

# Guided Reading Activity

## Taxes and Government Spending

### Lesson 3 *State and Local Government Finances*

#### Review Questions

**Directions:** Read each main idea and complete the statements below. Refer to your textbook as you write the answers.

#### A. State Government Revenue Sources

**Main Idea:** State governments get their revenue from the federal government, from sales taxes, from fees and licenses, from tuition, from income taxes, etc.

1. States receive \_\_\_\_\_ revenue, or funds collected by one level of government that are distributed to another level of government. States receive most of these funds from the \_\_\_\_\_ government.
2. Some states have a \_\_\_\_\_ tax, which is a general tax on consumer purchases of nearly all products. This tax is added to the final \_\_\_\_\_ paid by the customer.
3. In those states with individual \_\_\_\_\_ tax, the tax may be progressive or \_\_\_\_\_.

#### B. State Government Expenditures

**Main Idea:** Most states must balance their budget. State expenditures include public welfare, building and maintenance of public services such as highways and bridges, higher education, and funding of state employee benefit plans.

1. A \_\_\_\_\_ budget amendment is a constitutional provision requiring that annual spending not \_\_\_\_\_ revenues.
2. Payments states make to municipalities and towns to help them cover local expenses like education are a form of \_\_\_\_\_ expenditure.
3. In addition to funding state \_\_\_\_\_ and universities, states spend money on corrections, roads and highways, employee \_\_\_\_\_ funds, hospitals, and so on.

# Guided Reading Activity *cont.*

## Taxes and Government Spending

### C. Local Revenue Sources

**Main Idea:** Local governments receive revenue from the federal and state government and may also receive money from certain taxes and fees.

1. Local governments receive the largest part of their revenues—slightly more than one-third—in the form of \_\_\_\_\_ transfers from \_\_\_\_\_ governments.
2. The tax on \_\_\_\_\_ estate is the \_\_\_\_\_ tax that raises the most money for local governments.
3. States may institute a tax on \_\_\_\_\_ such as water, \_\_\_\_\_, sewerage, and even telecommunications.
4. Many \_\_\_\_\_ impose their own small \_\_\_\_\_ tax on goods sold within the city limits.

### D. Local Government Expenditures

**Main Idea:** Local governments pay for elementary and secondary education, utilities, public health and safety, local highway maintenance, and similar expenses.

1. At the local level, power to \_\_\_\_\_ spending often rests with the mayor, the city \_\_\_\_\_, the county judge, or some other elected representative or body, but the methods for approval are likely to vary considerably from one local \_\_\_\_\_ to the next.
2. Local government is responsible for many aspects of education, including salaries for \_\_\_\_\_ and administrators, school maintenance and upkeep, \_\_\_\_\_, and other supplies.
3. For most local governments, spending on \_\_\_\_\_ like electricity and water is the second-largest \_\_\_\_\_ in the budget.
4. Many communities maintain a full-time, paid \_\_\_\_\_ force and professional firefighters; however some communities maintain \_\_\_\_\_ fire departments to keep costs down.

# Guided Reading Activity *cont.*

## Taxes and Government Spending

### Summary and Reflection

**Directions:** Summarize the main ideas in this lesson by answering the following questions.

Local governments have some very important expenditures that significantly affect the lives of citizens. How do you think local governments might respond if the amount of money they receive from the federal government is sharply decreased? What state or local programs, if any, should they cut? What means of raising additional revenue at the local level would you support? Use examples to support your answer.

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