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The Distribution of Transfers to Various Types of Cities

The distribution of intergovernmental transfers to cities promises to be a potent political issue over the course of the 1980s. Indeed, the very magnitude of the funding guarantees a period of protracted political conflict on intergovernmental policy. In 1980, for example, federal and state transfers provided nearly \$30 billion in aid to city governments alone, not counting aid to school districts or other independent local agencies. In the same year, the 56 cities examined here received \$9.5 billion in intergovernmental assistance to their municipal governments and school districts combined. This comprised almost half of all revenues and about double the amount of resources coming from the property tax. Of this, the lion's share of transfers came from state aid: the states provided \$6.5 billion in assistance to these localities, supplemented by \$2.7 billion in federal funds.¹ Clearly, during an era marked by domestic austerity and municipal retrenchment, the distribution of intergovernmental transfers has become a volatile issue at all levels of American politics.²

The Reagan administration's budget cuts and "New Federalism" program have added fuel to the fire. Now two highly polarized camps have cropped up, each struggling to shape the content of intergovernmental policy. On the one side, the Reagan administration and its supporters imply that intergovernmental transfers flow, by and large, to distressed cities; in other words, the declining Frostbelt cities are the foremost beneficiaries of federal and state aid. On the other side, the president's opponents—rooted in the Democratic party, big city government, Northeast-Midwest coalition, and to some extent in the labor movement—counter with the proposition that intergovernmental transfers provide disproportionate benefits to the booming cities of the Sunbelt and that cutbacks will further exacerbate this discrepancy.³

The research presented here bears directly on such questions regarding the distribution of intergovernmental funds. It analyzes intergovernmental aid patterns in light of aggregate revenues collected by municipal governments and by independent school districts which serve the city, evaluating transfers both in per capita terms and as a function of the local budget. The sample upon which this study is based comprises all

Richard L. Florida is assistant professor, Department of City and Regional Planning, The Ohio State University.

U.S. cities in the population size group 220,000 to 1,000,000 with the exception of Honolulu and Washington, D.C.

The first section of this article presents the methodology employed for financial data collection. The second examines the distribution of funds to Frostbelt, Sunbelt, and Western cities. The third section then looks at the distribution of funds to cities, grouped by demographic change. The fourth section supplements the preceding work by analyzing the statistical relationships between intergovernmental receipts and city distress. A summary of major findings is presented in the concluding section.

METHODOLOGY FOR FINANCIAL DATA COLLECTION

Up to this point, the research literature has evaluated intergovernmental transfers solely in terms of funds accruing to city governments, for example, as published in the Census Bureau, Governments Division annual *City Government Finances* or in the more comprehensive quinquennial issue.⁴ This has distorted findings largely because many younger cities possess one or more independent school districts which collect tremendous amounts of intergovernmental revenue. As presented here, municipal and school district revenues have been aggregated, giving a more realistic picture of the actual distribution of intergovernmental funds.

Differences in type of school district, in fact, characterize the 56 sample cities. Of these, only 11 have dependent school systems where school revenues are collected by the central municipal government. The remaining 45 cities have a number of different kinds of school systems which operate independently of city hall. The analytical problem that crops up here is quite straightforward. If just municipal finance data are used, the 11 cities with dependent school systems will show a much higher incidence of intergovernmental dependence, simply because school expenditures make up about half of the municipal budget. In order to remedy this difficulty, a number of methods were employed to obtain school finance data for the remaining 45 cities and thus to provide a uniform basis for comparison of intergovernmental revenue trends among cities.

Independent school districts which correspond exactly to municipal boundaries were found in 25 cities. Since these school districts serve the entire school-age population of the municipality, data from the Census Bureau, Governments Division computer file on school districts were simply added to existing city financial data.⁵ An additional eight cities were served by overlying county or parish school systems. In these cases, city enrollment figures were obtained from the county school system and the school district financial data were adjusted accordingly. However, 12 cities possess multiple school districts which serve parts of their school-age population, and in many cases serve school-age children from other municipalities as well. Here, various city, county, and state agencies initially provided rough estimates of the school districts serving a given city, and the percentage of city children attending those districts. These data were then checked against the Census Bureau, Governments Division card file on school districts. Ultimately, each separate school district provided firm estimates of city enrollments. School district financial data were then adjusted and aggregated with city data. In the

following pages, such revenue estimates, which were derived from aggregating school districts with municipal finance data, are referred to as "adjusted municipal revenues."⁶

INTERGOVERNMENTAL TRANSFERS TO FROSTBELT, SUNBELT, AND WESTERN CITIES

Table 1 details the distribution of intergovernmental funds to cities in the Frostbelt, Sunbelt, and Western regions.⁷ Frostbelt cities receive about \$460 per capita from intergovernmental sources, Western cities get slightly more than \$420 per capita, and Sunbelt cities \$323 per capita. However, these differentials in per capita intergovernmental receipts must be evaluated in light of the varied revenue-generating capacities and service patterns that distinguish the three groups of cities. For example, Frostbelt cities are generally called upon to provide greater amounts and a wider range of services than those in the Sunbelt and the West. Public sector unionization is also much more widespread in these older cities, and payroll/benefit costs are typically much higher.⁸ For these reasons, Frostbelt cities usually raise more total revenue than Sunbelt and Western cities, both from intergovernmental sources and from locally based efforts.

Overall, Frostbelt cities raise nearly \$1000 per capita in adjusted municipal revenue, compared to around \$900 per capita for Western cities and \$753 per capita for Sunbelt cities. In terms of total locally raised revenues—or own-source revenues—Frostbelt cities far out-distance their Sunbelt and Western counterparts, generating approximately \$515 per capita compared to \$475 per capita for Western cities and a meager \$430 for Sunbelt cities. The latter two groups also generate considerably less tax revenue than Frostbelt cities. Sunbelt cities raise around \$300 per capita and Western cities generate approximately \$285 per capita from local taxes; both types of cities raise approximately \$180 per capita from property taxes. Frostbelt cities make a considerably greater tax effort. They generate over \$277 from property taxes and more than \$380

TABLE 1
Adjusted Municipal Revenues per Capita for Frostbelt, Sunbelt, and Western Cities, 1980

	Frostbelt	Sunbelt	Western
Total general revenue	\$975.86	\$752.66	\$898.24
Total intergovernmental	461.63	323.00	422.14
From state	306.74	202.35	317.21
From federal	129.11	105.04	96.29
From local	25.78	15.61	8.64
Own source	514.23	429.66	476.10
Tax revenue	381.87	285.99	300.93
Property tax	277.21	182.91	181.92
User charges & misc.	132.36	133.08	175.17
Sales tax	16.46	48.97	6.55
Income tax	53.19	10.57	0

Source: U.S. Bureau of the Census, Governments Division, *Aggregate Financial Data File, 1979-1980* (computer tape).

Note: Data on city-to-city variations in adjusted municipal revenues per capita are presented in Richard L. Florida, "Intergovernmental Transfers, Urban Economic Performance and City Distress: An Empirical Evaluation" (unpublished), 1982.

from all local taxes. Yet, by any measure of municipal revenue capacity, these older cities have seriously eroded tax bases.

As indicated earlier, these differentials in local revenue-raising stem primarily from the varied service structures and expenditure requirements faced by the three groups of cities. These variations must be understood in order to ferret out the actual local impact of intergovernmental transfers. Basically, in Frostbelt cities all local service delivery functions—frequently including education—are performed by a common local government and paid for out of a central municipal budget. In Sunbelt and Western cities, independent school districts are the rule and special districts are much more common, with the result that autonomous levels of government often perform what are typically thought of as municipal services. For example, in Sunbelt cities many social service programs—particularly housing and health programs—are administered by regional districts or county governments. Road and/or sewer construction may also be administered in this manner. In such cases, autonomous agencies collect revenues, make expenditures, and deliver services independently of city hall and in addition to the municipal budget. In other cases, service provision may be contracted out to private firms. Thus, on top of lower payroll/benefit costs, Sunbelt and Western cities spend less money for public services because other levels of government often hold functional responsibility for many of these services. Local governments in these types of cities need substantially less revenue, own-source or intergovernmental, to deliver a narrower range of public services.

Intergovernmental Transfers in Relation to the Municipal Budget

These caveats suggest that evaluating intergovernmental receipts in per capita terms is a crude and biased measure for variations in intergovernmental transfers by city.⁹ If this is done, the incidence of intergovernmentalism for any city is quite easily clouded by the degree of functional responsibility vested in its municipal government. To get a clearer picture of relative variations in intergovernmental receipts, it is necessary to examine transfers in light of the specific service delivery responsibilities and the precise revenue/expenditure mix of each particular city government. Operationally, this means looking at intergovernmental receipts, not in per capita terms, but as a function or proportion of the local budget.

According to data presented in Table 2, intergovernmental transfers comprise a considerable proportion of adjusted municipal revenues in each of the three groups of cities. In 1980 intergovernmental transfers accounted for 47.3 percent of adjusted municipal revenues in Frostbelt cities, 47.0 percent of local revenues in Western cities, and 42.9 percent in Sunbelt cities. Although Sunbelt cities show the least reliance on intergovernmental funds, the deviation from the overall 56-city mean of 45.5 percent is rather small (see Table 4).

Table 2 also shows some interesting patterns in the proportional composition of adjusted municipal revenues for the three groups of cities. While federal funds comprise essentially similar shares of the local budget in Frostbelt (13.23%) and Sunbelt cities (13.96%), Western cities derive a considerably smaller percentage (10.72%) of total revenues from them. In these cities, state assistance makes up three-quarters of total

TABLE 2
Proportional Composition of Adjusted Municipal Revenue for Frostbelt, Sunbelt, and Western Cities, 1980

	Frostbelt	Sunbelt	Western
Total intergovernmental	47.31%	42.91%	47.00%
Range	30.68-67.86	26.51-59.51	31.27-63.15
From state	31.43	26.88	35.32
From federal	13.23	13.96	10.72
From local	2.64	2.07	0.96
State as percent of total	(66.45)	(62.64)	(75.14)
Own source	52.69	57.09	53.00
Tax revenue	39.13	38.00	33.50
Property tax revenue	28.41	24.30	20.15
User charges & misc.	13.56	17.68	19.50
Sales tax	1.69	6.51	6.55
Income tax	5.45	1.40	0

Source: U.S. Bureau of the Census, Governments Division, *Aggregate Financial Data File, 1979-1980* (computer tape).

Note: Data on city-to-city variations in the proportional composition of adjusted municipal revenues per capita are presented in Richard L. Florida, "Intergovernmental Transfers, Urban Economic Performance and City Distress: An Empirical Evaluation" (unpublished), 1982.

intergovernmental funding, whereas state aid comprises around two-thirds of total intergovernmental assistance in Frostbelt and Sunbelt cities. Western cities employ taxation less heavily than the other two groups of cities, relying somewhat more significantly on revenue raised through user charges and fees (Table 2).

Moreover, data on intergovernmental transfers to specific cities reveal that there is substantially greater variation within each of the groups than among the three subsets. There are four cities where intergovernmental funds comprise over 60 percent of total revenues. Of these, two are Frostbelt cities, Buffalo (69%) and Newark (63%); one is a Western city, Albuquerque (63%); and another is a Sunbelt city, Memphis (60%). In 11 additional cities, intergovernmental transfers make up over 50 percent of local revenues. Of these, three are Frostbelt cities, Rochester (57%), Milwaukee (51%), and Minneapolis (50%); four are Western cities, San Francisco (53%), Oakland (55%), San Diego (53%), and San Jose (51%); and four are Sunbelt cities, El Paso (57%), Charlotte (54%), San Antonio (54%), and New Orleans (50%).

A similar pattern is apparent for the cities that receive the smallest increments of intergovernmental aid. Once again, there is greater variation within each of the city groupings than among Frostbelt, Sunbelt, and Western cities as distinct subsets. There are four cities where intergovernmental revenues comprise 31 percent or less of total local revenues. Of these, one is a Frostbelt city, Kansas City (31%); another is a Western city, Denver (31%); and two are Sunbelt cities, Tulsa (31%) and Dallas (17%).

In short, when intergovernmental transfers are evaluated as a function of the local budget, there is at best a slight correspondence between transfers and regional patterns.

INTERGOVERNMENTAL TRANSFERS TO DECLINING, STABLE, MODERATE, AND FAST GROWING CITIES

The following analysis supplements the above by using local demographic trends to reevaluate the distribution of intergovernmental transfers. Cities have been grouped

according to overall population trends and by change in the number of households.¹⁰ Not surprisingly, the demographic trends observed for these cities reflect a strong overlying regional pattern. Frostbelt cities include nearly all of the declining cities. In fact, Atlanta and Richmond are the only non-Frostbelt cities that fall within this category. The remaining categories are dominated by Sunbelt and Western cities.¹¹

The distribution of per capita intergovernmental revenues to the four groups of cities is detailed in Table 3. Overall, a differential of nearly \$100 per capita separates declining from stable cities, and an additional \$100 per capita separates stable from moderately growing cities. Interestingly, fast growing cities receive \$50 more per capita than moderately growing ones. Declining cities receive almost \$500 per capita from intergovernmental transfers, stable cities nearly \$400, moderately growing cities around \$300, and fast growing cities \$350.

However, the same caveats that distinguish local revenue-raising efforts in Frostbelt cities from those in Sunbelt and Western cities apply here. Since declining and stable cities usually provide a wide range of services, their overall revenue-raising efforts are higher than in growing cities. For example, fast growing cities raise just \$370 and moderately growing cities only \$412 in per capita own-source revenue. Both declining and stable cities raise considerably more—\$550 and \$500 per capita respectively.

These differentials, in turn, affect the overall revenue-raising efforts made by each group of cities. Both types of growing cities raise just over \$700 per capita in total revenue, compared to more than \$1000 per capita for declining cities and about \$900 per capita for stable cities. Looking once again to Table 3, both types of growing cities raise slightly over \$250 per capita from taxes, while declining cities raise nearly \$410 and stable cities generate \$325 from taxes. Declining cities raise a considerable amount of their revenue from the property tax (\$280 per capita). Stable cities also depend heavily on the property tax (\$200 per capita) and employ user charges to a substantial degree (\$176 per capita). Both types of growing cities are less dependent upon the

TABLE 3
Adjusted Municipal Revenues per Capita for Declining, Stable, Moderate,
and Fast Growing Cities, 1980

	Declining (N = 19)	Stable (N = 13)	Moderate (N = 12)	Fast (N = 12)	All (N = 56)
Total intergovernmental	\$485.98	\$397.08	\$293.63	\$348.95	\$404.25
From state	323.94	255.08	196.93	261.97	271.26
From federal	137.44	128.60	80.33	80.64	116.27
From local	24.59	13.40	16.31	6.34	16.27
Own source	550.15	500.60	412.71	370.78	483.46
Tax revenue	407.35	324.60	278.85	258.67	335.78
Property tax	281.16	199.80	185.41	162.58	200.30
User charges & misc.	142.80	176.00	133.86	112.11	147.68
Sales tax	54.84	50.50	39.70	63.44	52.43
Income tax	10.13	14.40	10.23	0	9.90
Total general revenue	1036.13	897.68	706.34	719.73	887.71

Source: U.S. Bureau of the Census, Governments Division, *Aggregate Financial Data File, 1979-1980* (computer tape).

property tax (\$185 and \$162 per capita), while employing user charges less extensively as well (\$134 and \$112 per capita).

Transfers as a Function of the Local Budget

From the data presented at the top of Table 4, it is quite clear that intergovernmental transfers make up a considerable percentage of adjusted municipal revenues for each of the four groups of cities. Intergovernmental transfers comprise 46.9 percent of local revenue in declining cities, 44.2 percent in stable cities, 41.6 percent in moderately growing cities and 48.5 percent in fast growing cities. Interestingly, fast growing cities receive the greatest share of intergovernmental funds, though for each group the deviation from the overall mean of 45.5 percent is rather small.

Table 4 also shows the proportional composition of adjusted municipal revenues to be rather similar across the four groups of cities. Since intergovernmental transfers comprise approximately 45 percent of total revenues in declining, stable, moderate, and fast growing cities alike, own-source revenues account for slightly more than half of the municipal budget. Revenues from the property tax make up about half of these, and are most heavily employed in declining cities. User charges and other fees account for a significant proportion of own-source revenues, especially in stable and both types of growing cities. Sales taxes and income taxes are used by all four groups of cities, but they account for only marginal amounts of revenue.

Most importantly, the composition of intergovernmental transfers is basically uniform across three of the four groups of cities. In declining, stable, and moderately growing cities, state aid is about twice as important as federal aid; state aid comprises approximately 65 percent of total intergovernmental assistance. In fast growing cities, however, state aid comprises three-quarters of all intergovernmental receipts.

TABLE 4
Proportional Composition of Adjusted Municipal Revenues for Declining, Stable, Moderate, and Fast Growing Cities, 1980

	Declining (N = 19)	Stable (N = 13)	Moderate (N = 12)	Fast (N = 12)	All (N = 56)
Total intergovernmental	46.90%	44.23%	41.57%	48.48%	45.54%
Range	30.68-67.86	31.27-54.53	26.51-59.51	31.98-63.15	26.51-67.86
From state	31.26	28.42	27.88	36.41	30.56
From federal	13.27	14.33	11.37	11.21	13.10
From local	2.37	1.49	2.31	0.88	1.88
State as percent of total aid	(66.66)	(64.24)	(67.07)	(75.07)	(67.10)
Own source	53.10	55.77	58.43	51.52	54.46
Tax revenue	39.32	36.16	39.48	35.94	37.83
Property tax	27.04	22.36	26.25	22.59	22.56
User charges & misc.	13.78	19.61	18.95	15.58	16.64
Sales tax	5.29	5.63	5.62	8.81	5.91
Income tax	2.98	1.57	1.45	0	1.12

Source: U.S. Bureau of the Census, Governments Division, *Aggregate Financial Data File, 1979-1980* (computer tape).

Once again, when intergovernmental transfers are evaluated as a function of the local budget, there is only a slight correspondence between transfers and local demographic trends. Fast growing cities receive the largest share of transfers (48.5%), followed by declining (46.9%), stable (44.2%), and moderate growth cities (41.6%). In light of the wide variation within groups, however, it remains safe to say that intergovernmental funds make up relatively similar shares of the adjusted municipal revenues in declining, stable, and growing cities alike.

INTERGOVERNMENTAL TRANSFERS AND CITY DISTRESS

The data presented in Table 5 show the statistical correlations between intergovernmental transfers, based on adjusted municipal revenues, and commonly used measures of city distress. By employing a wide range of distress measures, this analysis sheds additional light on the responsiveness of intergovernmental funding to urban economic, fiscal, and social conditions.

When measured in per capita terms, intergovernmental transfers show a significant relationship to city distress. The correlations range from a high of .6041 to a low of .4867, all statistically significant. Here, both per capita federal and state transfers show a substantial relationship to distress, although the correlations for state aid are somewhat higher.

TABLE 5
The Responsiveness of Intergovernmental Transfers to City Distress

	Economic ¹ (N = 56)	ACIR Fiscal ² (N = 51)	HUD Social ³ (N = 51)	Urban Conditions ⁴ (N = 47)
Per Capita Measures:				
Intergovernmental	.5811	.6041	.4867	.5886
Federal aid	.2987	.4186	.3450	.4843
State aid	.5356	.5218	.3941	.4219
Own source	.1814*	.7659	.1909	.3471
Property tax	.2920	.6884	.1036*	.3695
General revenue	.4603	.8349	.4162	.5731
Percent Measures:				
Intergovernmental	.3754	-.0964*	.2981	.2381*
Federal aid	.1088*	-.0810*	.1832	.2016*
State aid	.2893	-.0288*	.1474*	.0671*
Property tax	-.0064*	-.2284*	-.2163*	.0307*

Sources: U.S. Bureau of the Census, Governments Division. *Aggregate Financial Data File, 1979-1980* (computer tape).

1. Harvey Garn and Larry Ledebur, "The Economic Performance and Prospects of Cities," in *The Prospective City*, ed. Arthur Solomon (Cambridge, Mass.: MIT Press, 1980).
2. Advisory Commission on Intergovernmental Relations, *Central City-Suburban Fiscal Disparity and City Distress* (Washington, D.C.: ACIR, 1980).
3. Department of Housing and Urban Development, *City Need and Community Development Funding* (Washington, D.C.: GPO, 1979).
4. Richard Nathan and Paul Dommel, "The Prospects for Urban Revival," in *Urban Government Finance*, ed. Roy Bahl (Beverly Hills, Calif.: Sage, 1981).

Note: *Statistically insignificant at the .05 level. Pearson product moment correlations.

The important factor here is the consistently strong relationship between city distress and city budget revenues. For per capita general revenues, the correlations are again extremely high, ranging from .8349 to .4162.

This implies that the relationship between per capita transfers and city distress may be subsumed within a larger relationship between distress and overall municipal revenue patterns. Indeed, when evaluated in per capita terms, all of the revenue components of the city fisc correlate to city distress. This is perhaps clearest in the Advisory Commission on Intergovernmental Relations, Fiscal Index, which shows a high range of correlations for each of the revenue components. This reinforces a key point made earlier: Differences in municipal government structure, services, and expenditure patterns have a significant effect on the relationship between the distribution of per capita intergovernmental transfers and urban fiscal, economic, and social conditions.

This point is driven home by measures evaluating the responsiveness of intergovernmental transfers as a percentage of adjusted municipal revenues. When measured this way, there is virtually no correspondence between distress and intergovernmental transfers. Here, the correlations range from a low of $-.0964$ to a high of $.3745$, and two out of four are insignificant. When federal and state transfers are disaggregated and evaluated independently as a function of the local budget, the correlations are even weaker. Three out of four state aid correlations are insignificant; all of the federal aid correlations are insignificant.

CONCLUSIONS

The analyses presented here suggest that when school districts and municipal revenues are aggregated to comprise adjusted municipal revenues, intergovernmental aid to cities shows at best a slight and tenuous relationship to regional patterns, demographic trends, or degrees of city distress. In per capita terms, Frostbelt cities receive more aid than Western cities, and Western cities receive more aid than Sunbelt cities. A similar pattern characterizes intergovernmental funding patterns for declining, stable, and growing cities. Yet, in both cases such patterns are largely dependent upon variations in government structure and the different expenditure and servicing requirements faced by the different groups of cities.

In sum, the distribution of intergovernmental funds to cities is rather ubiquitous. Transfers from the federal and state levels of government account for slightly less than half of all local revenues in Frostbelt, Sunbelt, and Western cities and in growing, stable, and declining cities as well. Once limited to relatively small amounts in a few high distress cities, intergovernmental transfers are big ticket items in the budgets of all large cities. Indeed, robust Sunbelt cities with extremely low levels of need often show extraordinarily high levels of intergovernmental assistance, when aid is evaluated as a function of the municipal budget.¹² Simply put, as of 1980, virtually all jurisdictions were receiving similar shares of local resources from intergovernmental transfers regardless of their size, location, demographic performance, or the relative incidence of distress.

NOTES

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1. The breakdown of aggregate revenue, in billions of dollars, for these 56 cities is as follows: general revenue \$20.67, intergovernmental 9.50, federal 2.69, state 6.45, own source 11.17, tax 7.77, property tax 5.20.
2. For a very good history of intergovernmental policy in general as well as specific transfer programs, see Advisory Commission on Intergovernmental Relations (ACIR), *The Condition of Contemporary Federalism: Conflicting Theories and Collapsing Constraints*, vol. 2 of *The Federal Role in the Federal System: The Dynamics of Growth* (Washington, D.C.: ACIR, 1980). A wealth of good information on state aid systems is provided in "Special Issue on State Aid and Targeting," *Urban Interest*, 3 (1981). I have attempted to outline the broad political and economic determinants of intergovernmental policy over the postwar period in two papers. See Richard L. Florida, "Intergovernmental Funding and Distress: The Politics of Federal Grant-in-Aid Policy" (Presented at the Symposium on Social Change, University of Cincinnati, April 28-29, 1982); "The Political Economy of Federal Urban Policy, 1932-1985" (Department of City and Regional Planning, The Ohio State University, unpublished papers, 1985).
3. This political split has been pointed out in a wide range of studies. See, for example, Robert Dilger, *The Sunbelt/Snowbelt Controversy* (New York: New York University Press, 1983); Ann Markusen and Jerry Fastrup, "The Regional War for Federal Aid," *Public Interest* (Fall 1978), pp. 87-89; Ann Markusen, Annalee Saxenian, and Marc Weiss, "Who Benefits from Intergovernmental Transfers?", in *Cities Under Stress*, ed. Robert Burchell and David Listokin (New Brunswick, NJ: Center for Urban Policy Research, 1981), pp. 617-664.
4. Representative studies in the field of intergovernmental finance include: Roy Bahl, "The Fiscal Health of State and Local Government: 1982 and Beyond," *Public Budgeting & Finance* 2, no. 4 (Winter 1982), pp. 2-18; Thomas Anton, Jerry Cawley, and Kevin Kramer, "Federal Spending in States and Regions," in *Cities Under Stress*, ed. Burchell and Listokin (1981), pp. 577-616; Charles Levine, *Managing Fiscal Stress: The Crisis in the Public Sector* (Chatham, NJ: Chatham House Publishers, 1980); Astrid Merget, "The Fiscal Dependency of American Cities," *Public Budgeting & Finance* 1, no. 2 (Summer 1981), pp. 20-30; "Disparity and Diversity: Profiles of City Finance," *Urban Data Service Reports* (Aug. 1981), pp. 1-9; Katherine Bradbury, "Fiscal Distress in Large U.S. Cities," *New England Economic Review* (Nov./Dec. 1982), pp. 33-43; Henry Raimondo, "Central City Isolation and Intergovernmental Grants, 1961-1977," *Growth and Change* (Jan. 1982), pp. 26-36; Robert Stein, "The Targeting of State Aid: A Comparison of Grant Delivery Systems," *Urban Interest* 3 (1981), pp. 47-59; Fred Teitlebaum, "The Relative Responsiveness of State and Federal Aid to Distressed Cities," *Policy Studies Review* (Nov. 1981), pp. 309-22; U.S. Congress, House Subcommittee on the City, *City Need and the Responsiveness of Federal Grants Programs* (Washington, D.C.: GPO, Aug. 1978).
5. A listing of school districts and school district adjustment ratios is provided in Richard L. Florida, "Intergovernmental Transfers, Urban Economic Performance, and City Distress: An Empirical Evaluation" (unpublished paper, 1982), which is a longer version of this article.
6. At this point, it is necessary to note a number of limitations inherent in the data. The data presented do not distinguish between capital grants and those used exclusively for operating purposes, nor do they separate out federal pass-through state aid. An excellent discussion of the latter issue is in G. Ross Stephens and Gerald Olsen, *Pass Through Federal Aid and Interlevel Finance in the American Federal System* (Kansas City, Mo.: University of Missouri, 1979). It is also recognized that a number of grants, such as mass transit grants or those for wastewater treatment,

are recorded by the Census Bureau as intergovernmental revenues in the year of receipt even though part of the grant is not used for expenditure purposes. The primary objective of this study has been to discern and to evaluate overall patterns of intergovernmental assistance to cities on the basis of "adjusted municipal revenues." It does not attempt to correct other problems inherent in the data.

7. These regional groups are derived from the regional definitions employed by the Census Bureau. The regional groupings, along with their subregional and state components, are as follows: FROST-BELT—*Northeast*: New England: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut; *Mid-Atlantic*: New York, New Jersey, Pennsylvania; *Midwest*: Great Lakes: Ohio, Indiana, Illinois, Michigan, Wisconsin; Great Plains: Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas. SUNBELT—*South*: South Atlantic: Delaware, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, District of Columbia; East South Central: Kentucky, Tennessee, Alabama, Mississippi; West South Central: Oklahoma, Texas, Arkansas, Louisiana. FARWEST—*West*: Mountain: Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada; Pacific: Washington, Oregon, California, Alaska, Hawaii.
8. To date the best study of municipal payroll and benefit costs differentials is the 1980 Urban Institute study. See Elizabeth Dickinson, Harold Hovey, and George Peterson, *Public Compensation: A Twelve City Comparison* (Washington, D.C.: The Urban Institute, 1980); Mary McCormick, Carol O'Cleireacain, and Elizabeth Dickinson, "Compensation of Municipal Workers in Large Cities: A New York City Perspective," *City Almanac* (June 1980), pp. 1-19.
9. Similar conclusions have also been reached by other analysts. See Thomas Dye and James Ammons, "Frostbelt and Sunbelt Cities: What Difference It Makes," *Urban Interest* (Spring 1980), pp. 28-33; Thomas Dye and J. Garcia, "Structure, Function and Policy in American Cities," *Urban Affairs Quarterly* (Sept. 1978), pp. 103-122; Teitlebaum (1981).
10. This method of grouping cities has been adapted (with revisions) from the larger research project of which this study was a part. See Robert Burchell, James Carr, Richard Florida, and James Nemeth, *The New Realities of Municipal Finance: The Rise and Fall of the Intergovernmental City* (New Brunswick, NJ: Center for Urban Policy Research, 1984). The taxonomy for grouping cities utilizes the following demographic cutoffs. Based on this classification, the cities in the various categories comprise the following: *Declining*: Net population loss exceeding 10% and new loss of households. *Stable*: Net population change between -10% and +1% and net household change between -3.5% and +10%. *Moderate growth*: Net population increasing 2% and 15% and net household gain between 10% and 21%. *Fast growing*: Net population gain exceeding 15% and net gain in household exceeding 21%. This classification does not distinguish growth due to annexation from growth/decline due to migratory patterns or natural causes. In this classification the cities in the various categories are the following: *Declining* (N = 19): Akron, Atlanta, Baltimore, Boston, Buffalo, Cincinnati, Cleveland, Jersey City, Kansas City, Louisville, Milwaukee, Minneapolis, Norfolk, Newark, Pittsburgh, Richmond, Rochester, St. Louis, St. Paul. *Stable* (N = 13): Birmingham, Denver, Fort Worth, Indianapolis, Long Beach, New Orleans, Oakland, Omaha, Portland, San Francisco, Seattle, Tampa, Toledo. *Moderate Growth* (N = 12): Columbus, Corpus Christi, Dallas, Jacksonville, Nashville, Oklahoma City, Memphis, Miami, Sacramento, St. Petersburg, Tulsa, Wichita. *Fast Growing* (N = 12): Albuquerque, Anaheim, Austin, Baton Rouge, Charlotte, El Paso, Phoenix, San Antonio, San Diego, San Jose, Tucson, Virginia Beach.
11. This demographic grouping corresponds significantly with other commonly used measures of urban distress. Related research has shown that while moderate and fast growing cities have witnessed significant expansion in all sectors of their economies, the bulk of cities in the declining subset have experienced substantial disinvestment, serious job loss across all sectors, significant tax base attrition and a host of attendant social problems. Cities in the stable category fall between these two extremes. For further elaboration on this point, see Florida, "Intergovernmental Transfers," Burchell et al., *The New Realities*.
12. For a very good case study of a Sunbelt city's dependence on intergovernmental revenue, see William Hudson, "The Federal Aid Crutch: How a Sunbelt City Comes to Depend Upon Federal Revenue," *Urban Interest* (Spring 1980), pp. 34-44.