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## APPENDIX A

### DESCRIPTION OF EXPENDITURE CATEGORIES

There are ten headings under which expenditures are studied, the first of which is simply the Census Bureau's "Total general expenditure less capital outlay." It is defined as "All city expenditure other than . . . expenditure classified as utility expenditure and employee retirement or other insurance trust expenditure," exclusive of capital outlay.<sup>1</sup> This classification is most often cited when city expenditure levels are compared. However, when used for comparative analysis, it suffers from the fact that it includes operating expenditure for public welfare (including public assistance), education and hospitals, three major expenditure categories for which few cities outside of New England, New Jersey, North Carolina, Ohio, Virginia, and Wisconsin are responsible. Results obtained from its analysis, therefore, may be grossly misleading, except, possibly, when city expenditures are combined with expenditures of overlying local governments as in our array for forty large-city areas. Even in this instance, however, variation in the state-local distribution of responsibility for welfare and hospitals may constitute an important disturbance.

Part of the heterogeneity that is due to differences in the distribution of functional responsibilities among cities may be removed by including in the expenditures studied only those categories for which responsibility is universally or nearly universally placed with the cities. In its narrowest construction this would probably permit inclusion only of police and fire protection, which account for about one-quarter of current general expenditure. In the case of other functional categories there is considerable and widely varying direct participation in the activity by states and local governments overlying the city as well as variation in the kinds of activities encompassed in them. Nevertheless, it would seem reasonable to include all of the other functions that may be called usual or "common" functions, as distinguished from the "optional" functions. The former comprehend police and fire protection, streets and highways, sanitation, health other than hospitals, recreation, general control, and general public buildings. Unfortunately, it is not possible to exclude capital outlay from expenditure on police, fire, general control, and public health services. However, those categories for which the Census Bureau publishes a breakdown between current and capital outlay account for \$700,415,000 of \$978,940,000 of capital expenditure for 1951 and much of the remainder is included in expenditure on the optional functions. Of the total of \$1,930

<sup>1</sup>*Compendium*, p. 124.

million in expenditure on common functions only \$56 million<sup>2</sup> is unseparable capital outlay.

The 462 cities covered in this study all reported expenditures on police, fire protection, highways, and general control, and all but three and fifteen on sanitation and recreation, respectively. Fifty-five cities reported having spent nothing on general public buildings, which may mean only more complete allocation of overhead among departments in these cities. Forty-five reported no expenditure on public health services. Among the optional functions excluded from the classification, "expenditure on common functions," are public welfare, education, hospitals, and libraries. Interest on debt is excluded because of the assumption that it reflects neither current decisions to spend nor, perhaps, current levels of services provided. The decision to exclude "other" expenditures was based on its definition: "In addition to minor activities not allocable to specific listed functions, such as airports, protective inspection and regulation, conduct of elections, etc., this category includes activities which may be of major financial significance in the relatively few cities where they occur — port facilities, miscellaneous commercial activities and (in certain cities of Georgia, Kentucky, Michigan, and New York) local housing authorities classified as part of the city government."<sup>3</sup>

The six major components of expenditure on common functions are police, fire, highways, recreation, general control, and sanitation.<sup>4</sup> As defined by the Bureau of the Census, activities under the heading of police protection include "Preservation of law and order and traffic safety. Includes highway police patrols, crime prevention activities, police communications, detention and custody of persons awaiting trial, traffic safety, vehicular inspection, and the like."<sup>5</sup> Fire protection is defined to include "City fire fighting organizations and auxiliary services thereof, inspection for fire hazards, and other fire prevention activities. Includes cost of fire fighting facilities such as fire hydrants and water, furnished by other agencies of the city government."<sup>6</sup> Highway expenditures cover noncapital costs of providing "Streets, highways, and structures necessary for their use, snow and ice removal, toll highway and bridge facilities, and ferries."<sup>7</sup>

<sup>2</sup>*Ibid.*, p. 7. The breakdown is as follows: police, \$22 million; fire, \$22 million; general control, \$8 million; health other than hospitals, \$4 million.

<sup>3</sup>*Ibid.*, p. 60.

<sup>4</sup>Of the eight expenditure categories included in expenditure on common functions the two not separately subject to analysis are health other than own hospitals and noncapital expenditure on general public buildings. These are not dealt with separately because of the comparatively large number of cities for which no expenditure in these categories was reported and because in combination they accounted for only about 6 per cent of all expenditure on the common functions.

<sup>5</sup>*Compendium, 1951*, p. 125.

<sup>6</sup>*Ibid.*, p. 124.

<sup>7</sup>*Ibid.*, p. 124.

Recreation is a rather broad category, the scope of which varies widely from city to city. It includes "Cultural-scientific activities, such as museums and art galleries; organized recreation, including playgrounds and play fields, swimming pools and bathing beaches; municipal parks; and special facilities for recreation, such as auditoriums, stadiums, auto camps, recreation piers, and yacht lockers."<sup>8</sup> General control encompasses "The legislative and judicial branches of the government, office of the chief executive, auxiliary agencies and staff services for finance, law, recording, general public reporting, and personnel administration, and other general administration."<sup>9</sup> Finally, the sanitation category includes operating expenditures on "Street cleaning, sewers, and sewage and waste collection and disposal."<sup>10</sup>

Differences in accounting procedures, particularly with respect to the allocation among functional categories of general overhead costs, undoubtedly reduce the comparability of our data, as do differences in functional responsibilities even within the common functions. Moreover, in evaluating the results of our analysis, it should be recalled that, except for the forty largest cities, the data were obtained by the Census Bureau by means of mail inquiry, supplemented in some cases by the Bureau's own estimates.<sup>11</sup>

The publication by the Census Bureau in early 1955 of financial data for 1953 for the forty largest cities and their overlying local governmental units provided the opportunity to obtain expenditure data of a more homogeneous nature. Nine categories of expenditure are subject to statistical analysis for the large-city areas. In addition to total general expenditure less capital outlay, these categories include non-capital outlays for education, police and fire protection, highways, recreation, sanitation, the sum of expenditures on these six "common" functions, and welfare. The Census Bureau defines expenditure on education to include money spent for schools and the supervision and support of other school systems. ". . . expenditure for school cafeterias, athletic contests, lunchrooms, and other auxiliary activities financed wholly or partly from charges are included on a gross basis."<sup>12</sup> The welfare category covers "Support of and assistance to needy persons contingent upon their need, including . . . welfare institutions, public assistance . . . and its administration, and health, hospital, or other services to the needy when administered as part of a public welfare program. Excludes pensions to former employees and other benefits not contingent on need."<sup>13</sup>

<sup>8</sup>*Ibid.*, p. 125.

<sup>9</sup>*Ibid.*, p. 124.

<sup>10</sup>*Ibid.*, p. 126.

<sup>11</sup>*Ibid.*, p. 5.

<sup>12</sup>*Ibid.*, pp. 123-4.

<sup>13</sup>*Ibid.*, p. 125.