKVILLE

MASSACHUSETTS
- FITCHBURG
- FOXBOROUGH
- LEXINGTON
- MARLBOROUGH
- SOUTHBRIDGE

MICHIGAN
- ALBION
- BATTLE CREEK
- GROSSE POINTE PARK
- INKSTER
- JACKSON
- MADISON HEIGHTS
- MONROE
- MOUNT CLEMENS
- RIVERVIEW
- TRENTON

MINNESOTA
- BROOKLYN PARK
- BURNSVILLE
- HASTINGS
- SHOREVIEW
- WORTHINGTON

MISSISSIPPI
- GREENVILLE

MISSOURI
- CLAYTON
- CRESTWOOD

NEBRASKA
- BELLEVUE

NEVADA
- NORTH LAS VEGAS

NEW JERSEY
- HACKENSACK
- LOWER

NEW MEXICO
- ALAMOGORDO

NEW YORK
- LACKAWANNA
- PORT CHESTER

NORTH CAROLINA
- ALBEMARLE
- MORGANTON
- WILSON

NORTH DAKOTA
- JAMESTOWN

OHIO
- BEDFORD
- BRUNSWICK
- CENTERVILLE
- ROCKY RIVER

OKLAHOMA
- ARDMORE
- EDMOND
- EL RENO

OREGON
- BEAVERTON
- GRESHAM
- HILLSBORO
- SPRINGFIELD

RHODE ISLAND
- COVENTRY

SOUTH CAROLINA
- ROCK HILL

SOUTH DAKOTA
- BROOKINGS

TENNESSEE
- GALLATIN
- KINGSPORT

TEXAS
- BIG SPRING
- DEER PARK
- HURST
- SWEETWATER
- TEMPLE
- VERNON
- WHITE SETTLEMENT

UTAH
- BOUNTIFUL

VIRGINIA
- CHARLOTTESVILLE
- SALEM
- VIENNA

WASHINGTON
- KIRKLAND
- PUYALLUP

WISCONSIN
- BELOIT
- GLENDALE

WYOMING
- CASPER
- GILLETTE
- GREEN RIVER

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
  - TEMPE
- CALIFORNIA
  - CHULA VISTA
  - COMPTON
  - DOWNEY
  - EL MONTE
  - FOUNTAIN VALLEY
  - HAWTHORNE
  - INGLEWOOD
  - NEWPORT BEACH
  - ORANGE
  - OXNARD
  - REDONDO BEACH
  - REDWOOD
  - RICHMOND
  - SALINAS
  - SANTA CLARA
  - SANTA ROSA
  - WEST COVINA
  - WESTMINSTER
- COLORADO
  - FORT COLLINS
- CONNECTICUT
  - BRISTOL
  - EAST HARTFORD
  - GREENWICH
  - NORWALK
- FLORIDA
  - MIAMI BEACH
- ILLINOIS
  - EVANSTON
  - SPRINGFIELD
- INDIANIA
  - BLOOMINGTON
- IOWA
  - DUBUQUE
  - SIOUX CITY
- KANSAS
  - OVERLAND PARK
- LOUISIANA
  - LAFAYETTE
  - MONROE
- MAINE
  - PORTLAND
- MASSACHUSETTS
  - CAMBRIDGE
  - PITTSFIELD
  - WEYMOUTH
- MICHIGAN
  - REDFORD
  - ROYAL OAK
  - ST CLAIR SHORES
- MINNESOTA
  - ROCHESTER
- MISSOURI
  - COLUMBIA
- NEVADA
  - RENO
- NEW JERSEY
  - HAMILTON
  - TRENTON
  - WOODBRIDGE
- NEW YORK
  - MOUNT VERNON
- NORTH CAROLINA
  - FAYETTEVILLE
  - HIGH POINT
  - WILMINGTON
- NORTH DAKOTA
  - FARGO
- OHIO
  - MANSFIELD
  - PARMA
- OKLAHOMA
  - ENID
  - LAWTON
- PENNSYLVANIA
  - LOWER MERION
- SOUTH CAROLINA
  - GREENVILLE
- TEXAS
  - MIDLAND
  - SAN ANGELO
- UTAH
  - PROVO
- VIRGINIA
  - ROANOKE
- WASHINGTON
  - BELLEVUE
  - EVERETT
- WEST VIRGINIA
  - CHARLESTON
- WISCONSIN
  - WAUWATOSA

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

ALABAMA
- HUNTSVILLE

ALASKA
- ANCHORAGE

ARIZONA
- MESA

ARKANSAS
- LITTLE ROCK

CALIFORNIA
- BERKELEY
- FREMONT
- GARDEN GROVE
- GLENDALE
- HUNTINGTON BEACH
- PASADENA
- SUNNYVALE

COLORADO
- COLORADO SPRINGS
- LAKEWOOD
- PUEBLO

CONNECTICUT
- STAMFORD

FLORIDA
- HOLLYWOOD

GEORGIA
- COLUMBUS
- MACON
- SAVANNAH

IDAHO
- BOISE

ILLINOIS
- ROCKFORD

IOWA
- CEDAR RAPIDS
- DAVENPORT
- DES MOINES

LOUISIANA
- SHREVEPORT

MASSACHUSETTS
- WORCESTER

MICHIGAN
- WARREN

MISSISSIPPI
- JACKSON

MISSOURI
- INDEPENDENCE

NEBRASKA
- LINCOLN

NEVADA
- LAS VEGAS

NEW JERSEY
- JERSEY CITY

NORTH CAROLINA
- GREENSBORO
- RALEIGH
- WINSTON SALEM

PENNSYLVANIA
- ALENTOWN

SOUTH CAROLINA
- COLUMBIA

TENNESSEE
- CHATTANOOGA
- KNOXVILLE

TEXAS
- BEAUMONT
- CORPUS CHRISTI
- GARLAND
- LUBBOCK
- WACO

UTAH
- SALT LAKE CITY

VIRGINIA
- CHESAPEAKE
- HAMPTON
- PORTSMOUTH
- RICHMOND
- VIRGINIA BEACH

WASHINGTON
- SPOKANE
- TACOMA

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
- OAKLAND
- SACRAMENTO
- SAN DIEGO
- SAN FRANCISCO

FLORIDA
- JACKSONVILLE
- MIAMI
- TAMPA

GEORGIA
- ATLANTA

HAWAII
- HONOLULU

INDIANIA
- INDIANAPOLIS

KANSAS
- WICHITA

LOUISIANA
- BATON ROUGE

MARYLAND
- BALTIMORE

MINNESOTA
- MINNEAPOLIS
- ST PAUL

MISSOURI
- KANSAS
- ST LOUIS

NEBRASKA
- OMAHA

NEW JERSEY
- NEWARK

NEW MEXICO
- ALBUQUERQUE

NEW YORK
- NEW YORK
- ROCHESTER

OHIO
- COLUMBUS

OKLAHOMA
- OKLAHOMA

OREGON
- PORTLAND

PENNSYLVANIA
- PHILADELPHIA

TENNESSEE
- MEMPHIS
- NASHVILLE

TEXAS
- DALLAS
- 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.

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

<u>Internal Service Funds</u> -- 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.

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

<u>Long-Term Debt</u> -- Debt payable more than one year after date of issue.

<u>Operating Expenditures</u> -- 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.

<u>Operating Revenues</u> -- 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.

<u>Original Budget</u> -- 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 sewage) -- Street cleaning, and collection and disposal of garbage and other waste.

Short-Term Debt Outstanding -- Interest-bearing debt payable within one 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.

Transfers (interfund transfers) -- Amounts transferred from one fund to another.

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