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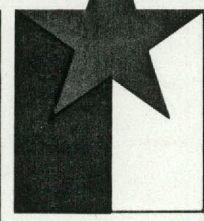
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ANALYSIS

TEXAS FISCAL FACTS

Readers Note: Not all of the articles in this *Analysis* issue deal with the same fiscal year.

1992 State Tax Revenue Increased \$1.1 Billion -- 6.7%

Tax rate increases and change in franchise tax push revenue higher. (See pages 2-3.)

State Employment Up 5.2% to 236,000

State adds another 11,580 state employees in 1992 in high service demand areas. (See page 4.)

1991 Texas Government Debt Totaled \$64.9 Billion; But, Your Share Went Down

1.2% increase in government debt was the smallest in more than a decade. (See page 5.)

1991 State-Local General Expenditure Totaled \$50 Billion -- \$2,895 Per Texan

Texas' governments added \$3.0 billion to expenditures; local spending rose 1.8%; state spending was up 15.0%. (See pages 6-7.)

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1992 State Tax Revenue Increased \$1.1 Billion -- 6.7%

The 1992 state tax take topped \$17.1 billion -- an increase of \$1.1 billion, or 6.7% over the 1991 level. Four tax sources accounted for that growth:

Corporate taxes increased \$499 million (81%) almost all from the revision of the franchise tax to include an income element in the tax base.

Motor fuels taxes added an additional \$444 million (up 29%) as 1992 was the first full year that included the gasoline and diesel fuel increase from 15 to 20 cents per gallon enacted in 1991.

Motor vehicle sales taxes were up \$147 million (13.7%), reflecting the tax rate increase from 6 to 6.25% in September 1992.

General sales tax revenue was up 3.6% - \$296 million - all from a continued growth in retail sales.

The big downer in the tax picture was the \$342 million decrease in revenues from oil and natural gas production -- each down about 25%. Oil severance taxes were impacted by returns to lower prices and production in the aftermath of the 1991 Iran crisis. Natural gas revenues go up and down from year to year because of a state tax quirk that takes in 13 months of revenue in odd-numbered years, but 11 months of collections in even-numbered years.

TAX PATTERNS

Sales taxes are the state's big money raiser, and that revenue source has grown in importance. In 1992, sales taxes accounted for 57% of revenues contrasted to 44% ten years earlier (see pie charts on page 3). The sales tax rate was 4% in 1982, and 6.25% in 1992.

The 20 cent per gallon motor fuels tax is the number two state tax raiser. The \$2 billion collected from this source in 1992 accounted for 11.4% of 1992 taxes. Comparable figures for 1982 were \$496 million, and 5.5% of the total. In 1982, gasoline was taxed at 5 cents per gallon, and diesel at 6.5 cents per gallon.

Direct corporate taxes (mostly franchise) replaced oil and gas production taxes as number three on the tax list in 1992. This source accounted for 6.5% of 1992 state tax revenue, up from 5.5% a decade earlier.

Oil and gas production taxes continued to slide in importance as a state revenue source. In 1982, this source amounted to 26% of all taxes; in 1992, 5.9%.

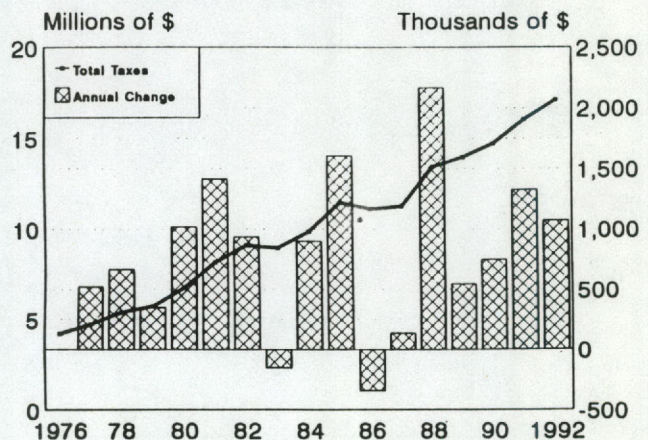
"Sin" taxes (alcohol and cigarette/tobacco products) and motor vehicle licenses and fees (5th and 6th among 1992 tax sources) provided 5.8% and 4.0% respectively of total 1992 taxes. Comparable levels a decade ago, at lower tax rates, were 6.9% and 3.5%.

What is a Tax?

The Census Bureau defines taxes as "compulsory contributions exacted by a government for public purposes." The figures used in this article follow the Census definition to facilitate the comparison with other states.

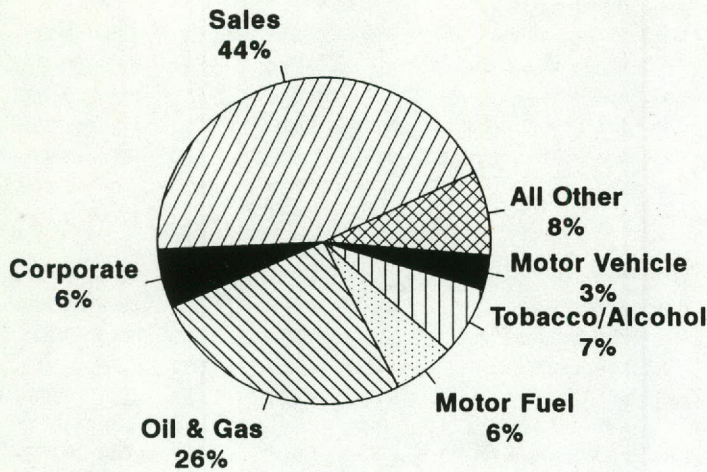
The state comptroller's annual report tends to rely on whether or not the charge was statutorily designated as a "tax." Consequently, a variety of licenses and fees (motor vehicle licenses, for example) are not counted as taxes by the comptroller. The comptroller reported \$15.8 billion in 1992 state tax revenue, a 6.2% (\$927 million) increase over 1991.

Texas State Tax Revenue



Major State Taxes

1982



1992

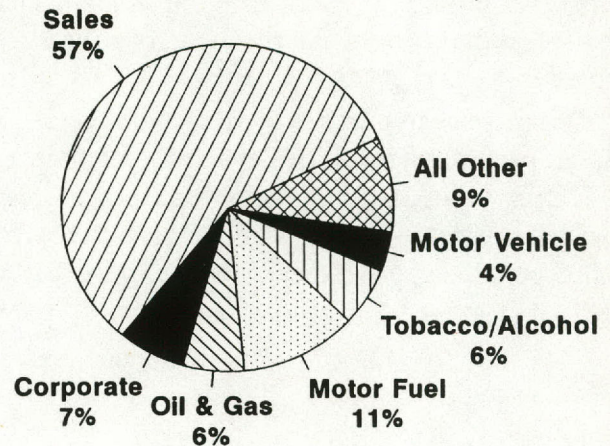


Table 1
State Tax Revenue
Fiscal 1990, 1991, 1992
(Millions of Dollars)

Source	1990	1991	1992	1992/1991 Increase	
				Amount	Percent
General Sales Tax	\$ 7,589.4	\$ 8,255.6	\$ 8,551.5	\$ 295.9	3.6%
Gas Production	568.1	662.6	497.1	(165.5)	-25.0%
Oil Production	516.1	689.2	512.7	(176.4)	-25.6%
Motor Fuels	1,515.5	1,509.3	1,953.5	444.2	29.4%
Motor Vehicles Sales	1,091.8	1,073.2	1,220.5	147.3	13.7%
Corporate	608.3	617.6	1,116.8	499.2	80.8%
Motor Vehicle License	712.4	725.1	692.1	(32.9)	-4.5%
Insurance Companies	545.2	614.4	547.9	(66.5)	-10.8%
Tobacco Products	431.6	637.3	582.9	(54.4)	-8.5%
Alcoholic Beverages	356.9	398.7	406.6	7.9	2.0%
Utilities Tax	203.7	253.7	227.2	(26.6)	-10.5%
Inheritance	131.1	127.2	141.0	13.8	10.8%
Hotel and Motel	114.9	121.1	127.1	5.9	4.9%
Driver's License	55.8	60.0	71.3	11.3	18.8%
Hunting-Fishing License	32.3	32.7	44.6	12.0	36.7%
Other Taxes	248.0	270.1	425.6	155.5	57.6%
Total	\$14,721.1	\$16,047.8	\$17,118.4	\$1,070.6	6.7%

Source: Compiled by Texas Research League from revenue reported by state comptroller and using Census Bureau's definition of taxes.

State Employment Up 5.2% to 236,000

The Classification Division of the State Auditor's Office reports that the number of full-time equivalent employees totaled 235,923 at the close of fiscal year 1992. That is 11,580 (5.2%) higher than the number reported at the close of the previous fiscal year (see Table 2).

The increasing number of state employees -- at least in part -- is a result of the continuing increase in Texas' population. Breaking down state employment into the number of employees per 10,000 population gives the following figures for the past five years:

1988	121.02 per 10,000 population
1989	123.69
1990	128.43
1991	129.31
1992	133.62

Relative to population growth, total state employment increased 3.3% between 1991 and 1992; for the five-year period, the increase was 10.4%. This means that state employment is growing faster than is the population.

The functional areas where employment growth is occurring are those where service demands -- many externally imposed -- are growing.

- Almost one-third of the total employment increase (3,630) was in agencies dealing with health and human services where federal mandates and court orders have imposed increased service levels.
- Another 20% of the increase (2,284) occurred in law enforcement and corrections agencies, primarily as the result of the staffing of new prisons.
- Enrollment in state universities is growing faster than is the general population and patient loads at state teaching hospitals continue to increase; 5,322 employees (46% of the total employment) were added to higher education institutions.

Outside of those three functional areas, the net employment growth totaled 344, or 3.0% of the total increase.

Table 2
Full-Time Equivalent State Employees

RECAP	Fiscal Year Ended August 31:			Increase 1992/1991	
	1990	1991	1992	No.	%
EXECUTIVE BRANCH					
General Government	12,511	13,261	14,021	759	5.73%
Employment Commission	4,473	4,544	4,971	427	9.41%
Comptroller	2,934	2,883	3,151	268	9.31%
Purch. & Gen. Services	860	825	727	(98)	-11.83%
Gen. Land Off/Vet Land Bd.	623	677	586	(92)	-13.56%
Agriculture	588	539	522	(17)	-3.17%
Other	3,033	3,793	4,063	270	7.12%
Regulatory	4,580	4,691	4,377	(314)	-6.70%
Insurance	1,610	1,694	1,308	(386)	-22.79%
Railroad Commission	898	899	982	83	9.24%
Alcoholic Beverage	730	724	689	(35)	-4.81%
Other	1,341	1,375	1,398	23	1.69%
Health & Human Services	53,702	56,646	60,276	3,630	6.41%
Ment. Health/Retardation	27,977	28,574	29,325	751	2.63%
Human Services	16,104	17,820	20,460	2,640	14.81%
Health	4,412	4,740	4,889	148	3.13%
Rehabilitation	2,080	2,244	2,245	1	0.05%
Youth	1,871	1,916	2,017	101	5.27%
Blind	501	532	541	9	1.60%
Other	756	818	799	(20)	-2.39%
Transportation	17,583	16,654	16,347	(307)	-1.84%
Highways & Public Trans.	17,317	16,402	16,125	(276)	-1.69%
Other	266	252	221	(31)	-12.21%
Law Enforce. & Correct.	29,455	30,826	33,110	2,284	7.41%
Criminal Justice	21,104	22,336	23,662	1,326	5.94%
Public Safety	5,455	5,409	5,647	237	4.39%
Attorney General	2,372	2,580	3,177	597	23.14%
Other	524	501	624	123	24.65%
Higher Education	88,760	90,324	95,646	5,322	5.89%
Academic Institutions	52,680	53,324	55,879	2,555	4.79%
Medical Facilities	30,029	30,890	33,549	2,659	8.61%
Other	6,051	6,110	6,218	108	1.77%
Public Education	3,757	3,751	3,395	(356)	-9.49%
State Tech. College	1,785	1,724	1,519	(205)	-11.88%
Education Agency	1,047	1,100	1,063	(37)	-3.37%
School for the Deaf	501	497	380	(117)	-23.54%
Other	424	430	433	3	0.70%
Natural Resources	4,718	4,618	5,360	742	16.07%
Parks & Wildlife	2,916	2,837	2,979	142	5.00%
Water Commission	1,112	1,083	1,493	410	37.89%
Other	690	698	889	190	27.25%
LEGISLATIVE	1,824	2,265	2,054	(211)	-9.33%
JUDICIAL	1,281	1,306	1,337	30	2.33%
TOTAL	218,169	224,343	235,923	11,580	5.16%

Source: Compiled from "Quarterly Report of Full-Time Equivalent State Employees," Office of the State Auditor, Classification Division.
Note: Detail may not add to total because of rounding.

1991 Texas Government Debt Totalled \$64.9 Billion But, Your Share Went Down

Texas' state and local governments added a net of \$739 million of government debt in 1991 to bring the total outstanding to \$64.9 billion (see Table 3). Full-faith and credit debt totaled \$22.7 billion; the remaining \$42.2 billion was nonguaranteed or short-term.

The 1991 increase (1.2%) was the smallest in more than a decade. On a per capita basis, state-local debt declined from \$3,775 in 1990 to \$3,739 in 1991.

Between 1981 and 1991, state-local debt increased by \$42.4 billion, and the per capita share grew from \$1,582 to \$3,739. During that decade, the aggregate city debt went up \$15.5 billion (224%); special districts, \$9.5 billion (131%); counties, \$8.4 billion (790%); school districts, \$4.0 billion (85%); and the state, \$5.0 billion (190%).

The two pies contrast the distribution of government debt by type of jurisdiction in 1981 and 1991. The big change was at the county level which had 15% of total debt in 1991, compared to 5% in 1981.

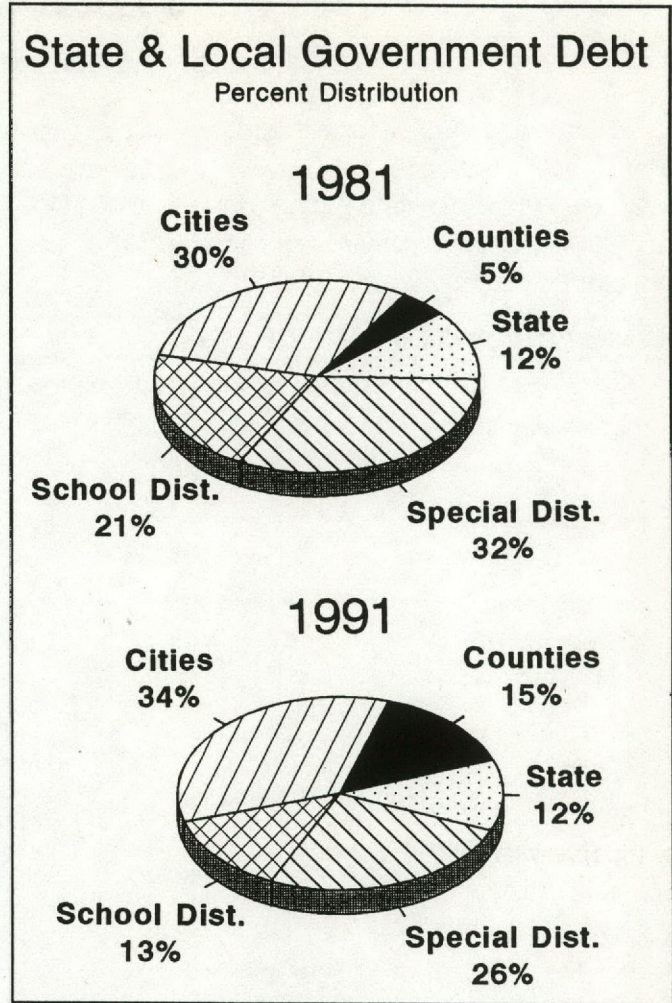


Table 3
Texas State and Local Government Debt
(Millions of \$)

	Counties	Cities	School Districts	Special Districts	State	Total	Per Capita
1981	1,061	6,891	4,693	7,219	2,652	22,516	1,582
1982	1,309	7,714	4,976	7,756	2,587	24,342	1,711
1983	2,028	8,790	5,257	11,065	3,029	30,169	1,919
1984	3,372	12,006	5,818	10,915	4,009	36,120	2,259
1985	4,853	13,698	5,990	12,654	5,193	42,388	2,589
1986	6,431	15,652	6,701	13,488	5,432	47,704	2,860
1987	7,586	18,561	6,764	15,034	5,329	53,274	3,173
1988	8,676	20,503	7,001	16,020	7,120	59,320	3,522
1989	9,308	21,132	7,506	16,366	6,665	60,977	3,589
1990	9,438	21,891	8,079	16,855	7,864	64,127	3,775
1991	9,444	22,359	8,679	16,697	7,687	64,866	3,739

Source: U.S. Bureau of the Census, Governmental Finances in 19__-__ (Series GF__, No.5).

1991 State-Local General Expenditure Totalled \$50 Billion -- \$2,895 Per Texan

Texas' governments spent \$50.2 billion in fiscal 1991 – a \$3.0 billion (6.4%) increase over the previous year. Per capita spending increased \$115, up 4.1% to \$2,895. Local government spending rose 1.8%; state government expenditures increased 15.0%.

Compared to 1990, federal aid was up \$1.1 billion (15.1%); local revenues increased by \$931 million (4.2%); and state revenues rose \$1.8 billion (9.1%).

The state raised 40.3% of the total revenue, but accounted for only 37.3% of direct general government expenditure. The differential results from substantial amounts of federal and state aid passed along to local governments (particularly to school districts) for ultimate expenditure. Local governments accounted for 62.7% of total spending, contrasted to 43.6% of total income.

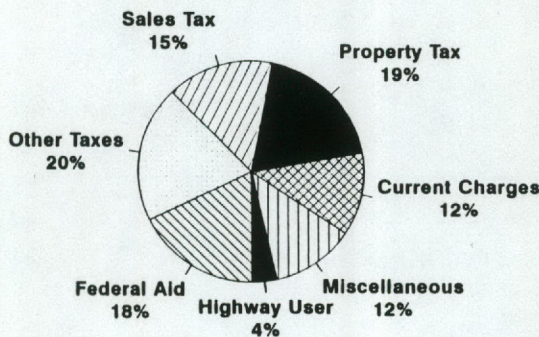
REVENUE TOTALLED \$52.6 BILLION

State-local 1991 spending was financed as follows:

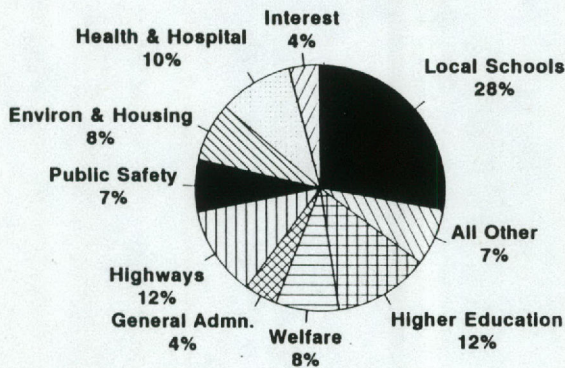
Local Revenue	\$22.9 billion	43.6%
State Revenue	21.2	40.3%
Federal Aid	8.5	16.1%

Texas State-Local Finances 1980-81

Source of Funds

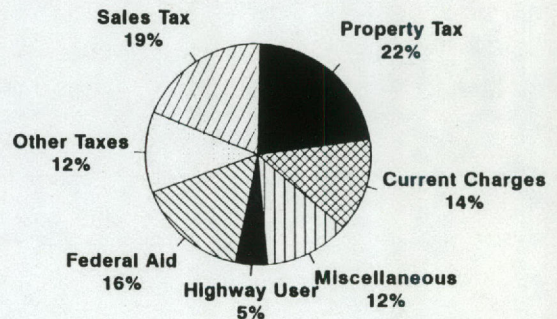


How It Was Spent

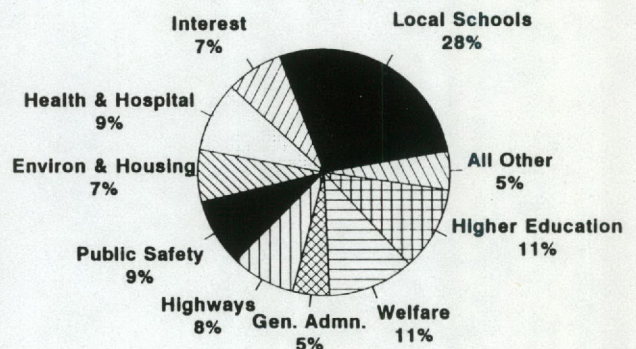


Texas State-Local Finances 1990-91

Source of Funds



How It Was Spent



BALANCING GOVERNMENT ACCOUNTS

Comparing total government income (\$52.6 billion) and outgo (\$50.2 billion) shows a \$2.4 billion net surplus. In addition, state-local debt increased by \$739 million (see Table 3, on page 5). The government accounts balance when cash and security holdings plus expenditures other than for general operations are included. Cash and security holdings increased in 1991 by \$2.2 billion to \$91.9 billion.

REVENUE AND EXPENDITURE PATTERN

The four pie charts on page 6 contrast government income and spending in 1991 with that from a decade earlier.

Education expenditures (public schools and universities) dominate Texas government spending, consuming 38.7% (\$19.5 billion) of total 1991 general outlay. Ten years earlier, the total education outlay was \$8.5 billion, 40% of all spending. These figures are substantially less than the total education expenditures since bonded debt interest and teacher retirement costs are not included. Hospital expenditures at state medical schools also are counted elsewhere.

Spending on highways and streets was almost 162% greater in 1991 compared to 1981 (\$4.1 billion to \$2.5 billion). This function accounted for 8.1% of 1991 expenditures contrasted to 11.8% in 1981.

One of the significant spending areas is public welfare, where governments spent \$5.5 billion in 1991, and \$1.7 billion in 1981. This function accounted for 11.0% and 8.2% of general expenditure in 1991 and 1981 respectively.

Another spending area of note is interest on general debt. This item accounted for 7.2% (\$3.6 billion) of 1991 spending compared to 3.9% (\$837 million) in 1981.

On the revenue side, the 1991 and 1981 patterns are quite similar. The property tax is the big government money raiser, and has grown relative to other income sources (22.4% of 1991 revenue, 19.5% in 1981). Sales taxes also have increased as a percent of the total (19.2% in 1991, 15.1% in 1981). Those changes were offset by relative declines in the "other tax" category. All taxes comprised 52.8% of government revenue in 1991, and 54.3% in 1981.

Federal aid accounted for 17.6% of 1981 revenue, but only 16.1% in 1991. Together, current charges and miscellaneous income comprised 25.9% and 24.5% of 1991 and 1981 revenue respectively.

Table 4
Texas' General Government Operations
1990-91

(Millions of Dollars)

REVENUE	Total	State	Local
Revenue from Own Sources			
Taxes:			
Property	\$11,787	\$ 0	\$11,787
General Sales	10,094	8,295	1,799
Motor Fuels	1,509	1,509	0
Motor Vehicle License	897	726	172
Other Taxes	6,201	5,487	714
Current Charges:			
Education	2,194	1,447	747
Hospitals	1,899	462	1,437
Other	3,110	331	2,779
Miscellaneous Revenue:			
Interest Earnings	4,536	1,738	2,798
Other	1,892	1,192	700
Subtotal Own Source Revenue	\$44,119	\$21,186	\$22,933
Intergovernmental Revenue			
From Federal Government:			
Public Welfare	\$3,730	\$3,690	\$39
Education	1,817	1,690	126
Other	2,924	2,225	700
From State Government:			
Education			7,312
Public Welfare			147
Other			630
From Local Governments			27
Subtotal Intergovernmental	\$8,471	\$7,632	\$8,954
GENERAL REVENUE, TOTAL*	\$52,589	\$28,819	\$31,887
Exhibit: State govt. revenue after transfers to local govts.		\$20,703	
EXPENDITURES BY FUNCTION			
Education Services:			
Local Schools	\$13,931	\$129	\$13,802
Higher Education	5,533	4,333	1,200
Other Education	451	451	
Libraries	172	7	165
Social Svc. & Income Maint.:			
Public Welfare	5,525	5,392	134
Health & Hospitals	4,544	1,763	2,781
Employment Security Adm.	213	213	
Veterans' Services	10	10	
Transportation:			
Highways	4,054	2,606	1,448
Airports	418		418
Other	172		172
Public Safety:			
Police Protection	1,840	207	1,633
Fire Protection	748		748
Corrections	1,534	916	618
Protective Inspec. & Reg.	276	206	70
Environment & Housing:			
Nat. Res., Parks & Recreation	1,335	431	904
Sewerage	1,150		1,150
Solid Waste Management	490	94	396
Housing & Community Develop.	435	8	427
General Administration:			
Financial Administration	871	288	583
General Public Buildings	364	91	273
Judicial & Legal	740	178	562
Other General Administration	397	90	307
Interest on General Debt	3,634	598	3,036
Other General Expenditure	1,397	727	669
GENERAL EXPENDITURE, TOTAL	\$50,233	\$18,737	\$31,496

*Total excludes transactions between state and local governments to avoid double-counting.

Note: Detail may not add to total because of rounding.

Source: U.S. Bureau of the Census, Governmental Finances in 1990-91 (Series GF/91-5).

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