

Assessing Kansas' Government Charges Among the Fifty States

Daniel Korber, M.S.
Senior Research Analyst
Kansas, Inc.

Prepared for



May 2010

Preface

The Kansas economy was historically built on three primary industries that drove the state's economy – agriculture, oil and gas, and aviation. These primary industries built the foundation of the Kansas economy, and while they remain inherent strengths, they are ever-changing as we transition into an integrated global economy. In essence, these industries represented the preverbal three-legged stool; however, the current economy has evolved into a dynamic five-legged table that includes: Rural Development and Agriculture; Energy and Natural Resources; Manufacturing – Aerospace and General; Professional, Scientific and Technical Services; and Biosciences.

During the strategic planning process, throughout the state it was recognized that every business matters, whether large or small, startup or multi-generational operations – Kansas must have a competitive business and tax climate to nurture businesses of all sizes and in all stages. Both startups and existing expansions are important to the economy, and the state must focus its efforts to provide a business climate that can provide the foundation for future businesses.

The Kansas, Inc. strategic planning process highlighted the importance of a tax and regulatory structure that is competitive and conducive for the growth of existing and new businesses of all sizes and sectors.

We have to recognize what we can and can't do, and focus on the areas where we can make an impact. Remember who and what got us here – every business matters.¹

- Kansas, Inc. Strategic Planning

Introduction

Since its inception, Kansas, Inc. has provided extensive research in the area of business taxes, costs and regulatory structure, comparing Kansas to other states in the region and the U.S. to provide background information relative to state and local tax structure, and to assess the relative cost competitiveness of Kansas as a location for doing business.

This report and its companion, *Assessing Kansas' Tax Burden Among the Fifty States* seeks to examine state and local government taxes and charges in an effort to provide an understanding of Kansas revenues and how they compare to other states. While these figures reflect only a portion of state and local government revenue, this information provides valuable insight into the role that taxes and charges have in providing services for the state's citizens, and ultimately what their impact is on the overall business climate in the state.

Excerpt from *Business Taxes and Costs, A Cross-State Comparison* –

Since the early 1980's, the responsibility for the provision of many goods and services has shifted from the federal government to state and local agencies. Accompanying this shift has been an increase in state and local taxes. These taxes grew much faster than personal income during the 1980's and slightly faster during the 1990's. In the early 2000's, a recession and corresponding slow recovery also placed substantial stress on state and local fiscal structures.

Thus, state and local governments have had to perform a difficult balancing act to meet revenue needs, preserve tax systems that are considered "fair" by citizens, and maintain a business climate that is attractive, or at least not discouraging, to businesses. In many states, (not including Kansas), these pressures were relieved temporarily by budget surpluses of the late 1990's; however, the underlying challenge remains, and an economic slowdown can put most states under pressure again.²

¹ *Leveraging our Foundations and Designing the Future: A Kansas Economic Renaissance, The 2007 Kansas Economic Development Strategic Plan*, Kansas, Inc. January 2008.

² *Business Taxes and Costs, A Cross-State Comparison 2003 Update*, by Pat Oslund, David Burrell, and Luke Middleton, Policy Research Institute, University of Kansas for Kansas, Inc., February 2004.

About the Data

Government Finances

The U.S. Census Bureau provides periodic and comprehensive statistics about governments and government financial activities through the Census of Government Finances and the Annual Survey of Government Finances. The Census of Government Finances is conducted every five years (2007, 2002, 1997, 1992), while a sample of state and local governments is used to collect data in the intervening years.

The data is used by Congress, federal agencies, state and local governments, educational and research organizations, and the general public for:

- Development of the government component of the gross domestic product estimates
- Development of the national income accounts
- Development of personal income figures for state and county areas
- Allocation of certain federal grant funds
- Legislative research
- Comparative studies of state and local government finances
- Public and fiscal policy research and analysis

The data used in this report includes government charges (i.e. education, hospitals, highways, air transportation, parking facilities, sea and inland port facilities, natural resources, parks, recreation, housing, community development, sewerage, solid waste management, and other charges).

The U.S. Census Bureau defines government charges as costs imposed for providing current services or for the sale of products in connection with general government activities. Amounts designated as current charges are reported on a gross basis without offsetting the cost to produce or buy the commodities or services sold. Utility service charges are excluded here and reported elsewhere under utility revenue.

The data used in this report is further described in **Appendix A on pg 15.**

The 6-State Region

For comparison purposes, Kansas, Inc. has defined the 6-State Region to include: Arkansas, Colorado, Iowa, Missouri, Nebraska, and Oklahoma. Comparisons to these states simply provide a view of how Kansas ranks compared to its nearby states. The following summary includes details relative to Kansas and the 6-State Region; however, data for all fifty states is included within the tables and figures in the report.

Personal Income

Personal income is the income that is received by all persons from all sources. Personal income is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

Executive Summary

Table 1. Total State & Local Government Charges, FY 1992 – 2007 (pg 5)

Examining state and local government charges over this period provides a measure of overall trends and the level of total government charges in each state. When examining Table 1, it is important to remember these figures are not adjusted for inflation or per capita figures, but are intended to provide an understanding of the overall level of government charges in each state.

During FY 2007, Kansas ranked 32nd in total state and local government charges, with revenues totaling nearly \$3.0 billion. Similar to other states, Kansas rankings have been fairly consistent since 1992. Compared to states in the 6-State Region, Colorado (\$6.8 B), Missouri (\$5.8 B), Iowa (\$4.4 B), and Oklahoma (\$4.1 B) ranked higher, while Arkansas (\$2.7 B) and Nebraska (\$2.2 B) ranked lower.

Figure 1. Percent Increase in Total State & Local Government Charges, FY 1997 – 2007 (pg 6)

Figure 1 reveals overall trends in total state and local government charges. For comparison purposes, FY 1997 data is adjusted for inflation³.

From 1997 to 2007, total state and local government charges in Kansas increased 26.0 percent, after adjustment for inflation. This increase ranked 41st in the U.S. Compared to states in the 6-State Region, Colorado (57.4 percent), Missouri (49.0 percent), Iowa (37.7 percent), Arkansas (31.2 percent) and Oklahoma (29.0 percent) ranked higher (greater percent increase in total state and local government charges), while Nebraska (22.4 percent) ranked lower. During this period, no states in the U.S. recorded a decrease in total state and local government charges.

Figure 2. State & Local Government Charges Per Capita, FY 2007 (pg 7)

Figure 2 provides a comparison of the average government charge burden in each state on a per capita basis. These averages are calculated by dividing the total state and local government charges by the state's population in 2007.

State and local government charges per capita in Kansas totaled \$1,076, ranking 30th highest in the U.S. Compared to states in the 6-State Region, Iowa (\$1,488), Colorado (\$1,401), Nebraska (\$1,269) and Oklahoma (\$1,131) ranked higher per capita, while Missouri (\$985) and Arkansas (\$944) ranked lower per capita.

Figure 3. State & Local Government Charge Revenue Per Capita, FY 2007 (pg 8)

Figure 3 provides a comparison of the average per capita government charge burden specific to each level of government. This measure indicates how much of the government charge burden can be attributed specifically to state and local government.

State government charges per capita in 2007 were greater in Kansas (\$435) than Missouri (\$389), while they were less than Nebraska (\$471), Colorado (\$527), Oklahoma (\$534), Arkansas (\$616), and Iowa (\$693).

Local government charges per capita in 2007 were greater in Kansas (\$641) than Arkansas (\$327), Missouri (\$596), and Oklahoma (\$597), while they were less than Iowa (\$794), Nebraska (\$798), and Colorado (\$874).

Figure 4. Trends in State & Local Government Charges Per Capita (pg 9)

Figure 4 provides a long-term comparison of how the Kansas government charge burden compares to both the 6-State Region and the U.S. average over a 15-year time period. For comparison purposes, these figures are adjusted for inflation.

³ The CPI inflation calculator uses the average Consumer Price Index for a given calendar year. This data represents changes in prices of all goods and services purchased for consumption by urban households. This index value has been calculated every year since 1913. For the current year, the latest monthly index value is used.

From 1992 to 2007, state and local government charges per capita in Kansas trended lower than the 6-State Region and the U.S. average. Based on the data, state and local government charges per capita have increased since 2000.

Figure 5. State Government Charge Sources Per Capita, FY 2007 (pg 10)

Figure 5 reveals the primary sources of government charge revenues on a state government level, providing insight regarding each state's mix of government charges. For the purpose of this study, government charges are grouped into six primary categories – education; hospitals; highways, air transportation, parking facilities, sea and inland port facilities; natural resources, parks, recreation, housing, community development; sewerage, solid waste management; and other charges.

During 2007, similar to other states in the 6-State Region, Kansas state government charges primarily consisted of education (\$297) and hospitals (\$61). Other Kansas state governmental charges included transportation (\$27), natural resources and community development (\$11), sewage and solid waste management (\$2) and other charges (\$37).

Figure 6. Local Government Charge Sources Per Capita, FY 2007 (pg 11)

Figure 6 reveals the primary sources of government charge revenues on a local government level, providing insight regarding each state's mix of government charges. For the purpose of this study, government charges are grouped into six primary categories – education; hospitals; highways, air transportation, parking facilities, sea and inland port facilities; natural resources, parks, recreation, housing, community development; sewerage, solid waste management; and other charges.

During 2007, similar to other states in the 6-State Region, Kansas local government charges primarily consisted of education (\$133), hospitals (\$223), and sewerage and solid waste management (\$149). Other Kansas local government charges included transportation (\$15), natural resources and community development (\$33), and other charges (\$87).

Figure 7. State & Local Government Charges as Percent of Total Personal Income, FY 2007 (pg 12)

Figure 7 provides insight regarding the state and local government charge burden as a percent of total personal income. Personal income is the income that is received by all persons from all sources.

During 2007, total state and local government charges were 2.9 percent of Kansas' total personal income, ranking 32nd highest in the U.S. Compared to states in the 6-State Region, Kansas ranked higher (state and local government charges a greater percent of total personal income) than Missouri (2.8 percent), and lower than Arkansas (3.0 percent), Oklahoma (3.3 percent), Colorado (3.3 percent), Nebraska (3.3 percent, and Iowa (4.2 percent).

Figure 8. Percent Growth in Per Capita State & Local Government Charges, FY 1997 – 2007 (pg 13)

Figure 8 reveals long-term trends with respect to per capita government charge growth in each state. For comparison purposes, FY 1997 data is adjusted for inflation.

From 1997 to 2007, per capita state and local government charges grew by 18.7 percent in Kansas, ranking 34th highest in the U.S. Compared to states in the 6-State Region, Kansas ranked lower than Missouri (36.3 percent), Iowa (32.0 percent), and Colorado (26.5 percent), but higher than Oklahoma (18.3 percent), Arkansas (16.5 percent), and Nebraska (14.5 percent).

Figure 9. Total Personal Income Growth Vs. State & Local Government Charge Growth (pg 14)

Figure 9 compares total personal income growth to state and local government charge growth, providing a measure of whether personal income or government charges are increasing faster. For comparison purposes, FY 1997 data is adjusted for inflation.

From 1997 to 2007, total personal income increased less than state and local government charges in Kansas. Total state and local government charges grew by 26.0 percent, while total personal income grew by 24.7 percent. Compared to states in the 6-State Region, Oklahoma, Nebraska, and Arkansas experienced greater growth in total personal income, while Colorado, Iowa, and Missouri experienced less growth in total personal income versus state and local government charges.

Table 1. Total State & Local Government Charges, FY 1992 – 2007

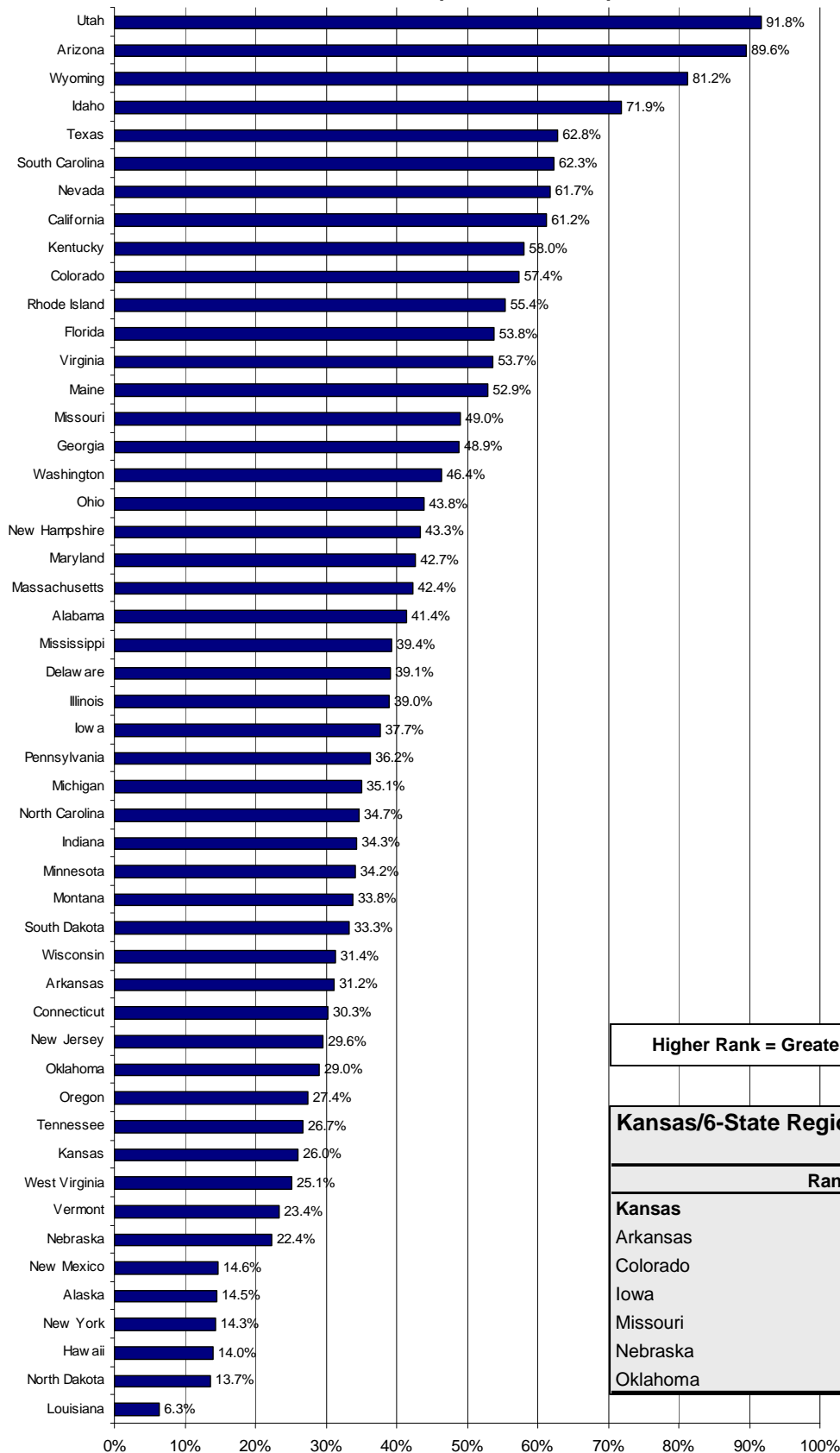
(\$1,000's)

State	Total State & Local FY 1992	1992 Rank	Total State & Local FY 1997	1997 Rank	Total State & Local FY 2002	2002 Rank	Total State & Local FY 2007	2007 Rank
California	\$ 18,803,251	1	\$ 24,840,951	1	\$ 36,003,415	1	\$ 51,656,567	1
Texas	8,010,310	3	11,539,520	3	15,987,662	3	24,237,052	2
New York	11,300,422	2	15,771,928	2	18,180,170	2	23,262,759	3
Florida	7,648,711	4	11,436,762	4	15,500,099	4	22,686,040	4
Pennsylvania	5,390,951	5	7,325,514	5	11,079,607	5	12,873,601	5
Ohio	5,300,392	7	6,882,163	7	9,107,066	7	12,769,231	6
Michigan	5,301,407	6	7,309,438	6	9,559,001	6	12,741,680	7
Illinois	4,283,220	8	5,958,758	9	7,885,807	9	10,681,825	8
North Carolina	3,538,790	12	6,077,444	8	8,543,473	8	10,562,117	9
Georgia	4,157,923	9	5,396,409	11	6,963,408	10	10,364,510	10
Virginia	3,556,094	11	4,819,892	13	6,520,215	13	9,555,194	11
Washington	3,286,142	14	4,959,890	12	6,598,826	12	9,368,165	12
New Jersey	4,020,424	10	5,498,040	10	6,801,708	11	9,195,076	13
South Carolina	2,353,067	21	3,654,653	18	4,579,364	20	7,651,702	14
Indiana	3,396,044	13	4,344,155	14	5,762,582	14	7,526,694	15
Alabama	2,878,708	16	3,833,259	16	5,364,868	15	6,993,148	16
Colorado	2,016,830	23	3,340,999	22	4,701,428	19	6,783,300	17
Tennessee	2,776,358	18	3,956,854	15	5,140,555	16	6,467,619	18
Minnesota	3,081,680	15	3,707,709	17	4,874,065	17	6,417,520	19
Massachusetts	2,848,601	17	3,348,708	21	3,799,261	25	6,150,780	20
Wisconsin	2,700,230	19	3,586,025	19	4,857,445	18	6,079,104	21
Missouri	2,054,853	22	3,028,047	23	3,881,748	24	5,820,594	22
Maryland	2,006,219	24	2,888,694	25	3,919,999	22	5,318,877	23
Arizona	1,515,860	30	2,109,019	29	2,892,769	29	5,157,979	24
Louisiana	2,442,667	20	3,513,332	20	4,440,637	21	4,819,580	25
Oregon	1,708,003	27	2,916,811	24	3,894,177	23	4,795,292	26
Iowa	1,853,305	25	2,493,757	26	3,288,176	26	4,430,869	27
Kentucky	1,592,093	28	2,082,719	30	2,823,933	30	4,245,645	28
Oklahoma	1,846,471	26	2,455,457	27	3,264,820	27	4,085,167	29
Mississippi	1,549,714	29	2,210,290	28	3,066,357	28	3,973,480	30
Utah	999,211	35	1,529,219	33	2,504,351	31	3,782,708	31
Kansas	1,277,419	31	1,837,893	31	2,083,916	33	2,986,245	32
Nevada	845,456	37	1,421,108	36	2,196,411	32	2,964,258	33
Arkansas	1,041,218	33	1,584,610	32	1,959,544	34	2,682,628	34
Connecticut	1,164,147	32	1,512,081	34	1,763,334	35	2,541,134	35
Nebraska	1,015,636	34	1,422,879	35	1,434,794	36	2,246,191	36
Idaho	526,138	42	861,876	40	1,299,234	38	1,911,610	37
West Virginia	802,378	39	1,176,463	37	1,320,905	37	1,898,892	38
New Mexico	832,160	38	1,147,364	38	1,230,462	39	1,696,225	39
Hawaii	869,394	36	1,026,606	39	1,037,052	40	1,510,265	40
Delaware	536,252	41	705,263	42	907,059	41	1,265,627	41
Maine	465,522	43	581,437	45	801,797	43	1,147,006	42
New Hampshire	459,057	44	612,241	43	804,673	42	1,131,994	43
Alaska	605,230	40	744,801	41	695,935	46	1,100,392	44
Wyoming	324,341	48	459,539	47	695,826	47	1,074,288	45
Montana	339,158	46	586,913	44	747,832	44	1,013,172	46
Rhode Island	325,501	47	435,760	48	554,801	48	873,425	47
North Dakota	434,456	45	574,267	46	706,120	45	842,292	48
South Dakota	259,970	50	379,263	50	423,977	50	652,186	49
Vermont	285,270	49	388,345	49	436,720	49	618,176	50

Source: Government Finances, U.S. Census Bureau

Figure 1. Percent Increase in Total State & Local Government Charges, FY 1997 – 2007

(2007 Dollars)

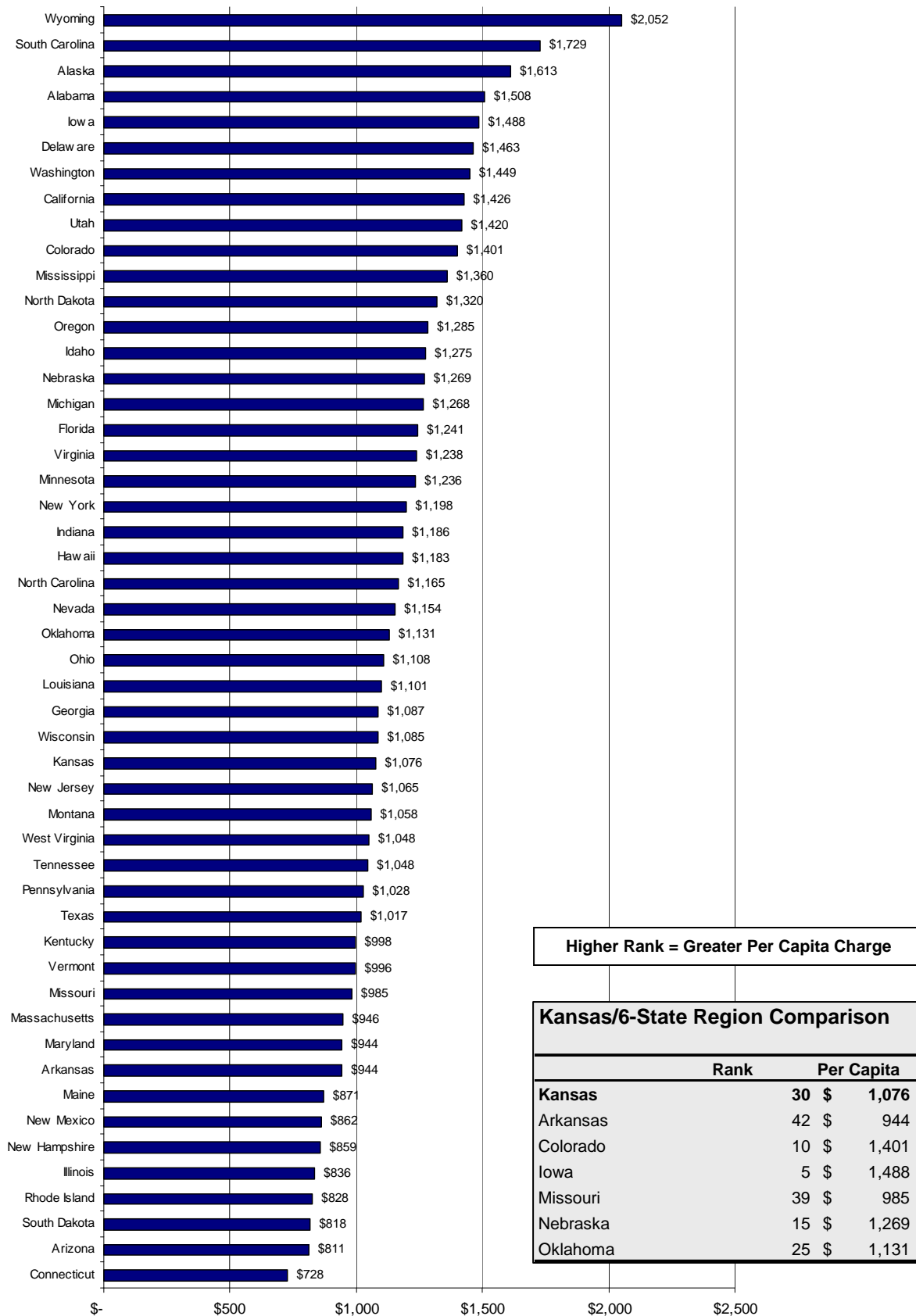


Higher Rank = Greater Charge Growth

Kansas/6-State Region Comparison		
	Rank	Percent
Kansas	41	26.0%
Arkansas	35	31.2%
Colorado	10	57.4%
Iowa	26	37.7%
Missouri	15	49.0%
Nebraska	44	22.4%
Oklahoma	38	29.0%

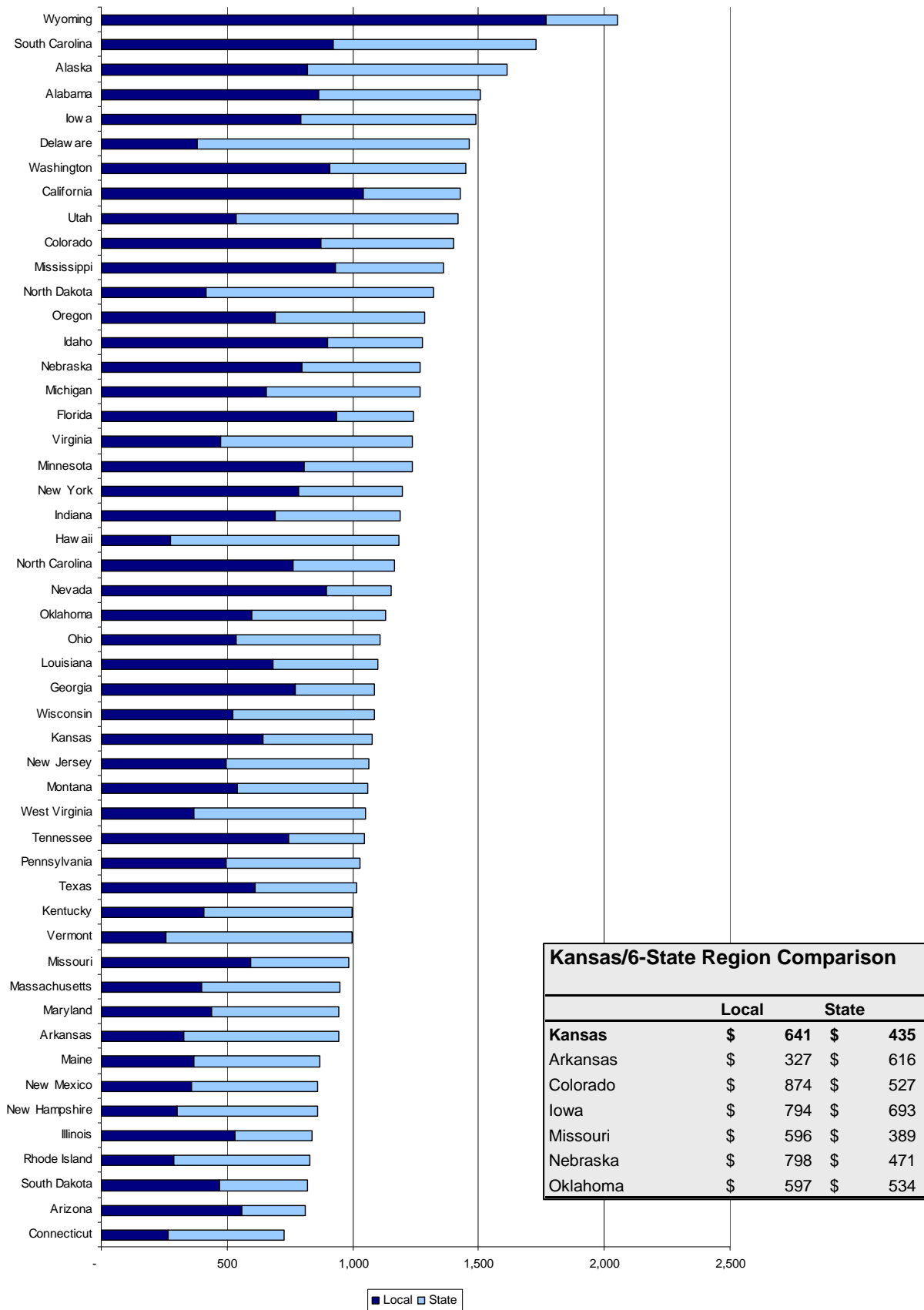
Source: Government Finances, U.S. Census Bureau

Figure 2. State & Local Government Charges Per Capita, FY 2007



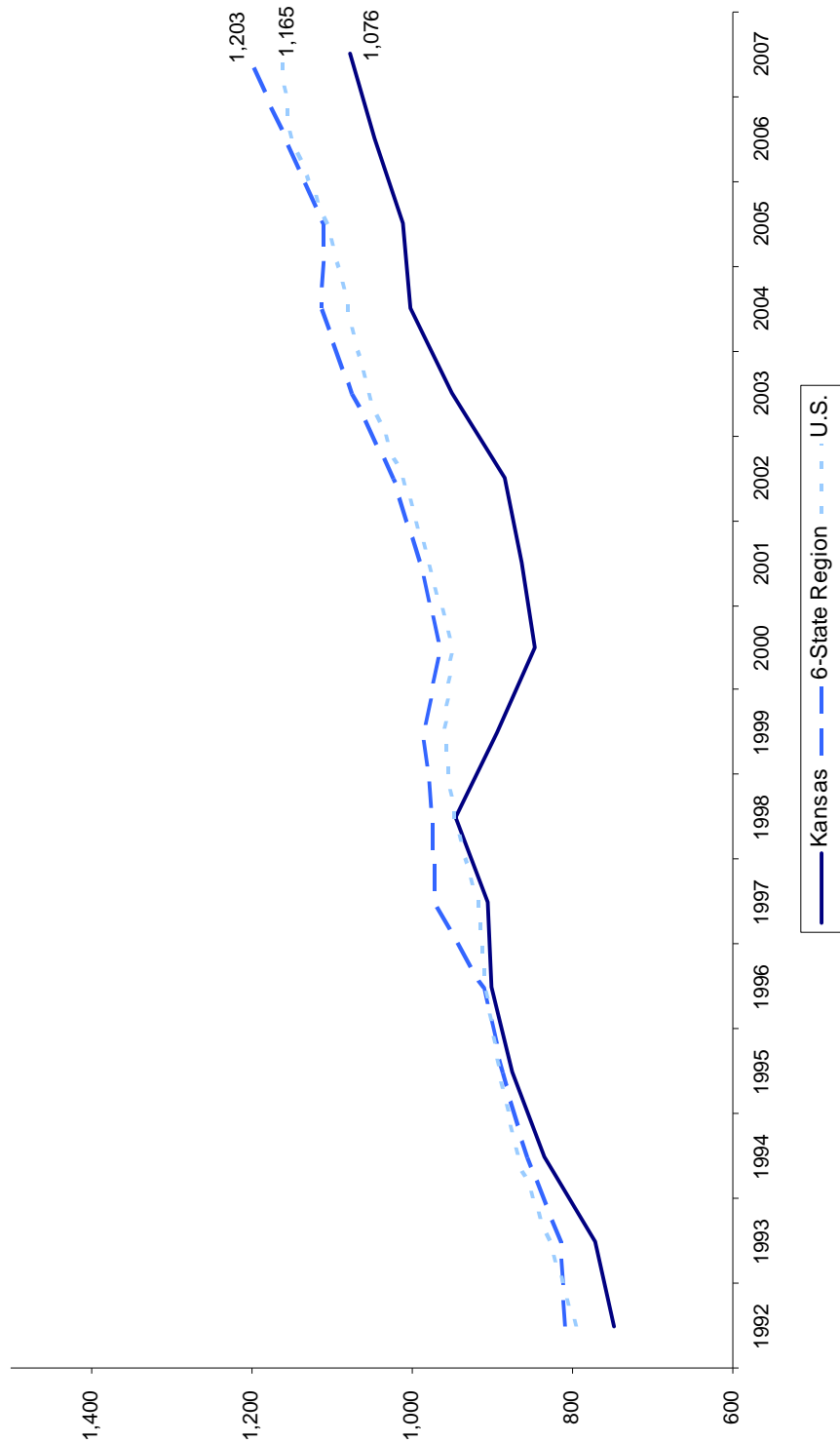
Source: Government Finances, U.S. Census Bureau

Figure 3. State & Local Government Charge Revenue Per Capita, FY 2007



Source: Government Finances, U.S. Census Bureau

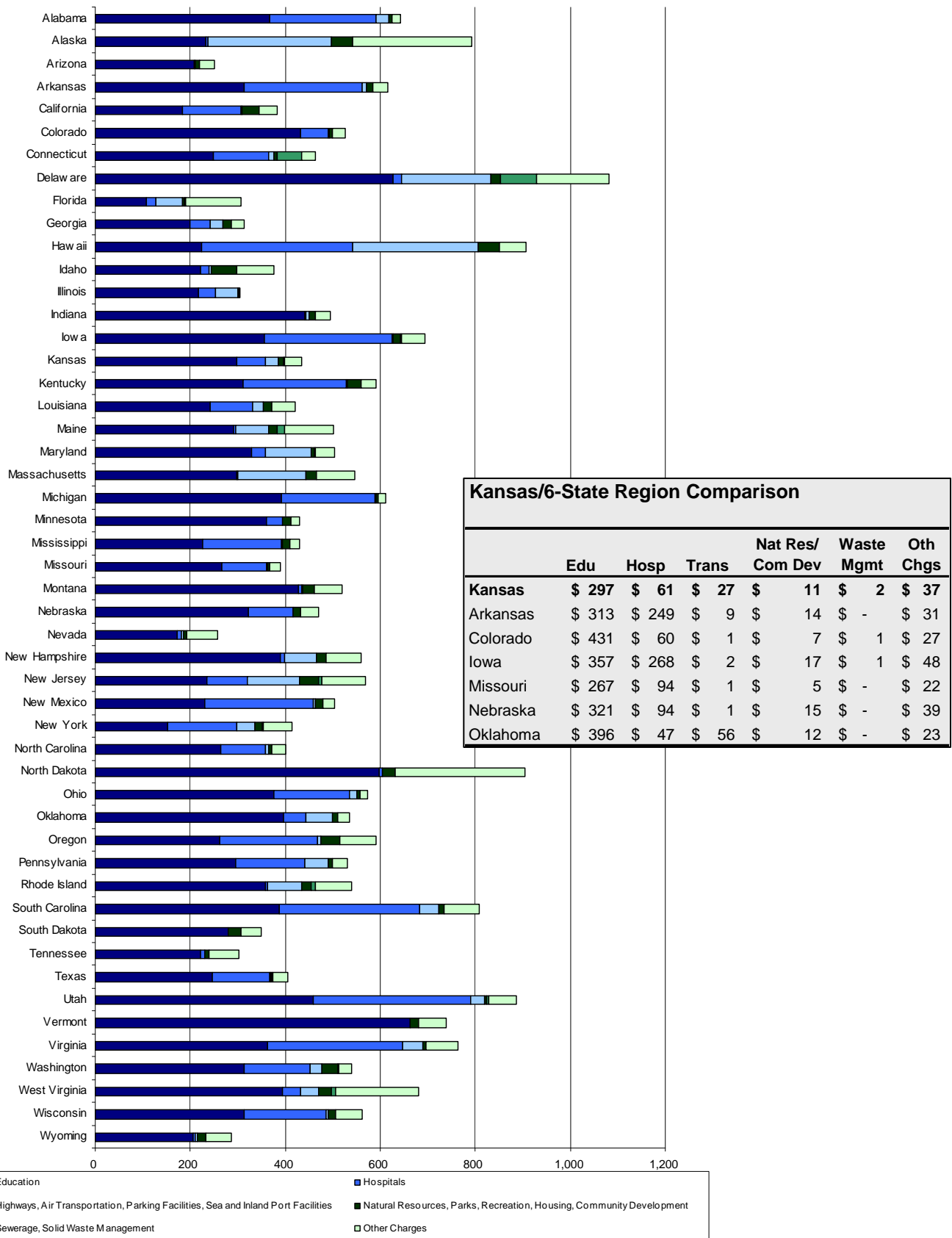
**Figure 4. Trends in State & Local Government Charges Per Capita⁴
(2007 Dollars)**



Source: Government Finances, U.S. Census Bureau

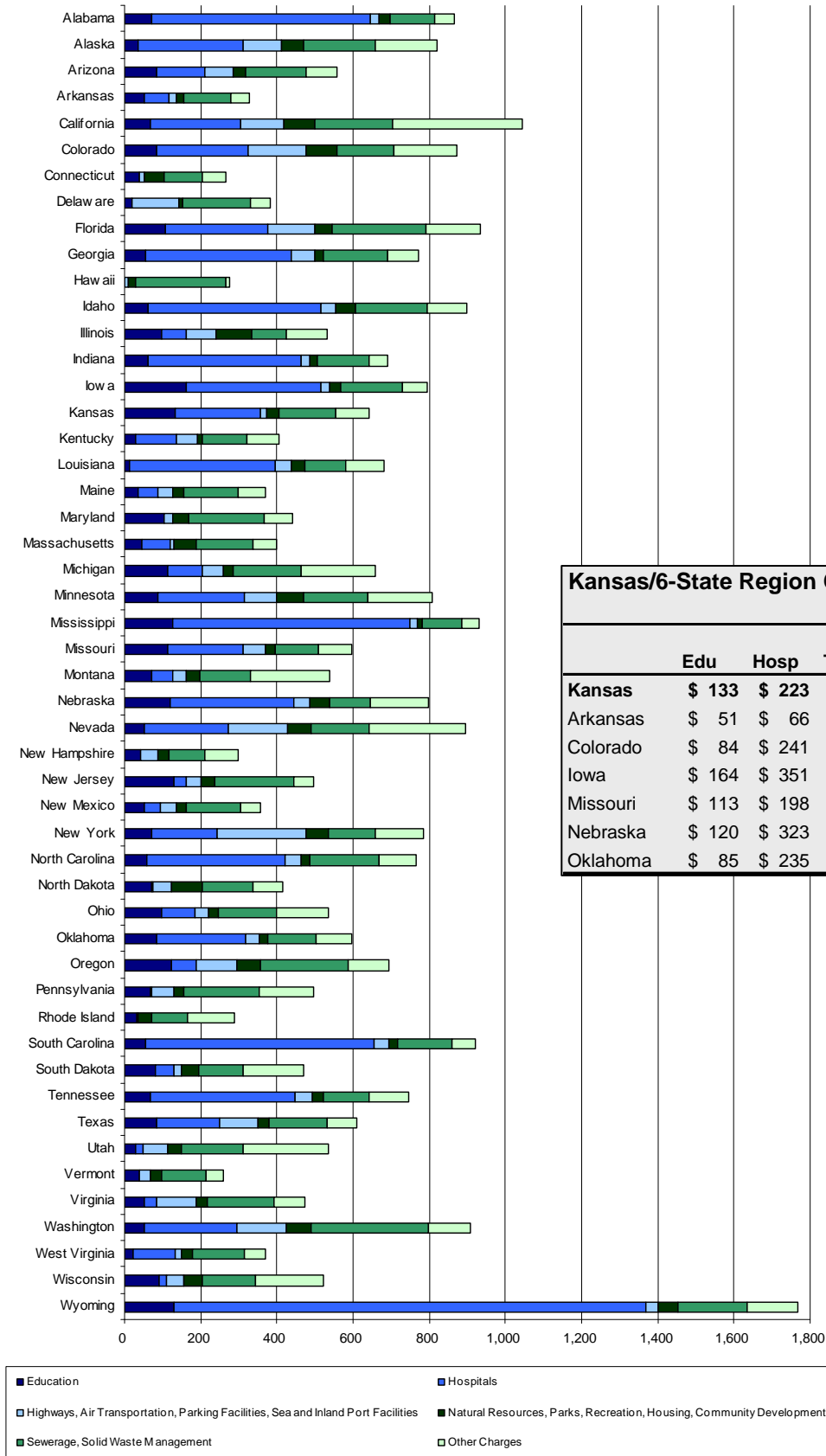
⁴ State and local data was unavailable for the years 2001 and 2003. The average of 2000-2002 was used to create 2001 data. The average of 2002-2004 was used to create 2003 data.

Figure 5. State Government Charge Sources Per Capita, FY 2007



Source: Government Finances, U.S. Census Bureau

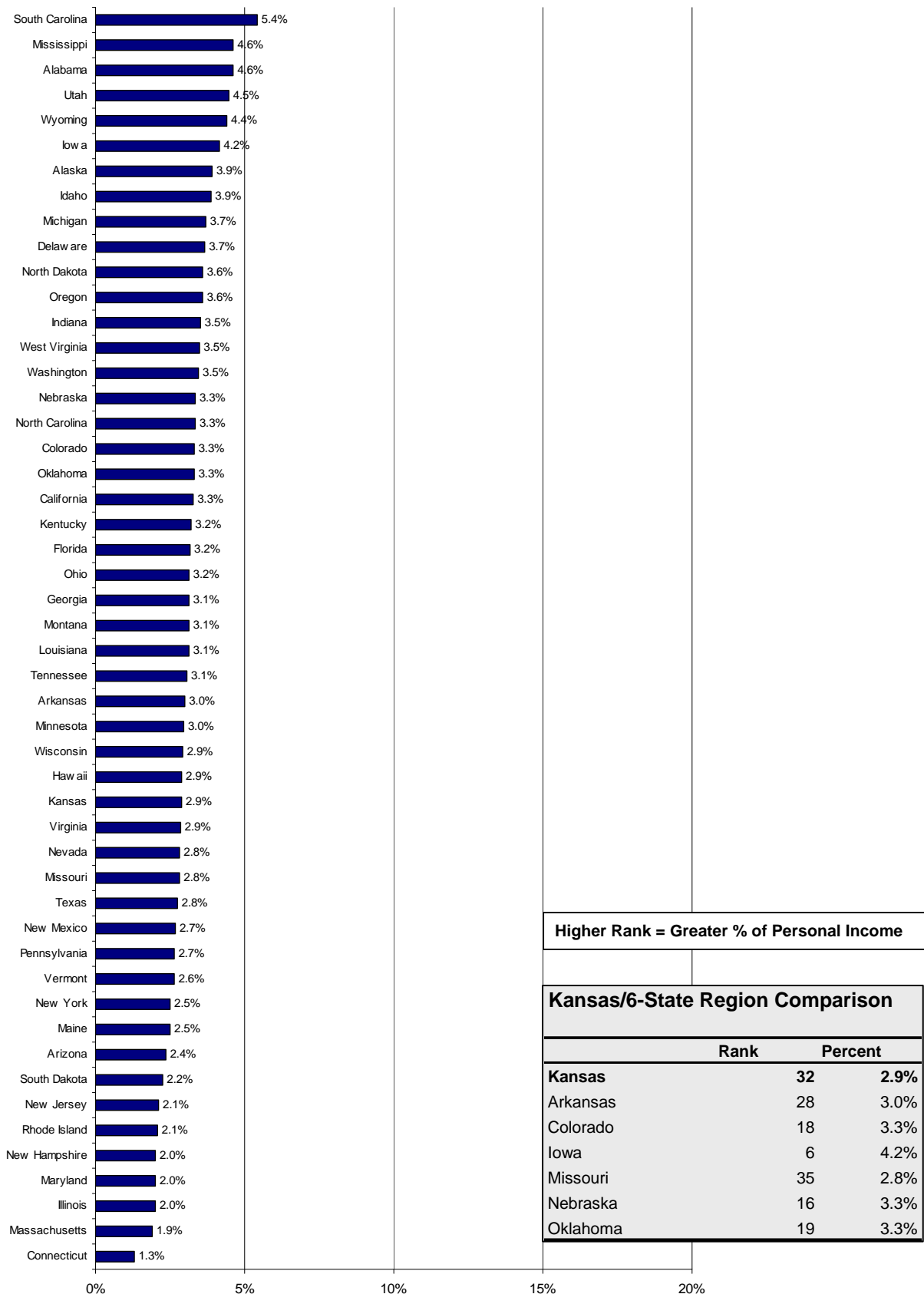
Figure 6. Local Government Charge Sources Per Capita, FY 2007



	Edu	Hosp	Trans	Nat Res/ Com Dev	Waste Mgmt	Oth Chgs
Kansas	\$ 133	\$ 223	\$ 15	\$ 33	\$ 149	\$ 87
Arkansas	\$ 51	\$ 66	\$ 20	\$ 19	\$ 123	\$ 47
Colorado	\$ 84	\$ 241	\$ 153	\$ 79	\$ 150	\$ 167
Iowa	\$ 164	\$ 351	\$ 25	\$ 28	\$ 162	\$ 66
Missouri	\$ 113	\$ 198	\$ 57	\$ 27	\$ 113	\$ 88
Nebraska	\$ 120	\$ 323	\$ 43	\$ 51	\$ 110	\$ 151
Oklahoma	\$ 85	\$ 235	\$ 33	\$ 24	\$ 126	\$ 95

Source: Government Finances, U.S. Census Bureau

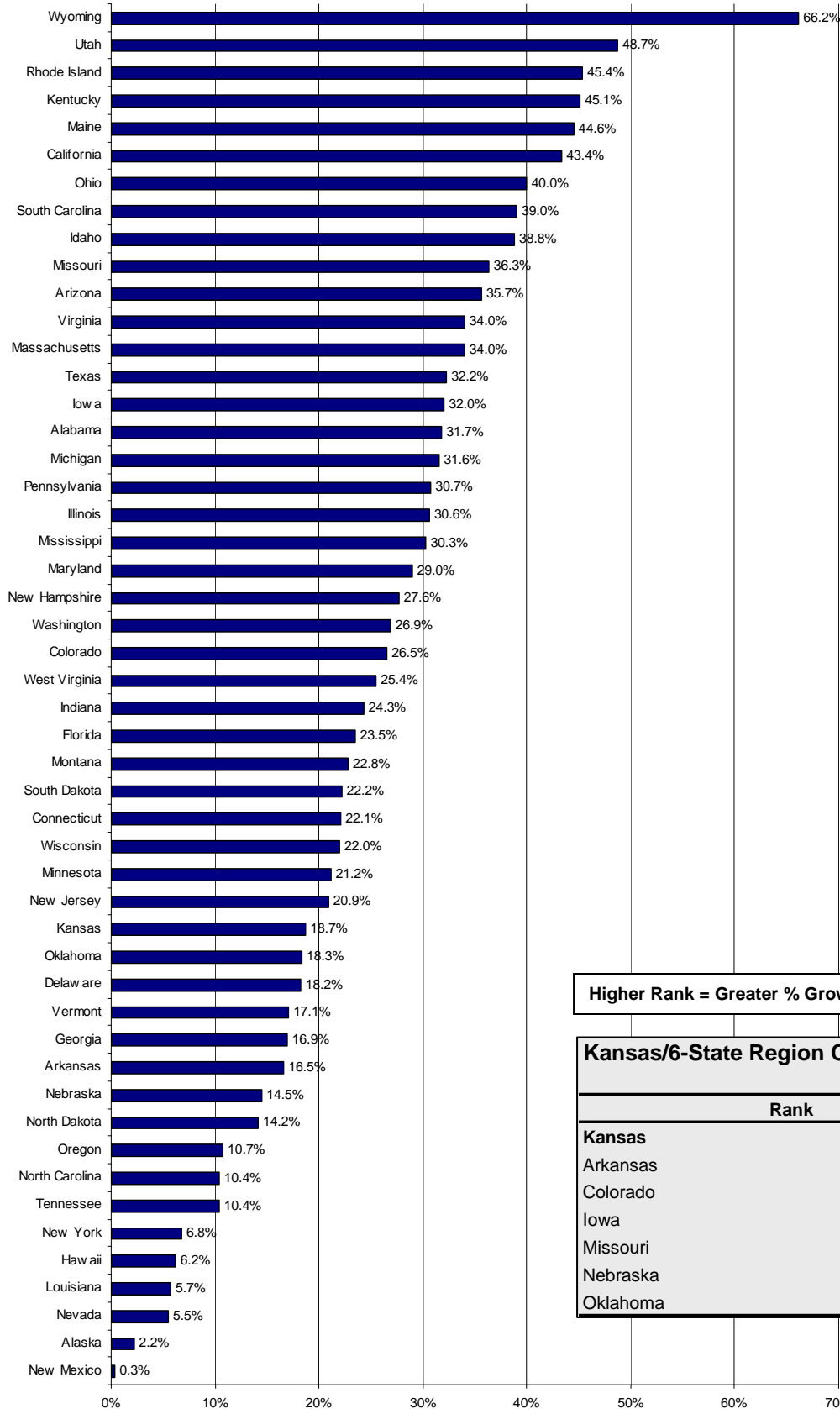
Figure 7. State & Local Government Charges as Percent of Total Personal Income, FY 2007



Source: Government Finances, U.S. Census Bureau, U.S. Bureau of Economic Analysis

Figure 8. Percent Growth in Per Capita State & Local Government Charges, FY 1997 - 2007

(2007 Dollars)



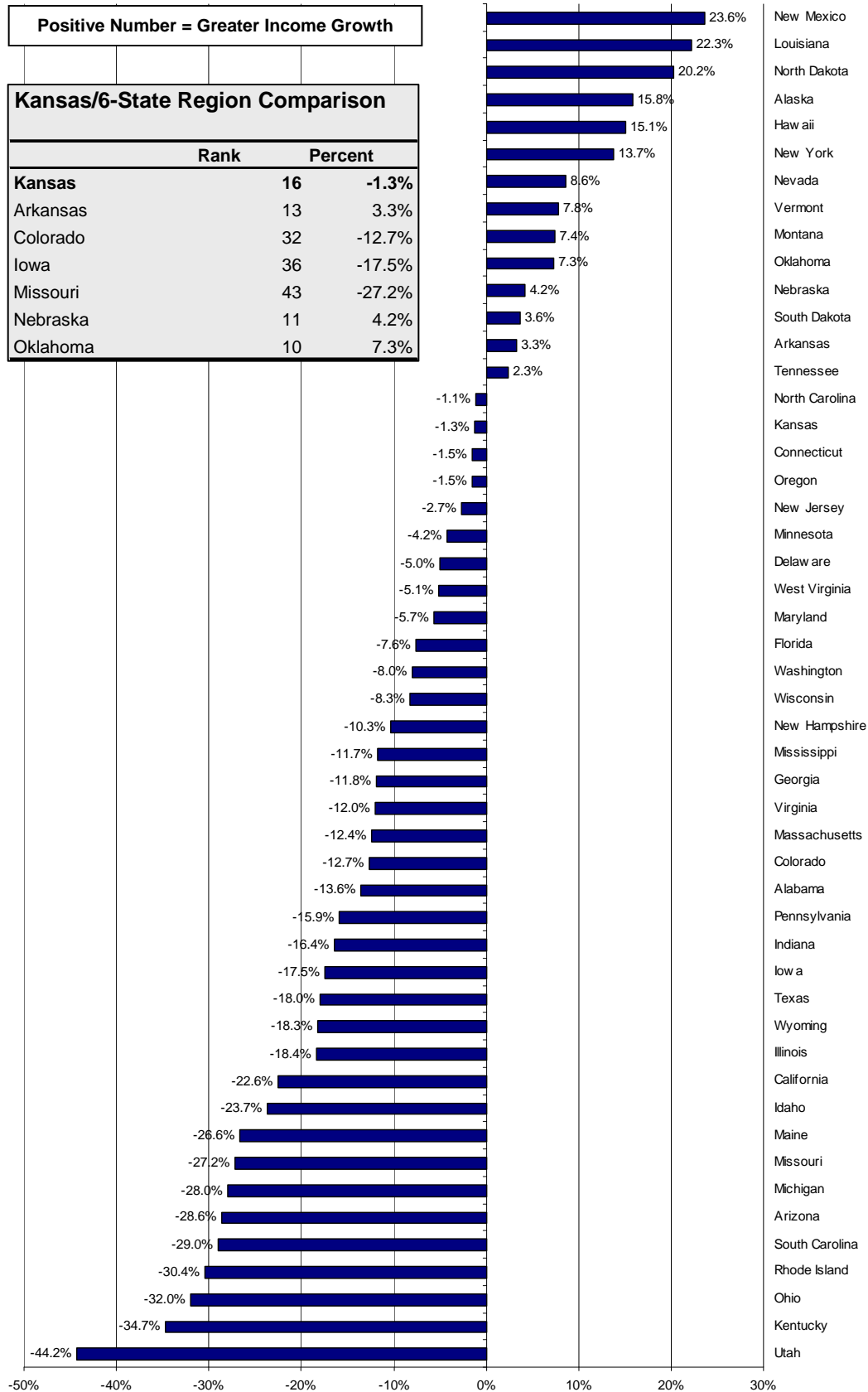
Higher Rank = Greater % Growth in Charges

Kansas/6-State Region Comparison		
	Rank	Percent
Kansas	34	18.7%
Arkansas	39	16.5%
Colorado	24	26.5%
Iowa	15	32.0%
Missouri	10	36.3%
Nebraska	40	14.5%
Oklahoma	35	18.3%

Source: Government Finances, U.S. Census Bureau

Figure 9. Total Personal Income Growth Vs. State & Local Government Charges Growth, FY 1997 – 2007

(2007 Dollars)



Source: Government Finances, U.S. Census Bureau, U.S. Bureau of Economic Analysis

Appendix A. Government Finances Data⁵

Governments are both diverse and complex organizations. To describe their financial and employment activities in a meaningful and comparable fashion – both across time and among governments – requires a set of standardized concepts and definitions.

All government finance statistics, including revenue, are categorized within four basic sectors of government. As a result, there are four basic categories of general revenue:

- Taxes
- Intergovernmental Revenue
- Current Charges* (*This report focuses on the current charges category of general revenue*)
- Miscellaneous General Revenue

General Revenue

General revenue comprises all revenue except that classified as liquor store, utility, or insurance trust revenue. The basis for this distinction is the nature of the revenue source involved, not the fund or administrative unit established to account for and control a particular activity. There are four types of revenue within general revenue sector: taxes, intergovernmental revenue, current charges, and miscellaneous general revenue.

Taxes

Taxes are compulsory contributions exacted by a government for public purposes, other than for employee and employer assessments and contributions to finance retirement and social insurance trust systems and for special assessments to pay capital improvements. Tax revenue comprises gross amounts collected (including interest and penalties) minus amounts paid under protest and amounts refunded during the same period. It consists of all taxes imposed by a government whether the government collects the taxes itself or relies on another government to act as its collection agent.

Intergovernmental Revenue

Intergovernmental revenue comprises monies from other governments, including grants, shared taxes, and contingent loans and advances for support of particular functions or for general financial support; any significant and identifiable amounts received as reimbursement for performance of governmental services for other governments; and any other form of revenue representing the sharing by other governments in the financing of activities administered by the receiving government. All intergovernmental revenue is reported in the general government sector, even if it is used to support activities in other sectors (such as utilities). Intergovernmental revenue excludes amounts received from the sale of property, commodities, and utility services to other governments (which are reported in different revenue categories). It also excludes amounts received from other governments as the employer share or for support of public employee retirement or other insurance trust funds of the recipient government, which are treated as insurance trust revenue. Intergovernmental revenue is classified by function and by the level of government where it originated (i.e., Federal, state, or local). The transfer of Federal aid through the state government to local governments is reported as state intergovernmental revenue at the local level.

Current Charges

This category comprises charges imposed for providing current services or for the sale of products in connection with general government activities. Amounts designated as current charges are reported on a gross basis without offsetting the cost to produce or buy the commodities or services sold. Utility service charges are excluded here and reported under Utility Revenue. For the Federal Government, this category includes revenue from premiums related to non-social insurance programs such as crop and farm mortgage insurance, home mortgage insurance, and the like.

Miscellaneous General Revenue

This category comprises all other general revenue of governments from their own sources (i.e., other than liquor stores, utilities, and social insurance trust revenue). Effective with the 1988 survey, interest revenue necessary to pay the interest expenditure on all public debt for private purposes is now reported under Interest Earnings, code U20. Previously, this treatment was limited to mortgage revenue-bonded debt and was classified under Rents, code U40.

⁵ 2006 Government Finance and Employment Classification Manual, U.S. Census Bureau, Governments Division.



632 SW Van Buren, Suite 100
Topeka, KS 66603
(785) 296-1460
(785) 296-1463 (fax)
www.kansasinc.org
ksinc@ink.org