

Foreword

THIS monograph, like other reports published as the Institute's series of Papers, deals with the impact of the war on the South, and presents an interpretation of the facts in an important segment of social science.

Incident to Mr. Martin's study Miss Vera Briscoe and Mr. Glenn D. Morrow, Research Assistants in the University of Kentucky Bureau of Business Research, contributed heavily toward preparation of statistical tables and charts on which the text is largely based. This clerical and professional work was supported in part by the Vanderbilt Institute and in part by the Kentucky Bureau. Misses Lucia Peterson and Henrietta Moore assisted in finishing the manuscript. Professor John Van Sickle of Vanderbilt read critically an early draft of the manuscript. Both agencies express thanks to these colleagues. They are grateful, too, to Dr. E. R. Gray of the United States Bureau of the Census, who gave the author exceptional assistance.

Neither the Institute of Research and Training in the Social Sciences nor the University of Kentucky Bureau of Business Research sponsors an action program. Neither endorses any opinion expressed in this essay. Both agencies are educational in the broadest sense—they seek to lay before thoughtful persons matters worthy of their consideration.

THE EDITORS

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APPENDIX I

THE RELIABILITY OF STATISTICAL DATA WHICH FORM THE BASIS OF THIS REPORT

As far as available data permit, the text of this study sketches fiscal trends from 1922, the date of the first decennial survey of state and local finances by the United States Bureau of the Census after the First World War. Because of the non-comparability of available statistics, however, the beginning time of background analysis must perforce be irregular. Fully comparable statistics of certain states are lacking.

Owing to the limited availability of fiscal data and to inconsistent reporting, particularly with respect to intergovernmental transfers of funds, the trends in total state and local finances cannot be presented with any high degree of accuracy. Similarly, the trends in certain phases of state and local finance can be presented only for particular years and, in some instances, only on a national basis. Statistics relating to local finance—particularly of counties, special districts, and small municipalities—are notably lacking. Even educational statistics are confusing because the Office of Education reports these on a purely functional basis, whereas the Census Bureau, which provides most other figures available, reports on a governmental unit basis. Thus, census statistics of cities and counties include educational data only if there is no fiscally independent school district.

FISCAL YEAR

The "fiscal years" employed in both census and locally assembled data used in this study are not identical for all purposes. In general, *state* data are for the fiscal year ended during the 12-month period which closed June 30 of any designated year. There are, however, occasional exceptions due mainly to

the use of preliminary census reports and to changes in states' fiscal periods. Occasional variations based on directly acquired state information are mentioned in the text. Townships, school districts (except that the little used Office of Education data appear to be consistently reported on the basis of a year ended June 30), and special districts are reported on the same fiscal year basis.

Data for large municipalities are for each city's own fiscal year ended during the calendar year (except that debt statistics for 1944 are for one year earlier). Apparently, the Bureau of the Census sought in 1942 to report small city data on the same basis as those of over 25,000 population, but the record is not entirely clear. However, in *Governmental Debt in the United States: 1944* (p. 4) the Bureau reports cities of less than 25,000 population on the same basis as states. County data are reported on the same basis as are the larger cities, but there are frequent exceptions.

In the decennial surveys for 1922 and 1932 the statistics are reported differently. In 1922, with occasional exceptions, data for states and for all local governments are for the fiscal year ended during the calendar year. In 1932 all figures reported are for the fiscal year ended during the 12 months closing June 30, 1932. Throughout the report the census basis of reporting has been used as far as possible.

STATISTICS RELATING TO STATE REVENUES

Because of changes which the Census Bureau made in 1937 and in 1941 in revenue reporting methods, it is impossible to get exactly comparable state revenue data extending over the period since 1922. (1) Prior to 1937 gross earnings of public service enterprises were reported as a revenue item; but beginning with 1937 only contributions from the net earnings of public service enterprises to the general funds of the states are

reported as state revenues. Gross utility earnings for 1922, 1927, and 1932 are deducted from total state revenues and from non-tax revenues in Tables 1 and 2 to make these as nearly comparable with later statistics as possible, but to the extent that contributions of surplus earnings are involved the data are non-comparable. (2) No complete adjustment is possible to unify the treatment of state-collected, locally-shared taxes. Prior to 1937 such taxes were classified as non-revenue receipts of the states and consequently were not reported. Beginning with 1937 and continuing through 1940 receipts from this source were separately reported. In 1941 and in subsequent years they have been combined with other revenues, so that separation is impossible. The nearest approach, therefore, to comparability is to show total state revenues exclusive of locally-shared taxes prior to 1937 and to include receipts from this source for subsequent years. (3) The Census Bureau's treatment of trust and sinking fund transactions constitutes another distorting factor contributing to non-comparability of state revenue data concerning which no complete adjustment is possible. Prior to 1941 receipts of these funds were consolidated with and reported as general fund revenues. Since 1941, however, only taxes collected for trust and sinking fund purposes are reported as general fund revenues. (4) Other discrepancies of minor importance may also be present in the revenue figures for 1922, 1927, and 1932 which render these data non-comparable with those for more recent years.

Fortunately, the discrepancies in total state revenues arising from differences in reporting methods are not large. Locally-shared taxes and contributions from the net income of public service enterprises were both minor items in total state revenues during the earlier years; and the non-tax receipts of trust and sinking funds which have not been reported since 1941 are probably not great.

Certain adjustments in the reported data are necessary in order to get comparable classification of receipts according to sources. To the extent necessary these are made in accordance with explanations set out in the Census Bureau's reports on state finances. It is impossible, however, to adjust completely the data prior to 1937. As a consequence state revenues for 1922, 1927, and 1932 are only partially shown by sources.

STATISTICS RELATING TO STATE EXPENDITURES

Because of changes made in 1937 and in 1941 in the Census Bureau's plan of presenting expenditure data for the states, it is impossible accurately to compare the data for these years with those for earlier years. Contributions to public service enterprises were not separately reported prior to 1937. In this respect the data are non-comparable. The discrepancy, however, is not believed to be great. Adjustments can perhaps be made for 1941 changes except for the different treatment accorded sinking and trust funds and state-collected, locally-shared taxes. Beginning with 1941, payments from trust and sinking funds are presented separately from general fund expenditures of the states. Prior to 1941, statistics for all funds—except data pertaining to public service enterprises—were combined and reported only in consolidated figures. Similarly, state-collected, locally-shared taxes were treated as non-cost transactions prior to 1941 but have subsequently been classified as payments for state aid to local governments.

Percentage distribution of state cost payments prior to 1941 accord with the data presented in the United States Bureau of the Census, *Financial Statistics of States: 1938*, Tables 11-A and 12-A. The necessary adjustments for functional comparability are outlined in detail in Figure 2 of the same report.

State expenditure data for 1941-43 (shown only in part in the tables and relied on for the text) are available directly from

United States Bureau of the Census, *State Finances: 1942* and *State Finances: 1943*. All necessary adjustments are made in these reports to render the data strictly comparable for the three years.

STATISTICS RELATING TO FISCAL AIDS

Fiscal aid data are in large measure non-comparable owing to differences in classification and reporting methods employed by the Bureau of the Census. Certain data for the United States as a whole are practically comparable for particular years, but it is not feasible to show a state-by-state picture on a comprehensive basis. Furthermore, data regarding the long range development of state aids for individual governmental units and for specific purposes are not sufficiently comparable to justify their presentation at length.

STATISTICS RELATING TO LOCAL FINANCES

City finances are regularly reported annually only for cities having over 100,000 population. Even with cities of this size it is not feasible to present revenue trends extending over several years because of changes in the Census Bureau's methods of reporting the data. Table 6 shows cost payment data for selected years, but major adjustments in figures for the earlier years have been needed in order to obtain any semblance of comparability. In adjusting the 1926 and 1936 expenditure figures procedures were followed which the Bureau of the Census worked out in detail. Except for certain necessary estimates these procedures are shown in *Financial Statistics of Cities: 1937*. The data presented are practically comparable except in certain functional classifications; even as to these exceptional classes, according to the Census Bureau, the discrepancies are probably slight.

Local finance data extending over a period of years, or even during the war years, for counties, school districts, and other

local governments are decidedly meager. The Bureau of the Census published a report (1941) showing statistics roughly comparable with 1932 and 1940 for a number of large counties, mostly metropolitan centers, but only four southern counties are consistently reported. There is no satisfactory basis for comparison of 1942 county finances with any other recent year's record. Full information on local debt is available only sketchily except for decennial years and for 1940. Because of this paucity in local finance statistics, it has been necessary in depicting the trends in southern local finance to rely in part on sampling financial reports of local governmental units, and on state reports which assemble such data, as a supplement to the statistical reports of the Bureau of the Census.

Despite sources of error such as have already been outlined, there is little doubt that the most fundamental impediment to quantitative analysis of southern state and especially local finance data lies in the deficiencies of local accounting and other records which yield the statistics used. This consideration is more serious as to available expenditure figures than as to other fiscal data. It is a definite limitation on all statistics of local finances for southern states generally. The principal reasons are that local bookkeepers do not make consistent classifications of data and that the figures derived from the records do not lend themselves to uniform classification.