# DATA REQUIREMENTS FOR ADVANCE FISCAL PLANNING*

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State and local governments have begun applying scientific inquiry and new technology to the affairs of government itself. They are improving decision-making processes by use of quantitative analytical techniques and by focusing conscious attention on the policy values that are implicit in program choices. New hardware permits the rapid processing of vast amounts of information; new budgetary methods clarify the types of information required. But the usefulness of these tools and methods depends upon acceleration of research and the consequent strengthening of the conceptual framework of the theory of public expenditure and of investment in human resources. And it relies on the availability of large amounts of relevant data.

At this stage of the scientific era in state and local governmental affairs, the technology of the computer outdistances budgeting methods, the theoretical framework for model building, and the data base. Thus, three of the four components lag behind. The work that is done toward more rational decision making will encourage application of second-best proxies when directly relevant information is not available. In some instances, far less precision may be achieved than is essential and as a result the effectiveness of the analytical budgeting process could be greatly impaired.

Measurement of outputs of public services and their inputs requires quantification, and therefore statistics and other precise information to be used in such quantification. I have indicated elsewhere that caveats and definitions of limitations are no substitute for quantification and that the quantification must be designed to provide answers to precisely defined questions so that the measurements can furnish a guide to choice among methods of meeting a program objective, or among programs. (1)

Quantification is needed for planning not only for single years but for other appropriate time spans. Advance fiscal planning, or planning for budgetary allocations, over, let us say, a five-year period creates additional data requirements that range over almost the entire spectrum of economic, demographic, fiscal, and social statistics, as the informational feed-in for projection and evaluation purposes. Accordingly, a complete assessment of data requirements would be a large undertaking, extending over a wide range of sources and data gaps. The task that was assigned to me was more restricted; namely, to review with you the data gap as it became apparent during the course of a study on state and local finances projected to 1970, a study initially undertaken for the Federal Interagency Committee on Economic Growth, with the multiple objectives of:

1. Determining the future impact of state and local governmental expenditures on the national economy.

2. Measuring the impact of national policy directions on the expenditure programs of the states.

3. Experimenting with a new measure of fiscal capacity, a measure that would help answer the question: What are the differences in the capacity of the states to meet their future expenditure requirements?

More than a research objective was in mind: we planned that the study would be conducted in such a way that the states would be involved in the processes of projection and would be encouraged through this involvement to engage in their own advance fiscal planning and programming.

In a unique experiment, state officials designated by their Governors participated in carrying out the project work. More specifically each was asked to develop 1970 projections of his state's tax system within a specified framework of economic and demographic assumptions. Reactions were sought on the 1970 projections of population, personal income, labor force, wages and salaries, and so forth, and adherence to the specified assumptions for each state was requested.

## Demographic and economic data

Advance fiscal planning in states and communities necessarily rests on a data base adequate to anticipate population changes and changes in economic activity both in the aggregate and by detailed components. In the simplest formulation of the advance fiscal planning problem the size and composition of the population affects the workloads of public programs and in a more complex formulation the level of performance of the economy affects both the revenue-take and the cost per workload unit.

Much research and collection of data are going forward in an effort to improve the economic and demographic information available to states and communities for programming purposes. We are a substantial distance from having even in broad outlines the types of information required. This paper does not undertake to deal

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with the basic demographic and economic information required for formulating a model or series of models in order to begin the processes of advance fiscal planning. While these are vital to an advance fiscal planning exercise they are dealt with so often and in so many different contexts that it seems desirable here to limit the discussion by excluding any detailed examination of such general types of data.

Two types of issues I should like to mention, however:

1. Population projections can be carried out in one central place, or independent population projections can be developed by states or local communities. Economy of operation and the dovetailing of projections so as to make a consistent set of aggregates point to national responsibility for carrying out this work. But familiarity with the local scene and awareness of forces making for local movements suggest that local governments carry out such studies. Between the two extremes lies a series of combinations of approaches to demographic studies that would involve the cooperation of a national population statistics center with local communities. Much more serious consideration should be given to such a cooperative effort than has been given in the past, which would provide more current population estimates for local areas and recurrent population projections for states and localities. [As an aside may I indicate that when we started our research on state-local finances for 1970 (2) there was not available a set of even statewide projections of total population that reflected the findings of the 1960 Census of Population.]

2. Similarly, projections of personal income in the states can be carried out by the individual states and communities or through central research undertakings. The advantage of a central undertaking in this instance, where the basic data requirements are substantial, is even greater than it is in the case of population studies, and the gains possible through linking state projections to national economic models are even larger. However, the carrying out of economic studies in a state or community can contribute to a process of understanding, an understanding of the direction in which a state or community's economy is moving and of the public programming that is required in the light of economic change. Such a process is an integral component of advance fiscal planning and program development. State and community economic studies, accordingly, should be encouraged. But immediate steps should be taken to extend the work of the Regional Economic Division of the Office of Business Economics so that projections of personal income in the states and counties become available. (3) National agencies or organizations, such as the National Planning Association, should be encouraged to experiment with other measures of income and with income distributions both for states and for local areas. (4, 5)

The national economic backdrop for the 1970 state-local finances study was provided by the Federal Interagency Study on Economic Growth and Employment Opportunities. The assumptions for the fiscal study were based on one of the several preliminary models of the national economy developed for the Interagency Study. While the state-by-state projections of personal income that were made within this national economic model were approximate, the national aggregates served as a checkpoint at each phase of the work. The projections were based on estimates concerning the labor force, by state, and on wage and salary trends, with a separate projection of each of the following additional income components: farm income, interest and dividends, nonfarm entrepreneural income, and three classes of transfer payments.

The study of 1970 state-local finances sought on a highly disaggregative basis to evaluate approximately 100 expenditure components for each of the 50 states and the District of Columbia and approximately half as many revenue items. Nationwide data that would assure comparability for all the states were used, rather than state or local data. The summary of data requirements for advance fiscal planning drawn from this study is presented below, starting first with several of the more important tax revenue sources, and then turning to selected expenditure components.

## Property taxes

Property taxes continue to account for the major share of local tax revenue. In the fiscal year 1965, 87 percent of the funds collected through local taxes were derived through property taxation. The property tax is essentially a combination of taxes on different classes of assets, each with its own characteristic responsiveness to changes in economic activity and income.

As viewed from the perspective of the local taxing jurisdiction projection of property tax yields at constant effective rates involves a knowledge of the assessed values of classes of property on the tax rolls, probable new construction activity in the jurisdiction, changes in market values of existing property as a consequence of changes in construction prices and in land values and land use, and of property depreciation. These are the items of information, accordingly, that are required for beginning an analysis of the impact on the property tax base of local conditions -- economic activity, family formation, and land use patterns. A considerable body of information is available locally. Records of tax assessments are kept by the local

jurisdiction, building permits are issued by it, land use plans are formulated by it, and in some localities studies are routinely made of the changes in market value and ratios of property assessments to market values.

However, in a survey that was conducted as an extension of the work of Project '70, only about 30 of the approximately 200 counties reporting indicated that they made long-range projections of tax revenues. (6)

At least a partial data base for state projection of property taxes exists in approximately half of the states. Those states conduct regular statewide studies, on an annual or biennial basis, of assessment ratios or the ratios of assessed valuations to market prices. The studies involve comparison, on a sampling basis, of the sales price of sold properties with their assessed valuations. In some states supplementary appraisals are made for classes of property with low turnover rates.

Both the 1957 and 1962 Censuses of Governments took important steps toward achieving the types of information needed for projecting property tax yields at constant effective rates. The information that has been published suggests more data collection, more current collection, and tabulation of information collected in the course of the censuses of business as supplementary data on taxable wealth.

1. Producers durables and inventories--The Census information on market sales is limited to data on taxable real property. (7, 8) Producers' durable goods and inventories, however, are taxed under the property tax in jurisdictions in which over half of the population of the United States resides. (9) Year by year information is collected on purchases of producers' durable equipment by manufacturing firms in the states; (10) except for mining equipment, for which comparable data are gathered in Census of Minerals years, (11) there are no state statistics on other purchases of producers' durable equipment.

Inventory data are even more scant on a state-by-state basis. Though much of this inventory information is collected in the course of the censuses of business, the information is not tabulated. (12-15)

2. Industrial, commercial and public utility properties--Data on taxable real estate are limited by the technical feasibility of obtaining market sales information on classes of property with low turnover rates, the foremost example of which is public utility property. As is emphasized in the 1962 Census of Governments volume, Taxable Property Values, the problem of limited sales volume for calculation of assessment ratios from data on transfers of property is most acute for industrial property. (8) Ways must be found to improve the data on real property of public utility and industrial firms by obtaining supplementary assessor and appraiser information through cooperative arrangements with State Boards of Equalization. Even though the cost of carrying out the work would be considerable, the multipurpose use of such information suggests that a central collection or compilation of the information would pay off. Moreover, compilation of data collected by the states through their sample surveys while falling short of a national picture of taxable real property would help in gaining indicators of movement of such wealth in relation to changes in economic activity. On a more nearly current basis than is now possible, some tests for judging projections, by comparison with reality would become available. Such a routine compilation should be considered by the Governments Division of the U. S. Bureau of the Census.

3. Farm property values--Two sources of data on farm property values are now available, through the Census of Governments and the Department of Agriculture. Neither source yields a wholly adequate measure of change in market value of farm property. There is reason to believe that the Census ratios of assessments to market values of farms, derived from a sample of sales of properties, are lower than such ratios for farm property generally. A disproportionate share of farm properties sold are those with greater acreage values, undergoing conversion from farm to nonfarm uses. Application of such data results in relatively high estimates of market values of farm property. Department of Agriculture data on the other hand tend to understate the effect of potential conversion of farm land to urban uses. (16, 17)

4. Current indicators of taxable property--One set of problems in developing advance projections of property tax yields concerns how to obtain data required for analysis of determinants of changes in property values. Another concerns how to obtain indicators of current changes in such values. Construction statistics compiled by the McGraw-Hill Publishing Co. and F. W. Dodge Company are helpful as such indicators. Local community information on building permits and land use is another source of indicators. To evaluate adequately current movements in relation to property tax yields, moreover, more and more current data are required on changes in land prices, as well as possible indicators of such land-price movements.

## Income and sales taxes

While the property tax is the principal tax source for local governments, there is no one tax that predominates in the revenue base for state governments as a whole. However, sales taxes and gross-receipts taxes, together with income taxes, account for well over three-fourths of the tax revenue of state governments. In the

administration of those taxes, a considerable body of data is made available that is useful for economic planning purposes as well as for analyses of the interaction between economic change and tax yield change.

In the administration of the individual income tax laws, states imposing the tax collect information on adjusted gross income, taxable income, number of exemptions, and so forth, for the individuals required by the statutes of the states to file tax reports. Similar data of course are collected by the U. S. Internal Revenue Service, but the alternatives available to the federal taxpayer in the place of filing limit the usefulness of the state information on the federal returns. Matching studies are needed to determine the "biases" involved in use of Internal Revenue data for state tax-base information. (18)

About one-third of the states that levy an income tax do not tabulate the income information from their tax returns; information on total adjusted gross income is not available. (19) In contrast, some states tabulate the income tax information by income size class and publish the statistics derived from the tabulations. (20)

In the administration of the gross-receipts taxes and sales taxes, sales data are collected that not only are a guide to analysis of tax-base changes as income grows, but also to market-type sales data. National information on cigarette consumption, by state, for example, is derived from the tax reports of the states and is compiled by the Department of Agriculture. (21) A considerable amount of the state-by-state data on alcoholic beverage consumption, compiled by the trade associations, also is based on tax reports. (22, 23)

Distribution of revenues from the general sales tax, by type of business, is reported by many states. The information by type of business is not uniform and reflects differences in sales tax records and in tax law definitions. In its annual report, Detail of State Tax Collections, the Governments Division of the U. S. Bureau of the Census reports revenue by type of business classification on a selectively abridged basis. (24)

To improve the data base for long-range projection of income and sales taxes a series of steps might be considered. Some of these are:

1. Provision by the states for a routine sampling of income tax returns would make data available on the changes in distribution of adjusted gross income in the states so that these changes can be related to growth in personal income and other variables. The sample tabulations would also provide the data required to estimate the potential impact of changes in tax law on revenue yield. Internal Revenue data on income need to be compared with such state data.

2. Additionally, a continuous small sample of taxpayers' returns that follows the same taxpayer from year to year not only would yield, over the long run, important information on the operation of specific tax provisions of the law, for example, on deductions for medical expenses, but would also become an important source of economic statistics.

3. Corporate income reported in the state for tax purposes, if tabulated, would provide the information required to analyze the responsiveness of corporate income as defined in each state to changes in national economic activity and to changes in corporate income in the nation. Tabulations of corporate income by industrial classification would further enhance the usefulness of the material for projection purposes.

More use of the information obtained on corporate income tax returns would improve assessments of past trends and past relationships between corporate income, by industry, in the state and in the nation, and would help provide better perspective on the factors that can be used for projection or predictive purposes.

4. Unless gross receipts or general sales information is tabulated, by business or industrial groups, long-range projection analysis tends to be deficient. As a minimum taxable sales of producers' durable equipment, building materials, contract construction and services should be separately tabulated.

As the material presented on property tax projections and on sales and income taxes suggests, the deficiencies are in the stock of statistics that can be used as dependent variables in studies of the factors determining tax-base changes and as indicators of the accuracy of the projections. Tax collection data, the data most frequently available, combine changes in the tax rate and the tax base (statutory and administrative); and variations in collections may reflect either rate or base modifications. While rate of tax may affect the value of the volume of the base, we need at the outset to separate those components in order to understand their longer-run movements in response to economic trends.

## Public welfare data

The gaps in statistical materials for analysis of tax revenues, impressive though they may be, are fewer and less restrictive than are the gaps in information on public programs -- gaps in data on the requirements, on the extent to which they are met, on the groups receiving the benefits and services, and so forth. To suggest the informational gap, illustrations are given for several expenditure categories. Projections of public welfare payments by states

or communities, for example, requires:

1. Information on numbers in the population at risk--The number of poor in each of the assistance categories can at best be only approximated. But the necessary income information is not available by state and county except for the past two decennial census years, 1950 and 1960, and then from special surveys. Data on income distribution are needed in order to cost alternative programs for all of the population at risk or for some segments of it.

Even projections that ignore the overall need of the groups at risk, and are based on actual recipient counts, are made difficult by the lack of a uniform standard count within a state. Transfers of caseloads from one categorical program to another, in response to "most favorable grant-in-aid matching", limit the usefulness of recipient statistics, by state, published by the U. S. Department of Health, Education, and Welfare, Welfare Administration. (25-27)

Data on the number in the population in certain categories, such as the blind or the disabled, are not available on a statewide basis. And, in general, projections of population by broad age groups, by state, are available only intermittently.

For past periods, the data now available by state do not yield answers to such questions as: What portions of the number of persons in need have received assistance? Has the proportion of poor assisted by the welfare programs increased or decreased? Has the number of public assistance recipients changed with the changing number of persons in need? For purposes of program projection, the best available data are the administrative data flowing from program operations, and these are subject to the limitations of incomparability due to administrative or legislative revision.

2. Information on determinants of payment levels--When one turns to the problems involved in projecting the amounts of payment per recipient the data become even thinner. What has been the experience in the past regarding changes in average levels of assistance per person aided? What has been the change in the margin or difference between "need" and "resources", that is, in the two factors used within the program to set payment levels?

At present, each state defines need, or its assistance standard, by determining the quantity, quality, and price of the expenditure items in the family budget for which it will make provision under its assistance program. The number of persons with income below the defined standard depends upon the proportion of persons with low income in the state and upon such eligibility requirements as (a) limitations on the amount of property and income that a recipient may possess, and (b) the length of his residence in the state. Average amounts of payments per recipient are affected by the level of a state's assistance standards and the resources (income and property) that recipients have. In some states average payments fall below those set by its assistance standards as a consequence of (a) a statutory maximum on the amount of assistance that can be paid to an individual recipient, and (b) inadequate finances that compel reduction in assistance payments across the board for all recipients.

Assistance levels, accordingly, are affected by a variety of factors, including changes in income distribution in the state, in the cost of minimum budgets, in price movements, in taxable capacity. Data on income distribution are not adequate. Cost of living indexes are not available.

The Welfare Administration of the U. S. Department of Health, Education, and Welfare has made sample surveys of the characteristics of public assistance recipients, but the surveys are far too infrequent. (28) Routine collections of data are needed on sources of income of assistance recipients by age, family size, and so forth, that with other things can clarify the supplementation of other public payments through assistance. (29) Moreover, a continuous sample of assistance recipients and low income families would help the decision maker in assessing the progress made toward eliminating poverty. The present statistics on reasons for the closing of cases fall short of providing guidelines for policy decision. (30)

## Health and hospital outlays

The paucity of data on state and community levels that could provide a basis for formulating health care programs and assessing existing or perspective public hospital and health expenditures contrasts sharply with the body of statistics and estimates now available nationally. (31) Some illustrations may help to clarify the types of information required for program projection and analysis. We need information on:

1. Health status of the population by state--The National Center for Health Statistics, which has developed out of the 1956 legislation authorizing continuing collection of data on morbidity, has filled the void in national information on the health status of the population. However, except in a few places, comparable data are not available regionally for health planning purposes. Mortality data by cause of death are not a good proxy for data on health status. For one thing, while the fact of death is unambiguous, the cause (or causes) of death is not. For another, many of the illnesses in a population, especially those illnesses affecting days lost from work, do not cause death.

Methods must be found to foster collection by states and communities of data on the

health status of their residents if orderly health programming is to become possible. We need to know how health status varies with age, sex, education, race, income, and so forth. The National Health Survey has experimented with methodology through two types of surveys; in one the sample data are collected through family interviews, in the other through sample physical examinations. National health legislation must take account of differences among states and communities in health program needs, but the data required for that are not available. The National Health Survey samples are not large enough to provide state data.

2. Health resources--Data on the physical facilities available for the provision of health care and on the personnel -- physicians, dentists, nurses, physical therapists, speech therapists, nutritionists, dental hygienists, psychologists, and so forth -- are of varied adequacy. Population Census data on health manpower yield a set of figures on state distributions that do not correspond with information from professional associations. Much of the available regional information on health manpower has been compiled and published by the Public Health Service. Such critical information as number of physicians is not current and the necessary data to adjust the information available to yield estimates of the number of physicians in each state providing services to patients are even more scanty. Data on physicians' offices and the types of equipment and paramedical personnel available to provide the range of health services generally are lacking both for the nation and the states.

3. Health program expenditures--A major gap in data for state and community planning purposes and for long-range projection is the lack of health-expenditure statistics that can serve to throw some light on what is purchased in the private health sector, so that one may judge the public sector's role in undertaking to compensate for the deficiencies in the private sector. (32) Where special studies have been made of health expenditures that permit the public agency expenditures to be fitted into the overall picture in the community, the findings have been most illuminating. In New York City, for example, it was found that nearly a third of the bill for personal medical services in the city is paid out of public funds. (33)

When one turns from the expenditures for health generally to those for the segment of health services that is termed "public health" the data problems are complex. Two sources of data are now available; the expenditure data collected from the state health agencies by the Public Health Service, and those collected by the Governments Division of the U. S. Bureau of the Census. (34, 35) The definitions of the two series appear to be fairly similar and the national aggregates are no longer far apart, but the state-by-state figures are more disparate for some unexplained reason. The only source of information on public-health work by activity is the Public Health Service's compilation from state reports, but even this series lumps all expenditures of local health agencies so that the distribution among the multiple activities -- the many splintered activites of public health work -- is essentially restricted to state public health expenditures.

A growing segment of public expenditures is represented by payments to private hospitals and other providers of care for the medically indigent. Data on such payments to all hospitals under the public assistance program's vendor payments provisions are collected by the Welfare Administration; and data on vendor payments, additional to the public assistance program payments, (36) are part of the informational reports compiled by the Governments Division of the U. S. Bureau of the Census, but essentially there is no source of information on the total public payments to private hospitals, by state. Moreover, the data on the number of persons receiving assistance with their medical bills, and the share of the bills that is financed in this way are inadequate.

An exception to the "data are inadequate" rule is found in the statistics on mental hospitals and institutions for the mentally retarded. As an example of what can be achieved through federal-state cooperation by way of comparable statistics the data for the mental institutions should be carefully studied. A result of the 15-year effort by the National Institute of Mental Health and the states is a data base for trend and regression analyses. (37)

Some states and local communities have begun the process of compiling information on the health resources in their jurisdictions, and a few have sought to gather the data necessary to evaluate public expenditures for health care in the context of the total health outlays. A few places have undertaken to collect sample data on health status. Programming for health work and costing of this work over a period of years require those types of data.

## Public investments for physical facilities

Advance planning for public works has been achieved more quickly than has long-term budgeting for current operations, and is applied more extensively. The fiscal pressure to schedule various projects has led to this concern of communities and states with public-works planning. Moreover, federal agencies, by their grant programs, have encouraged long-term planning of expenditures by states and communities for physical facilities.

Planning imposes certain requirements for information. It points to the need for data on existing stocks of capital assets: for example, the number of hospital beds, the number of miles

of paved roads, the number of classrooms, the number of libraries, and the number of playgrounds. It points to the need for data on the age of existing stocks, together with data on the length of effective life of the existing facilities. It requires an engineering type of assessment of additions and expansions as a consequence of emerging patterns of population and industrial growth. And it necessitates some knowledge about new technology, and about population and industrial movements that will create obsolescence. Furthermore, no assessment of needs for physical facilities is free of value judgment about what is desirable: for example, what the desirable size of a class should be.

Those informational requirements define the nature of the statistics needed.

1. Stocks of public facilities--Figures on stocks of public facilities are far from adequate on a regional or a national basis. Inventories have been made of certain types of public assets. For example, in projecting school construction as part of the state-local finances study we used an inventory of school facilities made by the Office of Education. (38, 39) Data on hospital beds are reported each year in the "Guide" issues of Hospitals, published by the American Hospital Association. An inventory of municipal water facilities, made by the Public Health Service, is available. (40, 41) Data on existing mileage of surfaced roads, by type, are collected by the Bureau of Public Roads. (42)

In not all instances are inventories of public facilities available, and frequently inventories that are taken are not kept current. For example, the number of classrooms required for alleviating or eliminating overcrowding was based on a 1962 inventory updated for 35 states to the spring of 1964. A routine updating procedure is needed for all public facilities to provide, by state, information on what exists, which can then be related to what ought to exist.

2. Data on age and on depreciation of public assets--Construction requirements for replacement purposes can only be quantified if information is available on a realistic basis, of the remaining functional life of existing facilities. Some inventories of public-facility needs do not note the age of existing facilities. For example, from the Office of Education Inventory of School Facilities we know the number of classrooms built prior to 1940, but we know nothing about the upkeep of the schools or their current stage of repair or disrepair.

3. Capacity of facilities to meet workloads--To project the need for public facilities information is needed on the extent to which the added number in the population or industrial growth affects the requirements for such facilities. How much by way of dormitories, for example, is needed to accommodate the growth in college and university enrollments? A range of data problems is involved in answering such a question, even after the size of the enrollment increase in a state has been established and the number of out-of-state students estimated. What proportion of the students are likely to be married? What proportion to be single? What share of the number of students will live at home? What are the alternative student living arrangements? What share of the increased number of students can be accommodated in each of various ways? To suggest some of the turnabouts that the real world produces in terms of statistics after-the-fact, we may ask: What influence does the availability of dormitories have on enrollments? On enrollment of male and of female students? Assumptions were made in Public Spending for Higher Education about dormitory space in relation to enrollment increases, based on previous experience, and square footage of construction was costed, by state. (43)

Similarly, as is indicated in Transportation Outlays of States and Cities, highway construction often creates its own use so that a road constructed to relieve congestion may itself contribute to further congestion by making automobile use more convenient than it was earlier. (44)

4. Public facility plans--A number of states and communities plan at least some components of their capital outlays in advance, and others have well-established capital budgeting. Compilations of such expenditure plans by states, and on a sample basis for localities, would, over a period of years, provide information for making projections and testing techniques. Sample surveys are now made of prospects for industrial capital outlay, but similar surveys have not been made of public sector outlays. The Standard Land Use Coding Manual prepared by the Urban Renewal Administration and the Bureau of Public Roads make possible the collection of information on public-facility plans on a standard basis. (45) The use of this manual would simplify the classification of facilities and would fit this classification into a general land use pattern that is projected for communities and states. Not only would the work of projecting be improved, but the public facilities could be planned more effectively in relation to other land use patterns in the community.

5. Price indexes--Information on interstate variations in construction prices and on changes in such prices over time is needed to help understand changes in amounts spent for capital outlays.

We need to develop for classes of public services and facilities standard bundles of goods and services, and to provide for the routine collection of price data so that appropriate price indexes can be developed. The collection of price data should be carried out state by state so that a more precise statistical basis may become available for interstate comparisons. A beginning should be made on the fact-gathering

that would as a minimum permit correction for price variation of dollar measures of revenue collections, expenditures, and of income. In summary, what we require is: (a) a set of price indexes for state and local public expenditure and revenue components and (b) state-by-state indexes. The research of Hurwitz and Stallings on interregional differentials in per capita real income change and the recent continuation of this research by the Office of Business Economics demonstrate the usefulness of cost of living indexes in interpreting income variations. (46)

## Summary and conclusions

We have sought in this paper to draw on the experience of Project '70's study of state-local finances to describe some of the data limitations and gaps as they were encountered in the conduct of the study. We noted earlier that national data sources were used, that is, nationally collected data, or data compiled by national agencies from reports from the several states. Comparability of definition and of reporting for "state's own" fiscal planning purposes would at first glance appear to be less important than it is in a nationwide study that undertook to project the finances for 1970 for all the states. However, clearly this is not the case. Interstate comparison is one yardstick frequently used in formulating programs and tax policies. Questions raised frequently are: "What are neighboring states doing?" and "What are the program levels in jurisdictions of similar industrial development or size class?"

The steps taken by the Governors' Conference to gain greater comparability of statistical information for state and community planning purposes underscore this concern. Intergovernmental cooperation in the carrying out of a program for greater comparability will give more weight to the type of data collection now carried out by the Governments Division of the U. S. Bureau of the Census, and by the Welfare Administration, the Office of Education, and the National Institute of Mental Health, all three of the U. S. Department of Health, Education, and Welfare.

As more of the states and communities adopt advance fiscal planning and longer-term programming, data requirements will be enlarged. Some of the administrative-type statistics now kept by states and localities may prove useful, others not. Increasingly "requirement" data will be emphasized that can help to assess what the public programs are doing to meet a problem or a program objective. It is clear even at this early stage of work on intergovernmental aspects of program budgeting that far more serious attention will have to be given to direct federal and direct state public-program operations in cities and other localities. Local action on harbor development cannot proceed without knowledge of the expenditures and work planned by the Army Corps of Engineers; local action on assistance for the aged cannot be formulated without knowledge of the number of persons receiving old-age insurance benefits and the prospects for the immediate period ahead of growth in the insurance rolls. Needs for general relief cannot be quantified without knowledge about the state unemployment compensation benefits. Public hospital planning has to proceed from adequate information on Medicare benefits for the aged and the number of persons in the locality that are eligible. In the new setting of computer technology, program budgeting, economic model building, and informational systems, the regional distribution of direct federal activities becomes an important datum for state and community planning purposes.

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