

# **APPENDIXES**

## Fiscal Capacity and Effort Measures

Fiscal capacity is a concept developed by the U.S. Advisory Commission on Intergovernmental Relations (ACIR) to measure the relative revenue-raising abilities of States and their local governments, including taxes and nontax revenues, such as user charges. ACIR defines fiscal capacity as the relative amount of revenue States would raise if they used a “representative” tax and revenue system, consisting of national average tax rates and charges applied to 26 commonly used tax and revenue bases. Therefore, State capacities vary because of differing tax base characteristics, such as property values, sales tax receipts, and mineral production. For example, the effect of lower energy prices would adversely affect the fiscal capacity of those States that rely on energy-related

taxes and user charges to raise a significant share of State revenue. The method developed by ACIR is only one of several methods to measure fiscal capacity, and some believe an analysis based on per-capita income, though much simpler, is equally useful.

ACIR also measures fiscal effort, or relative tax burdens, across States. (See table A-1 for State capacity and effort indexes and rankings.) Revenue effort is defined by ACIR as the burden that each State places on each revenue base relative to the national average.

Because the ACIR analysis is based on 1988 data changes have undoubtedly occurred in the index, but the general trends and relationships remain valid.

**Table A-I-State Fiscal Capacity and Effort, 1988**

	Fiscal Capacity <sup>a</sup>		Fiscal effort <sup>a</sup>			Fiscal Capacity <sup>a</sup>		Fiscal effort <sup>a</sup>	
	Index (100=U.S. average)	Rank	Index (100=U.S. average)	Rank		Index (100=U.S. average)	Rank	Index (100=U.S. average)	Rank
Alabama . . . . .	77	46	95	31	Montana . . . . .	84	40	102	18
Alaska . . . . .	255	1	122	3	Nebraska . . . . .	89	34	106	12
Arizona . . . . .	97	22	97	29	Nevada . . . . .	129	4	75	50
Arkansas . . . . .	74	50	86	48	New Hampshire . . . . .	123	7	66	51
California . . . . .	115	10	98	27	New Jersey . . . . .	126	6	95	34
Colorado . . . . .	106	14	94	36	New Mexico . . . . .	88	35	103	17
Connecticut . . . . .	142	2	83	49	New York . . . . .	110	13	141	1
Delaware . . . . .	120	8	94	37	North Carolina . . . . .	89	33	91	39
District of Columbia . . . . .	126	5	137	2	North Dakota . . . . .	85	38	107	11
Florida . . . . .	103	17	87	46	Ohio . . . . .	92	28	98	25
Georgia . . . . .	93	27	98	26	Oklahoma . . . . .	87	37	95	33
Hawaii . . . . .	111	11	111	8	Oregon . . . . .	91	29	104	16
Idaho . . . . .	76	49	98	24	Pennsylvania . . . . .	95	25	93	38
Illinois . . . . .	100	19	95	35	Rhode Island . . . . .	100	20	99	23
Indiana . . . . .	88	36	96	30	South Carolina . . . . .	78	44	102	20
Iowa . . . . .	84	41	118	4	South Dakota . . . . .	78	45	95	32
Kansas . . . . .	91	30	104	15	Tennessee . . . . .	84	42	89	42
Kentucky . . . . .	80	43	89	43	Texas . . . . .	95	26	89	45
Louisiana . . . . .	84	39	97	28	Utah . . . . .	76	47	109	9
Maine . . . . .	97	23	99	22	Vermont . . . . .	102	18	100	21
Maryland . . . . .	111	12	102	19	Virginia . . . . .	104	15	90	40
Massachusetts . . . . .	131	3	89	44	Washington . . . . .	98	21	105	13
Michigan . . . . .	96	24	112	7	West Virginia . . . . .	76	48	90	41
Minnesota . . . . .	103	16	117	5	Wisconsin . . . . .	90	31	117	6
Mississippi . . . . .	65	51	108	10	Wyoming . . . . .	118	9	105	14
Missouri . . . . .	89	32	86	47					

<sup>a</sup>Based on State and local tax bases and other revenue sources, such as user charges, relative to the national average.

SOURCE: Advisory Commission on Intergovernmental Relations, 1988 *State Fiscal Capacity and Effort* (Washington, DC: 1990), p. 33.