

PRINCIPAL SOURCES AND USES OF
STATE AND COUNTY REVENUES
IN ALABAMA

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THE PURPOSE of this circular is to present certain facts concerning the public revenues received and spent by state and county governments in Alabama during the fiscal year, October 1, 1932 to September 30, 1933. These facts should prove helpful to those who are interested in studying the problems of taxation, of distribution of expenditures, and of constructive economy in the governmental operations of the state and its subdivisions, the counties. This report does not deal with income and expenditures of towns and cities because data on their operations were not readily available.

SOURCES OF STATE REVENUE

The data illustrated in Figure 1 show the amounts of revenue received by the state government of Alabama from specified sources, during the fiscal year October 1, 1932 to September 30, 1933, as compiled from the report of the State Comptroller, J. H. Hard, Jr. The proceeds of the renewal of a temporary loan of \$300,000 are included in the total volume of receipts. There is also included an item of \$4,848,514 which was received from the federal government and which amounted to about 19 per cent of the total receipts. All of the other state receipts were derived from taxes, departmental earnings, and fees and fines. Total receipts amounted to \$25,656,083.

The property tax was the largest single source of revenue and accounted for almost one-fourth of all receipts.* However, the volume of all business taxes, including licenses, corporation, severance, tobacco, gross receipts, and other business taxes, amounted in the aggregate to about as much as the property taxes paid to the state. Likewise, the total taxes paid by owners of motor vehicles in the form of licenses and gasoline taxes retained by the state was almost as large as either the state property tax or the total of business taxes.

*The distribution of the property tax between real estate, personal property, etc., shown in the chart, has been made on the basis of the assessed valuations shown in the State Comptroller's report for 1932-33; real estate has been sub-divided into urban and rural in accordance with assessed valuations reported in the State Auditor's report for 1931-32.

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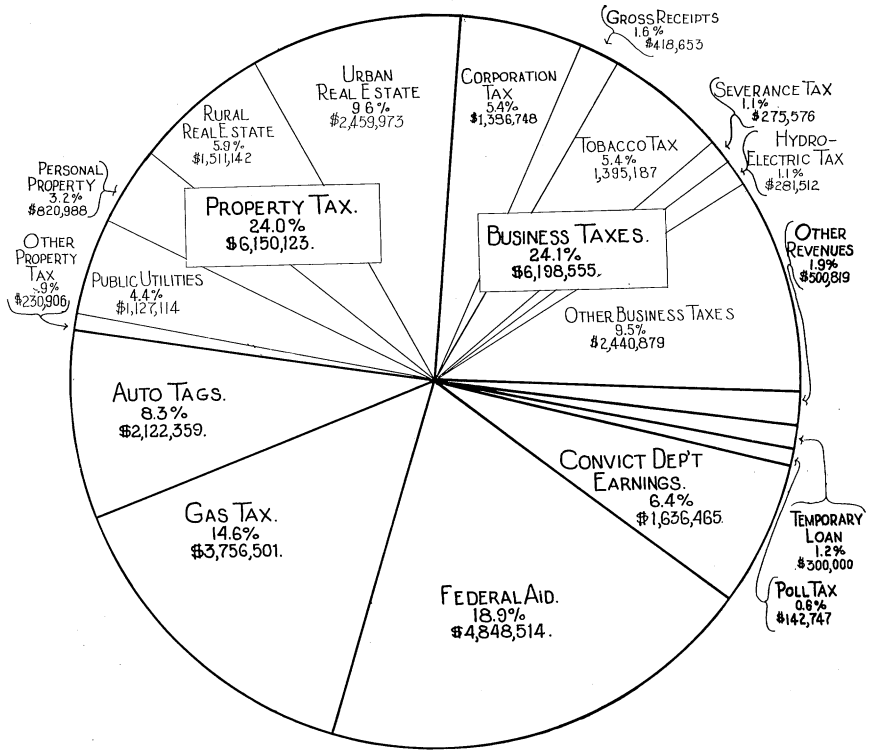


Figure 1.—Sources of Revenue, State Government of Alabama, October 1, 1932 - September 30, 1933
TOTAL, \$25,656,083

PRINCIPAL USES OF STATE FUNDS

The way in which the state's revenue dollar was spent in 1932-33 is represented in Figure 2. It is interesting to note in this connection that about three-fourths of all the revenues spent were "earmarked." For example, motor vehicle and gasoline taxes were used exclusively for highways and for highway debts. The large item of federal aid was "earmarked" as follows: highways, 95.2 per cent; vocational education 2.8 per cent; other specified purposes 2.0 per cent.

The largest single category of expenditures was for highways, which amounted to a total of \$10,269,200, of which \$2,959,816 was for sinking fund and interest on highway debts. New construction financed by federal aid amounted to \$4,574,571. Highway expenditures constituted 40.3 per cent of total state expenditures.

The total payments on debts, including highway debts, amounted to \$6,126,834 or 24 per cent of all expenditures. The principal debt items, other than for highways, were \$1,663,361 on warrants and \$639,891 on behalf of the Alabama Bridge Corporation.

Total expenditures for education amounted to \$5,603,897 or 22 per cent of the total. About four-fifths of the educational expenditures were for elementary and high schools. The State Department of Education used \$119,027, special schools \$228,296, and teachers' colleges and normal schools \$180,086. Expenditures for institutions of higher learning were \$555,207,

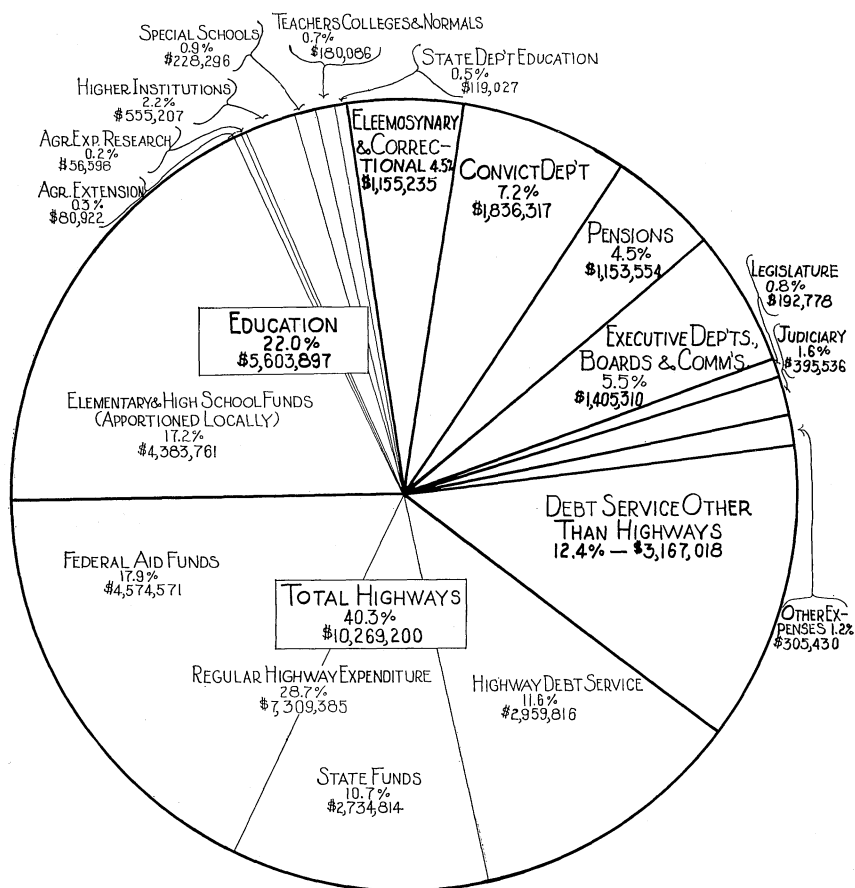


Figure 2.—Distribution of Expenditures, State Government of Alabama, October 1, 1932 - September 30, 1933
TOTAL, \$25,484,278

exclusive of \$80,922 for agricultural extension, and \$56,598 for agricultural research.*

Eleemosynary institutions used \$1,155,235 and Confederate Veteran pensions accounted for \$1,153,554.

The Convict Department expended \$1,836,317. This Department was credited with receipts which totalled \$1,636,465, and were derived as follows: from sale of products, \$971,526; from sale of convict labor, \$454,506; from contract work, \$121,049; from other receipts, \$89,384.

Of the other state expenditures, \$1,405,310 or 5.5 per cent of the total was made to carry on the work of the various executive departments, boards, and commissions of the state government. Expense to the state for judicial services amounted to \$395,536, or 1.6 per cent. The cost of the legislature during the past fiscal year amounted to \$192,778 or 0.8 per cent.

COMBINED STATE AND COUNTY REVENUES

Since local revenues constitute a large part of the total public revenues in Alabama an attempt has been made to estimate county revenue so as to arrive at a combined total for the state and the counties. These estimates are necessarily incomplete owing to lack of sufficient data. The county revenues have been estimated from taxes which are shared by both state and county in certain specified proportions. Road taxes, fines, and fees, collected by the counties are not included because data are not available on these items. This is true also of monies borrowed by the counties and special federal funds such as those made available to the counties by the R. F. C. The picture of the total volume of local expenditures is further incomplete because the rather large revenues paid directly to towns and cities are not included. The large burden of local expenditure by municipalities is illustrated by the fact that although the state property tax levy is \$0.65 and the county-wide levy is usually \$1.15 per \$100 of assessed valuation, the city levy alone in certain Alabama cities and towns is as follows: Birmingham \$1.50; Montgomery \$1.25; Auburn \$0.70; Linden \$0.50.

The data illustrated graphically in Figure 3, indicate that state and county governments in Alabama received during the past fiscal year about 44 million dollars, of which the state received about 25 million dollars and the counties about 19 million dollars. The state receipts include \$4,383,761 which was apportioned among the various counties for elementary and high schools and spent by local boards of education. The county receipts include \$3,775,616 of gasoline taxes which, although collected by the state, are returned to the 67 counties in equal parts and spent by local authorities.

*The Comptroller's report includes expenditures for agricultural extension and research in the total for higher institutions of learning.

Property taxes constitute about one-fourth of the state's revenue, and about four-fifths of county revenues. Property taxes, therefore, are outstandingly the leading source of governmental tax revenue in the counties. Property taxes accounted for 46 per cent of combined state and county revenues. Business taxes are a major source of state revenue, (and incidentally of city revenues) but a minor source to the counties. The state receives four-fifths of the proceeds of automobile licenses and the counties one-fifth. The gasoline taxes are about equally shared between the state and the counties. In a few counties and municipalities special gasoline taxes are levied in addition to the state levy; these are not included in the present summary.

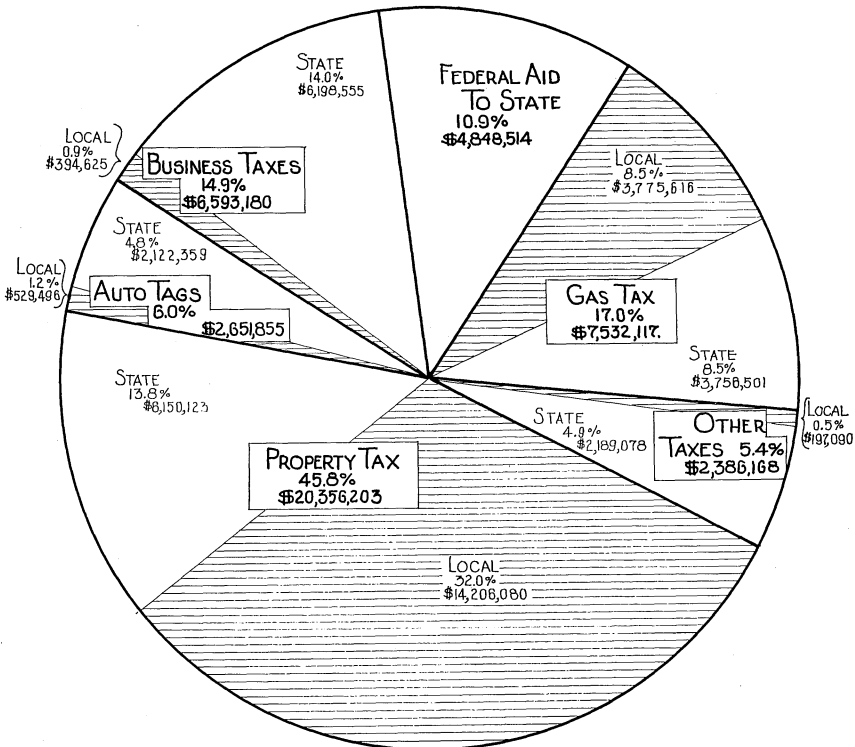


Figure 3.—Estimated Combined Total Revenues Received by State and County Governments, Alabama, October 1, 1932 - September 30, 1933

TOTAL	-----	\$44,368,037
State	-----	25,265,130—57 per cent
Counties	-----	19,102,907—43 per cent

(Shaded areas indicate local receipts.)

COMBINED STATE AND COUNTY EXPENDITURES

The combined total of state and county expenditures has been estimated by adding to the data on state expenditures, obtained from the State Comptroller's report, the estimated amounts of revenue received by the counties, and by assuming that these were spent for the purposes for which they were "earmarked". It was assumed, for example, that the amount of estimated county taxes for schools was spent for schools and to

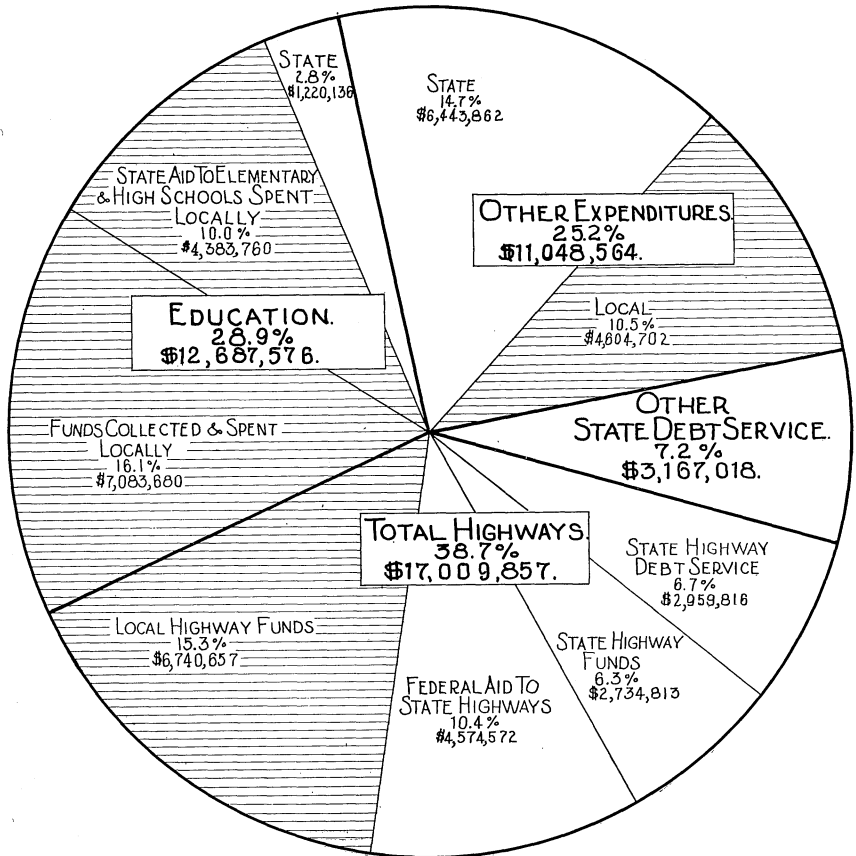


Figure 4.—Estimated Combined Total Expenditures of State and County Governments, Alabama, October 1, 1932 - September 1, 1933

TOTAL	-----	\$43,913,016
Spent by State	-----	\$21,100,217—48 per cent
Spent by Local Authorities	---	\$22,812,799—52 per cent

(Shaded areas indicate local expenditures.)

this was added the known amount of state-collected school monies turned over to local boards of education and spent by them. Likewise, special road levies, gasoline taxes, and the counties' share of motor vehicle licenses were assumed to have been spent for their designated purpose, namely, roads. In the case of the counties, it was possible to estimate only the total expenditures and those specifically indicated for schools and roads. Undoubtedly, a considerable amount of payments on local debts is included in "Other Purposes".

An attempt has been made to indicate the amount of revenue which is spent by local authorities as compared with expenditures by the state as such. A large proportion of the total money for education is spent on local schools. The amount spent on local roads by the counties is larger than that spent by the state, if federal aid is excluded from expenditures by the state. About 48 per cent of combined state and county expenditures may be classified as state expenditures, and 52 per cent as local. This division, of course, does not indicate completely all services that might be properly classified as local, and it would be impractical to distinguish in all cases between a state service and a local service. For example, state highways are used locally as well as for state-wide traffic. The data, however, indicate forcibly that a large part of the tax payer's dollar is spent for local services.