NATURE OF DATA

Because of the volatile nature of capital expenditures by State and local governments, for analytical purposes it would be desirable to let debt service reflect the capital expenditure of these governments. Since these capital expenditures are usually amortized over a 20- to 50-year period through bond issues and sinking funds, debt service would more nearly reflect the current benefits accruing from these capital outlays. However, the U.S. Bureau of the Census, in its census of governments, excludes payments for debt retirement, extension of loans, and purchases of securities from expenditure. Since the U.S. Bureau of the Census is the basic source for many State and local government expenditure data, the concept of debt service as a reflection of capital expenditure cannot be used in connection with census data.

There are three general functional classifications of State and local government expenditure: general expenditure, utility and liquor stores expenditure, and insurance trust expenditure. Included in general expenditure are the services which are commonly associated with State and local government—education, highways, welfare, health and hospitals, police, fire, sanitation, etc. In 1958, these general expenditures accounted for $45.1 billion or 83.7 percent of total expenditures. Utility and liquor store expenditures in 1958 were $4.6 billion or 8.6 percent of total expenditures and include expenditure on such government-owned utilities as water supply, electric power, gas supply, and transit systems. Included in this category are expenditures for running State-owned liquor stores in 16 States and those owned by local governments in a few States. Other commercial-type operations of State and local government are included in general government. State and local government insurance trust expenditure consists chiefly of retirement payments for State and local government employees and unemployment compensation payments to the qualified unemployed, who together with their employers, have contributed to the fund from which payments are made. In 1958, insurance trust expenditures were $4.2 billion and accounted for 7.7 percent of total State and local government expenditures.

It might be helpful to ignore liquor store and insurance trust expenditures. Unemployment compensation, which in 1958 amounted to $2.8 billion or 66.2 percent of insurance trust expenditure, is not generally considered to be a State and local government expenditure since both revenue is received and payments are made by this separate insurance trust fund. The administrative cost of this insurance trust fund is, however, included in general expenditure.

One must keep in mind, then, that the U.S. Bureau of the Census uses the following basic concepts and terminology in its statistics on expenditure of State and local government:

1. State and local government expenditure comprises all amounts of money paid out as between State and local governments and external individuals or agencies (net of correcting transactions such as recoveries or refunds), with the exception of amounts for debt issuance and retirement and for loan and investment, agency, and private trust transactions.