

Fiscal Conditions in Cities bordering the Mississippi River and Texas: Dallas and St. Louis Federal Reserve District Cities Revenue Outlook

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The table shows the states all or part of which form the Dallas and St. Louis Federal Reserve Districts. The states are among the poorest in the country; only Illinois and Texas have per capital gross domestic products above the national mean.

Cities in three of the states, Illinois, Mississippi and New Mexico, depend substantially on state aid. Property taxes are relatively minor revenue sources for all but two states, Illinois and Texas, where this tax comprises 16.3% and 18.4 % of local revenues respectively. Sales taxes form much larger proportions of the taxes collected by cities in four states, Missouri, Louisiana, New Mexico and Texas. Only three of the ten states' cities have an income tax – Indiana, Kentucky and Missouri; in Kentucky the income tax is 17.5% of local revenue. Current charges and utility revenues, expected to be stabilizing revenue base elements, form major parts of the revenues in Arkansas, Indiana, Texas, Mississippi and Tennessee.

Generally not wealthy, states in the districts have encountered economic turbulence. Economic activity in seven of the states has declined over the last year - Illinois, Kentucky, Missouri, and, to a lesser extent Arkansas, Mississippi, New Mexico and Indiana.

Unemployment rates have increased in all of the states although the increase is relatively minor in Arkansas. Six states have rates above near, at, or above 7%, Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.

If sales and income taxes – and state aid when states depend upon sales and income taxes – respond most quickly and proportionately to changes in economic activity and jobs in particular, the cities in the two districts have different prospects. Cities in Illinois, Kentucky and Missouri have the greatest vulnerability to fiscal stress. Having greater wealth and less vulnerability to economic change, Texas cities will undergo less fiscal turbulence than cities in other states. The poorest states' cities will have difficulty with even small negative changes in economic activity and unemployment, Mississippi, Arkansas, Kentucky and New Mexico.

	St. Louis Fed							Dallas Fed		
	Arkansas	Illinois	Indiana	Kentucky	Louisiana	Mississippi	Missouri	New Mexico	Tennessee	Texas
Per Cap GDP Rank [4]	48	15	38	41	26	50	39	40	33	18
Aid from state gov % of Total [1]	8.4	23.9	13.7	6.6	9.2	21	6	21.6	12.7	2.7
Property tax % of Total [1]	4.1	16.3	22.1	8.1	11.4	12.9	7.1	6.1	13	18.4
Sales tax % of Total [1]	18.6	13.8	1.1	1.2	25.2	2.3	23	20.8	2.5	19.2
Income tax % of Total [1]	-	-	3.6	17.5	-	-	6.1	-	-	-
Current Charges % of Total [1]	21.4	14.4	20.4	15.4	17.6	29	19	17.3	9.1	20.1
Utility revenue % of Total [1]	25	12.5	24.3	28.4	16.8	24.6	19	17	45.6	24.2
Homes in foreclosure [2]	2.6%	7.7%	4.2%	4.0%	2.6%	1.4%	1.5%	3.4%	1.3%	1.1%
Economic Activity versus 1 year ago [3]	1.3	(0.7)	(1.0)	(1.4)	1.4	0.4	(1.9)	0.6	0.3	3.4
Economic Activity versus 3 months ago [3]	(0.1)	(1.0)	(0.6)	(1.0)	0.7	(0.2)	(0.8)	(0.5)	0.0	0.6
Reliance on Finance and Insurance [4]	4.0	9.5	5.4	4.7	3.1	4.2	5.9	3.2	5.8	5.7
Unemployment Nov 2007 [5]	5.5%	5.3%	4.5%	5.1%	3.7%	6.2%	5.3%	3.3%	5.0%	4.2%
Unemployment Nov 2008 [5]	5.7%	7.3%	7.1%	7.0%	5.3%	7.2%	6.7%	4.3%	6.9%	5.7%
Change Unemployment 2007-2008	3.6%	37.7%	57.8%	37.3%	43.2%	16.1%	26.4%	30.3%	38.0%	35.7%

1 U. S. Census Bureau, Government Finances Table 5 Percent Distribution of Municipal Government Revenue by Source and State: 2001-02

<http://www.census.gov/prod/2005pubs/gc024x4.pdf> January 11 2009

2 Federal Reserve Bank of New York, Credit Conditions in the United States, Alt-A Mortgage Foreclosures, November 2008 www.newyorkfed.org/regional/subprime.html January 11, 2009

3 versus 1 year ago Fed R Bnk Philadelphia in Donald Boyd and Lucy Dadayan. 2008. The Damage is Just Beginning. The Nelson A. Rockefeller Institute of Government. [http://www.rockinst.org/pdf/government_finance/state_revenue_report/2008-10-\(73\)-state_revenue_report_the_damage_is_just_beginning_sales_and_property_taxes_weaken_sharp_drop_in_income_taxes_appears_near-certain.pdf](http://www.rockinst.org/pdf/government_finance/state_revenue_report/2008-10-(73)-state_revenue_report_the_damage_is_just_beginning_sales_and_property_taxes_weaken_sharp_drop_in_income_taxes_appears_near-certain.pdf) January 11, 2009.

4 Bureau of Economic Analysis GDP by State in Donald Boyd and Lucy Dadayan. 2008. The Damage is Just Beginning. The Nelson A. Rockefeller Institute of Government. [http://www.rockinst.org/pdf/government_finance/state_revenue_report/2008-10-\(73\)-state_revenue_report_the_damage_is_just_beginning_sales_and_property_taxes_weaken_sharp_drop_in_income_taxes_appears_near-certain.pdf](http://www.rockinst.org/pdf/government_finance/state_revenue_report/2008-10-(73)-state_revenue_report_the_damage_is_just_beginning_sales_and_property_taxes_weaken_sharp_drop_in_income_taxes_appears_near-certain.pdf) January 11, 2009.

5 U. S. Bureau of Labor Statistics, Civilian labor force and unemployment by state and selected area, seasonally adjusted December 19, 2008 <http://www.bls.gov/news.release/laus.t03.htm> January 8, 2009

