

UNITED STATES

FEDERAL COUNTRY

NORTH AMERICA

BASIC SOCIO-ECONOMIC INDICATORS

Income group - **HIGH INCOME: OECD** Local currency - **US Dollar (USD)**

POPULATION AND GEOGRAPHY

AREA: **9 161 923** km²

POPULATION: **319.173** million inhabitants (2014), an increase of 0.7% per year (2010-14)

DENSITY: **35** inhabitants/km²

URBAN POPULATION: **81.5%** of national population

CAPITAL CITY: **Washington DC** (1.5% of national population)

Sources: OECD, World Bank, UNDP, ILO

ECONOMIC DATA

GDP: **17 419** billion (current PPP international dollars) i.e. 54 475 dollars per inhabitant (2014)

REAL GDP GROWTH: **2.4%** (2014 vs 2013)

UNEMPLOYMENT RATE: **6.3%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **131 829** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **20%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.915** (very high), rank 8

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

| MUNICIPAL LEVEL | INTERMEDIATE LEVEL | REGIONAL OR STATE LEVEL | TOTAL NUMBER OF SNGs |
|--|--------------------|-------------------------|----------------------|
| 35 879 | 3 031 | 50 | 38 960 |
| 879 MUNICIPALITIES, TOWNS AND TOWNSHIPS* AVERAGE MUNICIPAL SIZE: 8 990 INHABITANTS | COUNTIES | STATES | |

* Special purpose entities are excluded from the counts reported in the table.

MAIN FEATURES OF TERRITORIAL ORGANISATION. The United States has a three-tier system of subnational government that includes states, counties and a municipal level comprising municipalities and towns/townships. Towns/townships exist in less than half of the states, are located in areas that are not incorporated as municipalities, and typically have more limited powers. Besides these general purpose entities, local governments also include special purpose entities, in particular schools districts and special districts (51 146 such entities in 2012). Local governments are not recognised in the federal Constitution. They belong to the states and their structure varies according to their state's constitution or legislation. In practice, there are 50 different systems of local government in the U.S.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. The 1789 Constitution and Bill of Rights develop concepts of federalism based on dual sovereignty of the federal government and the states. Powers not specifically attributed to the federal level remain with the states. Local government responsibilities vary greatly from one state to another. Typically, states are responsible for higher education, state economic development, highways, income support (cash and in-kind, particularly health care for the poor through Medicaid), state parks, state police and prisons, control over local governments. Counties are in charge of income support and social services, public hospitals, county roads, county economic development, etc. Municipalities are responsible for local police and fire protection, sanitation and waste disposal, local roads, public transportation, local parks, recreation and libraries, local land use and zoning, housing and urban development. School districts are responsible for elementary and secondary education while special districts are active in various areas (hospitals, water and sewerage, housing, public transportation, airport districts, etc.).

SUBNATIONAL GOVERNMENT FINANCE

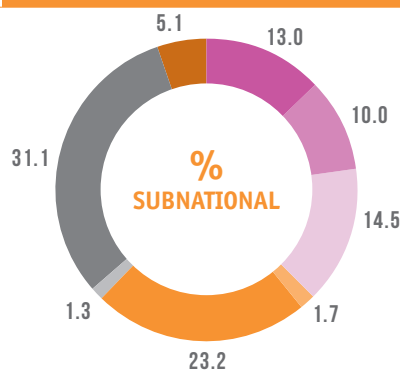
| EXPENDITURE | % GDP | | % GENERAL GOVERNMENT (same expenditure category) | | % SUBNATIONAL GOVERNMENT | |
|---------------------------------|------------------|-----------------|---|-----------------|--------------------------|-----------------|
| | SUBNATIONAL DATA | LOCAL DATA ONLY | SUBNATIONAL DATA | LOCAL DATA ONLY | SUBNATIONAL DATA | LOCAL DATA ONLY |
| TOTAL EXPENDITURE (2013) | 18.6% | - | 48.1% | - | 100% | - |
| CURRENT EXPENDITURE | 16.8% | - | - | - | 90.1% | - |
| STAFF EXPENDITURE | 7.6% | - | 76.0% | - | 40.8% | - |
| INVESTMENT | 1.8% | - | 54.3% | - | 9.9% | - |

* The breakdown between the states and local government is not available in the national accounts.

American SNGs are key economic and social actors. Their shares in GDP and public spending are above OECD averages (respectively 16.6% and 40.0%) and slightly below the OECD average of the nine federal countries (19.2% and 49.1%). SNGs are key public employers, accounting for more than three-quarters of total public staff spending. SNG role in investment is less pronounced than in the OECD: the share in public investment is below the OECD federal country average (60.2%), and even below the OECD average (58.5%). While the national accounts do not provide deconsolidated data within the SNG sector, local government expenditure can be estimated at 11% of GDP and 31% of non-defence public expenditure in 2010.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE



* Environmental protection expenditure is included in "housing and community amenities" area.

Education and health are by far the largest areas of SNG spending, representing both almost 55% of SNG expenditure. Economic affairs and transport are the third main area of spending. In addition, SNGs are responsible for the large majority of total public spending in the areas of security and public order, recreation and culture and education (over 80%).

REVENUE BY TYPE

% GDP

% GENERAL GOVERNMENT (same revenue category)

% SUBNATIONAL GOVERNMENT

■ SUBNATIONAL DATA □ LOCAL DATA ONLY

| Revenue Type | % GDP | % General Government | % Subnational Government |
|----------------------|-------|----------------------|--------------------------|
| TOTAL REVENUE (2013) | 17.2% | 51.8% | 100% |
| TAX REVENUE | 8.8% | 44.6% | 51.3% |
| GRANTS AND SUBSIDIES | 3.8% | - | 22.1% |
| OTHER REVENUES | 4.6% | - | 26.6% |

Fiscal issues provisions are in the Constitution and Bill of Rights. However, unlike some other federations, the Constitution does not clearly define the fiscal roles and relationships of the federal and state governments. Local government fiscal policy is defined by the states. Taxation is the primary source of revenue for SNGs, higher than the OECD average (51.3% vs. 43.7%). In contrast, the share of grants and subsidies in SNG revenue is well below the OECD average (22.1% vs. 37.3%) while fees and user charges are significantly higher (26.6% vs. 19.0%).

TAX REVENUE. Unlike many federations, there is no federal tax sharing with either states or local governments. Some states however have tax sharing systems with their local authorities. In 2013, states accounted for 58% of SNG tax revenue and local government, 42%. The largest source of tax revenue for states comes from sales and gross receipt taxes (47%). Other major taxes include income tax on both personal and corporate (42%), license taxes, motor fuel tax, etc. Taxes allocated to local governments vary from state to state, and by type of local authority. The most common taxes are local property tax (levied in all 40 states), sales tax (levied in 37 states), local income tax (levied in 13 states), etc. The property tax is levied on both residential and business property, based on market value. In 2014, it represented 76% of local tax revenue, i.e. 2.5% of GDP, ranking third in the OECD after France and Canada.

GRANTS AND SUBSIDIES. There is no federal unconditional general grant, or equalisation grant, to either local or state governments. Federal transfers to states include primarily those for public welfare, comprising public assistance programmes (temporary assistance to needy families and Medicaid). Other transfers are, for instance, for highways, education, health and hospital-related functional activities, etc. Local governments receive transfers from both federal (15% of grants) and state governments (85%). Federal general grants are all earmarked, with more or less discretion over some grants (the Community Development Block Grant is the largest). Other federal grants are categorical grants and can be used only for specific, relatively narrowly defined purposes. State transfers to local authorities vary from state to state. In most cases they are earmarked, although some states provide general-purpose grants and have equalisation systems.

OTHER REVENUES. Other revenues are a significant source of revenue for SNGs, especially tariffs and fees (22.5% of SNG revenue vs. 15.2% in the OECD) and property income. Local governments impose fees and charges on a variety of services while states receive insurance trust revenues, service charges for education and hospital-related services, interest revenue, etc.

OUTSTANDING DEBT

% GDP

% GENERAL GOVERNMENT

■ SUBNATIONAL DATA □ LOCAL DATA ONLY

| Outstanding Debt (2013) | % GDP | % General Government |
|-------------------------|-------|----------------------|
| OUTSTANDING DEBT (2013) | 29.4% | 23.5% |

The federal government does not impose fiscal rules on state or local governments. These are set by the states, imposed upon themselves and on local governments. In that context, they vary from state to state, including various ceilings, prohibitions and conditions on deficit and debt. However, almost every state and local government is required to maintain a balanced operating budget. In addition, long-term debt is almost always intended for capital projects (golden rule). U.S. SNG debt is above OECD averages of respectively 23.7% of GDP and 20.2% of public debt in 2013. It is made up of financial debt (60%), pension liabilities (25%) and other accounts payable (15%). Financial debt comprises almost exclusively from bonds, individuals being the primary holders of state and local government debt (around 75% of all debt outstanding) thanks to federal income tax exclusion on interest payments on SNG bonds.

A joint study of:



Sources: OECD National Accounts Statistics • OECD (2015 and 2016) Subnational Governments in OECD Countries: Key data • Wolman H. and Hincapie D. (2014) National Fiscal Policy And Local Government During The Economic Crisis, Volume 2: Country Profiles Urban Paper Series • Lee C. et al (2014) State Government Finances Summary Report: 2012 "Governments Division Briefs" • Maguire S. (2012) State and Local Government Debt: An Analysis • U.S. Department of commerce (2012) State and Local Government Finance.