

Missouri State and Local Spending

A Fifty-State Comparison for 2002

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MISSOURIANS care about the amount of taxes they pay and the way the money is spent. Yet few of us know how much our state and local governments spend for various services, or how these amounts compare with government spending in other states.

All state and local governments have limited budgets. They often have to make trade-offs, spending less for one service to spend more for another.

Although states may differ in needs and priorities, there are broad categories of expenditures that are common to all U.S. states: total spending, education services, social services and income maintenance, transportation, public safety, environment and housing, government administration and general expenditures, utility and enterprise expenditures, debt service, and insurance trust expenditures.

State and local government expenditures can be compared by looking at spending per \$100 of personal income as well as spending per capita for each broad category of expenditure. Then, states can be ranked for each type of expenditure.

Knowing the median expenditure also is helpful for comparisons. The median is defined as the halfway point such that half the states have expenditures higher than the median and half have expenditures lower than the median. Because this paper examines state and local government expenditures for all 50 states (the District of Columbia is not included), the median falls between the states that rank 25th and 26th.

The expenditure information for this comparison is from fiscal year 2002, reported in the 2002 Census of Government released by the U.S. Bureau of the Census in August 2004. This is the most recent and most complete set of data available for all states. Although the dollar amount of expenditures has changed since 2002, the relative ranking of states probably has remained fairly stable, because no state has had major budget reform since 2002.

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Missouri expenditures at a glance

Missouri ranks low among the 50 states in overall spending by state and local governments. It also ranks low in environmental and housing expenditures as well as government administration and miscellaneous expenditures. Missouri's highest rankings are for spending on transportation and social services and income maintenance. For Missouri state and local governments, the single largest expenditure is for education.

Among the 50 states, Missouri state and local governments rank

- 44th in total state and local expenditures per \$100 of personal income (\$20.79) and 45th in total state and local expenditures per capita (\$5,827).
- 24th in transportation expenditures, \$1.89 per \$100 of personal income.
- 27th in social services and income maintenance expenditures, \$5.02 per \$100 of personal income.
- 34th in public safety expenditures, \$1.52 per \$100 of personal income.
- 36th in educational expenditures per \$100 of personal income (\$6.75) and 37th in education expenditures per capita (\$1,891).
- 47th in environment and housing expenditures, \$1.12 per \$100 of personal income.
- 50th in government administration and general expenditures, \$1.33 per \$100 of personal income.

In sum, Missouri ranks low on many expenditures because it is also a relatively low-tax state. Missouri ranks 42nd in state and local taxes as a percentage of personal income.

Overview

In general, Missouri is a relatively low-tax state. Missouri ranks 42nd in state and local taxes as a percentage of income. Thus, it is not surprising that Missouri also ranks low in total spending. Overall, Missouri state and local governments spend less per \$100 of personal income than most other states. The state ranks 44th in total expenditures per \$100 of personal income. It also spends less per capita than most other states, ranking 45th in total state and local spending per capita.

The United States also ranks low on all federal, state and local government expenditures as a percentage of gross domestic product. In 2002 government spending accounted for 36 percent of gross domestic product in the United States, fourth lowest among 28 industrialized countries that are members of the Organization for Economic Cooperation and Development. In Switzerland, government spending was 35 percent of GDP; Ireland, 34 percent; and South Korea, 25 percent (OECD).

Missouri's comparatively low expenditures per \$100 of personal income may be the result of one or more of the following factors:

- Missouri may be highly efficient in management of public expenditures.
- Some public services may cost less to provide in Missouri than in other states. For example, building highways may cost less per mile in Missouri than in Colorado because of differences in climate and terrain.
- Missouri ranks 17th in population among all states and may enjoy economies of scale in some public services.
- Missouri may have invested in infrastructure and programs in the past, so that the same level of expenditure is not needed now.
- Missourians may prefer lower taxes or lower levels of certain public services than do citizens of some other states.
- The state and local governments may have chosen for the private sector to provide some services that other states provide publicly.
- Missouri may be neglecting needed public investments in the short run and ignoring the problems

that this may create in the long run.

- The state may be neglecting the needs of certain citizens whose votes do not reach a majority that would allow them to vote for the programs that they need.

The first four factors might be viewed as positive reasons for low expenditures; the last two might be indicators of future problems because of low expenditures. The remaining two may simply reflect differences in attitudes between states.

Trends in state expenditures

From 1980 to 2003, net state government (excluding local) expenditures increased from approximately \$3.2 billion to about \$17.8 billion (not adjusted for inflation), according to the State of Missouri Comprehensive Annual Fiscal Report (CAFR).

This increase was probably due to several factors:

- Inflation
- Slow but continuing population increase in Missouri, requiring increased expenditures
- Increased demands for some public services
- Increased mandates from the federal government over the years

The state also has changed the relative amounts it spends on different programs (Figure 1). For example, human services are now a larger percentage of state expenditures than they were in 1980, increasing from about 33 percent of state expenditures to around 47.6 percent in 2003. It should be noted that funds from the federal government administered by the state are counted as state expenditures. The federal government provides a

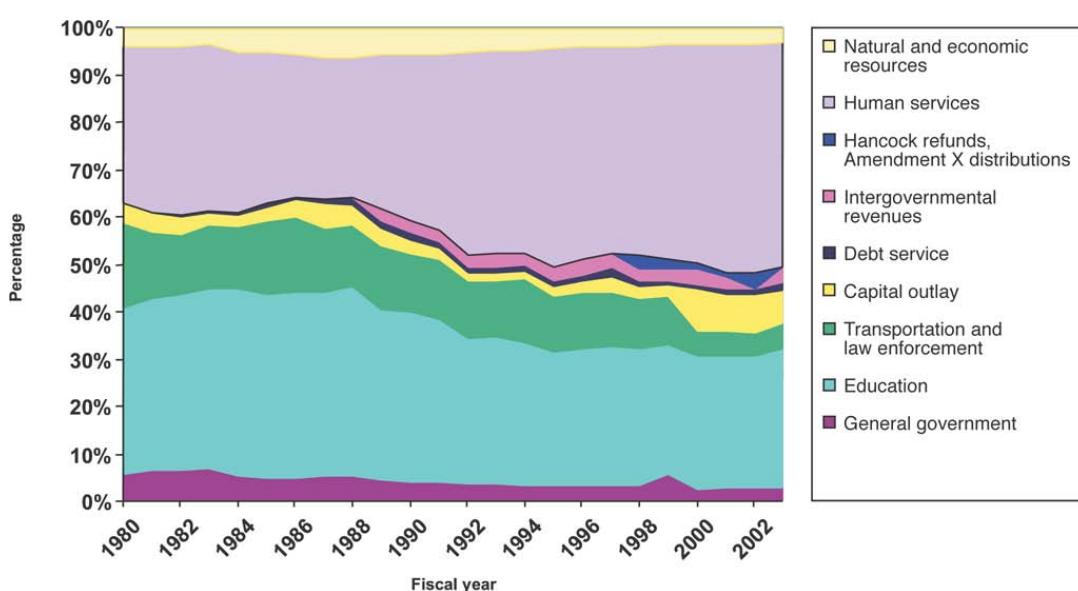


Figure 1. State government net expenditures by functions, 1980-2003 (percentages).

Source: Office of Administration, 2004

Establishing a basis of comparison

Comparing expenditures across states may seem straightforward, but specific types of expenditures are not uniform from state to state. To compare expenditures among states requires establishing a basis of comparison. This publication uses the following conventions for such comparisons.

State and local expenditures are reported together rather than separately.

In some states, an expenditure is the responsibility of either the state government or the local government, and in others, it is a shared responsibility. For example, in Virginia, roads are the responsibility of state government, but in Missouri the responsibility is shared between state and local governments. To compare highway expenditures across states, all such expenditures — both state and local — must be included. Any federal dollars administered by the state or local governments are counted as expenditures.

Similar expenditures are aggregated.

Similar expenditures are aggregated. For example, regulatory expenditures in Missouri are aggregated into public safety expenditures along with police, fire and corrections. Natural resources and parks and recreation are aggregated into environment and housing spending.

Expenditures on individuals and businesses are aggregated.

Some expenditures directly benefit individuals, some benefit businesses, and some benefit both. Highways benefit both individuals and businesses. It might seem that only expenditures that benefit individuals should be included in the per capita calculation and that expenditures that benefit businesses should be calculated separately, as an average per business. All expenditures, however, ultimately benefit individuals because businesses are owned by individuals (proprietors and stockholders) and individuals buy goods and services from businesses. In addition, data are not available to separate expenditures for businesses and individuals.

All expenditures are counted.

All expenditures are included, even though some expenditures benefit people and businesses from outside the state. These benefits cannot be separated because of lack of information on out-of-state benefits. For example, highway expenditures benefit not only Missourians but also people traveling through Missouri and out-of-state-businesses shipping products into or through Missouri. In turn, Missourians benefit from the highway expenditures of other states.

Expenditures are compared per \$100 of personal income.

A useful way of comparing expenditures among states is by the dollar value of expenditures per \$100 of personal income. This comparison is helpful because average incomes vary among states. A state with a low per capita income may show high expenditures per \$100 of personal income and at the same time low expenditures per capita.

Missouri ranks 29th in the nation in per capita income

(Table 1). As shown in Figure 2, several of the nation's poorest states are just to the south of Missouri and in the west. The second poorest tier of states is in the southeast and the mid-plains areas.

Expenditures are also compared per resident.

Another way of comparing expenditures across states is by calculating the average expenditure for an individual resident of the state — a per capita expenditure. Because state populations vary, comparing total expenditures by each state is not useful.

The per capita calculation does not, however, reflect the distribution of expenditures among different groups within the state, such as low-, medium-, and high-income groups. It also does not imply that every citizen is a recipient of every expenditure; it is an average.

In addition, states with large populations may have economies of scale in some public services. In this case, their costs per capita would be lower. For example, California, as the most populous state, has the potential for economies of scale in many services.

Table 1. Per capita income, 2002.

United States average	\$30,195
Median	\$28,382 Kansas \$28,434 Florida
Maximum	\$42,018 Connecticut
Minimum	\$21,682 Mississippi
Missouri average and rank	\$28,026 29th

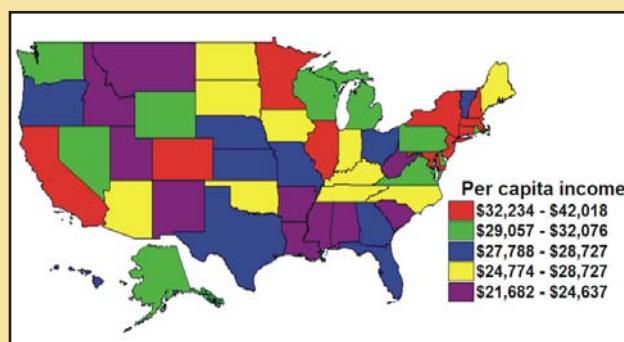


Figure 2. Per capita income, 2002.

Source: U.S. Bureau of the Census, 2004

large proportion of the funds for human services.

Although state spending on education increased from \$1.1 billion in 1980 to \$5.3 billion in 2003, the percentage of state money spent on education has declined from 35.4 percent of state expenditures in 1980 to about 29.7 percent in 2003.

State spending on transportation and law enforcement dropped from 17.7 percent of the state budget in 1980 to 10.5 percent in 1999. The changes in transportation expenditures and capital outlay after 1999 reflect the reclassification of expenditures from the state road fund to capital outlay. Still, when added together, these two are a smaller percentage of the state budget than they were in 1980.

General government expenditures declined from 5.9 percent of state expenditures in 1980 to 2.8 percent in 2003.

Because these data are based on the state report, the data are aggregated into slightly different categories in the graph than in the rest of the paper.

Local government expenditures

In 2002 local government expenditures in Missouri reached approximately \$17.3 billion. Forty-seven percent of total local government expenditures were education expenditures. Local expenditures on public safety and utility and enterprises were 9 percent each. At the local level, the latter expenditure category solely reflects spending on utility enterprises. Expenditures for transportation and housing and environment were both 8 percent of overall local government spending in 2002.

Local expenditures vary according to the type of local government (Figure 3). County government spend-

ing is spread across several expenditure categories. The major expenditures of municipal governments are public safety, transportation and parks, housing, sewer and waste. Townships largely use tax revenue for the construction and maintenance of roads. While the graph shows that special districts divide spending among many areas, most special districts are for a single purpose and expenditures in that district are for that purpose. There are about 1,500 special districts in Missouri ranging from fire protection, hospital and transportation to water, sewer and Johnson grass control. Because school districts report even school bus services as educational services, almost all of their funds are categorized as educational services.

Total state and local expenditures

Although there are many similarities in the structure of expenditures among states, there are important differences also. Two states with similar total spending may allocate that spending differently to match the needs and mix of services that their citizens desire. In addition, citizens of one state may want higher overall levels of government services than do citizens of another state. For example, it is fairly clear that citizens of California want more and different services from state and local government than do Missourians.

Missouri state and local governments spent \$20.79 per \$100 of personal income in fiscal year 2002 and ranked 44th among all states (Table 2). In 1997 the state ranked 48th in the nation.

Nationally, total state and local expenditures per \$100 of personal income were \$23.60. When comparing expenditures per \$100 of personal income, Alaska ranks

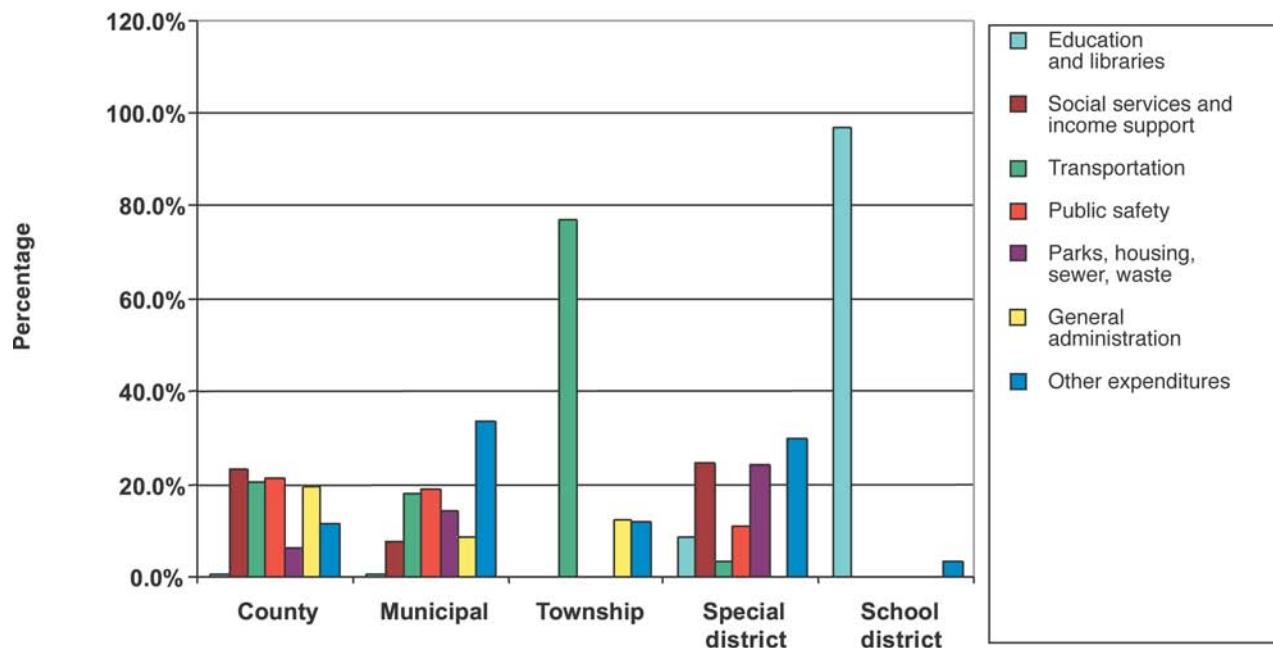


Figure 3. 2002 expenditures of local governments (in percentages).

Source: U.S. Bureau of the Census, 2004

highest, \$47.85 per \$100 of personal income (Figure 4). Alaska is a large state with difficult terrain, a harsh climate and a small population. As could be expected, the cost of serving its population is high. New Hampshire spent the least, \$16.44 per \$100 of personal income. New Hampshire, like Missouri, is a low-tax state.

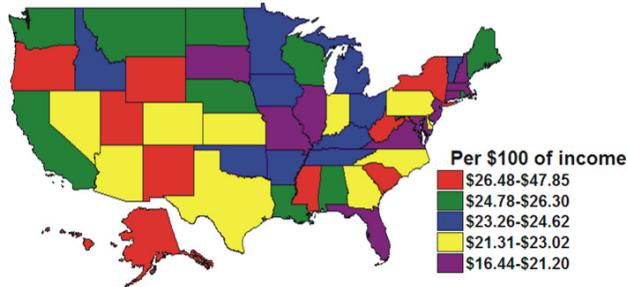


Figure 4. Total state and local expenditures per \$100 of personal income.

Missouri state and local governments spent a total of \$5,827 per capita in 2002, ranking the state 45th nationally. In 1997 Missouri's per capita expenditures ranked 50th in the nation. Alaska had the highest expenditure per capita, \$14,661 in 2002, and Arkansas, the lowest, \$5,384 (Table 2). Arkansas is a poor state (49th in per capita income) and may lack the resources needed to provide all the services that its citizens want.

Because Missouri is a low-tax state with a relatively large population (17th largest state population in the country), it is not surprising that it ranks low in total expenditures per \$100 of personal income and per capita spending.

Table 2. Total expenditures.

	Expenditures per \$100 of personal income	Expenditures per capita
United States average	\$23.60	\$7,125
Median	\$23.95 Oklahoma \$24.06 Vermont	\$6,610 North Dakota \$6,694 Utah
Maximum	\$47.85 Alaska ¹	\$14,661 Alaska ²
Minimum	\$16.44 New Hampshire	\$5,384 Arkansas
Missouri average and rank	\$20.79 44	\$5,827 45

Source: U.S. Bureau of the Census, 2004

1. New Mexico is second with \$29.96.

2. New York ranks second with \$10,376.

Education

Education is the single largest expenditure for Missouri's state and local governments combined. In 2002 allocations for education totaled about 32.4 percent of total state and local expenditures in Missouri. State and local spending for education was divided among the following categories:

- Elementary and secondary education 68.9 percent
- Higher education 24.7 percent
- Other education expenditures 4.9 percent
- Public libraries 1.5 percent

In some states, the state finances the majority of kindergarten through 12th grade (K-12) education; in others, most K-12 education expenditures are local. In Missouri, K-12 education is financed by both state and local taxes. Missouri community colleges are financed by both local and state taxes; other higher education is financed by the state and by student fees.

Expenditures on education in the United States ranged from \$10.85 per \$100 of personal income in Alaska to \$5.50 in Connecticut, with a national average of \$6.95 per \$100 of personal income. The median expenditure was between \$7.26 (Georgia) and \$7.32 (Maine) (Figure 5). Missouri spent \$6.75 per \$100 of personal income on education, ranking 36th in the nation (Table 3). In 1997 Missouri ranked 40th.

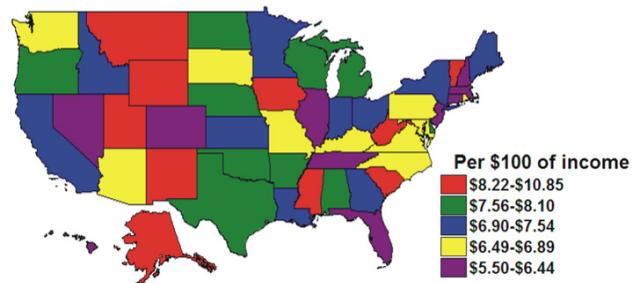


Figure 5. Education expenditures per \$100 of personal income.

Missouri spent \$1,891 per capita on education in fiscal 2002 and ranked 37th nationally. In 1997 Missouri ranked 41st per capita. The U.S. average was \$2,098 per capita, and expenditures ranged from \$3,323 per capita in Alaska to \$1,569 in Florida (Table 3).

Table 3. Education.

	Expenditures per \$100 of personal income	Expenditures per capita
United States average	\$6.95	\$2,098
Median	\$7.26 Georgia \$7.32 Maine	\$2,060 South Carolina \$2,065 Rhode Island
Maximum	\$10.85 Alaska	\$3,323 Alaska ¹
Minimum	\$5.50 Connecticut	\$1,569 Florida
Missouri average and rank	\$6.75 36	\$1,891 37

Source: U.S. Bureau of the Census, 2004

1. Wyoming ranks second with \$2,607.

Social services and income maintenance

Social services and income maintenance in Missouri accounted for 24.2 percent of state and local spending in 2002. Total spending for social services and income maintenance was divided among the following categories:

- Public welfare 69.1 percent
- Hospitals 21.7 percent
- Health 8.8 percent

Spending on social services and income maintenance is affected both by the level of benefits provided and by the percentage of the population eligible to participate in the programs. In addition, many of these programs receive a large proportion of their funding from the federal government, and those revenues are included in this ranking.

In 2002 social services and income maintenance expenditures per \$100 of personal income ranged from \$8.80 in Mississippi to \$2.88 in New Hampshire (Figure 6). The median expenditure was between \$5.05 (California) and \$5.16 (Idaho) per \$100 of personal income and the national average was \$4.97 (Table 4). Missouri ranked 27th, with expenditures of \$5.02 per \$100 of personal income on social services. Missouri ranked 37th in 1997.

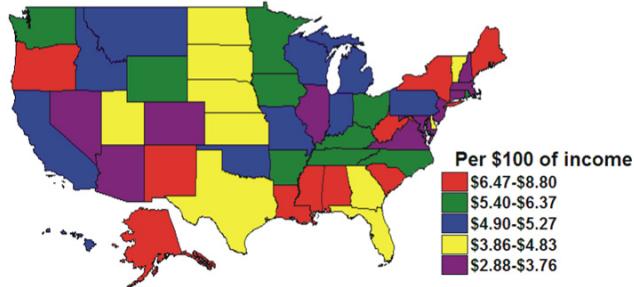


Figure 6. Social services and income maintenance per \$100 of personal income.

Per capita expenditures on social services and income maintenance ranged from a high of \$2,397 in New York to a low of \$839 in Arizona. The national average was \$1,501. With per capita expenditures of \$1,408, Missouri ranked 26th per capita in the nation and was a median state. In 1997 Missouri ranked 39th in per capita social services expenditures.

Table 4. Social services and income maintenance.

	Expenditures per \$100 of personal income	Expenditures per capita
United States average	\$4.97	\$1,501
Median	\$5.05 California \$5.16 Idaho	\$1,408 Missouri \$1,429 Wisconsin
Maximum	\$8.80 Mississippi	\$2,397 New York
Minimum	2.88 New Hampshire	\$839 Arizona
Missouri average and rank	\$5.02 27	\$1,408 26

Source: U.S. Bureau of the Census, 2004

Poverty is a larger problem in some areas of Missouri than in others. The U.S. Department of Agriculture classifies 15 rural counties in southeastern and southern Missouri as persistent poverty counties (Jolliffe, 2004). The percentage of the population living below the poverty level in these counties has been 20 percent or more since 1970.

Missouri's higher ranking on social service expenditures may be due in part to its adoption of the Children's Health Insurance Program. The addition of the Children's Health Insurance Program increased the federal revenues the state receives. Increased federal revenues could have contributed to Missouri's higher ranking on social service expenditures. As the responsibility for social services is transferred from the federal government to the states, and as states set their own rules for eligibility, the states may differ even more sharply on spending for these services in the future.

Transportation

In Missouri, transportation accounted for about 9.1 percent of total state and local expenditures in 2002. Total transportation expenditures were divided among the following categories:

- | | |
|----------------------|---------------------|
| • Highways | 82.3 percent |
| • Airports | 17.0 percent |
| • Water transport | Less than 1 percent |
| • Parking facilities | Less than 1 percent |

Missouri's fiscal year 2002 transportation expenditure of \$1.89 per \$100 of personal income was just above the national median expenditure. Accordingly, the state ranked 24th nationally (Table 5). In 1997 the state ranked 29th in the nation in transportation expenditures.

Alaska (\$5.71) and Connecticut (\$0.91) ranked highest and lowest, respectively, in transportation expenditures per \$100 of personal income (Figure 7). The national average transportation expenditure was \$1.58 per \$100 of personal income and the median states were Virginia (\$1.76) and Florida (\$1.84). Alaska's expenditure of \$5.71 per \$100 of personal income was more than \$2

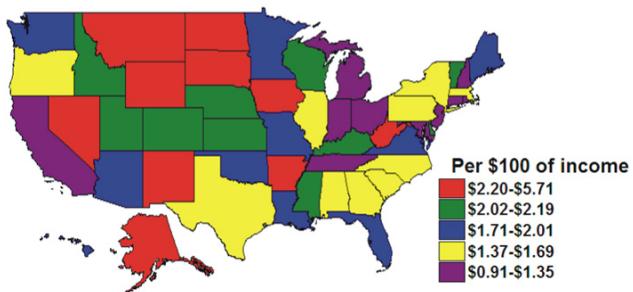


Figure 7. Transportation expenditures per \$100 of personal income.

higher than that of second-ranked Wyoming (\$3.54).

The low expenditure per \$100 of income on transportation in Connecticut is not surprising because it is a small state with high income. The high expenditure by Alaska could also be expected given the state's size and low population density. Not only are its roads costly, but its transportation system includes many small airports. Wyoming, also a large state with low population density, ranks second in transportation spending both per \$100 of income and per capita.

Missouri ranked 21st in transportation expenditures per capita with an expenditure of \$530. In 1997 it ranked 32nd. The 2002 median transportation expenditure per capita was \$502 (Arkansas and Utah) and the national per capita expenditure was \$477 (Table 5). Expenditures per capita ranged from \$1,748 in Alaska to \$347 in Tennessee.

Table 5. Transportation.

	Expenditures per \$100 of personal income	Expenditures per capita
United States average	\$1.58	\$477
Median	\$1.76 Virginia \$1.84 Florida	\$502 Arkansas, Utah
Maximum	\$5.71 Alaska ¹	\$1,748 Alaska ²
Minimum	\$0.91 Connecticut	\$347 Tennessee
Missouri average and rank	\$1.89 24	\$530 21

Source: U.S. Bureau of the Census, 2004

1. Wyoming is second with \$3.54.

2. Wyoming ranks second with \$1,032 and North Dakota is third with \$815.

- Police protection 42.1 percent
- Corrections 33.7 percent
- Fire protection 19.7 percent
- Protective inspections and regulatory functions 4.5 percent

With 2002 expenditures of \$1.52 per \$100 of personal income, Missouri ranked 34th in expenditures on public safety (Table 6). In 1997 Missouri ranked 37th. Across the United States, the national median was \$1.64 (Montana, Illinois) and the national average was \$1.81 (Figure 8). As in other categories, Alaska (\$2.84) ranked highest in public safety expenditures per \$100 of personal income while New Hampshire (\$1.11) spent the least.

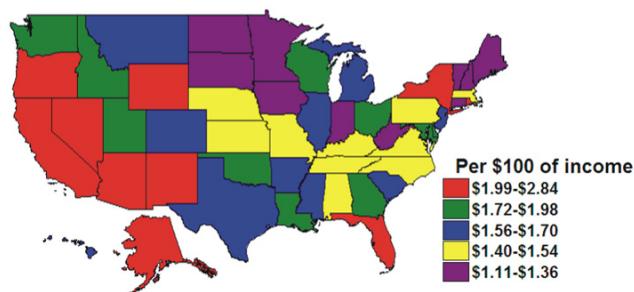


Figure 8. Public safety expenditures per \$100 of personal income.

With public safety expenditures of \$427 per capita, Missouri ranked 32nd in the nation. In 1997 the state ranked 36th. The 2002 median per capita expenditure was between \$454 and \$464 and the national average was \$546. The \$871 expenditure by Alaska was almost \$100 more than that of second-ranked California (Table 6). The minimum public safety expenditure was \$276 by West Virginia.

Table 6. Public safety.

	Expenditures per \$100 of personal income	Expenditures per capita
United States average	\$1.81	\$546
Median	\$1.64 Illinois, Montana	\$454 Pennsylvania \$464 Texas
Maximum	\$2.84 Alaska	\$871 Alaska ¹
Minimum	\$1.11 New Hampshire	\$276 West Virginia
Missouri average and rank	\$1.52 34	\$427 32

Source: U.S. Bureau of the Census, 2004

1. California is second with \$778.

Nationally, concerns about food, product and environmental safety have increased inspections and regulatory functions. In addition, "get tough on crime" laws, such as the "three strikes" law in California and other states, have increased expenditures on corrections.

Public safety

Public safety expenditures make up about 7.3 percent of Missouri state and local budgets. Total public safety spending was divided among the following categories:

Homeland security is likely to increase public safety expenditures in the future.

Environment and housing

Missouri state and local governments devote about 5.4 percent of their budgets to environmental and housing programs. The major programs and the portion of total environment and housing spending allocated to them are as follows:

- Housing and community development 26.3 percent
- Sewerage 25.7 percent
- Parks and recreation 24.3 percent
- Natural resources 15.6 percent
- Solid waste management 8.1 percent

Housing and community development spending includes public housing, urban renewal and rural redevelopment. Natural resources expenditures include flood control, environmental protection, and soil and water conservation. Agricultural programs and the state's share of support for the Missouri Agricultural Extension Service and the Missouri Agricultural Experiment Station also fall under natural resources spending.

In 2002 Missouri ranked 47th in environment and housing spending per \$100 of personal income, \$1.12 (Table 7). In 1997 Missouri ranked 38th in environmental spending and 39th in housing spending. Nationally, New Hampshire, a small state, had the lowest expenditures (\$0.98) while Alaska's expenditure of \$3.15 per \$100 of personal income was about 25 percent above second-ranked Hawaii's \$2.54 (Figure 9). The median states were Ohio and Colorado (both \$1.51) and the national average was \$1.54.

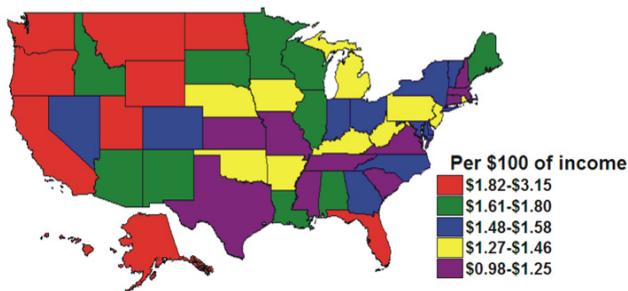


Figure 9. Environment and housing expenditures per \$100 of personal income.

With expenditures of \$313 per capita, Missouri ranked 48th in the nation in environment and housing expenditures per capita (Table 7). The per capita median expenditure was between \$427 (Maine) and \$429 (Vermont) and the national average was \$466. Alaska spent the most, \$964 per capita, while Mississippi spent the least per capita on environmental and housing programs, \$269.

Table 7: Environment and housing.

	Expenditures per \$100 of personal income	Expenditures per capita
United States average	\$1.54	\$466
Median	\$1.51 Colorado, Ohio	\$427 Maine \$429 Vermont
Maximum	\$3.15 Alaska ¹	\$964 Alaska ²
Minimum	\$0.98 New Hampshire	\$269 Mississippi
Missouri average and rank	\$1.12 47	\$313 48

Source: U.S. Bureau of the Census, 2004

1. Hawaii is second with \$2.54.

2. Hawaii is second with \$728 and Wyoming ranks third with \$654

Government administration and miscellaneous expenditures

Missouri state and local governments use about 6.4 percent of their budgets for administrative and miscellaneous expenditures, which are expenditures that cannot be attributed to a specific program. These include courts, the Legislature, tax collecting and assessing, auditing, and maintaining the capitol and local courthouses.

Administrative and miscellaneous expenses in Missouri are broken down as follows:

- General expenditures 38.2 percent
- Financial administration 20.5 percent
- Judicial and legal expenditures 17.7 percent
- Other administrative costs 15.2 percent
- Public buildings 8.5 percent

With expenditures of \$1.33 per \$100 of personal income, Missouri ranked lowest in the nation on administrative and miscellaneous expenditures (Table 8). In 1997 it ranked 29th in administrative expenditures, and 26th in miscellaneous expenditures. Nationally, Alaska once again ranked highest and spent \$7 more per \$100 of personal income than second-ranked Hawaii (Figure 10). The median states were Oklahoma (\$2.07) and Pennsylvania (\$2.14). The national average expenditure on government administration was \$2.23 per \$100 of

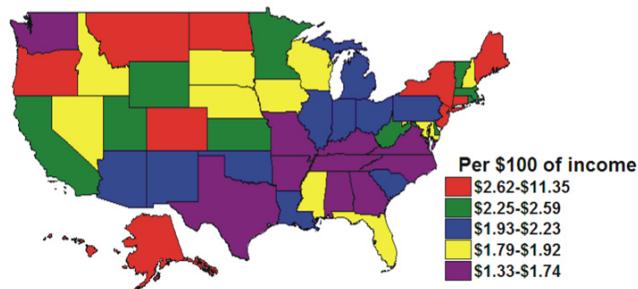


Figure 10. Administration and miscellaneous expenditures per \$100 of personal income.

personal income (Table 8).

Missouri also ranked 50th in the nation on per capita administrative and miscellaneous expenditures, \$371 per capita. The median per capita expenditure was between \$575 (Michigan) and \$608 (Utah); while the national average was \$673 (Table 8). Alaska ranked highest with administrative and miscellaneous expenditures of \$3,478 per capita, followed by Connecticut with expenditures of \$1,283 per capita.

Table 8. Government administration and miscellaneous expenditures.

	Expenditures per \$100 of personal income	Expenditures per capita
United States average	\$2.23	\$673
Median	\$2.07 Oklahoma \$2.14 Pennsylvania	\$575 Michigan \$608 Utah
Maximum	\$11.35 Alaska ¹	\$3,478 Alaska ²
Minimum	\$1.33 Missouri	\$371 Missouri
Missouri average and rank	\$1.33 50	\$371 50

Source: U.S. Bureau of the Census, 2004

1. Hawaii ranks second with \$4.29 and North Dakota is third with \$3.52.

2. Connecticut is second with \$1,283.

A low ranking on government administrative and miscellaneous expenditures may indicate an efficient governmental administrative system or economies of scale in administration because of large state populations. Or it may simply reflect low public expenditures in general, which require less administration.

Utility and enterprise expenditures

Missouri state and local governments devote about 4.6 percent of their budgets to utility and enterprise expenditures. Unlike some states, Missouri does not have state liquor stores, which are also included in this category. In Missouri publicly owned utilities are owned by local governments rather than the state.

In 2002 Missouri spent \$0.96 per \$100 of personal income and ranked 31st in utility and enterprise expenditures (Table 9). Across the United States, Maine had the lowest expenditure, \$0.45 per \$100 of personal income (Figure 11). Nebraska's expenditure of \$4.66 per \$100 of personal income was 91 cents above second-ranked Tennessee's \$3.75. The national median and average were \$1.17 (Illinois and Kentucky) and \$1.65, respectively.

With expenditures of \$268 per capita, Missouri ranked 34th in the nation in utility and enterprise expenditures. This was more than \$200 lower than the national average of \$497 (Table 9). First-ranked Nebraska spent

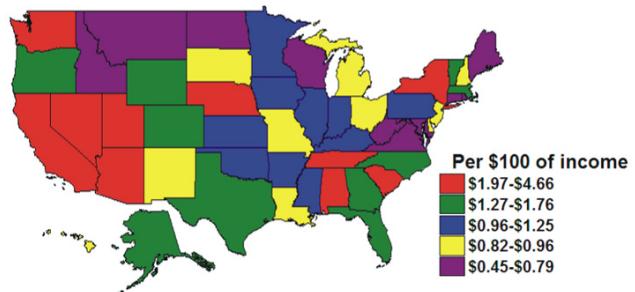


Figure 11. Utility and enterprise expenditures per \$100 of personal income.

\$1,335 per capita on utilities and enterprises, which is more than \$200 more per capita than second-ranked Washington. Nationally, Maine spent the least per capita on utilities and enterprises, \$119.

A low ranking on this expenditure category may reflect how many utilities and enterprises in the state are publicly or privately owned. In Missouri, a low ranking may also reflect the fact that there are no state liquor stores.

Table 9. Utility and enterprise expenditures.

	Expenditures per \$100 of personal income	Expenditures per capita
United States average	\$1.65	\$497
Median	\$1.17 Illinois, Kentucky	\$308 Kansas \$312 Oklahoma
Maximum	\$4.66 Nebraska ¹	\$1,335 Nebraska ²
Minimum	\$0.45 Maine	\$119 Maine
Missouri average and rank	\$0.96 31	\$268 34

Source: U.S. Bureau of the Census, 2004

1. Tennessee is second with \$3.75.

2. Washington ranks second with \$1,117.

Interest on general debt

State and local governments have three major sources of revenues — taxes and fees, revenues from other governments, and debt. Governments may issue bonds, especially for capital outlays. The capital and the interest on the bonds are later repaid from taxes and fees. Thus, interest is an additional expenditure for governments and an indicator of government borrowing.

For Missouri, debt service was 3.1 percent of state and local government spending in 2002. Interest spending per \$100 of personal income in 2002 ranged from a high of \$2.18 in Alaska to a low of \$0.47 in Georgia and Iowa (Table 10). Missouri spent \$0.65 per \$100 of personal income and ranked 43rd among all states. Missouri also ranked 43rd in 1997. The national average was \$0.87, and the median states were Colorado (\$0.85) and South Dakota (\$0.86) (Figure 12).

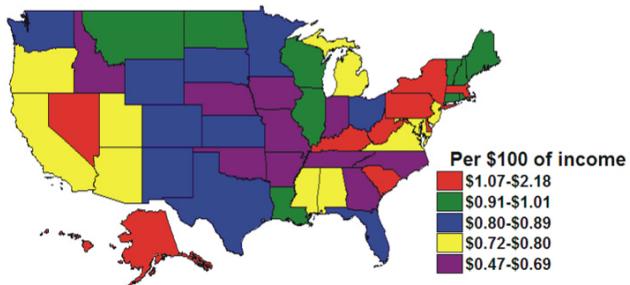


Figure 12. Interest expenditures on general debt per \$100 of personal income.

Missouri ranked 40th in interest expenditures per capita at \$183. In 1997 the state also ranked 40th. Nationally, per capita interest expenditure was \$262. The median was between \$237 (Michigan) and \$247 (West Virginia). Alaska paid the most interest per capita, \$667, while Iowa paid the least interest per capita, \$128.

High interest payments could indicate mismanagement or that a state is investing for the future by building infrastructure. For example, many states borrow to build roads and bridges.

In Missouri, low debt is one factor influencing the state's high bond rating. This rating "is derived from the state's very conservative approach to debt, both in amounts owed and in provision for repayment, as well as its long record of well-managed and balanced financial operations despite current and ongoing pressures" (Business Journal, 2002, p. 30).

Table 10. Interest on general debt.

	Expenditures per \$100 of personal income	Expenditures per capita
United States average	\$0.87	\$262
Median	\$0.85 Colorado \$0.86 South Dakota	\$237 Michigan \$247 West Virginia
Maximum	\$2.18 Alaska ¹	\$667 Alaska ²
Minimum	\$0.47 Georgia, Iowa	\$128 Iowa
Missouri average and rank	\$0.65 43	\$183 40

Source: U.S. Bureau of the Census, 2004

1. Hawaii is second with \$1.61.

2. Massachusetts ranks second with \$504 and Hawaii is third with \$462.

Insurance trusts

In 2002 insurance trusts expenditures made up about 7.5 percent of Missouri state and local budgets. These expenditures fell in the following categories:

- Employee retirement 74.8 percent
- Unemployment compensation 23.4 percent
- Workers' compensation 1.8 percent

With an expenditure of \$1.55 per \$100 of personal

income, Missouri ranked 32nd among all states in insurance trust expenditures (Table 11). Across the United States, the national median was \$1.72 (Oklahoma, Idaho) and the national average was \$1.96 (Figure 13). West Virginia (\$4.42) ranked highest while Nebraska and New Hampshire (\$0.86) spent the least amount.

With expenditures of \$436 per capita, Missouri ranked 27th in the nation in 2002. The median per capita trust expenditure was between \$456 (Delaware) and \$470 (New Mexico). The national average was \$590. The \$1,037 trust expenditure per capita by Alaska was the highest in the nation (Figure 13). The lowest insurance trusts expenditure was \$247 per capita by Nebraska.

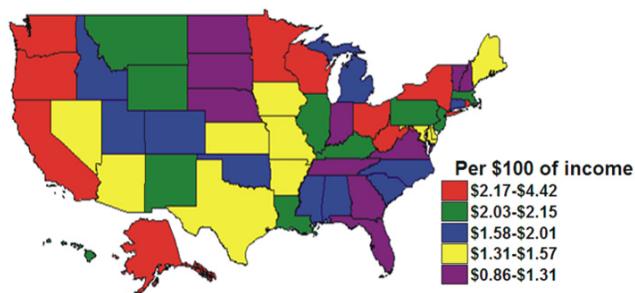


Figure 13. Insurance trusts expenditures per \$100 of personal income.

Table 11. Insurance trusts expenditures.

	Expenditures per \$100 of personal income	Expenditures per capita
United States average	\$1.96	\$590
Median	\$1.72 Oklahoma, Idaho	\$456 Delaware \$470 New Mexico
Maximum	\$4.42 West Virginia ¹	\$1,037 Alaska
Minimum	\$0.86 Nebraska, New Hampshire	\$247 Nebraska
Missouri average and rank	\$1.55 32	\$436 27

Source: U.S. Bureau of the Census, 2004

1. Alaska ranks second with \$3.38.

Summary

In fiscal year 2002, Missouri state and local governments spent \$33 billion. In comparison with other states, Missouri ranked 44th in total state and local expenditures per \$100 of personal income and 45th on state and local expenditures per capita. The United States ranks 4th lowest among members of the Organization for Economic Cooperation and Development in federal, state and local government expenditures as a percentage of gross national product.

The categories of expenditures in which Missouri ranked highest per \$100 of personal income put it at

or just above the median. Missouri ranks 24th in transportation expenditures per \$100 of personal income and 27th in social services and income maintenance.

On education services (36th) and public safety (34th), Missouri ranks in the lowest 40 percent of the nation. Missouri ranks 47th, in the lowest 20 percent nationally, in environment and housing spending. The state ranks 50th in the nation on government administrative and general spending both per \$100 of personal income and per capita.

The low rank on many expenditures may be the result of one or more of the following factors: the state may be highly efficient in its management; the state may have lower costs than other states for certain reasons; given the population of the state, there may be economies of scale in some public services; the state may have invested in the past so that it now has the infrastructure it needs; Missourians may prefer lower taxes or lower levels of certain public services than do citizens of some other states (Missouri ranks 42nd in state and local taxes as a percentage of income); some services that are publicly provided in other states may be privately provided in Missouri; Missourians may be neglecting needed public investments in the short run while ignoring the problems that this may create in the long run; and Missourians may be disregarding the needs of certain citizens whose votes do not reach a majority, which would allow them to vote for the programs that they need. The first four factors might be viewed as positive reasons for low expenditures; the latter two might be indicators of future problems because of low expenditures. The remaining two may simply reflect differences in attitudes among states.

Missouri's ranking on several major expenditures — transportation, education, social services and public safety — increased from 1997 to 2002. Missouri's state and local tax ranking also increased from 43rd to 42nd over the same period. This may in part explain the increase in ranking for these expenditures. A second part of the explanation may be that Missouri reallocated funding to these programs and away from others. Missouri's rankings fell for spending on environment and housing, and government administration and miscellaneous expenditures. A third part of the explanation may lie with states whose economies were not seriously affected by the recession during fiscal 2001. If their incomes grew and they did not increase expenditures, then their rankings fell. All of the states that rank lower than Missouri in total expenditures per \$100 of personal income are among the wealthiest — Massachusetts (2nd in per capita income), New Jersey (3rd), Connecticut (1st), Maryland (5th), Virginia (12th) and New Hampshire (6th). From 1997 to 2002, Missouri's ranking on income per capita fell from 28th to 29th in the nation.



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See also

- Missouri State and Local Taxes and Revenues: A Fifty-State Comparison for 2002. Publication MP743, <http://muextension.missouri.edu/explore/miscpubs/mp0743.htm>

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