

# **PART XVI**

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## **State and Local Government Functions**

# 57. Administrative Organization and Finance



Photo by Hawks-Terrell, Inc., Tulsa

**T**HE administrative organization and financial operations of State and local governments are in many ways similar to their counterparts in the national government; however, they are different in important respects. Many divergencies from national administrative practices are attributable to three fundamental conditions: the tug of war between State power and local home-rule forces; the weak position of most Governors as chief executives; and the absence of a firm separation of powers among the branches of local governments.

## ADMINISTRATIVE ORGANIZATION

### *Nature*

State and local administrative organization generally is chaotic. Like administrative agencies at the national level, State and local administrative bodies have sprung up piecemeal. They have arisen largely in response to demands that some level of government provide a certain sort of service for a section of the public, or for the entire public. First, the wish for this service develops; then, an interest group centered about this wish brings pressure upon the policy-framing, or lawmaking, organ of the government concerned, such as a State legislature or a city council; finally, if the pressure is effective, this organ reacts by establishing an appropriate administrative agency. Furthermore, such pressure may be applied not merely to a law-making organ; it may be directed toward a group that is drafting the fundamental law for the government involved, such as a State constitutional convention. Too, interest groups have contrived to have their wishes submitted to the people as initiative proposals for amendments to the fundamental law. As a result, many State and local administrative agencies are created by provisions in the fundamental law; hence these agencies are much more durable than federal administrative bodies, all of which are established by act of Congress. State and local agencies, therefore, can offer great resistance to both abolition and reform.

Another leading trait of State and local administrative organization, which results largely from the pattern of its creation, is its general incoherence and lack of plan. The heads of many departments are elected, so that they are practically uncontrolled by the chief executive. Especially at the State level, other departments have been created with appointive heads or boards; their precise relations with the elected heads have been difficult to determine. Sometimes, when a State administrative agency did not perform its tasks in accordance with the will of the legislature, the legislature has created a new agency, vesting it with the same functions as those of the existing agency. On the other hand, the legislature has occasionally assigned to a State agency certain new functions that had no bearing upon its present obligations. State agencies, all presumed to be directly responsible to the Governor, multiplied so rapidly and greatly that their number defied his efforts to control all of them. Table 49 shows how many agencies are found in some States. The consequence of this situation was that in most States the administrative machinery operated in a disorderly manner and did not provide either the government or the people with the services it was intended to carry out.

Some State and local governments have attempted to reorganize their administrative organization by a variety of means. One of the most noteworthy phenomena of the past decade has been the so-called "Little Hoover

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**Model of the Projected Civic Center of Tulsa.** A new conception of the local community is reflected in this modern architectural design, which provides distinctive quarters for the cultural and governmental activities of the city of the future.

Commissions" modeled after the first Hoover Commission, which scrutinized federal administrative agencies in the late 1940's. Some State governments, such as that of California, have dealt with administrative reorganization as a continuing problem by creating interim legislative committees to examine administrative bodies. In spite of all these activities, however, State and local administrative organization is frequently confused; the inertia of rest, to say nothing of the pressure of both public and private interest groups, suffices in a vast number of instances to block all change.

### *Types of administrative agencies*

*Single Head:* Many administrative agencies have a single head. A few of these single heads are, in the majority of States, elected: (1) the secretary of state; (2) the treasurer; (3) the attorney general; (4) the superintendent of education; and (5) the auditor. At the local level, the commission form of city government is an outstanding example of a government with elected single heads for administrative bodies. The functions of all the above State officers save the secretary of state will be described elsewhere in the text; because the secretary of state is not attached to any of the great functions of the State government, it is appropriate to discuss his office at this point. The secretary of state handles such matters as assembling and publishing

**TABLE 49. NUMBER OF AGENCIES IN  
SELECTED STATES<sup>1</sup>**

State	Total of State Agencies	Number of Major Departments	Number of Other Agencies
Alabama	117	26	91
Colorado	140	9	131
Connecticut	172	32	140
Delaware	76	NA	NA
Florida	87	26	61
Georgia	29	12	17
Illinois	75	15	60
Iowa	87	35	52
Kentucky	93	22	71
Louisiana	102	NA	NA
Massachusetts	56	20	36
Minnesota	101	35	66
Nevada	104	39	65
New Hampshire	84	47	37
North Dakota	75	36	39
Ohio	122	12	110
Oregon	110	78	32
Pennsylvania	49	42	7
South Dakota	64	33	31
Tennessee	87	12	75
Texas	124	54	70
Wisconsin	71	25	46
Wyoming	76	33	43

NA: Data not available.

<sup>1</sup> Council of State Governments, *Reorganizing State Government* (Chicago, 1950).

the laws enacted by the State legislature; he in some cases administers the election system of the State, and publishes election statistics; he keeps the official record of all acts of the Governor; he has custody of the great seal of the State, without which no action of the State government is official; and he is often assigned a variety of other, unrelated duties.

It should be noted that none of these offices, save that of superintendent of education, performs services for the people; rather, each is concerned with the maintenance of the State government. By contrast, some of the newer State offices, for example those dealing with such matters as agriculture and labor, that perform services for the people, have single heads who are appointed. At the municipal level there is a general trend toward installing types of government in which the large majority of administrative chiefs are appointed; the strong-mayor and council-manager forms exemplify this tendency. The evident advantage of the single head is that when the duties of these heads are sheerly ministerial, there can be no question as to who shall see to it that the tasks of the agency are carried out. The chief executive has a single person to direct, and the subordinates within the agency have the orders of a single person to obey.

*Commissions and Boards:* A considerable number of State agencies today have as their chief a number of persons constituting a commission or board (terms that for the purpose of this discussion may be viewed as synonymous). A typical commission has three characteristics: (1) it has an odd number of members; (2) its members have overlapping terms; and (3) its membership is required by law to be bipartisan. This type of structure is often defended on the ground that it allows for deliberation and consultation. This argument doubtless has some validity when it is applied to the regulation of certain private undertakings such as the production of oil and natural gas. Commissions or boards with such duties perform quasi-legislative and quasi-judicial as well as administrative tasks, for which they seem to be well adapted. They not only allow for the debating of issues, but they also supply representation to varying interests and different regions in the area concerned. Often, however, it appears that commissions and boards have been utilized to head agencies whose functions allowed little if any discretion. In such cases, many observers insist that the board or commission should be replaced by a single administrator; they hold that when the office permits little if any discretion, it is most desirable to have a single administrator in charge, so that the duties of the agency may be executed with a minimum of delay.

*Combined Head:* Some State and local administrative agencies have as their head a combination of a board or commission and a single administrator. This sort of arrangement appears especially suitable for an agency whose tasks call for both deliberation of policy and speed of execution; accordingly, it is commonest with bodies that deal with health, education, and welfare. For instance, a State ordinarily has both a board of education and a superintendent of education. The board, with its several members, deliberates educational policy; the superintendent executes the policy as finally decided by the board. Actually the situation is rarely so uncom-

plicated as this illustration suggests. For example, the superintendent is usually a professional educator, closely attached to and supported by the teachers' association of the State; the board, on the other hand, is made up of men who are not professional educators, who may be hostile to the teachers' association, and who are apt to struggle with the superintendent.

### *The role of private interests*

As on the federal level, so too at the State and local levels, private interests strive in various ways to influence the decisions of administrative bodies, in order to achieve their desires. One frequent tactic is to bring pressure upon certain members of the agency concerned; spokesmen for the interest may testify at agency hearings, entertain agency members, represent their views as being closest to the "public interest," offer the members profitable business contracts or associations, or have recourse to any other of many possible devices. Business groups that must undergo regulation seek to place sympathetic persons on the regulating agency. To block these efforts, State laws establishing the agencies often forbid membership to any individual with an interest in the business that he is to help supervise; for instance, anyone with an interest in the liquor business is usually barred from appointment to an alcoholic beverage control commission. Notwithstanding these checks, private interests do appear to succeed rather frequently in influencing members of regulatory bodies.

In some cases, private interest groups have managed to obtain a statutory guarantee that they shall be represented on regulatory bodies. Perhaps the most numerous cases of this sort involve the licensing of trades and professions by the State government. Licensing of a trade or profession is often demanded by its practitioners, and the law that creates the licensing agency is apt to be written in accordance with their wishes, or the wishes of their association. A few illustrations will demonstrate the operation of this principle. All members of the Louisiana Board of Pharmacy must be registered pharmacists. The Vermont Public Accountants Board of Accounting consists of three practicing certified public accountants. The Massachusetts Board of Registration in Medicine comprises seven persons registered as qualified physicians who have been in active practice for at least ten years. Occasionally the members of the agency represent subordinate interests within the trade or profession. For instance, the three members of the Oregon Examining Board of Plumbers are (1) a journeyman plumber; (2) a person registered to conduct a plumbing business; and (3) a member or employee of the State Board of Health. In any event, the senior members of the profession or trade are empowered by law to determine who may enter their practice and what the qualifications for entry shall be.

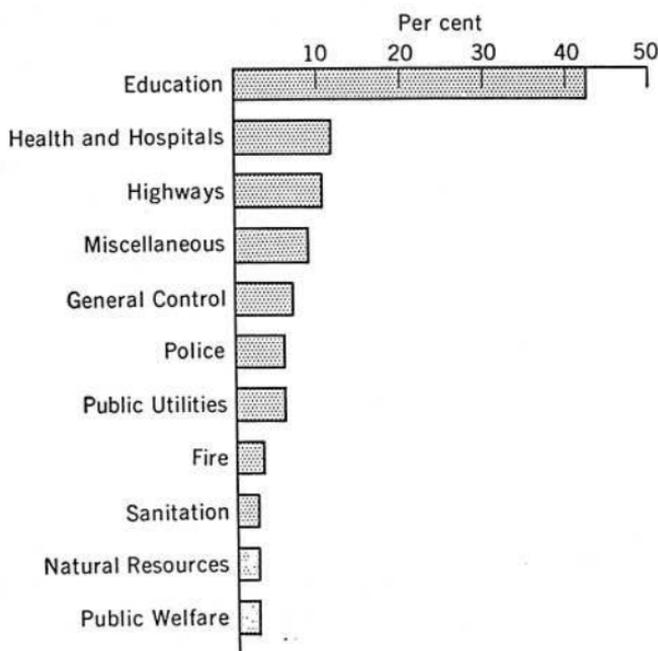
### *Administrative personnel*

*Numbers:* According to the Bureau of the Census, in October, 1955, there were about 4,335,000 full-time State and local employees altogether. Slightly under 1,100,000 of these were State personnel, and slightly more than 3,250,000 were local. For the entire nation there were about 273 full-

time State and local employees per 10,000 population; the ratios in the States ranged from a minimum of 213 in Kentucky to a maximum of 377 in Wyoming. Hence among all the States the proportions of State and local employees combined did not have great extremes, the largest proportion being only eighty per cent greater than the smallest. These proportions seem to be connected in part with the wealth of the States and also with the number of their services.

There are, however, considerable differences among the States so far as the number of State employees and the number of local employees are concerned, when these two categories are viewed separately. For the entire country there are about sixty-eight State employees for each 10,000 population; among the States the range is from forty-nine in Texas to 180 in North Carolina. There are almost exactly 204 local government employees per 10,000 population throughout the country; here the range is from fifty-eight in North Carolina to 265 in New York. The exceptional situation in North Carolina may be ascribed to the fact that there the public school teachers, who are in all States the most numerous public employees, are employees of the State government, whereas elsewhere they are employees of some unit of local government. The proportion of State to local employees in any one State depends to a great degree upon which level of government is made responsible for the tasks to be performed. The graph in Figure 133 shows what percentage of State and local civil servants in all States were occupied in certain fundamental tasks of government.

*Career Civil Service Systems:* The extent to which a career civil service system has been adopted varies widely from State to State and locality to



**Figure 133. Percentages of State and Local Government Personnel Engaged in Major Functions (October, 1954).**

locality. Owing to the influence and requirements of the federal government there are some career employees in every State and in many local governments. This situation prevails because for many years the federal government when making a grant-in-aid to a State or locality has prescribed that the employees on the given project be chosen on a non-partisan basis and according to the standards of a career system. The chief impetus of this sort came with the federal Social Security Act of 1935. The fact is, however, that in a large minority of the States and in a host of localities these are the only workers selected in this fashion.

Yet, quite apart from the stimulus furnished by the federal government, and in a number of cases before 1935, different States have erected career civil service systems, sometimes by law and sometimes by constitutional provision. Today there are comprehensive career systems in a majority of the States, and career systems for certain classes of employees in certain other States. With respect to local governments, the career system appears to be weakest at the county level. According to a recent estimate the system has been introduced into only about 200 counties, about six per cent of the national total. However, it is noteworthy that the system has been installed in such populous counties as Los Angeles and Hamilton (Cincinnati); moreover, such other populous areas as New York City, St. Louis, and San Francisco have no county government. The career system is much more widespread among cities than among counties; furthermore, large cities are more apt than small cities to have a career system of some sort. It seems, too, that where the system does not include all municipal employees, it is most likely to include the members of certain fields of employment, notably those in the police and fire departments. Finally, with respect to other units of local government, it should be stated that most public school teachers and administrators are under a career system. Here, however, officials and agencies of the State government fix standards and carry out administration.

*Salary:* Most State and local government employees, and all those under the career system, are paid regular annual salaries. There is a considerable range in the average salaries paid in the various States; in October, 1955, the lowest average, in Mississippi, was \$209 per month, and the highest, in California, was \$394. Understandably, the salaries paid in the more populous and wealthy States are higher than those in the other States. In general the salaries of State and local employees since 1950 have risen more rapidly than the cost of living. This is especially true of the salaries of public school teachers, partly because of the strength of their organization as a lobby in State legislative halls. Other groups of employees, too, have had effective pressure organizations. This rise has come about also through the wish of those who have felt that higher salaries could recruit and then hold a superior type of person as a career employee.

*Personnel Agencies:* In State and local governments where the career system has been installed there is usually a personnel agency analogous to the federal Civil Service Commission. In the States this body often consists of an odd number of members—three or five—who serve for overlapping terms that are longer than the term of the official who appointed them.

These boards generally are bipartisan; their members frequently are chosen by the Governor with the confirmation of the State senate. In a large city, too, there may be a civil service commission; in smaller cities with the council-manager form the city manager may function as the chief personnel officer.

These commissions supervise the recruiting, examination, appointment, and discipline of career personnel. Sometimes their authority extends beyond the usual jurisdiction of their government; in Massachusetts, for instance, the State civil service commission manages the recruiting of city employees as well as of State personnel. Governments in some areas have found that the best sort of personnel agency for their purpose is one with a combined head, a board or commission to make policy and a single director to execute it.

## FINANCIAL OPERATIONS

State and local financial operations involve two chief activities: (1) spending money in order to carry out the functions of government; and (2) gathering money needed to carry out these functions. These operations in all States and in many localities include a third aspect: drafting a budget as a plan for spending and gathering the money. In all States and in most localities these operations are performed by one or more agencies especially entrusted with their conduct.

### *Contrasting national, State, and local financial powers*

It is important first to note that in certain fundamental respects the financial activities of State and local governments differ from those of the national government. In the first place, State and local governments do not have the same freedom as the national government regarding the manner in which they gather money. A government collects the majority of its funds by a combination of two methods: levying taxes, and borrowing money (one important exception to this rule is a government unit such as a housing authority, which secures most of its funds from charges for the services it renders). So far as taxation is concerned, the federal government has virtually a free hand. By contrast, so far as their taxing powers are concerned, State and local governments are restricted by both the federal Constitution and their own organic laws. State and local governments also do not have as much power as the national government in the matter of borrowing money. A fundamental distinction is that the federal government is almost unlimited in its borrowing power whereas State and local governments in most cases have narrow formal limits.

Finally, State and local governments have different powers than the national government in the matter of spending money. Presumably the national government may spend money only for purposes enumerated in the Constitution. State governments, by contrast, may spend money for virtually any purpose not denied them by the federal Constitution or their own constitution.

## *The budget*

Today in each State, and in most local governments, there is a person or agency that drafts the budget and a person or agency that is considered the budget-making authority. Where these agencies exist, outside of county governments they usually are either responsible to the chief executive of the government or are in the office of the chief executive. So far as the preparation of the budget is concerned, most State governments contain either a Budget Director or a Budget Commission. However, in Arkansas preparation of the budget is entrusted to the Legislative Council; in Georgia, to the head of each State agency; and in Montana, to each State Department. The budget-making authority in most States is the Governor. In four States there are either Boards or Commissions, each including the Governor as a member. In a few other States there are yet other arrangements. The one State in which the authority is not part of the executive branch is Arkansas, where it is the Legislative Council.

So far as local governments are concerned, in counties the budget is apt to be drafted by the county board, save where there is a county manager. In strong-mayor and council-manager cities, the chief executive drafts the budget; in weak-mayor and commission cities, the council, a council committee, or the commission, drafts it. In special districts it is drawn up by the executive officer or board of the district.

The budgets of State and local governments are prepared similarly to those of the national government. A State or local budget is prepared by some agency, usually executive; subsequently a legislative body enacts the budget by levying taxes and appropriating money for expenditures. The sums that are appropriated are based upon requests sent to the drafting agency by each of the various executive offices in the government. It is the task of the chief finance officers to insure that the sums appropriated will bear some relation to the amount of money that will be collected through taxes and loans, and that the appropriations will reflect the general policy of the State administration, usually personified by the Governor.

Administration of the budget includes primarily the custody of government funds and the examination of State expenditures to determine whether or not they have been authorized by law. In many jurisdictions the officials who administer the budget are elected. One important officer is the treasurer; he has custody of all government funds, and is to release them for a given function only when he receives a legislative order directing him to do so. Another major officer is the controller or comptroller (the words have identical pronunciations). The function of the controller is to "pre-audit" all expenditures. In the main, he must see to it that all expenditures planned by the executive branch have been duly authorized by the legislative branch; he is in a position to bar expenditures that are not so authorized. The auditor is an official who conducts a "post-audit" to determine both whether expenditures have been authorized and whether they have been conducted with the greatest possible administrative efficiency. Sometimes the pre-audit and the post-audit are carried out by the same person or office.

Of the three officials, the auditor is most likely to be popularly elected; he may be chosen by this means even in council-manager cities.

### **Expenditures**

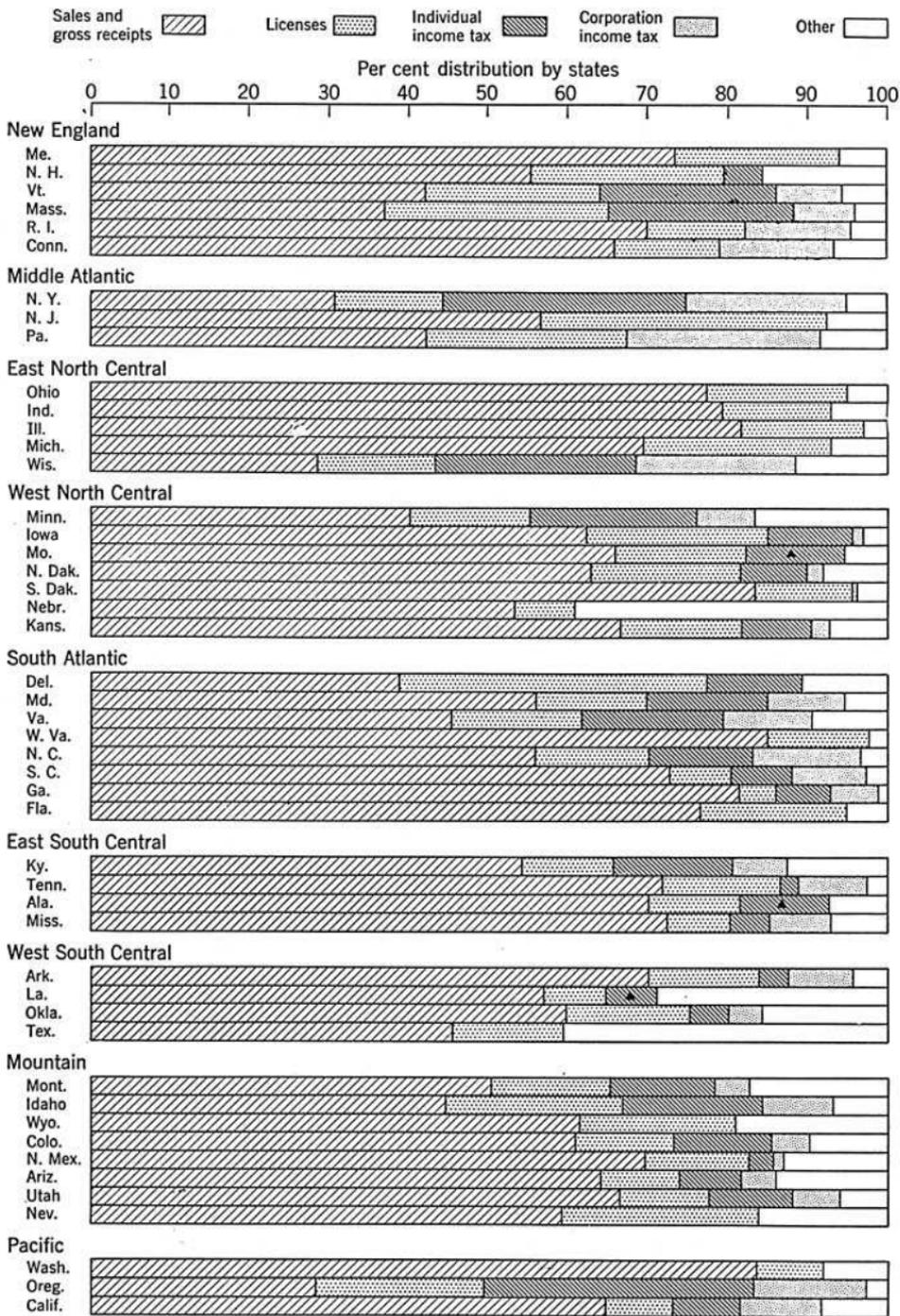
The expenditures of State and local governments are enmeshed with the functions of those governments. Hence the following discussion of State and local expenditures will be brief, because there is an extended treatment of operations in the subsequent chapters. In general it should be noted that State and local governments, like the national government, have greatly broadened their spending in recent years; whereas altogether State and local governments spent but a little over one billion dollars in 1902, today they spend more than thirty billions. It is true that the national government spends twice this sum; however, the total cost of the civilian activities of the national government is not so great as that of State and local governments. Too, it must be observed that the expenditures of State governments have risen at a faster pace than those of local governments have. The expenditures of State governments today nearly equal those of local governments; in 1902 they were only one-fifth as great.

Among the various items for which State and local governments spend money, public education by far surpasses all others. In 1955 State and local governments spent \$11.9 billions for public education; of this sum, State governments spent \$1.9 billions, city governments \$1.1 billions, and school districts \$8 billions. A second major item was highways, for which State and local governments spent about \$6.5 billions; the States alone expended \$3.9 billions, and cities and counties each about \$1.1 billions. State and local public welfare cost \$3.2 billions; public hospitals, \$2.1 billions; police forces, \$1.2 billions; public utilities and liquor store expenditures, \$3.9 billions; and various State insurance trusts, \$2.8 billions. It is clear that State and local governments spend money for numerous functions that directly affect the lives of all citizens in one way or another.

### **Revenue**

State and local governments obtain the majority of their revenue from taxes. However, numbers of government units obtain a considerable portion of their income from the sale of services such as public utilities. Finally, State and local governments are receiving a growing percentage of their income in the form of grants from some other government. This section will deal with the most important sources of revenue for State and local governments together, noting for which level of government each source is most important. States and localities all have different revenue patterns; the pattern in itself in part discloses the relative power of various interests in the government. Figure 134 shows what proportion the major taxes contribute to the total revenue of each State. Figure 135 shows what amounts all States collect, and have been collecting, from various major taxes.

**Taxes: PROPERTY TAXES.** Property taxes are taxes that are levied upon property of various sorts. There are two broad classes of property taxes: those on real property, and those on personal property. A tax on real prop-



▲ Corporation taxes included with individual taxes

National Industrial Conference Board, Inc., "Road Maps of Industry," No. 965, June 25, 1954

Figure 134. Different Taxes Collected by Individual State Governments in 1953.

erty is one that falls on land and buildings; it is by far the more significant. A personal property tax is one imposed on other forms of property, either tangible, as furniture or automobiles, or intangible, as shares of stock in a corporation.

The property tax, at least in theory, is quite simple in operation. It requires merely that property be listed with the government and that a value be set on it. Financial officials then need only fix a rate at which the tax shall be levied, and see to its collection. However, in spite of its appearance of simplicity, the property tax has many complications. In the first place, personal property can easily be concealed; as a result, a personal property tax rarely yields a large return. Land and buildings, however, being more or less immovable, are much more satisfactory for taxing purposes.

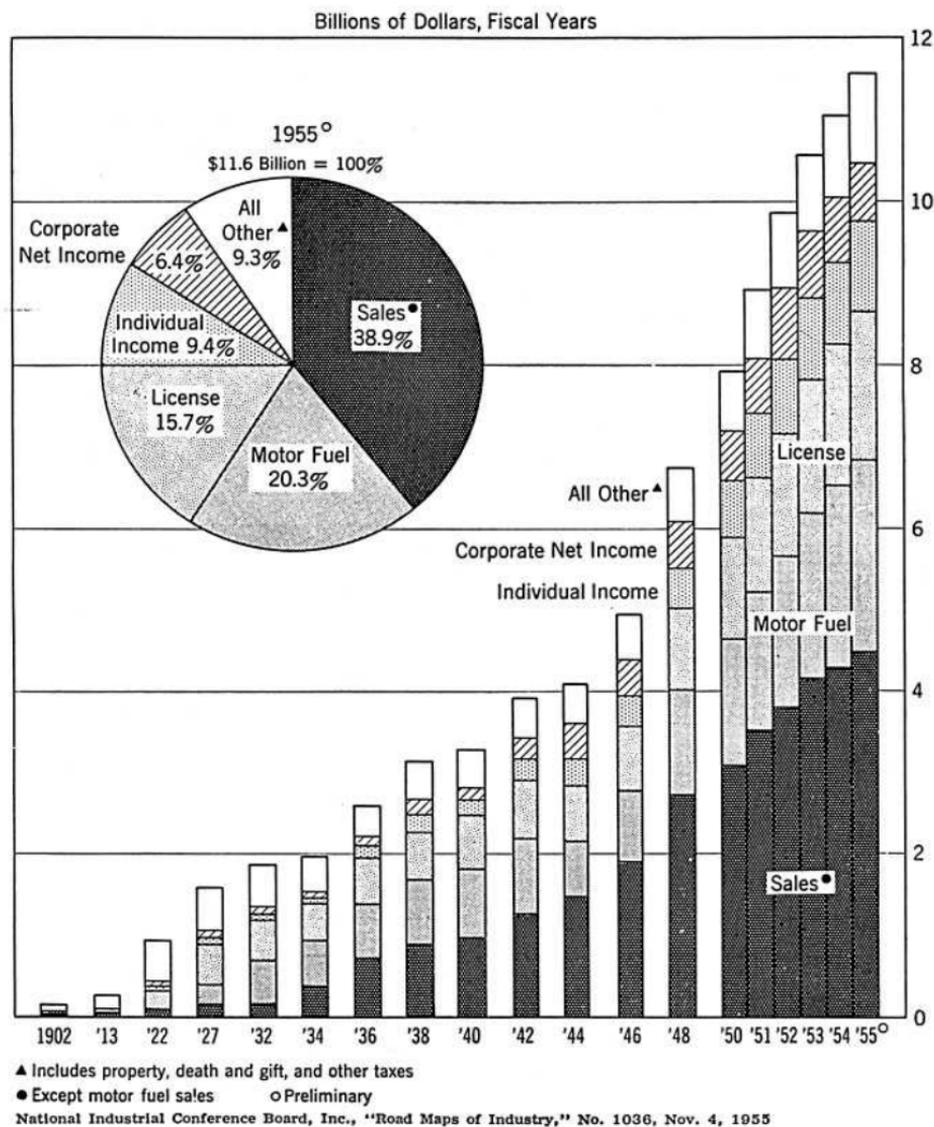


Figure 135. Total State Government Tax Collections by Type of Tax, 1902-1955.

Another shortcoming of this tax derives from the evaluating, or assessing, of the property. This task is ordinarily the duty of an official termed the *assessor*. Until recent years most assessors have had little, if any, training for their posts; frequently the office was elective. Hence property was often inaccurately assessed; different assessors might have widely varying notions of the value of the same piece of property. Lately, however, there have been important advances in the technique of assessing. There is a National Association of Assessing Officers, which has drafted a code of professional ethics and has laid the foundation for a group of in-service training schools for assessors.

The property tax is also criticized on the ground that it is a "regressive" tax, that is, a tax that falls most heavily on the low-income groups. It is true that at one time in the United States the amount of landed property a man owned was a fair index to his wealth. Today, by contrast, wealth is apt to be measured in some other way, as by the possession of corporation stocks and bonds. Too, the property tax is one that may be passed along; that is, it may be paid not by the owner of the property but by some person who rents or leases it. Despite this charge, the property tax remains one of the most fruitful in the nation. At one time it was the principal source of revenue for State governments. However, State governments today rely upon other sources for their income; it is the governments of counties, cities, and school and special districts that are the chief beneficiaries of property taxes. In 1955 local governments received slightly more than \$10 billions in property taxes.

**SALES AND GROSS RECEIPTS TAXES.** A sales or gross receipts tax is a tax on business transactions. Every State levies some sort of sales tax, and a growing number of cities and counties do likewise. These taxes altogether furnish State governments with their largest source of income; in 1955 they rose to more than \$6.8 billions, to which the tax on motor fuels contributed \$2.3 billions. Besides motor fuels, two other specific items which are widely taxed are tobacco products and alcoholic beverages. Apart from these selective taxes, a general sales or gross receipts tax is collected in each of thirty-three States, based upon a percentage of the amount involved in the transaction; in 1955 these taxes yielded more than \$2.5 billions. Sales and gross receipts taxes have been popular probably because of the ease with which they can be collected. However, like the property tax, they have been criticized on the ground that they are regressive; it is argued that they fall on objects that persons in the lower-income groups cannot do without. In some jurisdictions, such as Ohio and California, these taxes are not imposed upon food sold in grocery stores. One other factor contributing to the popularity of these taxes is that they can be collected from any person enjoying the services of the government, whether or not he is a resident of the area.

**INDIVIDUAL AND CORPORATION INCOME TAXES.** In 1955 individual income taxes were levied in thirty-one States, and corporation income taxes were levied in thirty-three. Together they yielded about \$1.8 billions. Certain cities, too, have begun to impose an individual income tax; when such a tax

is imposed upon the payrolls of private businesses, it can enable the city to charge the residents of suburbs who commute to work in the city for the services that the city government provides them. States levy these taxes at various rates. For instance, in 1955 the individual income tax returned \$33.83 per capita in Delaware but only \$1.08 per capita in Tennessee. The corporation income tax yielded \$13.09 in New York, per capita, and twenty-six cents per capita in South Dakota. Rates are considerably below those of the federal government; yet they are progressive.

*Licenses:* A license is a permit sold by a government to a person or organization that allows the person or organization to own a certain piece of property or carry on some form of activity. A license actually has two functions: it enables the government to police its citizens, and it yields a revenue for the government. Both these considerations are apt to influence legislators and private interest groups. Licenses have been a lucrative source of revenue for both State and local governments; in 1953 they produced \$1.6 billions for State governments and \$500 millions for local governments. State licenses for motor vehicles and their operators returned almost \$950 millions of the total revenue from licenses.

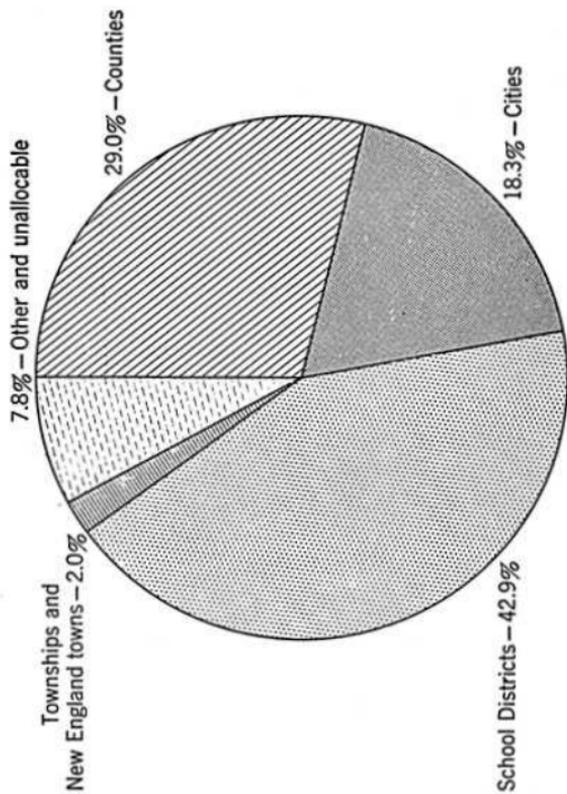
*Utility and Liquor Store Revenues:* Public utilities and liquor stores are two forms of economic endeavor in which both State and local governments participate and which yield a substantial income for these governments. In 1955, for instance, State governments received nearly \$1 billion from the operation of State-owned liquor stores. Local governments harvested \$2.7 billions from their liquor stores and utilities. It must be stressed, however, that most, if not all, of the income from these undertakings is consumed by the expense of running them. In 1953 only liquor stores returned a net profit to State and local governments. The fact is that these governments have in many cases been forced to assume ownership and management of such utilities as public transportation because these utilities are essential yet apparently cannot be operated profitably by private owners. It is noteworthy that some city governments now collect specific charges for some services that in past years were paid for out of the general fund; sewerage management and garbage collection are typical of these services.

*Intergovernmental Revenue:* Intergovernmental revenue, which comprises funds given one government by another government, occupies a major role in States and localities. This revenue often takes the form of grants-in-aid for some stated purpose. Federal grants to the States were described in a previous chapter; in 1954 they amounted to more than \$2.65 billions, or 17.4% of all State revenue. In the same year the State governments themselves distributed over \$5.67 billions to other governments, primarily local, accounting for 30.4% of all State expenditures. Figure 136 shows what governments receive different proportions of such funds and for what purposes they receive them.

Intergovernmental revenue at the State level may take the form of either a grant or a shared tax. The general principle of the grant is the same whether it is made by the federal government or a State government; it is designed to encourage local authorities to perform a certain task, is apt to

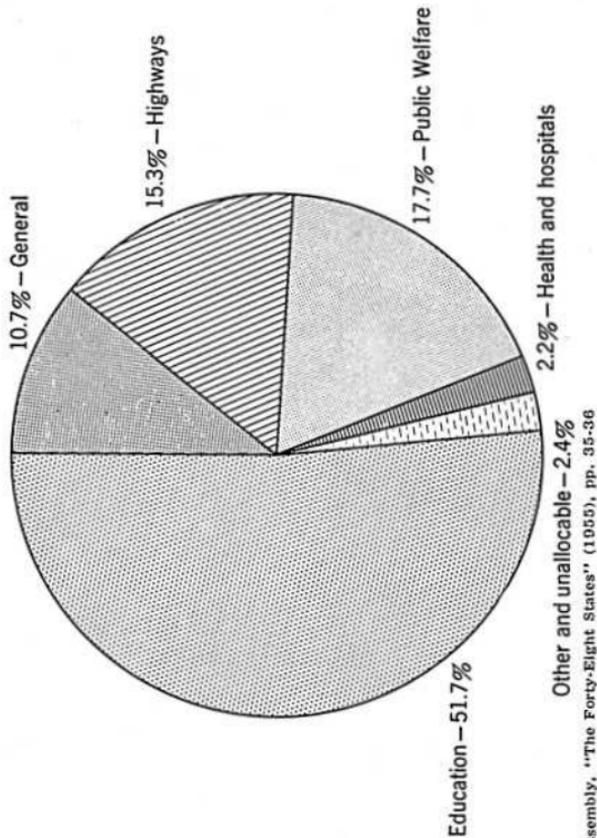
### State Aid to Local Governments, 1954

Total Aid = \$5,678.5 millions



### State Aid to Local Functions, 1954

Total Aid = \$5,678.5 millions



Adapted from: Harvey C. Mansfield, "The States in the American System," in *The American Assembly, "The Forty-Eight States"* (1955), pp. 35-36

**Figure 136. State Aid to Local Governments, 1954.** (a) State aid to local governments, 1954; (b) State aid to local functions, 1954.

be offered on the basis of need, and frequently contains specifications that must be heeded respecting standards of achievement. These grants may be awarded in an effort to enable impoverished local governments to provide services for their population that are equal to those supplied by wealthy governments.

A shared tax, by contrast, is simply a tax that one government collects entirely, then shares with another government or group of governments. A shared tax does not have the aspect of charity that some people find undesirable in grants; on the other hand, because the tax is generally shared on the basis of a fixed percentage of the total collected, it does not lessen inequalities of financial powers of local governments. The principal beneficiaries of intergovernmental revenue are public school districts, which in 1954 received more than \$2.44 billions in this manner.

### ***Borrowing***

State and local governments may resort to borrowing money in the event their expenditures are greater than their revenues. It is true that most of these governments are restrained by laws or constitutions in the matter of incurring debts. Nevertheless, in 1954 the combined debts of all State governments totaled \$10.2 billions, and of all local governments, \$27.7 billions. In that year State and local governments sold \$6.9 billions of bonds. One noteworthy aspect of these bond issues was that forty-six per cent of the total, or about \$3.2 billions, were revenue bonds; a revenue bond is one whose redemption is guaranteed by the income of the facility whose construction it has been used to finance, such as the toll from a highway, tunnel, or bridge.

## **QUESTIONS AND PROBLEMS**

1. What functions do secretaries of state perform?
2. Which level of government, in your opinion, would have the greatest attraction for persons of college education seeking civil service employment—national, State, or local? Explain your answer.
3. Compare the amounts spent by the federal government and by all the States together for six major functions.
4. Obtain from the *Municipal Yearbook* for any recent year the figures on the bonded debt of the ten largest cities in America and of ten cities of 50,000–100,000 population. Which group has the lower bonded debt per capita? Can you explain the difference or lack of difference?
5. Why has the development of State and local administration been disorderly?
6. Who will benefit in what ways from instituting: (1) a single head for an agency and (2) a commission or board as the agency head?
7. What proportions of the total revenue of your home State are supplied by the four major tax sources? Are these proportions typical of the other States?
8. What factors explain the differences in the ratio of State to local employees from one State to another?