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THE COST OF COUNTY GOVERNMENT IN NEBRASKA

Data for the following article were prepared before 1967 population estimates and tax reports were available. Use of the later figures, however, would not alter appreciably the detail of the supporting tables and would not change in any way the conclusions reached. The article provides background information on a proposed constitutional amendment on which Nebraskans will vote in November concerning which there has as yet been virtually no publicity and of which most voters are probably not yet even aware.

A great deal of attention has been focused on the fiscal and socioeconomic problems of burgeoning metropolitan areas, but less consideration has been given to the serious financial problems of local governing units with sparse and declining population. Not peculiar to Nebraska is the dilemma faced by taxpayers in counties which have so few residents that a heavy per capita tax burden must be imposed in order to supply the kinds and quality of services demanded by modern society. In neighboring states, as here, the wide range of per capita costs of county government reflects the difficulties experienced by sparsely populated counties, usually defined as those with a 1960 population density of no more than 15 per square mile, or with a total population of less than 5,000.

In research on per capita costs of Iowa county government in relation to population, area, method of selection of the board of supervisors, and degree of urbanization, Donald E. Boles and Herbert G. Cook of Iowa State University found that population is the single most significant explanatory variable. In another study of Iowa county government covering the years 1920 to 1959, made by Robert I. Wessel, much the same pattern was found, with the highest costs in the smallest counties, and an alarming general trend toward an increasing differential between per capita costs of local government in the counties of small population and those with large population. Going a step further and comparing the per capita costs of local government in the counties of smallest population in 17 western states, including Nebraska, a USDA economist found that with marked consistency the smallest counties showed up with higher per capita costs than the larger counties. He found also that in every one of the 17 states, per capita general expenditure of the smallest counties exceeded the statewide average.

Changes in County Population

When the 1960 U.S. Census county population figures for Nebraska are compared with the Bureau of Business Research estimates for 1966, it is found that 68 counties (73%) had population losses of more than 20%, while only 17 (25%) had decreases of less than 10%.

The 25 counties with growth in population from 1930 to 1966 had gains ranging from 1.4 to 241%. The numerical increase from 784,822 to 1,051,283 amounted to 34.4%. These 25 counties constituted only 59.2% of Nebraska's total population in 1950 but accounted for 69.3% in 1966. Eleven of the counties with population growth had gains of less than 10%; in 6 the increases ranged from 10 to 20% and only 8 had increases of more than 20%.

In 11 of the counties that lost population, the decline was no more than 5%, however, and in 5 of the counties with increases the gain was no more than 5%. Thus, in 16 counties changes were not substantial and the population might be considered relatively stable. Of the 57 counties with significant losses in population the average percentage decline was 8.8, almost the same as the median (19.0%). There were 2 counties in the array with losses above 30%, in the range from 20.6 to 29.9%; 26 from 10.0 to 19.6%, and 6 from 6.0 to 9.1%. Whereas the 57 counties constituted 34.4% of the state population in 1950, they accounted for only 25.2% in 1966. The numerical loss was 73,832, or 16.1%. The 20 counties with significant increases constituted 54.3% of the Nebraska population in 1950, and 65.0% in 1966, with a numerical gain of 265,060 or 35.57%.

What of the Future?

The Bureau of Business Research makes no population projections, but projections by county for the year 1985 have been made by other agencies. Comparison of the 1960 Census figures with such county population projections to 1985 reveals that 59 Nebraska counties are expected to show decreases in population amounting to 84,794 persons, or a 22.4% decline. The 34 counties that are projected to have increases in population will gain 57.15%, an increase of 591,446 persons. In 1960, the 59 counties in which population is projected to decline constituted 26.7% of the population of the state, whereas in 1985 they are projected to constitute only 15.2%. Although the 34 counties projected to gain population from 1960 to 1985 constituted less than three-fourths (73.3%) of the state's total in 1960, they will constitute 84.9% in 1985.

According to this projection, based on the Bureau of the Census "high" series estimate of state population of 1,918,573 in 1985, the total gain in population in Nebraska will be 506,652 or 35.88%.

Of the counties projected to show a loss in population 1960-1985, only 2 are expected to show decreases under 5%, whereas of the counties showing increases, 8 are projected to have percentage gains of no more than that. Thus, the number of counties projected to show significant declines in population by 1985 is precisely the same number, 57, and 49 of these are the same counties, that had substantial decreases from 1950 to 1960.

(Continued on page 4)
NEBRASKA BUSINESS

Nebraska's June, 1968, dollar volume of business was up 10% from June, 1967, accompanied by a 7.1% increase in the physical volume of business. Following this same pattern, the U.S. dollar volume rose 7.1% from June, 1967, and the physical volume rose 3.9% in the same period. The May, 1968, to June, 1968, changes for both the U.S. and Nebraska show slightly larger increase for the physical volume than for the dollar volume. Of the ten business indicators, Nebraska registered an increase in each one and in only one case, employment other than manufacturing, did Nebraska fail to show an increase greater than the U.S. averages.

July, 1968, retail sales indicate that Nebraska is continuing its upswing of sales activity in comparison to last year. Total sales for the state were up 9.7% from July, 1967, with an increase of 20.0% for hard goods and a 5.0% increase for soft goods. Nineteen of the twenty-two cities reporting showed increases over year-agro levels. July, 1967, to July, 1968, changes for the cities ranged from +26.6% for North Platte to -8.3% for Beatrice.

July, 1968, indexes of city business indicators increased from year-agro levels in all 21 reporting cities. The state index was 15.3% above July, 1967.

All figures on this page are adjusted for seasonal changes, which means that the month-to-month ratios are relative to the normal or expected changes. Figures in Table I (except the first line) are adjusted where appropriate for price changes. Gasoline sales for Nebraska are for road use only; for the United States they are production in the previous month.

E. L. BURGESS

I. NEBRASKA AND THE UNITED STATES

III. RETAIL SALES, Other Cities and Rural Counties

IV. RETAIL SALES, by Subgroups, for the State and Major Divisions

**Hooker, Grant, Dawes, Cherry, and Sheridan Counties

***Not including Selected Services
The changes described above are shown in the accompanying table and map, from which the following facts may be noted:

1. In all but four of the counties that have declined since 1950 (Johnson, Saline, Colfax, and Merrick) the decline is projected to continue, and in all but seven the projected decline for 1950-1965 is a larger percentage than that for 1950-1966.

2. All but one of the declining counties (Saline) had net out-migration from 1950 to 1966.

3. Of the 57 declining counties only one (Gage) has a city above 10,000; three others have cities from 5,000 to 10,000 in population; six others have a town above 2,500; thus 47 of the 57 declining counties have no town as large as 2,500.

4. There were 30 counties (nearly one-third of the total) with 1966 population below 5,000. Of these only one (Hooker) is growing; only one (Grant) is stable; the rest are declining.

5. There were 62 counties in the state (two-thirds of the total) with 1966 population below 10,000. Only 4 of these are growing, while 49 are declining. In all but 4 of the 49 the decline is projected to continue.

(Continued on page 5)
TABLE II

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Declining</td>
<td>57</td>
<td>35</td>
</tr>
<tr>
<td>Stable</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>Increasing</td>
<td>20</td>
<td>54</td>
</tr>
<tr>
<td>Total</td>
<td>93</td>
<td>100</td>
</tr>
</tbody>
</table>

COUNTY POPULATION TRENDS, 1950-1966

Because counties with small population encounter diseconomies of scale, citizens of these counties tend not to receive quality of services equal to those provided in more populous counties, and the counties find it necessary to levy high per capita taxes to provide even minimal services. Political economists suggest that county governments in counties of low population, which must levy high per capita taxes, should consider consolidation of some county offices, or even consolidation of county governments.

What, then, is the situation in Nebraska?

For purposes of comparison in connection with this study, 1966 levies are probably preferable to the current levies due to the special circumstance that put the counties in a difficult situation this year when what had been a state property tax levy in each county for support of patients in state hospitals was shifted to county government. The state constitution provides that county authorities may not levy property taxes which exceed 50¢ on $100 of actual valuation, which works out to 14.28 mills under the present assessment. When the cost of caring for patients in state hospitals was added to the county levies, 11 Nebraska counties had to raise the levy to the maximum, and an additional 15 counties are approaching that level. (See Table III.)

Of the 11 counties that have set levies at the lawful limit, all except one, Dakota County, have shown heavy losses of population from 1950 to 1960. Dakota County has shown a marked rise, 28.6%, which has put increased demands for services on the county government, but the other 10 counties have shown population losses ranging from 42% in Valley to 34.5% in Hayes. Of the 15 counties that are less than a mill below the maximum county levy, all had sharp declines in population, 1950 to 1966, except Saunders, which had a gain of 4.4%. Losses in population in the other 14 counties ranged from 2.2% in Cedar to 28.5% in Pawnee.

Because county population changes have been computed for the years 1950 to 1966, changes in county tax levies over the same span of time are relevant, and therefore the two sets of data are shown in the same table (Table I) which accompanies this article.

Although changes in county tax levies are most significant when considered in relation to changes in property valuations and to changes in services provided by the respective counties, increases in county levies by percentages ranging from over 100% to as much as 271% from 1950 to 1966 in counties that have declining population may be considered of meaningful import to taxpayers, quite apart from whatever changes in valuations and services may have occurred.

The county levy in 1966 exceeded the state tax levy (10.67 mills) in 25 counties. In 14 counties, the rate was not exceeded but the range in levies was from 10.06 to 10.62 mills; thus in each of these counties the levy approximated that of the state. In 1950, by contrast, when the consolidated state levy was 5.76 mills, there were only 10 counties in which the county tax levy was higher than the state levy and in none of them was the excess more than .54 mills.

In each of 43 Nebraska counties the tax levy for county expenditures went up more than 100% from 1950 to 1966, and in an additional 29 counties it rose over 50%, with the levy in 9 of these increasing 90% or more. Thirty-three of the 43 counties were in the declining population group. Eight of the 43 had more than 10,000 residents and 18 were below 5,000. In 48 of the 57 counties which had declining population in the same time span, the county tax levy went up more than 50%, and in 33 of these the levy increased over 100%. In 3 counties the levies rose more than 200%. In the 20 counties with significant gains in population from 1950 to 1966, demands for county services were presumably considerably increased. In only 6 of these counties, however, did levies rise more than 100%. In an additional 7 counties, there were increases over 50% but under 100%.

Per Capita Taxation

It is recognized that the figures in Table I showing per capita state and local taxation by counties may be somewhat misleading, since some taxes collected in one county may actually be shifted elsewhere. Nevertheless, they do have some validity in showing the comparative tax load on the citizens of the different counties.

It will be noted from these figures that the median per capita taxation in 1966 for the counties declining in population was $232; for the counties in the stable population group the figure was $213; for the growing counties it was $192. In the declining group there were 14 counties with a per capita tax load of $300 or more, while in the growing group there were only two, and both of these had populations below 30,000.

Constitutional Amendment

The facts cited above clearly indicate that there is an inverse relationship between county size and tax burden and between coun-

TABLE III

NEBRASKA COUNTIES WITH HIGH COUNTY TAX LEVIES, 1967-68

<table>
<thead>
<tr>
<th>County Levy at Legal Limit (14.28 mills)</th>
<th>County Levy within less than One Mill of Legal Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>-----------------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Dakota</td>
<td>+28.6</td>
</tr>
<tr>
<td>Dixon</td>
<td>-17.8</td>
</tr>
<tr>
<td>Frontier</td>
<td>-27.8</td>
</tr>
<tr>
<td>Greesley</td>
<td>-23.9</td>
</tr>
<tr>
<td>Hayes</td>
<td>-34.5</td>
</tr>
<tr>
<td>Loup</td>
<td>-23.4</td>
</tr>
<tr>
<td>Nemaha</td>
<td>-24.7</td>
</tr>
<tr>
<td>Richardson</td>
<td>-28.2</td>
</tr>
<tr>
<td>Sherman</td>
<td>-26.2</td>
</tr>
<tr>
<td>Thurston</td>
<td>-16.4</td>
</tr>
<tr>
<td>Valley</td>
<td>-12.5</td>
</tr>
<tr>
<td>Source: County tax levies from office of the State Auditor</td>
<td></td>
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<tr>
<td></td>
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</tbody>
</table>
y growth and tax burden. They suggest that Nebraskans may be
axing themselves severely to support an obsolete system of coun-
y government.

Those who hold such an opinion succeeded in pushing through
the most recent session of the legislature a proposed amendment
to the state Constitution to be voted on at the general election in
November, 1968. If adopted, it would authorize the legislature
provide by law for the consolidation of county offices of two or
more counties, subject to the right of disapproval by each of the
counties.

The report of the County Government Reorganization Committee
of the Nebraska Legislative Council which was published in No-
ember, 1966 undoubtedly contributed to passage of the bill to put
the proposed amendment on the ballot, because the committee re-
sorted firmly that it is impractical and uneconomical in some
areas of the state for each county to maintain a full range of coun-
y offices and personnel. The study specifically recommended
that the county commissioners or county supervisors of two or
more counties be authorized, by a majority vote of each board,
consolidate county offices if they deem it advantageous to do so,
and that in such an event the official would be elected from the
consolidated area. This recommendation, if adopted, would merely
authorize counties to effect functional consolidations where they
felt it would result in more efficiency or economy. 2

Opinions Supporting Such an Amendment

There is evidence that the trends in local government have not
effect reflected the full impact of social and economic changes in
the state, nor the concurrent developments in technology, trans-
portation, and communication. The slowness of county govern-
mental change is not due to lack of study of the problems involved,
or much painstaking research has been done. 3

In a study of Iowa local government, Russell M. Ross found that
the status and problems of county government are similar in vir-
tually all of the agriculturally oriented states of the midwest.
nd counseled that sparsely populated counties should consider
consolidation, and if this should prove impossible then some grea-
ter degree of consolidation of functions by adjacent counties might
accomplish many of the desired improvements. Dr. Bert Evans,
ural extension economist at the University of Nebraska, in a re-
cent address suggested that businesses, churches, schools, and
be general citizenry in many areas have been remiss in not ad-
sitting that due to a loss in population it is time for cooperation
and joint effort in county government.

Recommendations of county government studies have been gen-

1. The workload in some county offices in sparsely populated coun-
ties is low enough so that consolidation of two or more offices
would result in greater economy and efficiency.
2. The minimum density of population should be greater and the
minimum area for county government should be larger than
prevalis at present.

Report of the Committee on County Government Reorganization,

As long ago as 1934, the College of Business Administration of the
University of Nebraska published a research study County
Consolidation, Relation of Size to Counties to the cost of County
Government in Nebraska, by Dr. Edward B. Schmidt. Two recent
studies strongly supporting county consolidation have been pub-
lished under the same title (Modernizing Local Government), one
by the Committee for Economic Development (CED) in July, 1966,
and the other by the Chamber of Commerce of the U.S. in 1967.

Today's Taxes, Nebraska Tax Research Council, Nov. 24, 1967,
analyzed the proposed constitutional amendment and compared
sharp rises in county government costs to slower rising per capita
valuations.

3. There should be fewer elected officials.
4. Citizens should have a choice between alternative forms of
county government, such as: the county manager system, sim-
ilar to the city manager form of government; the county execu-
tive form, comparable to the strong mayor form in cities; and
modifications of the present form of county government to effect
consolidations of offices and improved personnel plans.

Distances to Be Traveled

That long distances would have to be traveled to transact county
business if offices of two or more Nebraska counties were com-
bined was an objection voiced at public hearings held by the County
Reorganization Committee of the Legislature. In parts of the state
where the counties are large and the population is sparse, validity
of the argument may be recognized. Analysis of the geographic
distribution of counties that lost population 1950 to 1966 (depicted
in the map which accompanies this article) indicates, however,
that the situation is quite different in some areas of the state and
that it might, indeed, be feasible to combine county offices in a
number of potential groupings of two or more counties.

Retail trade studies have shown that Nebraskans are extremely
mobile and that they are quite willing to travel considerable dis-

tances in order to have a wide selection of merchandise from
which to choose or in order to buy at discount prices. It seems
reasonable, then, to assume that if a reduced county levy and sub-
sequently substantial savings in tax dollars were involved, people
would be willing to travel somewhat longer distances than at pres-

tent to transact occasional county business.

Conclusion

The basic patterns of Nebraska local government were set and
firmly fixed in the nineteenth century and have not reflected the
extensive changes in the socio-economic structure that have taken
place in recent decades. It appears that the Nebraska Legisla-
ture, following the recommendations of its committee on county
reorganization, was fully cognizant of these relevant consider-
ations when it acted to put on the ballot the proposition to permit
Nebraska counties to combine county offices. Perhaps it should
be emphasized that the operative phrase is "to permit," and per-
haps also the reader should be reminded that despite passage six
years ago of such permissive legislation with respect to County
Superintendents of Education, Nebraska still has 93 of them. 4

DOROTHY SWITZER
E. S. WALLACE

4Only Dixon and Dakota Counties have consolidated the office of
County Superintendents. In Hooker and Banner Counties the posi-
tion has been abolished and in each case information is provided
by the superintendent of a city school system in the county.