

Indiana Tax Revenues for Expenditures Compared To Other States

Too often the purpose of taxes is overlooked. Simply stated, taxes, along with fees, licenses and other charges, generate revenue by which governments provide services to their citizens. Government services include everything from highways, police and fire protection, public education, sewers and parks to libraries, public hospitals, public health, public airports, veterans' services, corrections, protective inspection and regulation, solid waste management, unemployment insurance, debt payment on special tax districts and public welfare. This article will compare Indiana to other states and the national average in terms of total revenue collected and revenue expended by service category.

Finding accurate comparative data is difficult. Tax rates vary significantly between states and are often levied by different levels of state and local government. Furthermore, most taxes and charges are subject to numerous exemptions, credits, abatements and other aspects that alter the actual amount of funds collected. The U.S. Census Bureau, however, provides a comparable aggregate database in its annual report, *State and Local Government Finances by Level of Government*. This report provides data on the total revenues collected and revenue expenditures by functional area, such as education, roads or public safety. Since total revenues will vary greatly between states of different population sizes, a final step is needed

to make the data comparable. For the purposes of this article, revenues collected and allocated are divided by the population for a standard measure of average revenues and expenditures per person.

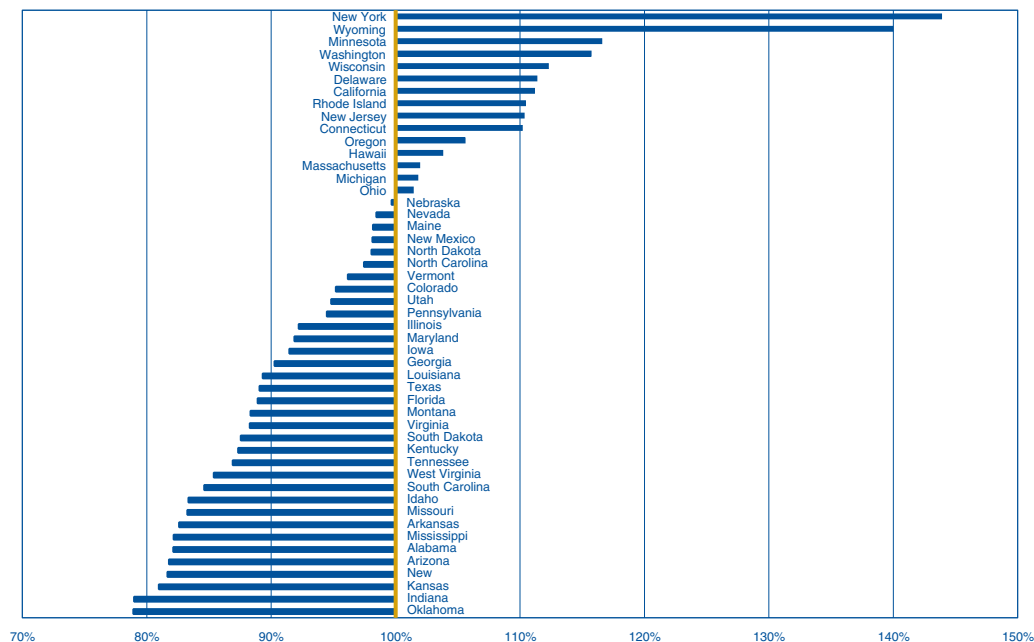
Indiana's state and local revenues were approximately \$5,198 per person for the fiscal year 1998-1999. To understand the significance of this number, it must be compared to the per capita revenues of other states and to the U.S. average (note: Alaska figures are unique as they include special payments by oil companies). Indiana revenue collection per capita is lower than every other state with the single exception of Oklahoma (see Figure 1). Indiana residents shoulder 21%, or \$1,383, less than the national average

revenue per person. New York residents provide about \$4,271 more than the average Hoosier in revenues per person. Indiana's surrounding states also collect more revenue per person (see Figure 2). In a sense, total revenue collected can represent the unified tax burden per person for the state. By this definition, Indiana has the second lowest tax burden of any state.

The distribution of revenues across categories of service will also vary between states. Different areas of government will, by their nature, require higher expenditure of revenue than others.

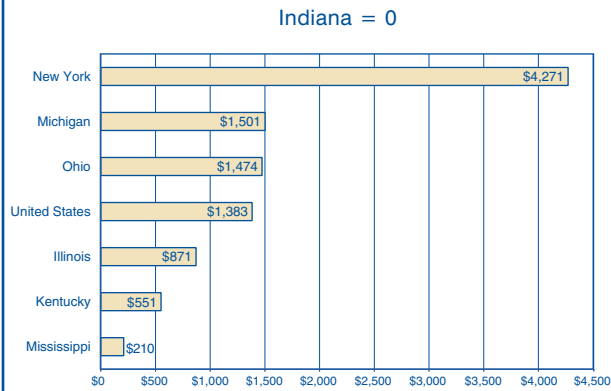
Figure 1: State and Local Revenues Per Capita, as a Percent of the U.S. Average*

Indiana residents shoulder \$1,383 less than the national average revenues per person



Source: U.S. Census Bureau

* Excludes Alaska

Figure 2: Revenue Per Capita—Indiana Compared to Others**Indiana has the second lowest tax burden of any state**

Source: U.S. Census Bureau

Maintaining transportation infrastructure and providing public education to all will require more money than running the public libraries or parks. Expenditures will also reflect the unique needs and priorities of different states. In most states, education receives the greatest revenue distribution with average expenditures in the U.S. equal to \$1,772 per capita. In Indiana, education expenditures equal \$1,799 per capita, approximately 35% of Indiana's total revenues collected. The balance pays for all other government services and obligations.

State per capita expenditures by category can be compared using an index based on average U.S. per capita expenditures. All values greater than 100.0 indicate that state expenditures are greater than the U.S. average while values less than 100.0 indicate expenditures lower than the national average. Table 1 compares Indiana to

our neighboring states, and to the states with the highest and lowest index values. Also included is the state rank among all fifty states.

Indiana expenditures exceed the U.S. average in only two categories—education and public hospitals.

Indiana expenditures on highways, police and public health are among the lowest in the nation. It should not be assumed however that a low rank automatically means insufficient funding of an item. Expenditure levels may be a function of demand for certain services as well as budget

choices. For example, Indiana's low highway expenditures may be a function of lower traffic density, stronger surface types or fewer urban roads relative to other states.

Total direct expenditures in Indiana are 84% of the national average and the 44th lowest in the country. In dollar terms, it costs each Hoosier—from the newborn to the octogenarian—an average of \$4,967 a year to support all the government services in Indiana. This is quite a deal when you consider that this includes an education for our children and future wage earners, roads to drive on, safe neighborhoods, clean drinking water, fire protection, libraries, open space and financial security should you lose your job.

Table 1: Per Capita Distribution of State and Local Expenditures, FY 1998-1999

Education	% of U.S.	Rank	Public Welfare	% of U.S.	Rank	Public Hospitals	% of U.S.	Rank
Wyoming	126	1	New York	195	1	Wyoming	290	1
Michigan	121	3	Kentucky	115	10	Indiana	125	12
Indiana	101	19	Ohio	100	21	Michigan	72	29
Illinois	99	26	Illinois	90	27	Ohio	65	31
Ohio	96	29	Indiana	83	34	Illinois	58	33
Kentucky	85	46	Michigan	83	35	Kentucky	57	34
Florida	80	49	Arizona	50	49	North Dakota	0	49
Highways	% of U.S.	Rank	Police	% of U.S.	Rank	Fire	% of U.S.	Rank
Wyoming	243	1	New York	156	1	Rhode Island	183	1
Kentucky	117	21	Illinois	117	6	Illinois	111	11
Ohio	93	37	Ohio	92	20	Ohio	108	13
Illinois	92	39	Michigan	89	22	Indiana	84	25
Michigan	90	40	Indiana	65	42	Michigan	76	31
Indiana	90	42	Kentucky	57	46	Kentucky	63	40
California	65	49	West Virginia	45	49	Delaware	29	49
Parks	% of U.S.	Rank	Housing Com. Dev.	% of U.S.	Rank	Sewerage	% of U.S.	Rank
Nevada	227	1	North Dakota	218	1	Massachusetts	169	1
Illinois	185	3	Illinois	133	8	Michigan	151	2
Indiana	99	22	Ohio	94	18	Ohio	127	5
Ohio	96	23	Indiana	66	31	Indiana	91	22
Michigan	78	32	Kentucky	44	42	Illinois	86	26
Kentucky	62	40	Michigan	33	47	Kentucky	70	34
Vermont	41	49	Wyoming	23	49	North Dakota	28	49
Public Health	% of U.S.	Rank	Corrections	% of U.S.	Rank	Total Direct Expenditures	% of U.S.	Rank
Hawaii	175	1	Delaware	160	1	New York	148	1
Michigan	137	6	Michigan	111	10	Michigan	97	22
Ohio	130	9	Ohio	90	24	Ohio	95	24
Illinois	109	14	Kentucky	76	31	Illinois	96	23
Kentucky	73	30	Illinois	75	32	Kentucky	87	40
Indiana	50	47	Indiana	67	37	Indiana	84	44
Nebraska	45	49	Vermont	40	49	Arkansas	77	49

Source: U.S. Census Bureau