



League of Women Voters of Minnesota Records

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Memo to Local Leagues from State Board
August 1, 1973

REVENUE-SHARING SYMPOSIUM: Tentative plans have been made for a 7-session symposium sponsored by the School of Public Affairs, Department of Economics, Continuing Education and Extension, and Center for Urban and Regional Affairs at the University of Minnesota on "The Politics and Economics of the New Federalism: THE THEORY AND PRACTICE OF REVENUE-SHARING". The LWV of Minnesota has been invited to serve along with the Metro Council, Upper Midwest Council, League of Minnesota Municipalities, Citizens League, State Planning Agency, Association of Minnesota Counties, and the Federal Executive Board as a "cooperating organization" to assist in planning and publicizing the symposium.

Here are tentative dates and registration data: Sessions will be held October 3, 10, 24, and 31; November 7, 14, and 30, with a possible 8th session November 28. Each session will feature speaker and reactors and will be co-ordinated by Arthur Naftalin (School of Public Affairs) and Walter Heller (Dept. of Economics), University of Minnesota. Time: 4:00 or 4:30 to 6:30 p.m. Place: Minneapolis campus. Registration (will be transferable): \$15 for the full symposium (students: \$5). Topics: Anatomy of Fiscal and Political Federalism; Origins of Revenue-sharing; the Nixon Proposal and Related Policies; Reaction of the States; Reaction of Local Government; The Administration Looks Ahead; Revenue Sharing: Outlook for the Future.

Watch for complete information in the very near future--and alert members and others in your community about this timely symposium. Since Walter Heller is recognized as the outstanding authority in this field the speakers will be of national stature.

STATE FAIR: Did you remember to get your Share the League at the Fair response form in? We would appreciate hearing from those of you who have not yet responded, so that we can have the booth adequately "manned" every shift of every day. Many thanks.

INSIDE THE INTERIM: Each League received a copy of the Minnesota House of Representative's Newsletter, Inside the Interim. The next issue, due out in August, will have a tear off form asking whether you wish to continue receiving the letter. Please be sure to respond.

FORM 990: Those Leagues, whose fiscal year ended March 31, must file form 990 with the Internal Revenue Service by August 15. (See Outlook for Work and May, 1972 Memos.)

JULY-AUGUST VOTER: The July-August VOTER, featuring significant legislation 1973, is scheduled for mailing August 6. As you read it, do so with an eye toward using it as a possible handout for finance and/or membership drives. You will receive information on costs of ordering additional copies at a later date.

FALL WORKSHOPS: See enclosed flyer (goldenrod) for details.

UNICEF: Please give your International Relations Chairmen the information on the other side of this Memo.

ATTENTION: International Relations Chairmen

UNICEF is looking for a State Representative for Minnesota. The Representative is officially appointed in each state by the President of the U.S. Committee for UNICEF to serve on a year-to-year basis in a volunteer capacity. Among the duties are:

1. To serve as a resource person for existing organizations.
2. To strengthen and establish area and city UNICEF committees.
3. To stimulate interest and activity and to seek local leaders where these do not presently exist.
4. To represent the U.S. Committee at conferences and official functions within the state.
5. To serve as contact with the media.
6. Promotion and coordination of major projects: the Halloween program, greeting card sales, special fund raising events, use of educational materials such as Hi Neighbor books and records, kits for elementary and secondary schools.

If you know of anyone in your League who might be interested in the job, please contact the state office. The UNICEF Committee is earnestly seeking someone in the near future.

FACTS ABOUT

GENERAL REVENUE SHARING

A summary of the State and Local Fiscal Assistance Act of 1972
Title I of Public Law 92-512 Approved October 20, 1972

SPECIAL REPORT 46 1973
AGRICULTURAL EXTENSION SERVICE
UNIVERSITY OF MINNESOTA

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The authors are Arley D. Waldo, professor, Department of Agricultural and Applied Economics, and extension economist, public policy; and Carole B. Yoho, assistant professor, Department of Agricultural and Applied Economics, and extension specialist, public policy.

Issued in furtherance of cooperative extension work in agriculture and home economics, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Roland H. Abraham, Director of Agricultural Extension Service, University of Minnesota, St. Paul, Minnesota 55101. We offer our programs and facilities to all people without regard to race, creed, color, sex, or national origin.

The State and Local Fiscal Assistance Act of 1972 was signed into law October 20, 1972. The act provides for the sharing of \$30.2 billion in federal revenue with state and local governments over a 5-year period. A major purpose of the program is to provide fiscal assistance to state and local governments in a way that attempts to minimize the restrictions, uncertainties, and red tape often associated with other federal grant-in-aid programs.

The act is administered by a newly created Office of Revenue Sharing in the U.S. Department of the Treasury. The Office of Revenue Sharing is responsible for making revenue sharing payments directly to about 38,000 state and local units of government across the country.

Appropriations

The act appropriates a total of a little more than \$30.2 billion over a 5-year period beginning, retroactively, January 1, 1972, and ending December 31, 1976. Compiled on a calendar-year basis, the amounts appropriated are:

1972	\$ 5,300,000,000
1973	6,012,500,000
1974	6,125,000,000
1975	6,275,000,000
1976	<u>6,500,000,000</u>
	\$30,212,500,000

The act also appropriates additional funds for distribution to states in which federal civilian employees are entitled to a cost-of-living bonus. This provision currently applies only to Alaska and Hawaii.

Eligibility

Those governmental units eligible to receive federal revenue sharing payments include all state governments, the District of Columbia, and all general-purpose local units of government--including counties, cities, villages, boroughs, and townships. Indian tribes and Alaskan native villages with a recognized governing body that performs substantial governmental functions also qualify.

School districts and other special-purpose governmental units are not eligible. However, eligible governments may transfer revenue sharing funds to special-purpose units or to private organizations provided that such funds are used in accordance with the provisions of the law.

Allocation to States

General revenue sharing funds are allocated among the 50 states and the District of Columbia by one of two formulas provided in the law. The use of two formulas is the result of a compromise between the different formulas contained in the Senate and House bills. The Senate formula favored the lower-income and more rural states, while the House formula favored the more populated and urbanized

states. As a compromise measure, both formulas were retained in the act. A state's allocation is based on whichever of the two formulas gives it the larger amount. After the amounts for each state are calculated under both formulas, the larger amount becomes the basis for allocation of the funds. These amounts are then scaled down by a uniform percentage to keep within the limit of the amount of appropriated funds available for distribution.

The total amount of funds appropriated for distribution to state and local governments increases over the 5-year period covered by the act. A state's allocation may increase by more or less than the percentage increase in appropriated funds, depending on how the factors included in the allocation formulas change for that state as compared to all other states.

Senate Formula

The Senate formula for the allocation of revenue sharing funds among the states is based on three equally weighted factors:

population,
general tax effort, and
relative income.

The general tax effort of a state is based on net state and local tax collections as related to the state's aggregate personal income. A state's relative income is based on its per capita income as compared to the per capita income of the United States.

Revenue sharing appropriations for calendar 1972 averaged about \$26.08 per capita for the United States. The per capita amount received by a state under the Senate formula may differ from this figure depending on how the state's tax effort and per capita income compare to the tax effort and per capita income of all other states. In general, the higher a state's tax effort and the lower its per capita income relative to other states, the larger its per capita allocation of revenue sharing funds.

House Formula

The House formula for the allocation of revenue sharing funds among the states is based on the following five factors, with each factor weighted as shown:

<u>Factor</u>	<u>Weight</u>
1. Population	22%
2. Urbanized population	22%
3. Population weighted for relative per capita income	22%
4. State income tax collections	17%
5. State and local general tax effort	17%

As with the Senate formula, the House version provides a larger per capita allocation to states with a high tax effort and a low per capita income compared

to the tax effort and per capita income of all other states. In addition, under the House formula the higher a state's income tax collections and the larger its share of the nation's urbanized population, the larger its per capita allocation of revenue sharing funds.

Minnesota's Allocation

The five-factor House formula provided the larger amount of revenue sharing funds to Minnesota state and local governments for 1972. The total allocation to Minnesota for calendar 1972 was \$104,792,656. This amounted to \$27.54 per capita--about 5.6 percent above the national average of \$26.08 per capita.

The law provides that one-third of the amount allocated to each state shall go to the state government and two-thirds shall be divided among the state's general-purpose local units of government. The state government's share of the allocation to Minnesota for 1972 was \$34.9 million, and local governments received a total of \$69.9 million.

Allocation to Local Governments

In determining the allocation of revenue sharing funds to local units of government, the law provides that the total amount of funds to be distributed to local units is first to be divided among county areas. The allocation formula is based on three equally weighted factors:

population,
general tax effort, and
relative income.

The general tax effort of a county area is based on net local non-school taxes as related to the county's aggregate personal income. A county area's relative income is based on its per capita income as compared to the per capita income of the state.

The per capita allocation to a county area will vary according to its general tax effort and relative income. In general, the higher the tax effort of a county area and the lower its per capita income relative to the tax effort and per capita income of all other county areas within the state, the larger its per capita allocation of revenue sharing funds.

Allocation Within County Areas

The allocation of revenue sharing funds to local governments within a county area involves several steps.

The share of county area funds that goes to eligible Indian tribes and Alaskan native villages is determined first. This amount is based on the percentage of the county population that is composed of members of eligible Indian tribes or Alaskan native villages. For example, if members of an eligible Indian tribe account for 10 percent of a county's population, 10 percent of the county area's allocation is distributed to the Indian tribe.

The remaining funds are then divided among the county government, townships, and municipalities. The amount allocated to the county government, the amount to be divided among township governments, and the amount to be divided among municipalities are each based on the percentage of total net non-school taxes imposed by these local governments. Suppose, for example, that within a county area the county government accounts for 50 percent of all local taxes (excluding taxes for educational purposes and special assessments for capital outlay), all townships together account for 10 percent, and all municipalities together account for 40 percent. In this case, the county government would receive 50 percent of the county area funds remaining after the allocation to any eligible Indian tribes or Alaskan native villages, 10 percent would be divided among the township governments within the area, and 40 percent would be divided among the municipal governments.

The allocation of funds to individual townships and municipalities is then determined on the basis of population, general tax effort, and relative income. In general, the higher the tax effort of a township and the lower its per capita income compared to those factors for all other townships within the county area, the larger its per capita allocation of the funds that are to go to townships. The higher the tax effort of a municipality and the lower its per capita income compared to the tax effort and per capita income of all other municipalities within the county area, the larger its per capita allocation of the funds allocated to municipal governments in the area.

Any local government may waive the funds to which it is entitled. Except in the case of funds declined by Indian tribes or Alaskan native villages, such funds will be allocated to the next higher eligible unit of government. For example, if a municipality or township waives its revenue sharing funds, those funds will be paid to the county government of the area in which the municipality or township is located. Funds waived by an Indian tribe or Alaskan native village will be distributed to other governmental units within the county area as if the Indian tribe or Alaskan native village did not exist.

Data Elements

The data used in calculating revenue sharing allocations to local governments include:

1. Population. Population means the total resident population of an area as of April 1, 1970 as determined by the U.S. Bureau of the Census in the 1970 Census of Population. Regulations provide for adjustment of population data in cases where a place of at least 5,000 annexes an area with a population equal to 5 percent or more of the population of the annexing government.
2. Per capita income. Per capita income means the average money income of all persons residing within the area. Per capita income is based on money income in calendar 1969 as derived from the 20 percent sample of the 1970 Census of Population. Because the estimated per capita income of areas with a small population is subject to large sampling error, the per capita income of the county is used as the per capita income of areas that have a population of less than 500.
3. Aggregate income. Aggregate income means the total money income in calendar 1969 of the residents of an area as determined from the 20 percent sample of the 1970 Census of Population.

4. Adjusted taxes. The general tax effort of local governments is based on "adjusted taxes" as derived from a Special Revenue Sharing Survey conducted by the Bureau of the Census in 1972. The tax data is for fiscal 1971 (the 12-month accounting period for the governmental units that ended between July 1, 1970, and June 30, 1971). Adjusted taxes means total general purpose taxes minus taxes for school and other educational purposes. General purpose taxes include property taxes, sales taxes, income taxes, and revenue from license fees, permits, and others. General purpose taxes do not include receipts from service charges, special assessments, interest earnings, or fines. The Bureau of the Census will update information on local taxes and intergovernmental transfers annually through a mail survey of local units.
5. Intergovernmental transfers. Information about local government revenue from the transfer of state and federal funds to local units also was obtained from the Special Revenue Sharing Survey and will be updated annually. Intergovernmental revenue includes receipts from state and federal grants, shared taxes, contingent loans, and reimbursements for local expenditures. Intergovernmental revenue does not include receipts from sales to other governmental units or federal revenue sharing payments.

The Office of Revenue Sharing is to provide each unit of local government with a listing of the data used in calculating its revenue sharing payments. Local units are given an opportunity to appeal any data elements that can be documented to be in error.

Change in Local Allocation Formula

A state may change the formula governing the allocation of revenue sharing funds among county areas or among local governments (except counties) one time during the 5-year period ending December 31, 1976. Any new allocation formula provided by state law must be based on population multiplied by the general tax effort factor, population multiplied by the relative income factor, or some combination of the two. The new formula must apply uniformly throughout the state to all funds allocated to local governments within the state.

No change is permitted in the allocation formula as it relates to Indian tribes and Alaskan native villages or to county governments.

Limitations on Local Government Allocations

There are minimum and maximum limitations on the per capita allocation of revenue sharing funds to local governments. Each local government and county area within a state is assured of receiving a per capita payment equal to not less than 20 percent of the state's per capita allocation for its local governments. The local government share of the total allocation to Minnesota for 1972 was \$18.36 per capita. The minimum allocation to any local government (including eligible Indian tribes) or county area within the state was therefore approximately \$3.67 per capita.

Two limitations affect the maximum allocation to local governments. First, no local government or county area may receive a per capita payment of more than

145 percent of a state's per capita allocation for its local governments. For Minnesota, this maximum was about \$26.62 per capita in 1972. Second, no local government may receive an amount that exceeds 50 percent of the total of its local taxes plus the intergovernmental transfer payments that it receives.

No payment will be made to any local government below the county level whose entitlement is less than \$200 for an entitlement period of 1 year or less than \$100 for an entitlement period of 6 months. Such funds will instead be paid to the county government of the area in which the local unit is located.

Use of Funds by State Governments

Revenue sharing funds received by state governments may be used for almost any purpose. This includes programs that provide grants to local units of government, including school districts. Only two major restrictions are provided. First, revenue sharing funds may not be used to match other federal grants. Second, state governments may not use revenue sharing funds to replace other revenue that is distributed by the state government to its local units. This "maintenance of effort" provision applies only to entitlement periods beginning after June 30, 1973. Beginning July 1, 1973, a reduction in state aid to local governments could result in a reduction in the state government's revenue sharing allocation.

Use of Funds by Local Governments

Local governments are required to use their revenue sharing funds for "priority expenditures." Priority expenditures include:

1. Maintenance and operating expenses for:
 - a. public safety (including law enforcement, fire protection, and building code enforcement)
 - b. environmental protection (including sewage disposal, sanitation, and pollution abatement)
 - c. public transportation (including transit systems and streets and roads)
 - d. health
 - e. recreation
 - f. libraries
 - g. social services for the poor or aged
 - h. financial administration
2. Ordinary and necessary capital expenditures authorized by law.

Revenue sharing funds may not be used by local governments to match other federal grants or to pay operating costs for general administration or education. However, revenue sharing funds may be used for capital expenditures related to general administration and education as well as for other capital items. The list of permitted maintenance and operating expenditures implies no order of priority; each category is equally acceptable.

Revenue sharing funds also may be used for repayment of local government debt provided that (1) the actual expenditure for which the debt was incurred was not

made before January 1, 1972; (2) the expenditure was for a "priority purpose"; and (3) the expenditure did not violate any of the other restrictions concerning the use of revenue sharing funds. Revenue sharing funds may not be used to pay any interest incurred because of the debt.

A governmental unit that receives revenue sharing funds may transfer those funds to any public or private agency; however, the ultimate use of such funds must conform to the priority expenditure categories. The spending unit also must adhere to all other regulations concerning the use of revenue sharing funds.

Revenue sharing funds may be used to reduce or help hold down local taxes. Any reduction in the tax effort of a local government may result in a reduction of its future revenue sharing funds, depending on how its change in tax effort compares to changes in the tax effort of other governmental units.

Local governments are subject to a penalty if revenue sharing funds are used for purposes not permitted by the act. They may be required to pay to the Secretary of the Treasury an amount equal to 110 percent of any funds used for other than priority expenditures as shown above. However, a local government may avoid this penalty by prompt repayment to its revenue sharing trust fund of an amount equal to the sum used for purposes not permitted by law.

Time Limitation

Rules governing the initial revenue sharing allocation require that revenue sharing funds be used, obligated, or appropriated not later than 24 months from the date of the check. The final regulations, which cover entitlement periods beginning January 1, 1973, require that revenue sharing funds be used, obligated, or appropriated not later than 24 months from the end of the entitlement period to which the check applies. The actual expenditure of revenue sharing funds may be delayed beyond 24 months provided that the funds have been obligated within that period of time.

The revenue sharing entitlement periods are:

<u>Period</u>	<u>Begins</u>	<u>Ends</u>
1	January 1, 1972	June 30, 1972
2	July 1, 1972	December 31, 1972
3	January 1, 1973	June 30, 1973
4	July 1, 1973	June 30, 1974
5	July 1, 1974	June 30, 1975
6	July 1, 1975	June 30, 1976
7	July 1, 1976	December 31, 1976

Governmental units may apply to the Office of Revenue Sharing for an extension of time within which to use revenue sharing funds.

Payments

Revenue sharing payments for the first half of 1972 were made in December 1972; payments for the second half of 1972 were made in January 1973. Each payment was equal to approximately one-half of the amounts to be distributed for calendar 1972. Payments for 1973 and successive years are to be made on a quarterly basis and paid not later than 5 days after the close of each quarter. Initial revenue sharing payments were delayed in some instances because the Office of Revenue Sharing did not have adequate information about mailing addresses or lacked other necessary information.

In the event that a governmental unit fails to abide by regulations concerning the use of revenue sharing funds, the Secretary of the Treasury may withhold subsequent payments until compliance is secured. Repayments may be required in cases where funds were used in noncompliance with regulations or where amounts paid to a governmental unit exceeded the amount to which the government was entitled.

Trust Fund

State and local governments are required to place revenue sharing funds in a separate trust fund. This requirement is intended to facilitate accounting and audit procedures. A separate bank account for revenue sharing funds is not required, but governmental units must maintain separate records of the receipt and expenditure of the funds.

Revenue sharing funds may be commingled with other funds for investment purposes. Interest earned from the investment of revenue sharing funds is subject to the same restrictions that apply to the use of revenue sharing funds and must be accounted for separately.

Anti-Discrimination

The law stipulates that no person shall be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with revenue sharing funds on the grounds of race, color, national origin, or sex. An assurance is required from the chief executive officer of each governmental unit that revenue sharing funds are being used in compliance with this requirement. Regulations governing complaints, investigations, and compliance reviews have been established. Noncompliance could result in forfeiture or repayment of revenue sharing funds and the withholding of subsequent payments until compliance is achieved.

Wage Rates and Labor Standards

Whenever revenue sharing funds are used to finance 25 percent or more of any construction project, workers hired by the contractor or any subcontractor must be paid not less than the prevailing wage rate for similar work in the locality in accordance with the Davis-Bacon Act as amended. Such workers also will be covered by federal labor standards.

In cases where the Davis-Bacon standards apply, the contracting governmental unit must request a wage determination from the regional office of the U.S. Department of Labor at least 30 days before bids on the project are accepted.

Whenever revenue sharing funds are used to pay 25 percent or more of the wages of any government employee, the governmental unit must pay a wage not less than the wage paid by that governmental unit to other individuals employed in similar work.

Information about the Davis-Bacon requirements may be obtained from:

U.S. Department of Labor
WHPC Division
219 South Dearborn Street
Chicago, Illinois 60604

Planned Use Reports

Periodic reports must be made to Office of Revenue Sharing in the U.S. Treasury Department concerning the planned use of revenue sharing funds. No reports on the planned use of funds received for calendar 1972 are required. The first planned use report concerns revenue sharing payments made for the period January 1 to June 30, 1973. This report was due by June 20, 1973. Subsequent reports will be required for each entitlement period.

The actual use of revenue sharing funds need not coincide with the planned use reported to the Office of Revenue Sharing. A major purpose of the planned use report is to inform local residents about the intended use of the funds.

Actual Use Reports

Each governmental unit that receives revenue sharing funds must submit an annual report to the Office of Revenue Sharing indicating how the funds have been used, the amount of interest earned from the investment of revenue sharing funds, and the status of the revenue sharing trust fund as of June 30. The first report on the actual use of funds was due September 1, 1973, and covers all funds received before June 30, 1973.

Publication of Reports

Each governmental unit that receives revenue sharing funds is required to publish its planned use and actual use reports, prior to their submission, in a local newspaper of general circulation in the area. The news media, including minority and bilingual news media, must be advised of the publication of these reports and provided copies of the reports on request. All reports must be made available for public inspection.

Accounting Procedures and Audits

Governmental units are required to maintain a separate trust fund (set of accounts) into which all revenue sharing payments and interest earned on revenue sharing funds are paid and from which all expenditures are made. At a minimum, the accounting for revenue sharing funds must conform to the same accounting and internal audit procedures that apply to other receipts and expenditures of the governmental unit. Accounting procedures must be sufficient to permit the preparation of required reports and to permit tracing the use of all funds.

The Office of Revenue Sharing will rely mainly on audits by state and local government auditors and independent public accountants to ensure compliance with revenue sharing regulations. However, governmental units may be subject to federal audit. In addition to a review of financial transactions, an audit may include an investigation of the following areas:

1. compliance with the assurances made to the Secretary of the Treasury concerning the use of revenue sharing funds
2. compliance with the requirement that states maintain transfers to local governments
3. compliance with reporting requirements and the accuracy of reports
4. accuracy of fiscal data reported to the Bureau of the Census
5. accuracy of required public reports.

Additional Information

Questions concerning revenue sharing may be directed to:

Graham W. Watt, Director
Office of Revenue Sharing
U.S. Department of the Treasury
1900 Pennsylvania Avenue, N.W.
Washington, D.C. 20226

The following documents also may be helpful:

1. U.S. Department of the Treasury, Office of Revenue Sharing, What Revenue Sharing Is All About (1972).

This publication contains a detailed fact sheet on revenue sharing, some questions and answers about revenue sharing, a copy of the State and Local Fiscal Assistance Act of 1972, and a copy of the regulations governing the payment of initial entitlements under the act.

2. Code of Federal Regulations, Title 31, Chapter 1, Part 51, Fiscal Assistance to State and Local Governments.

These are the final general revenue sharing regulations, approved April 5, 1973, which were published in the Federal Register, Vol. 38, No. 68, April 10, 1973.

3. U.S. Department of the Treasury, Office of Revenue Sharing, Detailed Data Definitions for Intrastate Allocations to Local Governments (March 6, 1973).

This document contains definitions of the data elements used in calculating the revenue sharing allocations of local governments.

4. Commerce Clearing House, Do's and Don'ts on Revenue Sharing under the State and Local Fiscal Assistance Act of 1972 (December 1972).

This publication contains a short history of revenue sharing, some "do's and don'ts" concerning revenue sharing, a copy of the act, and a copy of the regulations governing the payments of initial entitlements under the act.

League of Women Voters of Minnesota, 555 Wabasha, St. Paul, Minnesota 55102

University of Minnesota Symposium

on

The Politics and Economics of the New Federalism
THE THEORY AND PRACTICE OF REVENUE SHARING

Session 1: THE ANATOMY OF FISCAL AND POLITICAL FEDERALISM

Date: Wednesday, October 3

Speakers: Walter W. Heller, Regents' Professor of Economics, University of Minnesota and Arthur Naftalin, Professor of Public Affairs, University of Minnesota.

Session 2: THE ORIGINS OF REVENUE SHARING

Date: Wednesday, October 10

Speaker: Joseph A. Pechman, Director of Economic Studies, Brookings Institution, Washington, D.C.

Session 3: THE NIXON PROPOSAL AND RELATED POLICIES

Date: Wednesday, October 24

Speaker: Murray L. Weidenbaum, Mallinckrodt Professor of Economics, Washington University, St. Louis, MO.

Session 4: THE REACTION OF THE STATES

Date: Wednesday, October 31

Speaker: The Honorable Dan Evans, Governor of the State of Washington and Chairman of the Governors Conference, to be introduced by the Honorable Wendell Anderson, Governor of the State of Minnesota.

Session 5: THE REACTION OF LOCAL GOVERNMENT

Date: Wednesday, November 7

Speaker: Edward K. Hamilton, Deputy Mayor of New York City.

Session 6: MANAGING THE NATIONAL PROGRAM

Date: Wednesday, November 14

Speaker: Graham W. Watt, Director, Office of Revenue Sharing, Department of the Treasury

Session 7: CONGRESS LOOKS AHEAD

Date: Friday, November 30

Speakers: The Honorable Walter F. Mondale, U.S. Senate, and the Honorable Albert Quie, U.S. Congress.

All Sessions Are at 4:30 P.M.
Room 125, West Bank Auditorium Classroom Building

AUG 1973
Continuing Education and Extension
100 Westbrook Hall
University of Minnesota

Contact: Beverly Sinniger 376-7500

NATIONAL LEADERS TO SPEAK AT
"U" REVENUE SHARING SYMPOSIUM

(for immediate release)

National leaders representing all levels of government will take part in a University of Minnesota sponsored symposium on Revenue Sharing and the New Federalism in October and November.

Designed to explore in depth all facets of the revenue sharing movement, the Symposium is being arranged by Walter Heller, University Regents professor of economics and one of the nationally-recognized originators of the revenue sharing idea, and Arthur Naftalin, University Professor of Public Affairs.

The Symposium will consist of seven sessions, each featuring a national authority who is playing a major role in the evolving new federal-state-local-relationships. Following their presentations they will engage in dialogue with Professors Heller and Naftalin and will be questioned by interlocutors selected by participating community organizations.

Four University divisions and eight community organizations are joining in sponsoring and arranging the series, the effort being--according to Professors Heller and Naftalin--to reach as wide an audience within the University and general public as possible.

more

Revenue Sharing 2

"Revenue sharing and the New Federalism are not only having a critical effect upon federally-supported programs," they said, "they are fundamentally altering the framework of the federal system."

"With the help of the nationally recognized spokesmen, we will examine the critical dimensions of revenue sharing, assessing significant developments, and, where possible, offering ideas for the further shaping of the movement. The symposium will afford an opportunity for an exchange of ideas based upon the nation's experience with the program since its enactment by Congress last year."

The Symposium sessions and the featured lecturers are:

October 3--Professors Heller and Naftalin, "The Fiscal and Political Framework of Revenue Sharing."

October 10--Joseph Pechman, director of Economic Studies, Brookings Institution, who with Professor Heller authored the original Heller-Pechman revenue sharing proposal, "The Origins of Revenue Sharing."

October 24--Murray L. Weidenbaum, Mallinckrodt distinguished professor of economics, Washington University, St. Louis, formerly assistant secretary of the treasury and chairman of the Nixon Administration's Committee on Revenue Sharing, "The Nixon Proposal and Related Policies."

October 31--Speaker invited but not confirmed

November 7--Edward K. Hamilton, deputy mayor of New York City and University of Minnesota graduate, "The Reaction of Local Government."

November 14--Graham W. Watt, Director, Office of Revenue Sharing, Department of Treasury, "The Administration Looks Ahead."

November 30--Senator Walter F. Mondale and Congressman Albert H. Quie, "Congress Looks Ahead."

Sessions are scheduled 4:30 to 6:30 p.m., Room 125, University's West Bank Auditorium Classroom Building. Registration for all sessions is \$15. Send check (payable to the University of Minnesota) to: Extension Classes, 138 Westbrook Hall, University of Minnesota, Minneapolis 55455 and tickets will be mailed. (Ample parking is available on campus in late afternoon and a parking map will be enclosed with tickets.)

The sponsoring University organizations are the School of Public Affairs, the Department of Economics in the School of Business Administration, the Center for Urban and Regional Affairs, and Continuing Education and Extension.

Cooperating community organizations are the Citizens League, the League of Women Voters, the League of Minnesota Municipalities, the Metropolitan Council of the Twin Cities Area, the State Planning Agency, the Federal Executive Board and the Upper Midwest Council.

Professor Heller was Chairman of the Council of Economic Advisors under Presidents Kennedy and Johnson. Professor Naftalin was Mayor of Minneapolis from 1961 through 1969 and is a former member of the Advisory Commission on Intergovernmental Relations, an official national agency that sponsored a pioneer research effort on revenue sharing.

Revenue Sharing: What Next?

A symposium on the politics and economics of the New Federalism — **The Theory and Practice of Revenue Sharing**. Designed to explore in depth all facets of the

revenue sharing movement, the symposium is under the direction of University Professors Walter W. Heller and Arthur Naftalin.

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Extension Classes
180 Westbrook Hall
University of Minnesota
Minneapolis, Minnesota 55455



A UNIVERSITY OF
MINNESOTA SYMPOSIUM



Revenue Sharing: What Next?

*Pam
373-4871*

7 sessions by national authorities exploring in depth all facets of revenue sharing

Speakers:

Walter W. Heller, University of Minnesota
Arthur Naftalin, University of Minnesota
Joseph A. Pechman, Brookings Institution
Murray L. Weidenbaum, Washington University
Daniel J. Evans, Governor of the State of Washington
Wendell Anderson, Governor of the State of Minnesota
Edward K. Hamilton, Deputy Mayor of New York City
Graham W. Watt, Department of the Treasury
Walter F. Mondale, U.S. Senate
Albert H. Quie, U.S. Congress

When:

October 3, 10, 24, 31, November 7, 14, 30, 4:30 in the afternoon.

Where:

University of Minnesota West Bank Campus
125 Auditorium Classroom Building.

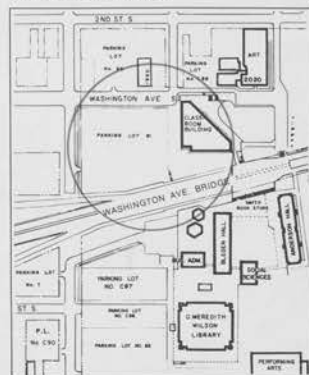
Parking:

Ample parking on the West Bank.
West Bank campus maps available at time of ticket purchase.

Tickets:

General Public — \$15 for the series.
University of Minnesota faculty staff and students — \$5 for the series.
Group rate for organized college classes — \$5 for the series.
By mail: Send check payable to U of M to Revenue Sharing Symposium, 138 Westbrook Hall, U of M, Minneapolis, Minn., 55455.
In person: 138 Westbrook Hall, U of M Minneapolis Campus, 8 a.m. to 4:30 p.m. Monday — Friday.
Telephone: 373-3195.

University of Minnesota
West Bank Campus Map



*015-BW
call Monday*



Session 1: The Anatomy of Fiscal and Political Federalism

Wednesday, October 3

Walter W. Heller, Regents' Professor of Economics, University of Minnesota, left; and Arthur Naftalin, Professor of Public Affairs, University of Minnesota.



Session 2: The Origins of Revenue Sharing

Wednesday, October 10

Joseph A. Pechman, Director of Economic Studies, Brookings Institution, Washington, D.C.



Session 3: The Nixon Proposal and Related Policies

Wednesday, October 24

Murray L. Weidenbaum, Mallinckrodt Professor of Economics, Washington University, St. Louis, Mo.



Session 4: The Reaction of the States

Wednesday, October 31

The Honorable Daniel J. Evans, Governor of the State of Washington and Chairman of the 1973 Governors' Conference, introduced by the Honorable Wendell Anderson, Governor of the State of Minnesota.



Session 5: The Reaction of Local Government

Wednesday, November 7

Edward K. Hamilton, Deputy Mayor of New York City



Session 6: Managing the National Program

Wednesday, November 14

Graham W. Watt, Director, Office of Revenue Sharing, Department of the Treasury.



Session 7: Congress Looks Ahead

Friday, November 30

The Honorable Walter F. Mondale, U.S. Senate, left; and the Honorable Albert H. Quie, U.S. Congress.

Sponsored by:

School of Public Affairs
Department of Economics
Center for Urban and Regional Affairs
Continuing Education and Extension

With the cooperation of:

Association of Minnesota Counties
Citizens League (of the Twin Cities Metropolitan area)
League of Minnesota Municipalities
Metropolitan Council of the Twin Cities Area
Minnesota League of Women Voters
State Planning Agency
Twin Cities Federal Executive Board
Upper Midwest Council

University of Minnesota
Public Affairs Symposium

The Politics and Economics of the New Federalism
THE THEORY AND PRACTICE OF REVENUE SHARING

Session 1

Wednesday, October 3, 1973

The Anatomy of Fiscal and Political Federalism

Participants:

Malcolm Moos, President, University of Minnesota.
Walter W. Heller, Regents' Professor of Economics, University of Minnesota;
former Chairman, Council of Economic Advisers.
Arthur Naftalin, Professor of Public Affairs; former Mayor of Minneapolis.

Program:

1. Opening remarks-- Mr. Naftalin.
2. Introduction of President Moos-- Mr. Heller.
3. Welcome by President Moos.
4. The Political Base of Federalism-- Mr. Naftalin.
5. The Fiscal Base of Federalism-- Mr. Heller.
6. Questions and Answers.

Session Outline:

1. The Political Base of Federalism
 - a. The structure of American government.
 - b. Centralize or decentralize? A basic tension in American politics.
 - c. The Constitutional struggle over widening national authority.
 - d. Underlying forces propelling nationalization; current reaction.
 - e. Arguments favoring decentralized action.
 - f. Arguments favoring national controls.
2. The Fiscal Base of Federalism
 - a. Division of fiscal powers and responsibilities.
 - b. The fiscal facts of federalism since World War II.
 - (1) Rising demands on government.
 - (2) Feast and famine: Is the state-local fiscal crisis behind us?
 - c. The federal response: Grants-in-aid-- their scope, depth, limitations.
 - d. The gap in fiscal federalism and the role of revenue sharing in filling it.
 - e. Revenue sharing today: The issues.

Session 2-- Wednesday, October 10, 1973

THE ORIGINS OF REVENUE SHARING

Joseph A. Pechman, Director of Economic Studies,
Brookings Institution
Washington, D.C.

10/3/73

5 to 6 hundred

Press conferences

Moos

193 - Eisenhower

85 - Kennedy

35 - Nixon

Nathaniel

a - Inter-governmental cooperation

b - Reverse trend of centralization - confused bureaucracy

c - restore balance of states, cities + federal

Unreconstructed Federalist - Nathaniel

d - responded out of necessity for health of country

e - ought to be neat division - layer cake system

natl - defense, single currency etc

state - higher educ., mental hosp. etc.

local - health, relief, zoning, educa etc.

not true - never existed
Inadequate

Fed. deeply involved
at all levels

limited national power

delegated powers by constitution

} strict constructionist

Market cake structure
- everything
intermingled
- shared, not divided,
powers

states rights - pivotal planning agencies

local home rule

Need balance between Hamiltonian + Jeffersonian
centralized + decentralized

" National goals

Accelerating centralization because of national problems

- State + local inadequate to solve problems

1% increase of gross national product = 1 1/2% increase in Fed.
revenue - Ever expanding economy.

what
caused
revenue
sharing

Veer toward + then react away, but ever greater centralization

- Superior taxing power of nat'l government (no competition)

- growing fiscal prob. of state + local

- concern over proliferating Fed. projects

National government supreme

New Federalism

- diminish central control

Earlier efforts

1 + 2 - '44-'49 + '53-'55 - Hoover commissions

- vast governmental reorganization

3 - Testa-Bomb commission

transfer of funds to cover

Questions

1 - Further intergovernmental competition betw. states?
Nathalin - says could involve fed. govern, even work in local projects

2 - First time for R.S. + chances of success?
- Jackson Admin. symposium will explore

Not designed to carry out nat'l purposes but to beef up local services. Not for nationally impacted programs

3 - Were states prepared to use R.S.?
No, not conditioned. Don't judge yet.

University of Minnesota
Public Affairs Symposium

The Politics and Economics of the New Federalism
THE THEORY AND PRACTICE OF REVENUE SHARING

Session 2

Wednesday, October 10, 1973

The Origins of Revenue Sharing

Participants:

- Joseph A. Pechman, Director of Economic Studies, Brookings Institution, Washington, D.C.
Walter W. Heller, Regents' Professor of Economics, University of Minnesota; former Chairman, Council of Economic Advisers.
Arthur Naftalin, Professor of Public Affairs, University of Minnesota; former Mayor of Minneapolis.
Francis M. Boddy, Professor of Economics, University of Minnesota; Chairman, Governor's Council of Economic Advisers.
Ted Kolderie, Executive Director, Citizens League (of the Twin Cities Metropolitan Area).
James J. Solem, Director, Office of Local and Urban Affairs, Minnesota State Planning Agency.
James A. Johnson, Director of Public Affairs, Dayton-Hudson Corporation; former member of faculty, Woodrow Wilson School of Public and International Affairs.

Program:

1. Opening remarks-- Mr. Naftalin.
2. Presentation of Mr. Pechman-- Mr. Heller.
3. The Origins of Revenue Sharing-- Mr. Pechman.
4. Colloquy-- Pechman, Heller and Naftalin.
5. Questions and comments from the interlocutors-- Mr. Boddy, Mr. Kolderie, Mr. Solem and Mr. Johnson.
6. Questions and answers.

Our Featured Speaker

Joseph Pechman has had a long and distinguished career as an economist and tax authority. He has been Director of Economic Studies at Brookings since 1962 and was previously on the staffs of the U. S. Treasury Department, the Council of Economic Advisers and the Committee for Economic Development. In 1964 he was Chairman of the President's Task Force on Intergovernmental Fiscal Cooperation, which developed the revenue sharing proposal that came to be known as the Heller-Pechman Plan.

Mr. Pechman has been an adviser and consultant to innumerable study commissions and has published widely on many aspects of taxation and finance. He holds a B.S. degree (1937) from the College of the City of New York, and M.A. (1938) and Ph.D. (1942) degrees, both from the University of Wisconsin.

Session Outline:

1. The Political Origins of Revenue-Sharing.
 - a. The fiscal mismatch:
 - (1) Rising fiscal troubles in states and cities.
 - (2) The federal "fiscal dividend."
 - b. Growth in number and complexity of federal programs.
 - c. The push toward greater local initiative.
2. The Economic Rationale of General Revenue Sharing.
 - a. The role of categorical aids: Support of services in the national interest.
 - b. The need for (1) federal support of state-local governments as such and (2) reduction of interstate fiscal inequalities.
3. The Original Heller-Pechman Proposal
 - a. No strings attached.
 - b. The tie to the progressive and expanding income tax base.
 - c. Formulas for distribution: per capita/need/tax effort.
 - d. The pass-through problem.
4. Variations and Permutations.
 - a. Disappearance of the fiscal dividend.
 - b. Tying reform to revenue-sharing: the Reuss approach.
 - c. The Muskie approach. - large inc. tax weight
 - d. The Nixon program in theory and practice.

Session 3-- Wednesday, October 24, 1973

THE NIXON PROPOSAL AND RELATED POLICIES

Murray L. Weidenbaum, Mallinckrodt Professor of Economics
Washington University
St. Louis, Mo.

10/10/73

Heller - Peckman - grad. students at Wisc. 35 yrs ago
Peckman - head of Johnson's task force on Intergovernmental Relations

- leading tax economist, Tax book

- income tax loopholes

"Taxation like love, not wholly founded on reason"

- Justice Frankfurter (?) (Holmes)

"to mayor Lindsay, showing his bipartisanship"

Peckman

4/5/1957 - Heller - state + local finance + US relations

Fed. surpluses should be allocated on straight per capita basis - prob. first time in print

Peckman not interested in state + local until 1964 when

Heller convinced him to be on Johnson's task force

First meetings secret, 10/28/64 - all details on front page of

New York Times. Reaction to article gave Pres. bad impression

Not the be-all, end-all, but a nice supplement
Start of outline (I think - ahahah)

Fiscal crises in '69 + '70 - Rising prices + costs + reduced receipts

Task force agreed to Heller that funds should be distributed in addition to categorical grants (highways, b.)

Diverse opinions on distribution + collection of money

Both types of grants needed.

Categorical - benefits spill over from one area to another i. help nation. States usually neglect spill over effects + stick to local gains. Highways didn't meet at state lines. These grants used controls

Unconditional - Not all states have equal capacity to pay
Not all states can afford same ^{public} services. We pay later for their neglect. Figure fiscal need + make up dif. Would like to give to poorer states only if we could find objective way to measure need. Settled for per capita ^{toward} equalization of fiscal capacity
\$300 per capita in poor state is greater % of income so it's equalizing.

Take 2% total taxable income
share funds on basis of population weighted
by tax efforts
gave authority to state governments
1/3 to state 2/3 to local

Final legislation

\$5 billion to 6 billion in five yrs
each state - tax effort, population, inverse income
or 5 factor amount whichever is largest
per capita - '72 - calculation income

states { 3.6% richest state 5.3
4.2
4.4
5.5
7.1 poorest state 9.6

Grants per \$100 income - Counties
richest poorest
.342 1.742
.772 (poorest) 1.766 (richest)

Equalization objective is being achieved.

Criteria

- 1- whether it improves abilities to provide services
- 2- rate of governmental effort
- enough but taxes that should be reduced
providing all funds aren't used this way \$45 billion
- 3- will give Congress opportunity to see categorical
+ general grants side by side. Should have both
\$5 billion Can judge need for how much
red tape. Shouldn't have specific Rev. Sharing
- 4- Equalize fiscal capacities in state
- 5- solve urbanization problems

Will we have foresight to take care of large
cities? Special assistance needed for central cities.

can be
recon-
sidered
in 5 yrs.

No strings - categories wide open, any governmental activity. Fed. gov. can complain about way state is doing job, but bill wouldn't pass
- strings like this.

Some inefficiency, but there is equalizing effect

Inc. tax is weighted in share. Grant can't exceed certain % age.

Categorical grant hasn't equalized
Natalia thinks reorganization of governments should have been prior. Heller says it wouldn't have passed.

Judgements after 5 years.

Property tax may not be regressive, just badly administered. Maybe rebate to aged poor.
Sales tax needs credits for poor.

Selected List of Reading References on
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University of Minnesota
Public Affairs Symposium

The Politics and Economics of the New Federalism
THE THEORY AND PRACTICE OF REVENUE SHARING

Session 3

Wednesday, October 24, 1973

The Nixon Proposal and Related Policies

Participants:

- Murray L. Weidenbaum, Mallinckrodt Professor of Economics, Washington University, St. Louis, Mo., and former Assistant Secretary of the Treasury.
Walter W. Heller, Regents' Professor of Economics, University of Minnesota; former Chairman, Council of Economic Advisers.
Arthur Naftalin, Professor of Public Affairs, University of Minnesota; former Mayor of Minneapolis.
Elizabeth Ebbott, First Vice President, League of Women Voters of Minnesota.
Thomas T. Feeney, Area Director for Minnesota, Department of Housing and Urban Development.
David L. Graven, Professor of Law, University of Minnesota, and Chairman, Human Resources Committee of the Metropolitan Council of the Twin Cities Area.
John E. Brandl, Director and Professor, School of Public Affairs, University of Minnesota.

PROGRAM:

1. Opening remarks-- Mr. Naftalin.
2. Presentation of Mr. Weidenbaum-- Mr. Heller.
3. The Nixon Proposal and Related Policies-- Mr. Weidenbaum.
4. Colloquy-- Weidenbaum, Heller and Naftalin.
5. Questions and comments from the interlocutors-- Ms. Ebbott, Mr. Feeney, Mr. Graven and Mr. Brandl.
6. Questions and answers.

Our Featured Speaker

For two years, until August 1971, Mr. Weidenbaum served as Assistant Secretary of the Treasury in the Nixon Administration where he was the principal architect of the Revenue Sharing program and an active participant in economic policy councils. He has held a number of positions in industry and government and is the recipient of many awards for distinguished work in economics. He is a member of the Research Advisory Board of the Committee for Economic Development, a member of the Research Council of the Center for Strategic and International Studies, and an Adjunct Scholar at the American Enterprise Institute for Public Policy Research.

A graduate of the City College of New York, Mr. Weidenbaum received his M.A. from Columbia University in 1949 and his Ph.D. in Economics from Princeton in 1958. He joined the Washington University faculty in 1964. His publications include The Modern Public Sector and numerous articles in a variety of journals.

Heller uses as text ↑

Session Outline:

1. Introduction: The Basic Purpose.
2. Historical Perspective: Republican Version.
 - a. Heller-Pechman et. al.
 - b. Nixon à la Baker-Betts.
3. Impact of Congressional Changes.
 - a. The good and the bad.
 - b. Summary of the actual law.
4. What Revenue Sharing May Accomplish.
 - a. Relative size of state and local sector.
 - b. Role of smaller local governments.
 - c. Total federal aid to states and localities.
 - d. Size of overall public sector.
 - e. Structure of decision-making.
5. Related Policies
 - a. Special revenue sharing.
 - b. Governmental reorganization.
 - c. Impoundments of appropriations.
6. A Look Ahead.

Session 4-- Wednesday, October 31, 1973

THE REACTION OF THE STATES

The Honorable Daniel J. Evans, Governor of the State of Washington,
and Chairman of the 1973 Governors' Conference

10/24/73

10/72 - proposal

Heller - another father of Rev. Sharing - "success has a thousand fathers"

Weidenbaum - "coals to Newcastle"

"The Economics of Peacetime Defense" out in spring
- lecture notes at Minn.

Rev. Sharing - bi-partisan

Father is Thomas Jefferson "a just repartition among the states - - - etc."

Heller developed concept

Laird introduced first Rev. Sharing Bill

Heller-Peckman plan - Council of Economic Advisers

1968 - both parties had Rev. S. in platforms

1969 - multi lateral effort to launch plan - all levels of government

3 - Orig. Nixon plan closer to Heller-Peckman. Democratic Congress added strings - $\frac{2}{3}$ to go to local, nothing to be spent on education

4 - Basic objective will be accomplished - to decentralize public sector of U.S., shift some of the decision making. State + local employment will be higher, Fed. lower.

Medium size towns have a chance - don't have to apply. No overhead.

Total flow will be higher than otherwise. Total public sector will be lower. State + local tax rates will slow down. Structure of decision making will be from elected official to elected official.

Major complication - many other things happening at same time. Social prog. funds impounded. Total \$ higher this year than last. Would have happened $\frac{1}{2}$ or 2 out Rev. S.

Congress passed expenditure ceilings lower than Nixon's + then made decisions to spend higher. Opportunity, on decentralized basis, of seeing how wisely money is spent + how long prog. will continue

Heller - "Why shouldn't mayors + govs have fun too" - so bipartisan that I hate to comment
\$41 down to \$35 billion for categorical aid

Waidenbaum - half of R.S. \$ used to offset impoundments.
Other half new money. Not as well off as we expected to be

Nattalin - cutting overhead - I doubt it. 750 loc. govts.

haven't been able to complete paper work
Keeping alive archaic units of government where they don't really need it. Are we matching need to resources?

Waidenbaum - paper work is one of the changes added by Congress. Up to half of R.S. for overhead is sometimes used. Washington shouldn't dictate how to organize local governments, however, doesn't go to special districts. So should lead to consolidation.

Higher income get lower per capita share etc.

Heller - Relative income, relative need + relative costs of meeting needs

Nattalin - going to make it more difficult for counties, towns etc. to respond to needs.

Cities + states compete.

Graven - regionalism - \$ for solving problems on regional basis disappearing. Incentive going

Feeney - Congress not thrilled

Elbott - Where do we get \$ to solve needs?

W - A little fiscal elbow room to relieve squeeze

Brandt - Nixon wants to get out of business of government.

W - "Don't look at what we say, look at what we do."
- only good thing Mitchell did that was any good.
More grants + aid plus R.S.

Law won't be repealed, but might not be extended. Odds are an additional 5 yrs. will be added. Mayors + govs. are built in lobbyists. Might have more strings

"It has always been my fate to be educated in real politics by economists" - Nattalin

W - would have gone to defense

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Wednesday, October 31, 1973

The Reaction of the States

Participants:

The Honorable Daniel J. Evans, Governor of the State of Washington and Chairman of the 1973 Governors' Conference.
The Honorable Wendell Anderson, Governor of the State of Minnesota.
Walter W. Heller, Regents' Professor of Economics, University of Minnesota; former Chairman, Council of Economic Advisers.
Arthur Naftalin, Professor of Public Affairs, University of Minnesota; former Mayor of Minneapolis.
Harold LeVander, Attorney; former Governor of the State of Minnesota.
Esther Wattenberg, Director, Office of Career Development, and Associate Professor, School of Social Work, University of Minnesota.
The Honorable John Milton, State Senator; Chairman, Subcommittee on Health of Senate Committee on Health, Welfare and Corrections.
George Thiss, Executive Director, Upper Midwest Council.

Program:

1. Opening remarks-- Mr. Naftalin.
2. Introduction of Governor Evans-- Governor Anderson.
3. The Reaction of the States-- Governor Evans.
4. Comments-- Mr. Heller.
5. Questions and comments from the interlocutors-- Mr. LeVander, Ms. Wattenberg, Senator Milton and Mr. Thiss.
6. Questions and answers.

Our Featured Speaker

Daniel J. Evans is in his third four-year term as Governor of the State of Washington. He began his public career with election to the state legislature in 1956 and has enjoyed increasing popularity, both within his state and nationally. He keynoted the Republican convention in 1968 and has been very active within the National Governors' Conference, serving currently as its Chairman. He has been a frequent spokesman for Governors on critical national issues, notably in the field of revenue sharing.

Governor Evans serves on many national commissions, including the Advisory Commission on Intergovernmental Relations and the Steering Committee of the Urban Coalition. He has won many honorary awards, including several honorary degrees. Noted for his courageous leadership, Governor Evans has survived many struggles over the adoption of progressive measures that required bipartisan legislative action.

Governor Evans is an engineer by profession and in 1965 was named Washington's "Engineer of the Year." A native of Seattle, he holds B.S. and M.S. degrees in civil engineering from the University of Washington.

5 honorary doctor of Laws degrees
1 " " " engineering "

Session Outline:

1. The State's Role in the Federal System.
 - a. Constitutional position.
 - b. Historic control over subdivisions.
 - c. The decline of the states.
2. The States' Efforts at a New Assertion.
 - a. Persistence of the States' Rights view.
 - b. The Governors organize to reverse the national trend.
 - c. The states and the effects of reapportionment -- Baker v. Carr.
3. The States and the Urban Crisis.
 - a. The pattern of default in the face of urban problems.
 - b. Efforts to assist the cities.
 - c. The cities bypass the states.
4. The States and Revenue Sharing.
 - A. The Law Enforcement Assistance Act.
 - b. Pass-through.
 - c. Tying reform to revenue sharing.
 - d. How states used their general revenue funds.
5. State Sharing With Their Subdivisions.
 - a. Effect of the Serrano decision.
 - b. States' assumption of larger share of local burden.
 - c. Buying into federal programs.

Session 5-- Wednesday, November 7, 1973

THE REACTION OF LOCAL GOVERNMENT

Edward K. Hamilton
Deputy Mayor of New York City

10/31

billboard in front of beautiful scenery, corn
Praise for MW.

States - gave birth to Federal government

Intensity of governmental support began after WWII

States are changing - accepting responsibility

- reapportionment has occurred

- change in tax structure

- new programs

Old fashioned "States Rights" disappearing

States have "faced up" more than Congress

Wash - \$10 for under 15 for every \$1 for over

- new birth rate down

Real problems are at National level - Congress

- fiscal year ends before year's budget is adopted. - no State legislatures could survive

if they operated that way. No congressman has to face up to total budget

- Not all wisdom nor honesty is at Nat'l level

In spite of Watergate helping things, state + local continue to function well.

Innovation has been at cities, counties + state

Rw. Sharing concept is traditional at State level

- 2 no strings

- levied, collected at State level, transmitted by formula

\$1 billion of 5 is given to local in Washington

Shouldn't have audit or limitations - no

provisos for true R.S.

- Incentive for reform isn't R.S. & shouldn't be attached to it.

State should coordinate so as not to duplicate or leave gaps

Shift will occur toward priorities + ongoing programs - make a case toward continuation
Cutting taxes may be the priority

University of Minnesota
Public Affairs Symposium

The Politics and Economics of the New Federalism
THE THEORY AND PRACTICE OF REVENUE SHARING

Session 5

Wednesday, November 7, 1973

The Reaction of Local Government

Participants:

Edward K. Hamilton, Deputy Mayor of New York City.
Walter W. Heller, Regents' Professor of Economics, University of Minnesota;
former Chairman, Council of Economic Advisers.
Arthur Naftalin, Professor of Public Affairs, University of Minnesota; former
Mayor of Minneapolis.
Thomas A. Thompson, City Coordinator, City of Minneapolis.
Frank D. Marzitelli, City Administrator, City of St. Paul.
Burke M. Raymond, Village Manager, Village of Roseville.
Stanley R. Cowle, County Administrator, County of Hennepin.

Program:

1. Opening remarks and presentation of Mr. Hamilton-- Mr. Naftalin.
2. The Reaction of Local Government-- Mr. Hamilton.
3. Comment-- Mr. Heller.
4. Questions and comments from the interlocutors-- Mr. Thompson, Mr.
Marzitelli, Mr. Raymond and Mr. Cowle.
5. Questions and answers.

Our Featured Speaker

Edward K. Hamilton has emerged in recent years as one of the most articulate spokesmen and inventive leaders among the nation's governmental officials. He became Deputy Mayor of New York City in December of 1971, after serving as the City's Budget Director. From November, 1969, to September, 1970, he was Vice President and Senior Fellow in Foreign Policy Studies at the Brookings Institution in Washington.

Mr. Hamilton is a graduate in political science of the University of Minnesota and has done graduate work in government and economics at Harvard. He was a member of the staff of the U.S. Bureau of the Budget from 1961 to 1963 and served as Assistant to the Director in 1963-64. He was a senior member of the staff of the National Security Council from 1965 to 1968 and in September, 1968, was named executive secretary and staff director of the Commission on International Development (the Pearson Commission), a temporary study commission financed by the World Bank that issued its report, Partners in Development, in October, 1969.

Session Outline:

1. The Fiscal Dilemma of Cities.
 - a. Upward Pressures on urban revenues.
 - b. Constraints on growth and revenues.
 - c. The resulting game of musical tax bases.
2. The Road to Revenue Sharing
 - a. How the cities survived the sixties.
 - b. The political/financial crisis of 1970-71.
 - c. The pre-passage politics of revenue sharing.
3. Program Effects of Revenue Sharing.
 - a. Effects in large consolidated governments.
 - b. Effects in smaller localities
 - c. Effects on local- and state-financed efforts.
4. Political Effects and Prospects.
 - a. The President's fiscal bind and the displacement syndrome.
 - b. Political vulnerabilities in years of extreme budgetary pressure.
 - c. Problems of public understanding -- deliberate and inadvertent.
 - d. Effects upon local tax efforts and intergovernmental relations.
 - e. The special confusion of special revenue sharing.
5. The Outlook.

Session 6-- Wednesday, November 14, 1973

MANAGING THE NATIONAL PROGRAM

Graham W. Watt
Director, Office of Revenue Sharing,
Department of the Treasury

University of Minnesota
Public Affairs Symposium

The Politics and Economics of the New Federalism
THE THEORY AND PRACTICE OF REVENUE SHARING

Session 6

Wednesday, November 14, 1973

Managing the National Program

Participants:

Graham W. Watt, Director, Office of Revenue Sharing, Department of the Treasury.
Walter M. Heller, Regents' Professor of Economics, University of Minnesota; former Chairman, Council of Economic Advisers.
Arthur Naftalin, Professor of Public Affairs, University of Minnesota; former Mayor of Minneapolis.
The Honorable Martin O. Sabo, Speaker of the House of Representatives, Minnesota State Legislature.
Terry Novak, City Manager, City of Hopkins.
James C. Shipman, Executive Director, Metropolitan Inter-County Council.
Thomas J. Kelley, Director, Department of Community Services, City of St. Paul.

Program:

1. Opening remarks and presentation of Mr. Watt-- Mr. Naftalin.
2. Managing the National Program-- Mr. Watt.
3. Comment-- Mr. Heller.
4. Questions and comments from the interlocutors-- Mr. Sabo, Mr. Novak, Mr. Shipman and Mr. Kelley.
5. Questions and answers.

Our Featured Speaker

Graham W. Watt is a veteran public administrator and an authority on city management. He began his career in city administration in Kansas City, became City Manager of Alton, Ill., in 1958, and later moved to Portland, Maine, and then to Dayton, Ohio, in 1966.

In 1969 President Nixon appointed Mr. Watt Deputy Mayor of the City of Washington, a position he held until his appointment in January of this year to direct the Office of Revenue Sharing.

Mr. Watt was President of the International City Management Association in 1971 and is a member of the National Academy of Public Administration. He is a graduate of Washington College, Chestertown, Md., and holds a Master's degree in governmental administration from Fels Institute of Local and State Government, University of Pennsylvania.

Session Outline:

1. The First Year Under General Revenue Sharing.
 - a. The Office of Revenue Sharing approach to administration.
 - (1) Philosophy of administration: in keeping with concept of the New Federalism.
 - (2) Modus operandi: Administration in practice; organization and structure.
 - b. Recipient reaction.
 - (1) Uses and planned uses of funds thus far.
 - (2) Experience in handling the requirements.
 - c. Media coverage and public participation.
2. The Future of General Revenue Sharing.
 - a. Proposals for change in the existing law.
 - (1) Congress-oriented.
 - (2) Administration-oriented (if program is formulated).
 - (3) Recipient-oriented.
 - b. Prospects for renewal of the program.

Session 7-- Friday, November 30, 1973

CONGRESS LOOKS AHEAD

The Honorable Walter F. Mondale, U. S. Senate
The Honorable Albert H. Quie, U. S. Congress

11/14/73

"so much to be done" - Churchill

"Friend in Washington" - Mortimer Snerd

Federal government has neither intelligence nor will to solve problems of cities + state

38,000 st. + loc. govern. - 1st payment 11 mos. ago
\$10 billion distributed. (cost of administration - 3 1/2 million)
- impact on st + loc. taxes - reduce or prevent increase
- capital improvements (little spent on recreation)
health, education, housing, community development
- more now going to current expenses

Provided essential relief

10/12/72 R.S. passed congress, Nixon signed a wk later

12/11 checks mail

1/11 2nd payment

R.S. staff = 32 to 48

- | | |
|-------------------------------------|-------------------|
| 1- simplicity | } characteristics |
| 2- free of strings | |
| 3- reliability | |
| 4- fairness | |
| 5- equity - interstate + intrastate | |
| 6- basic to new federalism | |

Combines best of both worlds

Efficiency of single tax source

Effectiveness of decentralized expenditures

Responsibility rests = citizen + official alike

Accountability is local. Nondiscriminatory

Reorder roles + responsibilities

Continuing experiment in self government

Heller - byproduct will be data on per capita income
? of onerous burden vs. great simplicity

- really unnecessary
Natalin - 2 dialogues that don't intercept

1 - Supplement

2 - viewed as harbinger of new order - reverse flow of power, new creative spirit. Is this at expense of other methods of solving problems?

Viable, capable, responsive - not true of ST + local governments. Danger in program that diminishes national attention to problems

Kelly - local governments more conservative

- broad base makes risks easier

- experimentation implies possibility of failure

W - Not for social progress or economic development
- not an alternative for everything else

Shipman - Where will we be administratively etc in 5 yrs?

It will institute Federal-Fiscal reform, What will new decision making procedures be?

W - Will discover new leaders + followers + techniques.
Categorical grants were ~~not~~ dispersed on basis of need

Novak - How many employers on contract?

W - 1

Once each yr. report plans + expenditures = 2 reports

- 1 side of 1 piece of paper for each report

- published in newspaper both plan + report

Accounting

- separate category but kept track of as all funds are recorded

- can't be used for matching funds

Audit guide for State auditor to follow or private auditor

Sabo - R.S. an extension of what States have done for local government for years. It's don't know what # loc's get. \$ in MN. have gone into general revenue - how do you judge? Can't trace \$

W - Evaluative override needed. What's real impact?

Utilize strengths of intergovernmental relationships

Will have computer print-out for ST's later.

University of Minnesota
Public Affairs Symposium

The Politics and Economics of the New Federalism
THE THEORY AND PRACTICE OF REVENUE SHARING

Session 7

Friday, November 30, 1973

Congress Looks Ahead

Participants:

The Honorable Walter F. Mondale, United States Senator from Minnesota.
The Honorable Albert H. Quie, Representative in the United States Congress
from Minnesota's First District.
Walter W. Heller, Regents' Professor of Economics, University of
Minnesota; former Chairman, Council of Economic Advisers.
Arthur Naftalin, Professor of Public Affairs, University of Minnesota;
former Mayor of Minneapolis.

Program:

1. Opening remarks and introduction of Senator Mondale-- Mr. Naftalin.
2. The Senate Looks Ahead-- Senator Mondale.
3. Introduction of Congressman Quie-- Mr. Naftalin.
4. The House Looks Ahead-- Congressman Quie.
5. Comment-- Mr. Heller.
6. Questions and Answers.

Our Featured Speakers

Senator Mondale is completing his tenth year in the United States Senate. He was appointed in December 1964 to fill the unexpired term of Hubert Humphrey and was elected in 1966 and reelected in 1972. He has enjoyed a steady rise to national prominence and is now widely mentioned as a possible Democratic nominee for the Presidency in 1976.

Among Senator Mondale's many legislative accomplishments are sponsorship and passage of the Comprehensive Child Development Bill (vetoed by President Nixon), the Fair Housing Act and Housing Law of 1968, and measures designed to preserve the Upper and Lower St. Croix River areas and Voyageurs National Park. His committee assignments include Chairmanship of the Subcommittee on Children and Youth of the Committee on Labor and Public Welfare and memberships on the Finance Committee, the Special Committee on Aging and the Select Committee on Nutritional and Human Needs.

A native of Minnesota, Senator Mondale attended Macalester College and earned B.A. and Law degrees from the University of Minnesota. After two years in the U.S. Army, he entered private practice in Minneapolis. Before his appointment to the Senate, Mr. Mondale served as Attorney General of Minnesota, being appointed in May 1960, elected in November of that year and reelected two years later.

Representative Quie was elected to Congress in a special election on February 13, 1958, while serving as a Minnesota State Senator. He is the ranking Republican member of the House Education and Labor Committee and an acknowledged House spokesman on educational matters, having provided leadership in many educational areas, including postsecondary vocational education, development of the career education concept and assistance to students at all levels. He is the main author of the Higher Education Amendments of 1972.

In the field of agriculture, Mr. Quie was a sponsor of the concept of direct payments to farmers for diverting feed grains acreage from production and has been active in the drive to limit total payments to large producers. He has also been active in legislation and administration affecting dairy farmers.

During World War II Mr. Quie served as a pilot in the Navy. After graduating from St. Olaf College in 1950 he became extensively involved in soil conservation and agricultural programs and in local educational matters. He was elected to the State Senate in 1954 and served in the 1955 and 1957 legislative sessions while operating his dairy farm. In 1968 he was awarded the degree of Honorary State Farmer for Minnesota by the Future Farmers of America and he has received numerous distinguished service awards from educational organizations.

Session Outline:

1. What Will Congress Do About the Nixon Special Revenue Sharing Proposals?
 - a. Urban Community Development?
 - b. Education?
 - c. Law Enforcement?
 - d. Manpower Training?
2. Categorical v. bloc grants.
 - a. Which will do the job better?
 - b. Can we ensure responsiveness with bloc grants?
3. Will Special Revenue Sharing Accomplish the Objective of Reducing Dependence on Washington?
4. Tying Reform to Sharing.
5. Alternatives to Revenue Sharing.

No.

1973 REVENUE SHARING SYMPOSIUM

Room 125 Auditorium Classroom Building

University of Minnesota, West Bank Campus

RETAIN TICKET FOR ENTIRE SERIES

22

SERIES ADMISSION:

\$15.00

Helene Berg
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]

- OCT 3 ANATOMY OF FISCAL AND POLITICAL FEDERALISM
Walter W. Heller and Arthur Naftalin
- OCT 10 ORIGINS OF REVENUE SHARING
Joseph A. Pechman
- OCT 24 NIXON PROPOSAL AND RELATED POLICIES
Murray L. Weidenbaum
- OCT 31 REACTION OF THE STATES
Daniel J. Evans
- NOV 7 REACTION OF LOCAL GOVERNMENT
Edward K. Hamilton
- NOV 14 MANAGING THE NATIONAL PROGRAM
Graham W. Watt
- NOV 30 CONGRESS LOOKS AHEAD
Walter F. Mondale and Albert H. Quie

November 30, 1973

To Participants in the Revenue-Sharing Symposium:

We regret that at the last moment urgent Congressional business makes it impossible for Senator Mondale and Congressman Quie to be with us today. At this writing we remain hopeful that some form of telephonic communication may be possible, although this will remain problematical up to the opening of the session.

We decided in any event to proceed with the final session, which we hope will provide an opportunity for an appropriate summation. There is need to identify the issues that should have further attention, and our concluding discussion could be helpful to the State Planning Agency and other governmental bodies that have continuing responsibility for Revenue Sharing and to the Citizens League as it undertakes its further study of Revenue Sharing and the metropolitan area.

Our interlocutor group for this session are:

James J. Solem, Director, Office of Local and Urban Affairs, Minnesota State Planning Agency.

David L. Graven, Professor of Law, University of Minnesota, and Chairman, Human Resources Committee of the Metropolitan Council of the Twin Cities Area.

Stanley R. Cowle, County Administrator, County of Hennepin.

Thomas J. Kelley, Director, Department of Community Services, City of St. Paul.

Glen Skovholt, Research Associate of the Citizens League and Staff member assigned to the League's forthcoming study of Revenue Sharing.

We have greatly enjoyed leading the Symposium and want to thank all of you for your participation and attentive interest.

Sincerely,

Walter Heller
Arthur Naftalin

11/30/73

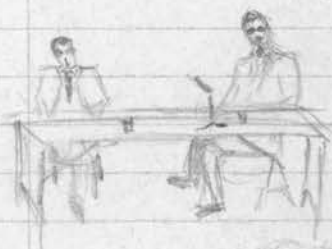
- on tape



Mondale

R.S. = cuts (aid to libraries, 17 mo. of no low inc. housing, pollution, community action, mental health etc.)

Quic



W

The League of Women Voters of Minnesota

REVENUE SHARING

January 1974

To: Local Leagues
 From: Virginia Greenman and Pat Lucas, Cochairpersons
 of the Ad Hoc Committee on Revenue Sharing
 Re: Revenue Sharing Packet (Enclosed 1 copy - additional copies
 40¢ each - order from state office)

Contents:

Editorial on these sessions
 Outline of Revenue Sharing Seminar session
 Summary of the 7 seminar session
 Checklist for use in your community
 Annotated bibliography
 Capitol Letter

Editorial Comments on the Revenue Sharing Symposium

The Revenue Sharing Symposium held at the University of Minnesota fall, 1973, was both informative and confusing. We learned a great deal about what revenue sharing was intended to be. We learned much about what it was not intended to be. We learned a bit about what it is and got a glimmer of what it might become. Part of the confusion comes from the fact that the revenue sharing concept is interpreted differently by different people. There are built-in partisan biases on revenue sharing that become apparent whenever the subject arises. For this reason, the Ad Hoc Committee on Revenue Sharing decided to introduce our over-view of the symposium with a list of the most salient statements, questions and issues that unfolded throughout the seven sessions. We hope that such an introduction will help to clarify the seeming lack of continuity that we found in the sessions.

The following statements were repeated throughout the sessions:

- 1) General revenue sharing money was never intended to be a substitute for categorical grants. Its main purpose is to strengthen state and local units of government with financial aid. Its success in achieving this goal is being evaluated.
- 2) General revenue sharing allocations are not sufficient to allow local governments to solve their larger social and environmental problems. The federal government will have to supply additional sums to meet these needs.
- 3) If general revenue sharing continues to be substitute money for needed categorical grants, poor states, poor communities and poor people will suffer the most.
- 4) General revenue sharing should not be made conditional. There should be no strings attached.
- 5) A community with a consolidated budget will receive the greatest benefit from general revenue sharing.
- 6) General revenue sharing funds thus far have been most commonly used for tax relief and one time only capital expenses. If the allocations are continued, more general revenue sharing money may be used for public service programs.

The questions most commonly asked were:

- 1) Will the general revenue sharing program be continued after the first five years?
- 2) Is general revenue sharing money being equitably distributed?
- 3) Does the money match resources with need?
- 4) Is general revenue sharing money being used to maintain archaic forms of government?
- 5) Is the chief objective of the current general revenue sharing law to decentralize government and by so doing to shift decision-making to the state and local levels of government or is it to shift money from a lucrative source (the federal govern-

ment) to a poor source (state and local government)?

Debatable issues that arose throughout the sessions were:

- 1) National programs with the built-in carrot and stick provision are needed to solve many social and environmental problems.
- 2) Local governments are historically unresponsive to the powerless.
- 3) Local and state governments have the leadership and capability to administer federal programs. They should be given the responsibility.
- 4) Local governments are more conservative than the federal government.
- 5) Local politicians can't take risks or experiment.
- 6) General revenue sharing gives incentives to state and local governments. It makes them face up to their own problems.

The Politics and Economics of the New Federalism THE THEORY AND PRACTICE OF REVENUE-SHARING

(Outline of the seven sessions at the University of Minnesota)

Session I: The Anatomy of Fiscal and Political Federalism

Date: Wednesday, October 3, 1973

Speakers: Walter Heller and Arthur Naftalin

Session II: The Origins of Revenue-sharing: Its Genesis, Shaping and Varieties

Date: Wednesday, October 10, 1973

Speaker: Joseph Pechman, Director of Economic Studies, Brookings Institution

Session III: The Nixon Proposal and Related Policies

Date: Wednesday, October 24, 1973

Speaker: Murray L. Weidenbaum, Edward Mallinckrodt Distinguished University Professor, Washington University, St. Louis, formerly assistant Secretary of the Treasury for Economic Policy and Chairman of the Administration's Committee on Revenue-sharing.

Session IV: The Reaction of the States

Date: Wednesday, October 31, 1973

Speaker: Governor Dan Evans of Washington

Session V: The Reaction of Local Government

Date: Wednesday, November 7, 1973

Speaker: Edward K. Hamilton, Deputy Mayor of New York City.

Session VI: The Administration Looks Ahead

Date: Wednesday, November 14, 1973

Speaker: Graham Watt

Session VII: Revenue Sharing: Outlook for the Future

Date: November 30, 1973

Speakers: Senator Walter F. Mondale and Congressman Albert H. Quie (by tape)

SUMMARY OF EACH SESSION FOLLOWS:

Session I - October 3, 1973

Speaker: Arthur Naftalin, Professor of Public Affairs, University of Minnesota, and Walter Heller, Regents' Professor of Economics, University of Minnesota

Topic: The Anatomy of Fiscal and Political Federalism

Mr. Naftalin gave the constitutional background of the concept of revenue sharing.

The political base of federalism on which our system of government operates divides the powers and functions of government between the national, state and local levels. Theoretically, each has its proper sphere of activity and authority. The national role is limited. States have all rights not delegated to the national government. Local government operates under home rule.

Mr. Naftalin pointed out, however, that this strictly constructed interpretation of the

constitution never existed in fact. The accelerated growth of the central government over the years has occurred in response to felt needs. Wars, depression and environmental deterioration are all national problems. Issues such as health, education, transportation, commerce and welfare are also national in scope and cannot be resolved effectively at the state level. Answers to these questions have been sought at the national level.

A balance must be established between centralized needs and decentralized responsibility. Revenue sharing is the latest attempt to achieve this balance. (Previous efforts were made by two Hoover Commissions, the Restenbaum Commission and a Joint Federal-State Commission under Eisenhower.) Its chief goal is to strengthen state and local governments.

The arguments in favor of revenue sharing listed by Mr. Naftalin include:

- 1) elimination of the erosion of state and local authority and restoration of responsible, responsive state government.
- 2) elimination of federal programs that are found to be counter-productive.
- 3) less regressive local taxing.
- 4) more opportunity for citizens participation.
- 5) greater equality of services among states.

Opposing arguments are:

- 1) national responsibilities and goals are needed to meet national priorities.
- 2) the federal government is the only body with adequate supplies of money and resources to meet national needs.
- 3) if viewed and developed as substitution for federal efforts, revenue sharing could diminish the federal government's ability to meet federal problems.
- 4) lack of accountability and guidelines for use of revenue sharing money could increase inequity in the level of services within states.
- 5) local capacity and infighting will not necessarily improve with revenue sharing.

Dr. Heller defined three types of revenue sharing:

General - \$6 billion a year are distributed to the state and local governments automatically, using allocation formulae that include factors of population, urbanized population, per capita income, state income tax collections and tax effort. General revenue sharing is not meant to be a substitute for other federal programs that meet critical needs.

Special Revenue Sharing - consolidates 100 categorical grant programs into the four main areas of:

- 1) education
- 2) manpower
- 3) community development
- 4) law enforcement (in limbo at this time)

Counter-cyclical Grants - assist local and state governments during periods of recession when state and local governments collect less money and have a higher demand for services. (In the prenatal stage of development at this time.)

Dr. Heller sees the advantages of General Revenue Sharing as:

- 1) increasing state and local vitality and independence
- 2) increasing economic equality among states
- 3) increasing progressivity
- 4) relieving pressures on state treasuries
- 5) stimulating local tax efforts

Many problems are presented by the administration's action of dispensing General Revenue Sharing funds at the same time that it is cutting back funding for programs of social import. Is Revenue Sharing being used by the administration as a base for transferring national responsibilities without transferring the necessary funds? Six billion dollars in General Revenue Sharing money will not do the job that forty billion did in categorical aids. General Revenue Sharing was not designed to solve all state and local fiscal problems. It should not be judged by those standards. General Revenue Sharing was designed to support state and local governments in dispensing local services. It was not designed to be used in solving national problems. Dr. Heller concluded by saying he thought that cutting categorical aids down to four areas was taking a great risk.

Session II - October 10, 1973

Speaker: Joseph Pechman, Director of Economic Studies, Brookings Institution

Topic: The Origins of Revenue Sharing

Mr. Pechman traced the recent history of the present concept of revenue sharing. In 1957 Dr. Walter Heller advocated putting excess federal resources into a per capita rebate to the states to be used for social and economic reform. In 1964, under President Johnson, Mr. Pechman chaired a Task Force on Intergovernmental Fiscal Reform. These proposals of the Task Force for social and economic reform were published prematurely. Opposition to them from federal agencies and the public developed rapidly. Criticism caused the proposals to be dropped. A recession in 1969 and 1970 revived the revenue sharing issue, and it was recommended as a policy by a Nixon task force.

Mr. Pechman supported both conditional (categorical) and unconditional (revenue sharing) grants. Conditional grants are needed to take care of the problems that spill over state boundaries such as transportation, education and welfare. Unconditional grants are needed to improve and equalize the level of services delivered among the states. The poorer states (e.g. Mississippi), those with less than adequate fiscal capacity, need supplemental help. The difference between the capacity and the needs of a state should establish the amount of the supplement. Mr. Pechman added that establishment of a need criteria is essential but that need is a difficult if not impossible factor to measure.

The original Heller-Pechman proposal (1964) contained the following recommendations:

- 1) 2% of the total taxable income should be shared. The total taxable income, at that time, was \$500 billion, therefore allocating \$10 billion to revenue sharing. This method of distribution has a built-in growth potential.
- 2) the allocation to individual states should be based on population and local tax effort.
- 3) each state should be given the authority to spend the money as they wish.
- 4) there should be no constraints on use of the money, except that it couldn't be spent for roads.

The General Revenue Sharing bill which passed during the Nixon administration is somewhat different.

- 1) \$605 billion is the highest total amount to be shared. This arbitrary figure eliminates the growth potential factor. The funding is limited to 5 years.
- 2) The allocation to individual states is based on 2 formulae. The Senate formula figures population, tax effort and income; the House formula figures population, urbanized population, per capita income, state income tax collections and tax effort. The higher of the two amounts is selected for each state.
- 3) Each state government keeps 1/3 of its general revenue sharing money and passes the other 2/3 through to the counties, municipalities and townships within the state.
- 4) The following are priority expenditure categories for local governments: A) Public Safety, B) Environmental Protection, C) Public Transportation, D) Health, E) Recreation, F) Libraries, G) Social Services for the Poor and Aged, H) Financial Administration.

In conclusion, Mr. Pechman listed some criteria by which to measure the effectiveness of general revenue sharing:

- 1) Does it improve the poor states' ability to provide services?
- 2) Does it increase the local tax effort? (The use pattern thus far has been to use $\frac{1}{2}$ to expand services and $\frac{1}{2}$ to reduce local taxes.)
- 3) Does it allow Congress to decide between unconditional and categorical grants? We need both.
- 4) Does it have regional impact?
- 5) Does it encourage states to look at their own tax and grant systems?
- 6) Will real financial help be funneled into the large urban centers?

Mr. Pechman left his audience with the feeling that the \$5 to \$6 billion now being allocated to General Revenue Sharing make it an interesting experiment, but that if such a policy were to be used to bring about significant change, much larger sums of money would be needed.

Session III - October 24, 1973

Speaker: Dr. Murray L. Weidenbaum, Assistant Secretary of the Treasury, 1969-1971; currently Professor of Economics at Washington University, St. Louis, MO.

Dr. Weidenbaum was the principal architect of the revenue sharing program while he was employed by the Nixon administration.

Support for revenue sharing policy development has been bipartisan in nature throughout American history, from its first promoter, Thomas Jefferson, to present day advocates, Walter Heller and Melvin Laird. In 1968 both the Democratic and Republican parties included revenue sharing in their party platforms.

The Nixon General Revenue Sharing plan that is now in operation was also a bipartisan effort. It was developed with the help of governors, mayors, county board members and local governmental officials from throughout the country. Dr. Weidenbaum conceded that the law as passed was somewhat different from the law that he had proposed. He believes the responsibility for the changes in the bill, particularly the undesirable strings that were attached, falls on the Democratic-controlled Congress.

According to Dr. Weidenbaum, the chief objective of general revenue sharing of 1972 is to decentralize government and by so doing to shift decision-making to the state and local levels of government. Other objectives of General Revenue Sharing are:

- 1) State and local spending and employment will rise as they decline at the federal level.
- 2) Small communities that "aren't wise to the ways of grantsmanship" will benefit.
- 3) Overhead cost of government will be cut.
- 4) Local property taxes will be lowered.
- 5) Decision-making will be by elected officials, not by bureaucrats.
- 6) Total federal aid (including revenue sharing and grants) to state and local governments will be higher. (Dr. Weidenbaum supported this statement by noting that despite impoundments that were necessary to achieve budget restraints, the total federal funds to state and local governments will be higher in 1974 than in 1973.)

Dr. Weidenbaum would not predict whether this major effort in decentralization through funding would be allowed to expire at the end of the five year limit or whether it would be continued as on-going policy. He concluded with the thought that Congress had created an opportunity and that it is up to state and local communities to see that it works.

During the question period, Dr. Heller said that General Revenue Sharing was not intended to be a replacement fund for existing federal grants programs. Dr. Weidenbaum agreed that general revenue sharing money was supposed to be in addition to federal grant money. He said that that policy change was made after he had left the Nixon administration.

Prof. Naftalin referred to Dr. Weidenbaum's statement that overhead costs of government programs will be cut and pointed out that more than 100 units of government in the state are not getting their next general revenue sharing check because they haven't done the required paper work. Naftalin also suggested that General Revenue Sharing might be keeping alive archaic forms of government and questioned whether it was matching need to resources. Dr. Weidenbaum acknowledged the paper work problem and said that small towns should not be denied their fair share because of it. He argued that it is not the responsibility of the federal government to determine whether or not a government is archaic. That decision must be made by the local citizens. He asserted that the allocation formulae use in distributing general revenue sharing funds attempt to match needs to resources. Low income towns and counties get more money. High income towns and counties get less.

Session IV - October 31, 1973

Speaker: Governor Dan Evans, State of Washington

Topic: The Reaction of the States

In his opening remarks, Gov. Evans reminded his audience that it was the states that gave birth to the federal system of government. Historically and constitutionally, the states have control over local problems.

The concept of shared responsibilities between the state and federal levels of government evolved during the depression and through the World War II years. The federal government assumed more power during these years, and the states assumed less.

Urban problems, acute financial difficulties and corruption in some southern state govern-

ments were among the reasons for the fall of state power, according to Gov. Evans. However, the situation has changed in recent years. Today state governments are able to affect priorities and also have the ability to implement them. Reapportionment, tax structure reform, new innovative programs and a new breed of political office holder in the south have all helped to strengthen the position of the states.

Gov. Evans sees governmental weakness today at the national level. He cited the Congressional budgeting as an example. The fiscal year is over before the budget is approved. There is no such thing as a total budget, instead there are 12 or 13 separate budgets. The result is that the budget decisions made in Congress make little long-range-priority sense, and this in turn has an adverse effect on state and local governments.

Gov. Evans called the Executive Branch of the federal government irresponsible. He said that the impoundment of funds by President Nixon hurt state and local programs. But despite federal administrative failure, the states are carrying on, and innovation is coming from the city, county and state governments. Evans believes that there are good people at all levels of government. What is needed now is a sense of understanding and cooperation among them.

Evans noted that states have been sharing revenue with local counties and communities for a long time. In Washington, one-half of the highway funds go to local governments with no strings attached. One-fifth of the total state budget is distributed to local governments without constraints.

Gov. Evans criticized the current General Revenue Sharing law because it requires an audit, puts limitations on local government's use of the money and attaches governmental reform to it.

Revenue sharing should establish a partnership between the state and local governments. Each community should set its own priorities. The state can help by coordinating, filling gaps and avoiding duplication.

Most revenue sharing funds have been spent for capital outlay as one-time expenditure. They have not been used for on-going programs because of a fear by local officials that the funds will not be continued beyond the five year limit. Gov. Evans hopes that local officials will shift money to needed on-going programs.

The federal system enables each state to operate as a laboratory for governmental experimentation. If a state program fails, only that state suffers. If a national program fails, the whole country suffers. Successful programs will spread from state to state. Revenue sharing gives incentives to states to set their own priorities. It makes them face up to their own problem.

States rights should not be viewed as a governor with arms folded in defiance on the courthouse steps, but as an effort to restore faith in government. It should offer citizens an opportunity to participate in their government meaningfully at the local level.

Session V - November 7, 1973

Speaker: Edward K. Hamilton, Deputy Mayor of New York City

Topic: The Reaction of Local Government

Mr. Hamilton's opening remarks stressed the fact that every situation and every locality would have a different reaction to General Revenue Sharing. His statements would be most relevant to large, older cities.

Revenue sharing became important in the late fifties and early sixties when serious demographic changes were taking place in the cities. The older, educated, skilled, white, higher income residents were moving out and the younger, uneducated, unskilled, black, low income residents were moving in.

This change created an increased demand for public service. For example, fire alarms doubled in five years (40% of them false). Bilingual school teachers were needed to teach Spanish-speaking students.

Along with the demographic change came the revolution of rising expectations. People began demanding more from government. Between 1965 and 1966, 180 new federal programs were

developed. The war on poverty started small and grew. Federal government's role in these programs, according to Mr. Hamilton, was that of banker. The programs were locally operated. 7.

At the same time the unit cost of government was rising. Public employees were demanding pay that was competitive with that of the private sector. The Federal Pay Reform Act of 1962 doubled salaries.

The result of demographic change, increased service demand and increased wages produced a crunch in the large cities. The service costs were up 15% and the revenues were up 5%. The obvious result is a 10% annual deficit. This has led to what Mr. Hamilton described as a game of "musical tax bases." The cities first went to the states for money to maintain services. By the late 1960's the northern states became saturated. They couldn't support the demand.

The cities has survived the crises of the '60's through responsive taxes such as corporate, sales and income. There had been a move toward state aid and a move toward federal revenue sharing. But during the recession of '70-'71 all three sources died. The state tax base was exhausted. People and services were cut. It was at this point that revenue sharing became politically popular. In 1970 Wilbur Mills had opposed the policy, but by 1971 he favored it. Revenue sharing was accepted because it leaned on a federal tax base. The only serious problem revenue sharing policy had was that it confronted the old political reality of "he who raises the money spends it."

Cities such as New York, that have a consolidated budget, put their revenue sharing money into that budget and use it where it is needed. It is impossible to identify the exact use of the money. One must examine the total city budget to see where general revenue sharing money has been spent. Revenue sharing will favor those communities that have a consolidated budget.

The cause of the present fiscal bind, according to Mr. Hamilton, is that the federal tax base has eroded seriously since 1965. The President pledged not to raise taxes. But he did raise the defense budget. And he cut social services. It is not necessary to favor revenue sharing and oppose categorical grants, but some fundamental allocation choices have to be made in the federal budget. Mr. Hamilton believes that revenue sharing will be used as replacement money for several years.

Mr. Hamilton sees problems with the present revenue sharing policy. Though it is liked by all, it has no organized lobby. Some areas are receiving it that don't want it or need it (some even send it back). It is being misallocated in some places. It is being used to discriminate in others. Special Revenue Sharing (regrouping of federal grants) confused the issue of General Revenue Sharing. There is no assurance that the policy will continue after five years.

On the positive side, local governments can use revenue sharing to fund traditional services such as fire, police, street maintenance, etc. Nonearmarked funds are worth their weight in diamonds.

Mr. Hamilton believes that the fiscal future demands that there be growth in federal and state revenue sharing. The federal government will have to adopt such programs as welfare and health insurance.

Revenue sharing is a bet on the qualities of state and local governments. State and local governments can become high quality units of government. If they are given the wherewithall, they will meet the needs of the people.

Session VI - November 14, 1973

Speaker: Graham Watt, Director, Office of Revenue Sharing, Department of the Treasury

Topic: Managing the National Program

The purpose of general revenue sharing is to strengthen state and local governments. The federal government can't manage all state and local programs or solve all urban problems. Revenue sharing can decentralize government by giving money and power back to the smaller units.

Thirty-eight thousand units of state and local governments have received General Revenue Sharing funds. They are being used in the following ways:

- 1) $\frac{1}{2}$ of these units have used money to reduce taxes or to reduce or eliminate planned tax increases.
- 2) Capital improvements such as building facilities.
- 3) Public services.

Fiscal stability at the state and local level is a product of general revenue sharing.

The Revenue Sharing Act was passed and signed in October 1972. The first checks were mailed on December 11, 1972, and the second in January 1973. Computers were used to figure and adjust allocations. The prime objective of Mr. Watt's department was to get the checks out on time. Additional administrative efforts are being made to help communities to comply with the law and to improve data administration assistance in an effort to avoid getting a bureaucratic image.

The basic characteristics of the law are:

- 1) Simplicity. It has minimal federal and administrative regulation.
- 2) Free of strings.
- 3) Reliability. It is automatically available.
- 4) Fairness. Distributed to all areas.
- 5) Equitable. Size, need and relative affluence are considered in allocation.
- 6) New Federalism. Strengthen state and local government. The prime goal is decentralization.

Mr. Watts said that General Revenue Sharing offers the best of both worlds. It combines the efficiency of a good tax collecting system with meeting diverse local needs. State and local governments can choose the programs that they want. They can set their own priorities. They can be creative and innovative, and they will be locally accountable. Citizen participation is strengthened with general revenue sharing. Mr. Watts pointed out that where the public is involved in decision-making, decisions have been enthusiastically accepted.

Mr. Watts assured the audience that the Office of Revenue Sharing will ensure compliance in nondiscrimination implementation of the law. He expects that Congress will continue the law beyond the first five years. He concluded his comments with a quote of columnist Wm. Safire, "Let the power be permitted to achieve its own level of efficient response."

Session VII - November 30, 1973

Speaker: Senator Walter Mondale)
Representative Albert Quie) taped from Washington

Topic: Congress Looks Ahead

Senator Mondale said that he introduced the original general revenue sharing proposal but that what has come out of the administration is not even a distant cousin of his concern in the area of human needs. He added that the proposed special revenue sharing legislation is very poor.

According to Mr. Mondale, state and local governments are spending their General Revenue Sharing money in a manner that is consistent with their normal spending patterns. That is 1) less than 4% to the poor and aged, 2) 6% for health, 3) 1% for libraries and 4) 1% for housing.

Last fall Congress was not told about the administration plans to cut domestic spending. In fact, the administration promised there would be no cuts.

Seventy-five percent of the 1974 budget is uncontrollable because of fixed costs. Of the remaining 25%, 75% is going to defense. The budget shows a \$5 billion increase in Pentagon spending and \$10 billion cut in 100 key domestic programs. \$5 billion of the reduction has gone into general revenue sharing.

The budget provides for no libraries, no housing, no mental health, no community development and cuts in federal aid to education. The explanation given for the cuts were viewed by the Joint Economic Committee as poorly reasoned. The use of impoundment to implement the budget is illegal, according to 20 court decisions. However, the administration continues to impound.

9.
The Special Revenue Sharing legislation that has been presented to Congress is not a thoughtful effort. Although consolidation is needed these are efforts to cut as much as they are to consolidate.

Education - \$300 million cut in addition to a \$300 million cut in the past four years
Manpower - 30% cut in funding over two years
Community Development Act - Senate has a bill that does some consolidating
Legal Education Assistance Act (LEAA) - the 1967 bill was poorly used.

Representative Quie:

Revenue sharing has come about primarily because of the proliferation and inefficiency of federal agencies and the resulting frustration on the part of the people and Congress. There are two ways to resolve the problem: 1) Expand the regional offices of the federal government; 2) Let the state and local governments take over these responsibilities. Mr. Quie believes that there has been an increase in the quality and capability of state and local officials. General revenue sharing will continue. Local officials won't allow this source of revenue to be lost.

There has been a push to increase the spending in categorical aids. Mr. Quie does not like the term "special revenue sharing." He doesn't like the term "block grants" either but prefers consolidation of existing programs. It takes efforts on the part of both the administration and the Congress to understand and meet the needs of the people. Many of the programs we now have are inefficient and inequitable. In many cases these inequities are not realized by Congress.

There are several things that hinder the consolidation of programs. Pride of authorship on the part of the original authors can be a hindrance. Political considerations also can delay consolidation. Congressmen of one party are hesitant to give control to governors of another party.

Consolidation really began in the Kennedy administration. We need to continue this and need to offer some options in the use of programs at the local level.

In the future we need to rearrange the jurisdictions of committees so that they concentrate on efforts to solve problems. We must also have a means for the Congress to be more responsive through the budget and use this device to set priorities. Right now we have one government with 13 different checkbooks running around.

The states can assume more responsibility in the area of human resources as they have with civil rights. But, everything can't be handled through the states. Worldwide cultural understanding, agricultural research and education programs should remain at the national level.

General Revenue Sharing and Special Revenue Sharing will continue. Other programs will have to be funded in other ways, such as through tax credits, if they are needed.

GENERAL REVENUE SHARING CHECKLIST*

(For use in exploring facts on Revenue Sharing in your community)

- I. General Revenue Sharing (GRS) Allocations
 1. How much money was directly allocated to your city or town?
 2. How much additional money does your city or town get from your state's share of GRS funds?
- II. Other Allocations related to the use and impact of GRS funds
 1. How much money did your city or town receive for social services (under amendment of Title XI of the Social Security Act)?
 2. Was this amount more or less than last year's funds for social services?
 3. Did this amount meet the minimum need for social services in your city/town?
 4. Were any federal categorical program grants to your city or town cut or eliminated this year?
 5. If there were cuts, how much was the reduction and in what areas?
 6. Are any federal categorical program grants scheduled for cuts or elimination?
 7. If so, how much will be cut and in what general areas?
- III. Local Expenditures
 - A. Use of Funds:
 1. What plans were announced for the use of GRS funds?
 2. How have GRS funds actually been spent?
 3. To what extent did the actual use of funds match the announced plans?
 - B. Types of Expenditures
 1. How much GRS money was spent on capital expenditures? -- Where was construction located? -- Are locations accessible to various constituencies?
 2. How much GRS money was spent on recurring operational expenses?
 3. How much GRS money was spent on programs and projects -- such as public safety, environmental protection, recreation, or social services? -- How much was spent on social services in particular? How much was spent on each program or project?
 - C. Non-GRS expenditures potentially related to GRS expenditures:
 1. Were there or will there be any sizable increases in your city or town's expenditures in areas not considered priority for the allocation of GRS funds (such as education)?
 2. What areas or projects were or will be increased? By how much?
 3. How were or will these increases be financed?
- IV. Priority-Setting Process for the Use of GRS Funds
 - A. The Present Situation:
 1. Have GRS funds already been budgeted and spent? How were priorities, if any, established?
 2. If GRS funds have not yet been budgeted or spent, at what stage is the priority-setting process for the use of these funds?
 3. Is the priority-setting process being publicized?
 - B. Community Involvement:
 1. What is the extent of community involvement in the priority-setting process?
 2. Is this involvement at the invitation of your local government or the result of community pressure?
 3. What community groups are most interested and involved?
 4. What is the process or means of community involvement -- public hearings, testimony in City Council meetings?
 - C. Priority-Setting Process within your Local Government:
 1. What is the extent of debate and deliberation within your local government?
 2. What is the timetable for setting priorities?
 3. What department or individuals are responsible for coordinating the priority-setting process?
 - D. Role of the Media:
 1. How much attention is paid to local government reports on the planned and actual use of GRS funds by the media?
 2. To what degree does the media encourage public debate about priorities?

3. What editorial positions have the media taken?

V. Equal Opportunity and Civil Rights Provisions

A. Equal Employment Opportunities:

1. Have women and minorities been discriminated against in hiring for programs or projects funded by GRS funds?
2. Have women and minorities been discriminated against in top and middle administrative positions?

B. Capital Expenditures:

Have minority contractors and workers been utilized for these projects?

VI. Local Taxation Effort and GRS Funds

1. Has there been any reduction of local tax effort as a result of GRS? -- What specific taxes have been reduced? by how much?
2. Have any planned increases in local taxes been eliminated as a result of GRS? Which taxes were to have been increased?
3. Who benefits from the reduced local tax efforts?
4. Have any efforts been made by the state legislature to alter the tax effort factor in the GRS formula for allocating state GRS funds to cities and towns?

VII. Assessment of Impact and Effectiveness of GRS Funds

A. Beneficiaries:

1. What constituencies benefitted most from GRS program and capital expenditures?
2. What constituencies benefitted least from program and capital expenditures?
3. What specific benefits were there for poor, near poor and minorities from the major categories of expenditures?
4. Compare the benefits for poor, near poor, and minorities with the benefits for other constituencies. (For instance, if additional policemen were hired, were they hired for inner city or suburban fringe areas?)

B. Program Effectiveness:

1. What quantitative and qualitative improvements have there been in programs receiving GRS money?
2. Were there any priority areas that received GRS funds but did not reveal any real increased level of effort, activity or performance?
3. Were funds channelled to meet the greatest needs -- bringing greatest good to the greatest number or resources to the neediest?
4. Has there been any scandal, corruption or illegality in the use of GRS funds?

C. Jobs Created:

1. How many professional and non-professional jobs were created and at what levels?
2. What new career opportunities were created?
3. How many administrative jobs (typists, clerks, accountants, etc.) were created versus direct social services jobs (bus drivers, garbage collectors, social aids, policemen, etc.)?

D. Evaluation of GRS Expenditures:

1. Has your local government evaluated its GRS expenditures? -- What mechanisms and personnel were involved in the evaluation?
2. What private community groups have evaluated the GRS expenditures?
3. What public process has been used in evaluating GRS expenditures -- public hearings, media publicity, none?

VIII. Your City or Town's Needs and Priorities

A. Community Assessment of City Needs and Priorities:

1. What analyses of your city or town's needs or Counterbudgets are planned or underway? Who is doing it?
2. What analyses of the city or town's budget processes in relation to setting priorities for the use of GRS funds are planned or underway. Who is doing it?

B. Comparison of Existing Budget Priorities with Priorities determined by Community Groups:

1. Do GRS Funds reinforce existing priorities?
2. Are GRS funds enabling your local government to begin to move into new priority areas?

3. Can GRS funds be better used to meet community-determined priorities and needs?

C. Local Budget-Setting Processes:

1. What is the process by which the budget is set in your city or town?
2. What is the extent of community participation in the process?
3. Is the process publicized?

NOTE: This CHECKLIST is an adaptation of one prepared by Pablo Eisenberg, National Urban Coalition.

Revenue Sharing Bibliography - Annotated

Is revenue sharing not a familiar concept? Begin with our own national LWV publications:

- REVENUE SHARING: THE THREE WAY STRETCH, May 1970 -written before the present legislation was passed, this Facts and Issues gives a brief overview of the problems of state and local government in financing programs and alternative ways in which federal tax dollars might be used to alleviate these problems.
- REVENUE SHARING - STRETCH OR SHRINK, March 1971 -a bit longer and more specific about Nixon's proposals for revenue sharing, including both "general" and "special" revenue sharing, and some possible alternatives to revenue sharing.
- Feb. 23, 1973 ACTION (to state and local League presidents) - presents the problems of funding for priority League programs in light of revenue sharing and the subsequent impoundment and budget cuts in federal social programs. It also makes concrete suggestions for action in these areas.

The following publications will give you more specifics about the "general revenue sharing" law (officially the State and Local Fiscal Assistance Act of 1972, public law 92-512) now in existence.

- Facts about General Revenue Sharing, special report #46, 1973 Agricultural Extension Service, University of Minnesota -presents a clear and simple description of the current law.
- Capitol Letter, April 17, 1973, LWVMN -front page article on Revenue Sharing is excellent description of rationale for revenue sharing, how the present law affects Minnesota and preliminary report on how the first monies have been spent.
- What is General Revenue Sharing? from the Office of Revenue Sharing in the Department of the Treasury, U.S. -presents common questions asked and answers to them.

The following are some of the better and readily available articles about revenue sharing. It is purposefully small. The first two articles present an essentially positive picture of revenue sharing and the last two present some criticisms of or opposition to revenue sharing.

- Mayer, Lawrence, "The Enticing Logic of Revenue Sharing", Fortune, March 1969, pp. 92-93. This very concise article outlines the problems of state and local financing, the essentials of the Heller-Pechman plan, a word about decentralizing decision-making, and the problems in alternative ways of aiding state and local financing.
- Heller, Walter, "Should the Government Share Its Tax Take?", Saturday Review, March 27, 1969, pp. 26-29. Looks at the problems and sources of state and local taxes as compared with the federal government and explains why the federal government should return part of the federally collected taxes to state and local government. While you have this magazine, read some of the other excellent articles on taxes and financing government services!

Cantor, Arnold, "Revenue Sharing: Passing the Buck", American Federationist, November 1970, pp. 1-8 - (publication of the National AFL-CIO). Presents a good description of federal aid to state and local governments by function. Basic argument against

revenue sharing is that the amount of money is too small to accomplish the tasks required, turning political pressure away from Washington and back to states and localities where minorities may have less power.

13.

Frankel, Max, "Revenue Sharing is Counterrevolution", New York Times Magazine, April 25, 1971, p. 28ff. A concise well-written criticism of general revenue sharing, presenting some of the most convincing arguments against this form of federal aid to states and localities.

Books of interest include:

Reuss, Congressman Henry S., Revenue Sharing: Crutch or Catalyst for State and Local Governments? Praeger, 1970 (now in paperback). A bit out of date on some aspects of revenue sharing, but Chapters I-III are still relevant and important for an understanding of the problems of state and local government. Chapter I deals with financial crisis, Chapter II with the organizational crisis and Chapter III with the reasons why structural reform at the local level is so ineffective.

Regan, Michael, The New Federalism. Oxford University Press, 1972. Chapters 2-4 are particularly relevant dealing with "The Crisis of Fiscal Federalism", Grants-in-Aid, and revenue sharing "panacea or cop-out?" In addition, the first chapter, "Is Federalism Dead?", is highly recommended to those who feel the need for a better understanding of what a federal system of government means and how it works in the U.S.

Edward Fied, et. al. Setting National Priorities: The 1974 Budget - a Brookings Institute, Washington, D.C. publication in paperback now. Chapters 5, "Grants for Social Programs" and 7, "General Revenue Sharing" are especially recommended.

With the same title and authors, the 1973 Budget also has an excellent chapter on revenue sharing. Many libraries do not yet have the 1974 book but do have the 1973 one. The University of Minnesota has 1974 available now.

Any study of revenue sharing requires at least a minimal understanding of the problems of financing state and local government. The single best source, short and in nontechnical language, readily available, is "Financing State and Local Government: What are the Choices?", Agricultural Extension Service, National Public Education Publication #4, University of Minnesota.

Capitol



Letter

a publication of the
League of Women Voters of Minnesota
555 Wabasha, St. Paul, Minnesota 55102
Vol. VIII, No. 4

Editor: Laurel Mueller
President: Mary Ann McCoy
April 17, 1973

REVENUE SHARING

The concept of revenue sharing (the sharing of Federal monies with state and local governments) has been around for some time though mostly as a subject for debate, not as active government policy. In 1837, during the Jackson administration, a large Federal surplus prompted Congress to declare unrestricted dividends to the states, to be allocated in proportion to the numbers of senators and congressmen within each state. The bonanza was short-lived, however, as the dividends vanished with the surplus the following year. It was not until October of 1972, when the Congress passed the State and Local Fiscal Assistance Act that Federal money was once again being returned to states and local governments unencumbered with rigid regulations.

Supporters of revenue sharing argue that it will increase the development of initiative and innovation at the state and local levels, that it will relieve officials at these levels of some fiscal pressures and allow them to concentrate on solving the social problems within their jurisdictions and that it will achieve the ultimate goal of the good life for all more readily and equitably. One of the most articulate champions of revenue sharing is Dr. Walter Heller. In his book, New Dimensions of Political Economy

(Harvard Press, 1966) he specifically laid out his plan for the implementation of revenue sharing. (Much of Dr. Heller's plan has been used in the design of the current act.) In an eloquent defense of the concept of revenue sharing, Dr. Heller wrote, "The good life will not come ready-made from some Federal assembly line. It has to be custom built, engaging the effort and imagination and resourcefulness of the community."

The State and Local Fiscal Assistance Act of 1972 allocates \$ 5.8 billion to state and local governments for 1972, and \$ 150 million more in each subsequent year for the 5 year duration of the legislation. Two formulae are used to determine each state's allotment. One is a 3 factor formula that uses population, general tax effort and relative per capita income in its computations. The other is a 5 factor formula that figures population, urbanized population, relative per capita income, state income tax collections and state and local tax effort. Each state's share is figured by the formula that produces the highest figure.

Minnesota (5 factor formula) received \$ 103 million in 1972 and \$113 million in 1973. By statute, the state's total share is divided again giving 1/3 to the state and

2/3 to the counties, cities and townships within the state.

The 3 factor formula of population, general tax effort and relative income is used to determine the share of each county, city and township within the state.

The general tax effort factor in the local formula has caused some confusion and controversy among officials at both the state and local levels. It is true that revenue sharing used to lower property taxes has the ultimate effect of lowering that unit of government's share of Federal money in the next year. However, the law does allow the state to change the allocation formula, shifting the weight of general tax effort factors and relative income factors once during the 5 year duration of the legislation. (In his budget message, Governor Anderson said he would do this "to protect local governments" if necessary.) The 1972 general revenue sharing checks have been received and the first quarter payments for 1973 should be in the mail.

The next question is -- how is the money used? The law says that the state can use its share "for any legal expenditure except to match Federal grants." Local units of government are asked to conform to the following "high priority expenditures":

I. Maintenance and operating expenses for: 1) Public Safety, 2) Environmental Protection, 3) Public Transportation, 4) Health, 5) Recreation, 6) Libraries, 7) Social Services for the poor and aged, 8) Financial Administration II. "Ordinary and necessary capital expenditures authorized by law."

Local governments are specifically excluded from spending revenue sharing money for education, gen-

eral administration or for matching Federal funds. (There are penalty provisions in the act for such expenditures.)

The law is indeed loose and all indications have pointed toward a virtually unregulated flow of money to the states and local governments. Doubters could find solace in a Treasury Department Report issued in late 1972 that included the following: "Question: Will any programs be terminated because general revenue sharing has begun? Answer: No. Revenue sharing does not mandate any cuts in existing programs. The purpose of the revenue sharing law is to allocate additional funds to state and local governments, to augment existing programs and certain capital expenditures."

A Federal budget ceiling and program cuts were only hinted at when state and local officials decided how to spend their revenue sharing allotments. A survey of revenue sharing spending by local governments done by the Minnesota State Planning Agency shows that 35 of the 43 municipalities surveyed put part of their money in capital outlays, 18 put a portion into operating expenses and 7 gave some to tax relief. All 53 of the counties surveyed put money into capital outlay, 15 used some for operating expenses and 5 allocated some to tax relief. The most popular expenditure for municipal capital outlay was public safety and the favorite capital outlay in the counties was highways.

The problem with general revenue sharing arises with the realization that, despite the Treasury Department's claim that the funds are additional and that no program cuts are anticipated, this in fact is not the case. In his January budget message, the President announced his intention to maintain a \$ 268.7 billion budget ceiling

and that to support this ceiling many programs would be cut, others suspended and still others consolidated. The President's recommended cuts would reduce Minnesota's social service allocation from \$ 34 million in 1973 to \$ 12 million in 1974. Cuts in the Land and Water Conservation Fund will bring Minnesota's share down from \$4.38 million in 1973 to \$800,000 in 1974. Community Mental Health Centers will not be funded. The Northland Regional Medical Program will be discontinued. The carrot that is offered with this stick is "Special Revenue Sharing." Legislation under this title is being developed by the Administration for law enforcement, education, community development and manpower. There are many unknowns with special revenue sharing. Those that come immediately to mind are: Will Congress approve it? How much money will be allocated? What specific programs will it replace? When will it become effective?

The biggest problem with the Administration's effort to switch the method of Federal funding of state and local government programs from categorical to block grant comes in the transition. Federal Revenue Sharing is not sufficient to fund existing categorically aided programs even if the officials chose to spend them that way. The states and local communities do not have the resources to fund them nor have they had time to establish the priorities necessary to determine what programs can be reduced or legitimately cut. With so many uncertainties clouding the issue of revenue sharing, it is no wonder that the funds allocated thus far by Minnesota's local governments have gone primarily for non-recurring capital outlays. Though this reasoning is understandable, one can only hope that the Federal cut won't be so severe and sudden that

local communities never get a chance to put into effect the original concept of revenue sharing, that is -- to create the good life through their effort, imagination, and resourcefulness.

Virginia Greenman

EQ

Senator Mel Hansen's Vehicle Emission's Inspection bill is dead, but new legislation will be introduced in the House by Thomas Berg. The outlook is rather dim, but it is the hope of the backers that it will have an interim study.

The proposal to place the MPCA under the Department of Natural Resources will have a hearing in the Governmental Operations subcommittee. LWV's position is based on the openness and visibility of the MPCA with its great opportunity for citizen access which might be lost if it were placed under another agency.

Mary Watson

CONSTITUTIONAL AMENDMENTS

Three amendments considered to be favored for places on the ballot are: 1) "Shall the Minnesota Constitution be amended in all its articles to improve its clarity by removing obsolete and inconsequential provisions, by improving its organization and by correcting grammar and style of language, but without making any consequential changes in its legal effects?" Little opposition is expected. 2) Easing the amending process -- approval of amendments by a simple majority of those voting. This is a long-held LWV position. 3) Providing that railroads may be taxed in the same manner as other enterprises.

Another proposal rating attention but not given as high a prior-

ity provides for legislative and congressional reapportionment by a commission rather than by the legislature. LWV said, "Present methods of achieving reapportionment following and reflecting census data seem to result in confusion to voters, partisan maneuverings among political and geographic factions, and delay in utilization of data reflecting divergence from previous census information."

Another LWV concern receiving some attention is the appointment rather than the election of Constitutional officers.

S. Wright and B. Steinkamp

EXECUTIVE ORGANIZATION

Legislation to create a Department of Finance and a Legislative Post Audit Commission (See Capitol Letter March 6) is moving after much serious deliberation in attempts to iron out all the problems in committee. The House gave final approval to the measure two weeks ago and the bill is on General Orders in the Senate. The proposal will probably move to Conference Committee after the Senate floor vote.

The second major LEAP recommendation which advocates the creation of a Department of Personnel and Pensions has had its first hearing in Senate and House committees. Douglas Dayton, LEAP Executive Director, states, "There are 30,000 employees in state service who are not well managed." The underlying note throughout the first round of testimony pointed to the fragmentation in the personnel area. No one individual is accountable for the system.

A bill to create a Department of Transportation has also been introduced.

Shelley Wright

JUDICIARY

Several bills have been introduced in both the Senate and House which relate to our judiciary position. The LWV State Judiciary Committee is consulting with the LWV State Action Committee to determine action priorities.

Rita Kaplan

DAY CARE

LWV is supporting and following two child care bills at this time. H.F. 1413 (Berglin, Forsythe, Eckstein, Rice) is a bill similar to the 1971-72 Child Care Facilities Act. That bill allocated state money for the planning, establishing, maintaining or operating of a child care service. \$ 250,000 was distributed among 32 different localities; the money was especially important for the 14 distressed counties which have had little means for providing quality child care centers from their own resources. The three major changes this bill seeks to make from the previous bill are: 1) At least 10 % of any state money allocated for day care shall be spent on "interim financing" for start-up costs for smaller child care facilities (family day care homes, group day care homes, and cooperative child care centers). 2) The Commissioner of Public Welfare must appoint an Advisory Committee on Child Care to advise the Commissioner on distribution of and priorities for child care funds. One - third of the representatives on this committee must be parents of children in day care. 3) In the 1971 - 72 bill, the money was divided -- 70 % to rural areas and 30 % to urban areas containing cities of the first class. H. F. 1413 would change that split to 50 % for the seven county metro area and 50% for the outstate area. This formula divides the funds on a population percentage basis.



League of Women Voters Education Fund

memorandum

THIS IS GOING ON DPM

December 19, 1974

TO: Local Presidents

FROM: Virginia Nugent, Chairperson, Human Resources

RE: "General Revenue Sharing In American Cities: First Impressions"

The debate over renewal of the State and Local Assistance Act (General Revenue Sharing) which expires in December 1976 has already begun. Critical to that debate will be what actually happened to the funds given by the federal treasury to the state and local level governments. In order to be prepared to answer this question, the League of Women Voters Education Fund joined with the National Urban Coalition, the Center for Community Change and the Center for National Policy Review in an extensive monitoring project called The National Revenue Sharing Project.

Local affiliates of the League, the National Urban Coalition and the Center for Community Change engaged in this intense effort in 60 local and six state jurisdictions. The monitoring involved gathering demographic information on the jurisdiction; an examination of the government structure; review of newspaper articles and reports relevant to revenue sharing; budget analysis and conducting an average of 30 interviews with government officials, media people and community leaders.

The final report on the data submitted will not be available until early spring. However, the publication "General Revenue Sharing in American Cities: First Impressions" gives a preliminary peek at what that massive body of data reveals in the 26 medium and large size cities involved in the project. This report focuses on three major areas of concern: citizen participation in GRS decision making, civil rights and expenditure trends. The final report will expand on these as well as other related issues and will include discussions of findings at the state level and in other local jurisdictions not mentioned in this report.

"General Revenue Sharing in American Cities: First Impressions" can be purchased for one dollar per copy from the National Clearinghouse on Revenue Sharing, located at 1785 Massachusetts Avenue, N.W., Washington, D.C. 20036.

C1975

GENERAL REVENUE SHARING AND THE STATES

PREPARED BY THE LEAGUE OF WOMEN VOTERS EDUCATION FUND
FOR THE NATIONAL REVENUE SHARING PROJECT OF THE
LEAGUE OF WOMEN VOTERS EDUCATION FUND,
NATIONAL URBAN COALITION,
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FOREWORD

In the summer of 1973, four nationally based public interest organizations--the League of Women Voters Education Fund, the Center for Community Change, the National Urban Coalition and the Center for National Policy Review--coalesced to develop a project that would facilitate a close examination and analysis of how the general revenue sharing program was working at the local, state and federal levels.

The State and Local Assistance Act of 1972 (general revenue sharing), which became law on October 20, 1972, represents a major thrust of the "new federalism" concept. The project organizations, three having grass-roots affiliates, were anxious to learn how the program would affect issues of major concern to them, such as citizen participation, civil rights, the needs of minorities and the poor, and good government. In addition, they hoped that through their investigations they could help citizen groups at the local level participate more effectively in the allocation of revenue sharing funds and in the overall state and local budget processes. At the same time, they wanted to provide the Congress and leaders of interested organizations with the kind of data and information that would enhance their evaluations of the program and the legislative renewal debate. For these reasons the National Revenue Sharing Monitoring Project was created.

Using survey instruments developed and pretested in cooperation with Dr. Lawrence Susskind of the Harvard-MIT Joint Center for Urban Studies, approximately sixty local affiliates of the League of Women Voters Education Fund, the Center for Community Change and the National Urban Coalition spent eighteen months, beginning in November 1972, intensively monitoring the GRS program in their local communities. (1) Six state Leagues of Women Voters carried out monitoring of the program at the state level, and the Center for National Policy Review conducted monitoring at the federal level.

The report that follows comprises the analysis of results of the League of Women Voters Education Fund monitoring at the state level in Michigan, Tennessee, Iowa, Massachusetts, California and Texas.

In November 1973, League monitoring coordinators underwent a three-day training session on the use of the instrument and how to organize their monitoring teams. During the eighteen-month monitoring period, national staff provided ongoing consultation and on-site technical assistance as needed to the monitoring teams. Approximately 120 League monitors conducted 300 one- to two-hour interviews with elected officials, department heads, media representatives and the leaders of community organizations; and collected extensive demographic information studies, reports, newspaper clippings and budget documents. Monitors used this information to make their own evaluation of the GRS program, and the gathered data, interviews and evaluation were then collected for a comprehensive analysis by the League of Women Voters national project staff.

While six states cannot claim to be representative of the entire nation, they do offer a wide geographic spread and very different economic, racial and political situations. The examination of general revenue sharing in these six states demonstrates some of the problems and realities of the program.

Monitoring, data analysis and this report were financed by the Edna McConnell Clark Foundation which bears no responsibility for any conclusions reached.

INTRODUCTION: THE STATE ROLE IN FEDERAL REVENUE SHARING

Among the arguments, rhetorical and otherwise, that were advanced in favor of the State and Local Fiscal Assistance Act of 1972 were the claims that it would:

- restore state governments to their proper role in the federal system;
- provide encouragement and resources for local leadership in problem solving;
- narrow the distance between the people and the government agencies dealing with their problems;
- restore strength and vigor to state and local governments;
- shift the balance of political power away from Washington and "back to the country and the people" (1);
- reduce the need for heavier sales and property taxes;
- create job opportunities;
- reduce competition between domestic and defense needs;
- enable state and local governments free to set new priorities and to meet urgent needs; (2)
- bring immediate fiscal relief to state and local governments; (3)
- give more federal dollars to all cities and counties than they got before; (4)
- enable citizens to have more of a say in the decisions that directly affect their lives; (5)
- improve the quality of state and local governments; (6)
- alleviate the paralyzing fiscal crisis of state and local governments. (7)

The need for and purposes of revenue sharing were usually expressed in terms of what it could accomplish at both the state and local levels. The sharing of federal revenues with state governments goes back to 1837, when a nagging federal surplus of \$37,468,059.97 was distributed to the then-existent twenty-six states. During subsequent years, categorical grants were used to share fed-

A CAPSULE REVIEW OF THE LAW AND THE REGS

The federal general revenue sharing program was instituted by Title I of the State and Local Fiscal Assistance Act of 1972 (Public Law 92-512). (2) Under this program, the Office of Revenue Sharing (ORS), U.S. Treasury Department, is authorized to distribute \$30.2 billion over a five-year period to nearly 39,000 state and local governments. Though the act was not signed into law until October 20, 1972, it covers January 1, 1972 through December 31, 1976.

THE FORMULA (SECTIONS 106, 107, 108, OF LAW)

--Funds are sent directly to each unit of eligible (3) government according to a fixed formula, rather than an allocation.

--States choose whichever of two formulas gives them more money:

- a. three-factor formula: population, general tax effort, per capita income
- b. five-factor formula: population, general tax effort, per capita income, urban population, state income tax.

USE OF FUNDS (SECTION 103 OF LAW, 51.31 OF REGULATIONS)

- Local governments must spend funds within nine priority operating and maintenance categories and for any ordinary and necessary capital expenditures.
- State governments may spend funds for any purpose in accordance with their own laws.

NONDISCRIMINATION (SECTION 122 OF LAW, 51.32 OF REGULATIONS)

Governments must not use GRS funds in any way that discriminates against women and minorities.

eral revenue with state and local governments, but distribution of money for non-specified purposes was not given serious consideration until the 1950s. Revenue sharing bills introduced in the 1950s intended this money to replace the categorical grants-in-aid. By the 1960s, however, revenue sharing was proposed expressly as a supplement to, not a replacement for, categorical grants. This position, advocated by Walter A. Heller, Chairman of the Council of Economic Advisors, was in part based on the existence of a federal surplus resulting from the growth of the early 60s and the success of the federal income taxation system. President Johnson's 1964 task force on revenue sharing, headed by Joseph A. Pechman, concluded that most of the nation's unmet domestic needs were the responsibilities of state and local government. But the proposals for revenue sharing were shelved, and the great expansion of federal grants-in-aid for categorical programs occurred instead: from over \$10 billion in 1964 to almost \$36 billion in 1972. Expressed in percentages, federal grant monies jumped from 17.9% of the total federal domestic outlay in 1964 to 24.5% in 1972. (8)

Even though by the late 1960s the federal surplus had been eaten away, the Nixon Administration, from its beginning, gave revenue sharing a high priority. The respective roles of state and local governments within such a revenue sharing program increasingly became targets for partisan political considerations. The 1968 Republican party platform endorsed the "sharing of federal revenues with state governments." (9) and the administration's first revenue sharing bill, introduced on September 23, 1969, required the local share of funds to be distributed by the state governments rather than by direct payment from the federal to the local level. Richard Nathan, in *Monitoring Revenue Sharing*, suggests that this formula may have caused the mayors and other local officials to hesitate to lend full support. (10)

NO MATCHING (SECTION 104 OF LAW, 51.30 OF REGULATIONS)

Governments may not use GRS funds to obtain other federal funds.

DAVIS-BACON ACT (SECTION 123 OF LAW, 51.33 OF REGULATIONS)

When 25% or more of construction project costs are paid from GRS funds (in projects costing over \$2,000) prevailing local wage rates must be paid to all laborers and skilled workers.

TIME SPENDING FRAME (SECTION 123 OF LAW, 51.40(b) OF REGULATIONS)

Funds from each entitlement period must be spent, obligated or appropriated within 24 months from the end of the entitlement period.

TRUST FUND (SECTION 123(a) (1) OF LAW, 51.40(a) OF REGULATIONS)

GRS money must be put into its own trust fund, which can be handled by keeping a separate set of accounts.

AUDIT TRAIL (REGULATION 51.40(a))

Governments must maintain fiscal accounts in such a way as to permit a tracing of the funds to assure that they have not been spent in a manner which violates the law or the regulations (which have the effect of law).

STATE AND LOCAL LAWS (SECTION 123(a)(4) OF LAW)

Governments must follow the same rules and procedures in spending GRS funds that govern the expenditure of their own money.

STATE MAINTENANCE OF EFFORT (REGULATION 51.26(a)(c))

State governments may not reduce the level of aid to local jurisdictions without being penalized by a reduction in their GRS payments.

Certainly that version of revenue sharing got less than enthusiastic support from the Ninety-first Congress. To help combat this opposition, the administration encouraged the coalescing of the major state and local government organizations: the National League of Cities, the U.S. Conference of Mayors, the National Association of Counties, the International City Management Association, the National Governors' Conference and the Council of State Governments. This coalition was responsible in large part for changing enough votes in Congress to make revenue sharing a reality. However, in order to maintain a united voice, these organizations first had to agree among themselves about state and local needs with a revenue sharing program and especially about the issue of which governments would get what amount of the funds. The administration's plan was to distribute revenue sharing funds to general purpose governments in proportion to the revenue raising burdens of each level of the government. Since general purpose local governments raise only three-fifths of the 50% of revenues raised by all local governments, the formula would have been 73% to states, 27% to the local general purpose governments. In order to hold together this crucial coalition of state and local officials, the administration revised its formula and agreed to support a 50-50 state-local ratio.

The coalition met some of its toughest opposition from Wilbur Mills, chairman of the House Ways and Means Committee. His intended plan to kill federal revenue sharing was publicly stated, then rescinded on June 10, 1971 after a series of meetings with state and local officials. He agreed to federal aid for cities, but for the states, with the level of funding to be based on a fixed allocation, not a percentage of the federal income tax revenues. By November 30, 1971, when Mills introduced his own bill for revenue sharing, he had further compromised by proposing that one-third of the money should go to the state governments and two-thirds to

REPORTING REQUIREMENTS (SECTION 121 OF LAW)

--Planned Use Reports (PUR): Beginning with the third entitlement period (January 1, 1973 - June 30, 1973), each recipient government receives a report from the ORS. This report shows the amounts and purposes for which the government plans to spend the expected entitlement funds. Governments are not legally obligated to spend the funds as planned.

--Actual Use Reports (AUR): AUR forms are supplied by ORS and are filled out and returned after the end of each entitlement period. This report shows the amount and purposes for which GRS funds were actually spent or obligated. It also shows interest earned and the unexpended balance.

--Publication of the report: An exact copy of each PUR and AUR must be published in a local newspaper of general circulation within the geographic area of the recipient government. PURs are published prior to the entitlement period and, consequently, prior to the spending of any funds; AURs are published after the respective entitlement period. Both the PURs and AURs state where and when this provision was met.

--Notification: Other local media, including minority and bilingual news media, must be advised about the publication of the report.

--Information availability: The PURs, AURs and any documents explaining and supporting the information in the reports must be available for public inspection during normal working hours.

ASSURANCE OF COMPLIANCE (REGULATION 51.10)

The governor or chief executive officer of a local government must sign each PUR and AUR to certify that the publication and notification requirements have been complied with. The AUR certification also provides the further assurance that the matching funds prohibition has not been violated.

local governments. The National Governors' Conference reluctantly supported this compromise. The administration, eager for passage, also agreed.

In its final version the State and Local Fiscal Assistance Act, referred to as the general revenue sharing program, provided for dispersion of \$30.2 billion in 1972 to states, cities, counties, townships, Indian tribes and Alaskan native villages. The act lets the states choose whichever of two formulas yields the most funds. (1) The states keep one-third of the funds, with the remainder divided among counties according to population, tax effort and per capita income. County, city and township governments apportion the county share according to the percentage of total adjusted taxes (excludes taxes raised for support of education) raised by each level of government. The share going to each city and town is then determined by an objective three-factor formula of population, adjusted tax effort (again, minus taxes raised for school support) and per capita income.

Each government gets its check directly from the U.S. Treasury. Funds are not filtered through state governments. Contrary to the National Governors' Conference proposal, states have no control over how the funds are spent. Moreover, local jurisdictions are not required to send any reports to or through the state governments but instead report directly to Washington, D.C. This by-passing of state governments has been a continuous cause of concern among many state officials.

FISCAL SALVATION FOR STATE AND LOCAL GOVERNMENTS

Arguments in support of state government inclusion in the general revenue sharing plan fall under three main headings. The first has already been mentioned: the political necessity for appeasing state government officials and maintaining their support within the proponents' coalition.

Second, assuming that revenue sharing was designed to help strengthen the federal structure and to place resources at the level of government responsible for meeting specific unmet needs, Congress would have been absurd to leave state governments out of the picture. Further, many advocates of the revenue sharing concept saw the program as a means of modernizing state and local governments. These "interventionists" had hoped that by attaching certain conditions to general revenue sharing they would speed up the process of reform. They felt that by acquiring greater government capability would state and local governments assume the legitimate political roles. (1) Under the Constitution, local governments are subordinate units of the state. States are consequently responsible for what local governments do, and it can be argued that a federal fiscal program therefore should not undermine the states' control by overlooking them in any revenue distribution system. Further, many of the potential incentives for government reform would be dependent on state inclusion in general revenue sharing. (2) Even though the "interventionist" approach was not adopted by Congress, its supporters might have voted against general revenue sharing altogether if the state governments had not been included. State inclusion would at least retain the prospect that with additional financial resources state would better address their responsibilities and reorder their priorities.

The third category of arguments for inclusion of the states was based on the grave fiscal needs of state and local governments. Most advocates of general revenue sharing did not try to separate the needs of state governments from local governments, despite the fact that by the 1970s the state fiscal picture was far from grim. Many of the state legislators interviewed in the study,

particularly in California, indicted general revenue sharing as "debt sharing" since a federal government with a fiscal deficit really has no money to share. One legislator went so far as to say that since state government was in much better fiscal shape than the federal government, perhaps the states ought to be doing the sharing with the federal government rather than the other way around. In reality, local and state fiscal health are so interdependent that to separate the needs of local government from the state's overall resources, the level of state-local revenue sharing, the list of services the state provides, and the restrictions it places on local spending would be to distort the causes and effects of any particular local fiscal situation. Although President Nixon's January 29, 1971 budget message stressed that federal revenue sharing was needed to "alleviate the paralyzing fiscal crisis of state and local governments," presumably the words were not intended to imply that state governments were in and of themselves paralyzed. (However, data in Table 1 show 1971 to be a leaner year than the two previous years for each of the project states except Texas.)

STATE BUDGET SURPLUSES AND DEFICITS

Most state governments have constitutional mandates to pass balanced budgets. Therefore a minimal budget surplus is usually planned for. It is then carried over to the next fiscal year's budget. However, when it appears that a significant surplus is accumulating, many states pass additional expenditure items and reduce the year-end surplus. The Tennessee legislature votes such "expansion measures" when surpluses go beyond the 5% reserve. Many people have criticized the distribution of scarce resources to state governments which, compared to the debt-laden federal government, seem to have a comfortable cushion of budget surplus. State constitutions mandate balanced budgets and states do not have the leeway which is present at the federal level for deficit spending. In some cases, large surpluses have allowed state governments that are so inclined to reform their school financing structure and to institute tax reforms.

TABLE 1 - FISCAL YEAR END STATE BUDGET SURPLUSES AND DEFICITS (IN MILLIONS OF DOLLARS)

STATE	1969	1970	1971	1972	1973	1974
California						
Amount	309M	144.8M	-170.4M	256.3M	619M	27.6M
% of Total Budget	6.0%	2.4%	-2.7%	4.0%	8.6%	.3%
Iowa						
Amount	4.2M	7.5M	-5M	38M	119M	193M
% of Total Budget	1%	1.5%	-1%	6%	18%	23%
Massachusetts						
Amount	-	53.4M	-	17.2M	39.2M	-223.7M
% of Total Budget	-	2.5%	-	.6%	1.2%	-
Michigan						
Amount	130.8M	44.7M	.7M	31.1M	164.7M	-
% of Total Budget	9.61%	2.86%	.03%	1.53%	7.8%	-
Tennessee						
Amount	34M	23.6M	9.4M	19.5M	47.5M	-
% of Total Budget	5.3%	3.16%	1.11%	2.05%	4.3%	-
Texas						
Amount	33.5M	152.9M	115.1M	31.1M	114.1M	520M
% of Total Budget	6.8%	24.4%	18.6%	3.6%	1.3%	-

HOW STATES USED GRS FUNDS

GRS funds began to appear in state budgets in fiscal year 1973. The GRS law allows twenty-four months from the end of the entitlement period (December 31, 1972 in the first year) within which each recipient government must use, obligate or appropriate the funds. In some instances, the funds simply increased an existing budget surplus and were therefore not spent until the next budget cycle.

By March 31, 1973 only fourteen states had authorized the spending of any entitlement funds. These funds amounted to \$390.1 million of the \$1.7 billion sent to state governments. Of the amount authorized, the category receiving the most funds was education (\$68.8 million). Local school districts received \$57.1 million of the total spent on education, all of it spent for operations and maintenance. (3)

Of the six project states, Iowa, Tennessee and Texas, did not report expenditures or authorization of expenditures of any entitlement funds on the first actual use report. California and Michigan reported using all of their funds received through June 30, 1973 for payments to other governments for operations and maintenance of education. Massachusetts spent 91% of its funds for this time period. In the same way, the remainder going to other governments for the operation and maintenance of general government and social services. The trend of education expenditure continues in the second actual use report which covers money spent, authorized or otherwise obligated between July 1, 1973 and June 30, 1974. All Iowa and Michigan expenditures for this period were for payments to other governments for operations and maintenance. Massachusetts' 20% of Tennessee's and 73% of Texas' expenditures were also in this category. Tennessee spent an additional 17% directly on education operations and maintenance. (4)

By now numerous studies and reports have explained why an examination of actual use reports does not tell very much about the fiscal effects of GRS funds or what program areas benefited due to the government's receipt of additional funding. This situation exists because there is nothing in the GRS law or regulations preventing governments from using GRS money in place of other government revenue that can then be used anywhere. The result is the substitution of GRS dollars for other dollars, not "fungibility." Most state officials saw GRS dollars as merely another source of revenue to add to the general budget. Legislators in particular stated that education was arbitrarily designated as the category on planned and actual use reports because it simplified bookkeeping and audit procedures, because it is a popular item with the public and because most states already spend a larger share of the budget dollar on education than any other item. The rationale behind this last "because" eludes analysis, despite frequent mention by public officials. Perhaps because education is the first category listed on the planned and actual use reports (listed second, after general government, on the first planned and actual use report), it was perceived by state officials as the most important category in the eyes of the federal government.

It is clear that one cannot make a simple connection between state priorities and needs by looking at reports about where general revenue sharing dollars have been spent.

Even without the substitution or fungibility effect, the categories on the PUR and AUR forms don't offer much enlightenment about which programs and activities actually got GRS funds. For example, even though the two actual use reports for January 1, 1972 and July 30, 1974 show

that California, Michigan and Texas all spent most of their GRS funds on education (98%, 100% and 73% respectively) each made very different types of expenditures. California's money was worked into combination state school aid formula and property tax relief that resulted in an increase in the state share of elementary and secondary school aid from 31% in 1972-73 to 42% in 1973-74. Only 25% of the revenue incorporated into this new law for 1973-74 went for new programs; the rest made possible local property tax relief and rent credits.

Michigan's GRS money went into the school aid fund and from there to the state teacher's pension fund; it did nothing for ongoing educational programs. In Texas the \$77.7 million spent on education went to colleges, universities and schools for the deaf and blind to use at their own discretion.

Each of these educational expenditures benefits a different group of people: property owners, renters, businesses and school children in California; retired teachers in Michigan; college and university students and deaf and blind children in Texas. Once again the real beneficiaries of these expenditures are hidden. To find them it is necessary to look at the entire state budget and consider what the infusion of GRS funds allowed the states to do that they would not have done anyway. Results of the search for the hidden or real beneficiaries of general revenue sharing will be discussed further in the six individual state case studies.

Given the fungibility and "hidden beneficiaries of GRS," it is not surprising that a lot of people, including many public officials, simply do not know how their state spent its GRS funds. Of the 48 interviewed, only 10 responded to questions regarding the states' use of their funds. 48 could identify some major project or program expenditure. Thirty-eight percent said they "did not know." The remaining 12% responded with incorrect information. The chief fiscal officers were the most informed individuals interviewed. Ninety-two percent of them gave correct responses. The human relations department or agency heads were the least informed. All of them stated that they did not know how the money had been spent. Sixty-five percent of the legislators gave correct responses. (5)

What did project monitors learn when they pressed beyond the limited and perhaps distorted information in the AUR?

FISCAL EFFECTS OF GRS IN SIX STATES

CALIFORNIA

In California it was a no-contest decision to put GRS funds into Senate Bill 90 (new school aid-property tax relief measures). Two simultaneous reform movements, one in the area of public school finance and the other in property tax, made state priorities obvious. The two-year accumulation of an enormous state budget surplus and federal revenue sharing funds made legislated reforms possible. First, some history.

In August of 1971, the California Supreme Court ruled in *Serrano v. Priest* that education is a "fundamental interest" and that the quality of a child's education must not be a function of the wealth of the district in which the child resides. The court further concluded that the state's school aid law was discriminatory and in violation of the "equal protection" clauses of both the state and federal constitutions in that the wide variations in district expenditures appeared related to differences in district wealth. The case was remanded to the Los Angeles superior court for a factual determination of the plaintiffs' allegations. Before the case was heard, the state legislature passed S.B. 90, and on December 18, 1972 it was signed into law by the governor. The intent of this

law, at least in part, was to address the complaint raised in Serrano.

Movement on the tax front had been in progress for many years. Scandals of the mid-60s gave impetus to such property tax reforms as exemption expansion, preferential assessment practices, rebates to elderly homeowners on limited incomes and taxpayer appeals procedures.

Most property tax reforms have necessitated state reimbursements to local governments for the revenue lost to them. By 1971 the state was paying \$222 million yearly in reimbursements to cover homeowners' exemptions. A 1968 law scaling down the level of the assessed value of business inventories to 50% by 1974 cost the state \$100 million in reimbursements last year. A 1971 law broadened tax relief for elderly homeowners of modest income cost the state \$56 million in 1972.(6)

Even with these reforms, California's property tax problems were severe. In 1970-71 the property tax in California was the highest per capita in the country, and by 1972 residents were crying for more relief. While the need for tax and school finance reforms appeared to be obvious and the state's fiscal capacity to meet these needs was apparent, the method or technical mechanics for accomplishing both were hotly debated. Governor Reagan was primarily concerned with property tax relief, arguing that the schools could do better with the money already available and that what was really needed was greater efficiency.(7) He proposed that the 1973 surplus of \$850

million be returned to the taxpayers by a 1% across the board income tax cut, a reduction in local property tax, and use of GRS funds, any remaining surpluses for increases in school aid. He further proposed and ultimately got a 20% increase in the already regressive state sales tax.

What emerged in 1973 as S.B. 90 was a compromise between conservative Republican governor anxious to reduce property taxes and a fairly liberal, predominantly Democratic legislature determined to bring greater equity and aid to school finance and to reduce the inequitable tax burden.

Further analysis of S.B. 90 provides a closer look at effects of GRS funds in California (see box). The indications of S.B. 90 cast into question the wisdom of California's GRS expenditures. While it is impossible to say what would have happened if there had been no GRS funds, many state officials were willing to surmise, "most of them agree that there would have been some kind of property tax relief and increased school aid with or without GRS. However, some doubted that an adequate compromise could have been reached between the governor's interest in returning state surpluses to taxpayers in the form of reduced property taxes and the legislature's desire to address the inequities noted in the Serrano decision. The presence of general revenue sharing funds allowed for both. According to legislative analyst Alan Post, the school aid formula would not have been different, but the tax reductions would

average, while for white ADA, the figure is 32.9%." In terms of revenue gains, poor districts make out better than rich districts. However, "when tax savings as well as revenue limits are taken into account, and 'total resources' available to the community are taken as the criterion, black pupils continue to lose...poor people tend to win in these terms in year 1 (1972-73), but to lose over time, relative to rich pupils, in later years."(9)

PERCENT ADA IN CALIFORNIA ENJOYING ABOVE AVERAGE GAINS IN TOTAL RESOURCES DUE TO S.B. 90 BY INCOME GROUP(10)

	1972-73	1973-74	1974-75
All ADA	45.5%	34.7%	31.5%
Poor ADA	43.8%	28.9%	25.9%
Rich ADA	41.9%	39.6%	36.7%

It seems obvious that before any new school finance proposal is submitted to the court, more sophisticated analysis of distribution effects must be done. Evaluating S.B. 90 in terms of the tax reform achieved by reductions of property tax levels in low property wealth districts should be done in light of considering the simultaneous one-cent increase in the sales tax. Even with food and drug exemptions, the sales tax is a highly regressive tax with a disproportionate burden on the poor. The estimated revenue yield from the increased sales tax is expected to exceed tax relief provided to homeowners as increased exemptions and to renters as a tax credit.(11)

In other words, it is possible that some individuals will pay more instead of less in state taxes under S.B. 90 and the sales tax increase, which has mechanisms to assure that this burden will be based on ability to pay. One senator said that the obsession to reduce property taxes resulted in a piece of legislation full of errors, that while tax rates will go down the effect is cancelled out by the valuations. Another senator said S.B. 90 was "full of political tricks" and that local governments receive less now than before S.B. 90.

have been less. Several legislators thought the school aid formula would have resulted in less of an increase. Others thought a tax increase would have been necessary, with the income tax the most likely candidate. Either way, these measures were not entirely dependent upon the existence of GRS funds; consequently, it can be reasoned that other program areas and projects may also have benefited from this new revenue source, though no judgments on this question can be absolute. Alan Post flatly stated that revenue sharing funds were used to balance the budget. He also mentioned that GRS money paid for the building of the governor's mansion and reconstruction of the capitol building.

Several legislators told project monitors that the availability of GRS funds allowed the state to pick up funding in areas that had been cut by the federal government. The 1973 state budget provided \$30 million for child care, \$65 million for welfare programs, and partial payment of the school lunch program. The grants officer of the state Department of Education said that having GRS funds available for funding the equalization aid portion of S.B. 90 made it possible to apply adequate pressure on the governor to fund programs out of the state budget that would help the poor and minorities. He cited \$25 million for early childhood education, \$3 million for educational programs for disadvantaged, \$8 million for bilingual education and \$500,000 for Indian education.

One of the most serious effects of GRS on California state government, according to several consultants to the legislature, is the retardation of tax reform efforts. "Everyone is more comfortable living with the situation as long as money is coming in."(12) "This (GRS) relieved fiscal pressure, possibly. No-strings-attached money has brought some of California's loosest programs; you can't evaluate the effects."(13) Friedrich Gruberberger agreed that the lack of and uneven distribution of financial resources can be the prime facilitator of governmental reform, including tax reform. The infusion of additional money in the form of GRS works as a deterrent to reform. He suggested that this has happened at the local level, but the argument appears applicable at the state level as well.(14)

LOWA

Iowa's first AFR shows that no funds were spent as of June 30, 1973, but the second AFR indicates that all GRS funds spent through June 30, 1974 went into the state school aid foundation program. The PUR for July 1, 1974 to June 30, 1975 shows plans for this same expenditure. But interviews with state officials confirm that these funds merely replaced funds that would have come from general budget revenues and did not affect the amount of money appropriated for education in any way.

Governor Ray had definite views about the use of GRS funds; they "must clearly be visible, providing either direct or indirect tax relief and not used simply to increase levels of government spending."(15) He urged Iowa's mayors and councilmen to apply this same philosophy and stated that using these funds to pick up programs formerly funded from federal sources was inappropriate. "We have always understood it was not for that purpose."(16) However, officials in the comptroller's office said the state would have given \$500,000 to day care had threatened federal cuts materialized. Though this aid probably would not have come directly from GRS funds, they helped to make the contingency plan possible.

The budget gains of approximately \$30 million a year in money freed by the availability of GRS funds for education and extensive surpluses allowed the state to continue moving ahead in the areas of tax reform and to pick up some of the costs to local governments.(17)

Again, some (a minority) state officials interviewed felt tax reform efforts were hindered and programs slowed due to this influx of funds. Both tax reform and school finance reform were in progress before the GRS law was ever signed.

In 1971 a new state aid formula raised at one stroke the state share of per pupil costs from approximately 20% to 70%. The state share will continue to increase 1% a year until it reaches 80%. The impetus for this dramatic change came from the great need for property tax relief and for equalization among school districts. It was not affected by the advent of revenue sharing.

The new law sets a uniform base tax rate of 20 mills for school districts and a uniform base for per-pupil expenditures. With an absolute ceiling on school district budgets and the reasonable growth rate allowance, both low cost and high cost districts are brought closer to state averages. The increased state costs were financed by increases in the personal and corporate income tax. While substantial change has taken place, it is not complete.

According to the Iowa state comptroller, the real fiscal effects of general revenue sharing were property tax relief, particularly for the elderly; state take-over of the county share (21% of entire program costs) of Aid to Dependent Children with an increase in the payments to individuals; foster care and homemaker services; and the removal of the tax on cattle. The ADA pickup reduced county level property taxes by an average of \$2 million. Approximately 220,000 elderly homeowners and renters and the totally disabled on incomes of less than \$5,000 benefited from property tax reimbursements. The state will replace lost revenue with GRS funds, according to the governor.(18) Hugh Clarke of the Comptroller's Office said without revenue sharing this legislation (passed on June 24, 1973) would not have been possible. Speaker of the House Andrew Varley agreed: "Revenue sharing and our booming economy have given us options we've never had before."(19) Iowa has a high percentage of elderly in its population - second only to Florida. Expansion of programs for the elderly required 102 additional state employees for social services.(20)

In 1973 the personal property tax (on business inventories, farm machinery, industrial equipment and some livestock) was tied to a 10-year phase out program dependent on the economic growth in the state. Food for emergency, prescription drugs, prosthetic and orthopedic devices were exempted from the 3% sales tax in 1974, with a projected loss in state revenue for 1975 of \$29 million. The exemption of tax on inheritances of surviving widows was also doubled in 1974 from \$40,000 to \$80,000.

While it is impossible to say that these are the achievements of revenue sharing in Iowa, the record shows the benefits going to those who have the least.

MASSACHUSETTS

As John Eller from the Massachusetts Speaker's Office put it, "general revenue sharing was surplus to other states; it was essential to Massachusetts."(21) On the first three PUR's and two AFR's, all but the first PUR noted that without general revenue sharing an increase in a major state tax would have been necessary.(22) Of all GRS money spent through June 30, 1974, 86.9% went to local government for operations and maintenance. The state budget for FY 73 carried a \$82 million deficit, and by FY 74 \$65 million was owed to cities and towns for previously committed reimbursements, mostly for education. These were obligations that the state would have met with or without general revenue sharing, presumably though a state income tax increase.(23) Consequently, some have

argued that income taxpayers are the beneficiaries of Massachusetts' portion of revenue sharing dollars. It is also possible that income tax increases could have been modified by state budget cuts as well. John Eller feels that the level of aid commitments made to cities and towns for subsequent years would have been reduced by necessity without this new revenue source.

Massachusetts is in the throes of fiscal crisis, a fact well recognized by this time. Yet the impetus for change, particularly needed tax reform, is generated by the depth of the crisis and not by the influx of GRS money. Again, it's possible that real change may even have been impeded by the infusion of additional funds.

MICHIGAN

All GRS funds spent in Michigan through June 30, 1974 went to other governments for the operation and maintenance of public schools. (See Actual Use chart, appendix) As in many other states, education was named in PUR's and AUR's merely for the sake of simple book-keeping and audit procedures, without any intended or real effect on the level of state support to Michigan's public schools. The play freed large amounts of money in the general fund for other uses. The governor's rationale for this substitution was that "since the state's allotment of federal revenue sharing is unrestricted as to its uses, these funds have been received into the General Purpose portion of the General Fund." (24)

The search for real fiscal effects of GRS funds is complicated by the existence of extensive budget surpluses. (25) Although general revenue sharing amounted to less than 3% of the total Michigan budget in 1973 and only 1.8% in 1974, when combined with budget surpluses and a booming economy it allowed the state legislature added fiscal discretion in continuing the pattern of progressive tax reform in Michigan.

Michigan was the "pioneer of tax reform in the 1960s, and, along with Oregon, Vermont, and Wisconsin, led the way in 1973 by adopting the "super circuit-breaker" which provides all low-income individuals with tax credits or rebates if they are overburdened by property taxes. (26)

Before 1973, Michigan allowed homestead property tax credits against its flat rate income tax for residential property taxes paid. It benefited both owners and renters. Homestead exemptions also existed to help the blind, veterans and their widows, and the elderly.

The new "super circuit-breaker," spearheaded by Governor Milliken, is the most far-reaching one in the nation, along with Vermont's. The state provides an income tax credit or rebate on property taxes in excess of 3.5% of income, up to a \$500 maximum credit. Homeowners and renters are included. It costs the state an average of \$27.53 per capita. The elderly get 100% credit; others get 60%. Farmers are also aided by the circuit breaker. (27)

Further legislation passed on May 23, 1974 ties the circuit breaker for farmers to the maintenance of open space land. Farmers get a refundable tax credit for property taxes in excess of 7% of household income (income from all sources). To obtain this credit the farmer must agree to keep his farmland as farmland for at least ten years.

Fifteen seventy-three was a big year for progressive legislation in Michigan. In addition to the "super circuit-breaker," a new school finance law was enacted and put into effect for the 1973-1974 school year. The initiation of the GRS program seems to be more a happy coincidence than a causal factor in the new "equal yield"

school funding plan. The electorate had demanded change, and for several years the legislature had been pondering various alternatives. The new school finance plan provides for yearly increases in the state guaranteed aid level and has a special transitional element to give school districts with high municipal overburden an additional break.

Since GRS funds essentially added a larger chunk of money to the general budget, the beneficiaries of the program cannot be identified. Some individuals interviewed were willing to speculate as to the fiscal effects of these added funds, but it was only a guess as to what might not have been funded without the existence of general revenue sharing.

One legislator said that state-local revenue sharing had increased due to federal revenue sharing. Another speculated that without it the state could not have increased funding for mental health, the alcohol countermeasures program, the arts, education, the public defender program, libraries, CAP programs and several law enforcement programs—all of which had suffered federal cutbacks. Payments to AUC recipients increased and the school lunch program expanded its eligibility while reducing its price. Another legislator felt that general revenue sharing had covered the inflationary costs of all programs and made it possible to avoid the difficult task of choosing program areas for reduced funding. Obviously there was no consensus on whether general revenue sharing beyond the sense that the governor's liberal tax relief programs were in some part dependent on the existing level of surplus, which included the funds released by revenue sharing.

TENNESSEE

The GRS funds that the state of Tennessee received before January 1973 were not appropriated until the spring of 1973, not spent until July of 1973, and earned about \$1 million in interest. When the funds were spent, the AUR for June 30, 1974 reported that 37.5% of the money went to other governments for operating and maintaining public schools (\$15 million) and streets and roads (\$12.7 million). Another 17.9% was spent on operations and maintenance for education directly by the state. The remainder was spent on capital projects, mostly highways.

Increased funding for education was already in the cards, partly because kindergartens were added to the public school system. Budget surpluses could have covered this new expense. Once again, using GRS money instead of state surpluses alone meant that the equivalent amount of the surplus was left for other areas of expenditure. The highway building program had suffered federal cutbacks, so GRS funds may have made up the difference in that program.

Originally the governor had hoped to spend all of the state's share of GRS money on new programs. However, pressure from the legislature, which feared the program was temporary, plus federal impoundments and cutbacks forced a compromise of one-time expenditures and state pickup of lost federal support.

Local governments in Tennessee were clamoring for more state support in the form of a state-local revenue sharing plan. They wanted to cover losses due to federal cutbacks without raising property taxes. The legislature considered such a plan, since budget surpluses, aided by GRS funds, could cover it. State Senator Douglas Henry said that even without general revenue sharing local officials would have successfully lobbied for a state-local plan by basing their rationale on some other state funding source.

If GRS funds are included, receipt of federal funds by the state of Tennessee increased in dollar amount through

1973, despite some cutbacks, though their percentage of the state budget has decreased, as shown in Table II.

TABLE II. - FEDERAL FUNDS

	Amount	% of State Budget
1967	\$293,241,000	30.16
1970	315,019,359	29.29
1971	387,779,059	32.40
1972	403,241,284	28.21 (includes GRS)
1973	423,442,357	26.69 (includes GRS)

(Source: State Budget Document)

Local governments in Tennessee had not fared as well and wanted the state to do something about it. Factoring in inflation, Tennessee lost \$55 million federal dollars between 1972 and 1973 alone, all at the local level. (28) Even with this loss of federal dollars at the local level, The Tennessee was able to report on April 15, 1973 that "with \$64 million in federal tax money to spend, Tennessee local governments have a new interest in luxuries of new police cars, fire trucks, courthouses, and even hospitals and nurseries. The state has been able to cast doubt on the severity of local fiscal shortages."

At the state level, GRS money seems, directly or indirectly, to have helped the state to use up the tab for programs that suffered cutbacks from the federal level. Mental health programs, which fall into this category, were cited by the governor among his top priorities, along with child development and penal reform. The state also took over the local share costs of the food stamp program.

In order to offset the effects of termination of OED funds to Community Action Agencies, the governor backed a proposal to develop a human resources agency to deal with poverty-oriented concerns. The governor planned to add five to six staff people formerly associated with these poverty programs to his own staff as program advisors. Even so, it was estimated that neighborhood aides from the CAAs would be unemployed and that about half of them would soon be on welfare. (29)

Richard Henderlight of the Department of Urban Affairs said the present state administration felt it was important "to get the state legislature to make the commitment of state funds to human resources program areas... The real reason the federal money leads to employment of more people; when federal money for that program stops, people are left hanging. The state should decide in advance if it will be willing to pick up on this program, or better yet, commit state funds to it in the first place." (30) Unfortunately, many state officials and community leaders interviewed felt the legislature was not sympathetic to poverty-related programs and issues. In fact, according to one administrative official, the governor's human resources agency was not given much publicity for fear of generating opposition to expenditures for its implementation. Dr. James Powers, president of the Tennessee Municipal League, said that "west Tennessee is not going to do right without federal pressure. Federal guidelines are essential in order to assure that those served by social programs get their fair share." (31) This sense of a need for federal guidance was expressed also by a state official who said it was essential to determine if there are any "national goals" and then have some guidelines for achieving them.

The cry for property tax relief in Tennessee was a mere whisper compared to the situations in the other states examined. The reason is not mysterious. Tennessee, like most southern states, does not rely as heavily on this revenue source as do most northern states. In

1970-71, its per capita property tax was \$85 compared to the national average of \$184. Still, that tax produced half of all financial resources for local governments in 1970-71. Unlike the tax in most states, however, Tennessee property tax does include personal property and motor vehicles. Low or not, the system didn't satisfy Tennesseans. In 1973 property tax relief measures were instituted through the Property Assessment and Classification Act. It exempts nonbusiness holdings of personal property up to \$7,500 almost completely and gives property tax relief to the elderly homeowners and the totally disabled or those with limited incomes. The act was later extended to include renters, thus increasing the cost to the state for the program from \$3 million to \$3.9 million per year. Should these exemptions be converted to a circuit breaker it would cost \$6 million per year. (32) This movement does not seem to have been a result of or affected by general revenue sharing in any way.

TEXAS

Texas had many pressing needs for which GRS money could have been spent, tax reform and school finance reform being the first. Instead, a decision was made by staffs of the Legislative Budget Board and the Governor's Budget Office to spend the funds according to three criteria:

Avoid a tax increase, a campaign promise Governor Dolph Briscoe says he was able to keep thanks to general revenue sharing.

Place funds in programs receiving no federal funds so as not to become entangled in the law's "no matching" provisions.

Put the money into nonrecurring necessary expenditures.

There also seems to have been some effort to spread the money among as many agencies as possible. State colleges and universities fared best, with large sums also going to pay expenses for over a dozen courts of appeal. (33) Money allocated to education was left to the discretion of the institution. This was also the case for many of the other government agencies receiving funds.

Many of the expenditures were necessary and would have been funded from other state revenues had GRS funds not been available. The end result was that funds were freed up in the general budget for other purposes (e.g., the fireman's pension fund received \$675,312). One media representative said, "Revenue sharing took the place of state monies ordinarily appropriated to such expenditures. I feel someone on the Legislative Budget Board staff just made the determination to put it into good things nobody could complain about." (34)

Though there was an effort to put money into onetime necessary expenditures, the other two criteria for funding made it hard to find enough items to fund, so a few ongoing programs did receive funds.

Revenue sharing may have happily forestalled a tax increase, but it also seems to have prevented needed tax reform. Texas, one of the few states with no income tax, will have phased out the state-level property tax by 1978 as the result of a 1969 constitutional amendment. The state maintains a healthy fiscal picture by broadening and increasing the sales tax, now at 4% (not including local option sales tax), and the sales tax on oil and gas, which is a percentage tax on sales prices at the wellhead, rather than a per-unit tax. Earlier state action in 1975 paid surplus of \$910.4 million have been raised to \$1.4 billion, due to unexpected oil and gas revenues. At the same time, this energy-producing state has not as yet

felt the massive unemployment burdening most of the nation. (35)

Another reason for this astounding surplus is that the state had in reserve \$39 million to fund a stopgap school financing plan. In the event of an adverse U.S. Supreme Court ruling in the *Rodriguez* case. Since the Court did not rule against the state and the legislature scotched the school plan measure in the final hours of the 1973 session, the \$39 million was simply carried over into the next biennial budget.

State mechanisms for tying the wealth of state government to that of local government through some sort of state-local revenue sharing plan have not been devised. State Representative Robert Vale, among others, felt that general revenue sharing has been a disincentive to movement in this direction. He predicted that with "extra" federal dollars flowing to local governments in the form of general revenue sharing, the state will nationalize away the need for any state-local revenue sharing plan. (36) The phase out of state property taxes should allow local governments to pick up this available revenue source in property taxes. (37) However, local governments were already getting some 87% of their revenue from the local property tax in 1973—a jump from 61% in 1972 (against a national average of 64%). (38) In most school districts, this upward climb has meant a 30% increase in property taxes in a one year period. (39)

The need for a massive overhaul of the state-local tax structure seems obvious. Intensified reliance on local property taxes has caused inequities among school districts, which must vary their tax rates in an inverse relationship to the extent of property wealth in the district. In addition, the local option feature in Texas, a \$3,000 homestead exemption for the elderly, creates added inequities. The law requires that 20% of the voters must petition for an election to decide whether or not there should be a homestead exemption. With no state commitment to aid low-income elderly citizens, they are left to the mercy of local discretion. The homestead exemption is further flawed by its lack of an income or need factor. Assessment levels that differ between local government create additional inequities. General revenue sharing has played no visible role in changing this problem-ridden taxation system. If, as some theorists project, more tax reform occurs during times of fiscal hardship than during peak periods, the Texas reform movement is going to have a lengthy delay.

CASE STUDY SUMMARY

These six case studies demonstrate the extent to which the fiscal effects of the states' share of general revenue sharing, as well as its beneficiaries, are hidden. In none of the states were expenditures free of substitution effects. It is not surprising then that state officials, media representatives and community leaders were not consistent in their perceptions of where the money went and who benefited from it.

When monitors in the six states asked who were the major beneficiaries of general revenue sharing, 29% of those who responded said they didn't know or were not able to answer the question. Twelve percent said "everyone" and another 8% said "no one." Five percent said the politicians and the "already well off" would be the real recipients of the program's largess. (40) However, neither responses within states nor responses from state to state were uniform.

There was also much uncertainty about whether or not federal funds targeted for minorities and the poor were up, down or staying the same. People interviewed in each state were able to mention programs aimed at helping

TABLE III - FEDERAL AID TO STATE GOVERNMENTS

California	Federal Dollars	% of State Budget
1966-67	\$2,435 million	34.3
1967-68	2,671	33.4
1968-69	2,845	33.4
1969-70	3,192.7	32.9
1970-71	4,173.6	38.6
1971-72	4,409.4	39.7
1972-73	4,568.6	38.1
1973-74	5,023.9 (estimate)	34.3

No estimates prior to 1971 available. 1973 federal funds were \$2,910,000,000. The comptroller's office thinks there has been a steady increase in dollar amounts.

Massachusetts

1966-67	\$317.6 million	22.5
1969-70	825.3	24.2
1971-72	776.8	25.3
1972-73	892.9	26.8

Michigan

1968-69	\$474.2 million	23.9
1972-73	1,202.6	

Tennessee

1966-67	\$293,241,000	30.2
1969-70	315,019,359	29.3
1970-71	387,779,059	32.4
1971-72	403,341,284	29.2
1972-73	423,442,357	26.7

Texas

1972-73	\$1,304.2 million	29.3
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Dollar amounts have more than doubled between 1967 and 1973 but the percentage increase in the amount relative to the total state budget is only 1.6%.

these groups of individuals that had been cut back or terminated. But state pickup of some of these programs and the ever increasing level of overall federal dollars reported to be flowing into each state distorted perceptions of the individuals responding to the question of reduced federal aid to minorities and the poor. 53% said there had not been a reduction in dollars but, since the same dollars now buy less, program activity had been reduced. Even the legislators and those responsible for fiscal affairs within each state did not agree. The largest consensus came from community leaders. 71% of whom said federal funds targeted for the poor and minorities had been reduced. (41)

Monitors tried to get more specific answers by talking to individuals from the staff of the chief fiscal officers in each state. Documentation was not compiled or was nonexistent in some states. In other states, monitors felt that the information was unreliable. After some review, however, monitors in Iowa, Illinois, Massachusetts, Michigan and Texas were willing to make an educated guess that, in general, figures for these programs were up; California coordinators reported that levels were down; Tennessee coordinators reached no conclusion.

Conclusions on overall federal aid (grants, reimbursements, special projects) were easier to come by and are reported in Table III. While the data sources and means of expression are not comparable, there is clearly a trend toward increased dollar amounts from federal sources for all six states, but in at least two states this represents a smaller portion of the state budget for 1973 than in prior years.

In all six states, the level of state aid to local governments has gone up both in dollar amounts and as a percentage of total state revenues. The revenue sharing law requires that state governments at least maintain their level of payments to general purpose governments (Section 107). Legislators and chief fiscal officers were asked if general revenue sharing had any effect on the level of state aid to local government. Thirty-four percent thought the funds had some impact on the increased state aid; 39.5% said general revenue sharing had no impact on this issue; 16% thought there had been some impact but were unsure of the nature of the impact; 7.4% didn't know; and 2.5% said without general revenue sharing state aid would have been less. (42) Since there was no within-state consensus on this point, the lack of knowledge about revenue sharing and its fiscal effects on state government was reaffirmed.

The nonidentifiability of GRS dollars makes it impossible to trace the funds to their ultimate fiscal effects and beneficiaries. The elusive nature of these funds has made analysis and oversight of the program a baffling challenge to project monitors and, obviously, to state citizens and decision makers, too. There is even evidence that the Congress of the United States, the midwife to the program, is also disturbed.

SHIFTING POWER TO THE PEOPLE

Proponents of revenue sharing have argued that state and local governments and the citizens of those jurisdictions know best what their own needs and priorities are.

Allocating large chunks of money to state and local governments with few of the strings and special requirements attached to categorical grants has in effect given these governments discretionary decision making, which can be translated into political power. Therefore, it is critical to know who the decision makers are, how they function and the relationship between the citizens and their governments. Analysis of decision-making processes also indicates the quality of the process and the competence of those who are part of it. Who, then, has the power to make decisions about money—which is to say about programs and priorities—in the six states?

In all six project states, general revenue sharing funds were incorporated into the regular budget process, and their fate was determined by that process and by the regular budget decision makers. In none of these states has the advent of general revenue sharing effected any changes in the budget process. This fact was consistently true, even though the budget processes in these states differed dramatically, from strong executive budgets with little legislative input, as in Massachusetts and Iowa, to Texas, where the governor's budget is given little if any consideration. The manner of dealing with a new federal source of funds was likewise not affected by the range of legislative staff capability which, among the six survey states, ranged all the way from a massive web of 1,500 professional and other experts in California to only a handful in Iowa and Tennessee. A close examination of these budget processes reveals the potential of state governments to deal fairly and competently with the federal gift of power that accompanies GRS funds.

THE STATE BUDGET PROCESS

The basic structural flow of the budget process is the same in all six project states. The cycle formally begins when the chief fiscal agent (e.g. the comptroller in Iowa, the Commissioner of Finance and Administration in Tennessee—the titles differ but the functions are essentially the same) sends budget-making instructions and guidelines to the various departments. After the budgets are submitted, they are reviewed; hearings are then held, during which department heads can defend, explain, justify and plead for their requests; then they are re-worked into a proposal for the legislature. The legislature holds its own set of hearings within the committee of each house that is charged with fiscal matters. A conference committee resolves the difference between the two houses, and a final budget bill is voted on by each house. In each of the six states surveyed, the governors have time-limited veto power.

Within this basic structure the focus of power, competency and openness of the process differs greatly. California, Iowa, Michigan, Massachusetts and Tennessee have executive budgets to which the legislature essentially reacts. Texas, on the other hand, has a budget process with what could at best be called a "shared" executive-legislative responsibility. At its worst it is the cumbersome product of political distrust with overlapping functions, decentralization of responsibility and the inability to respond quickly to needed changes.

In Texas, two totally separate budget proposals are submitted to the legislature. One is developed by the Governor's Budget Office and the other by the Legislative Board. (1) This dual process was created in 1949. Prior to that time, there was no comprehensive budget process. Rather, each state agency submitted a spending request to the state Board of Control, which simply compiled them into a single volume for presentation to the governor and the legislature. (2) While the governor is now the "Chief Budget Officer," the budget developed by his budget office is ignored. (3) It is a political document, useful primarily as a clue to the legislature about what spending ceilings the governor would approve. The LBB budget tends to be a "maintenance" budget, for use as a spending base to build upon during the legislative session. While both the GBO and LBB produce complete financial plans, this duplication does not result in a healthy check-and-balance system. But a budget process with a comprehensive, coherent and balanced plan for consideration by the legislature. (4)

California, like most states, has a strong executive budget. However, during the executive-shaping stage when department heads are negotiating with the Department of Finance and governor's cabinet, data and other budget-related information goes to the legislative analyst, who has a staff of sixty-three, including fifty professional budget analysts. The legislative analyst then prepares the annual Analysis of the Budget Bill, which serves as the principal source of recommendations for the fiscal committees of each house as they review the governor's proposed budget.

The legislative analyst, created in 1941, was originally called the Joint Legislative Budget Committee. In 1957 it evolved into its present form as only one part of the extensive staff of 1,500-plus that serves the legislature at a cost of \$15 million in 1971 for salaries alone.

Other state legislatures are moving in the direction of more sophisticated and intensive staffing, but most have a long way to go. A legislative fiscal director with a staff of seven was established in 1973 to help the Iowa legislature with fiscal matters. The only other staff

help comes from a Legislative Service Bureau which provides research and prepares bills; a secretary-clerk for each legislator and a pool of fifty temporary student interns. With so little staff and analytical capability it is no wonder that legislators repeatedly express frustration at their inability to understand and deal more effectively with the budget. Until 1973 the legislature acted basically as a rubber stamp on the governor's proposed budget. On April 18, 1973, forty members of the House met to discuss this problem and develop recommendations for coping better. But more than discussion was needed to make sense out of the Iowa budget process. One department deputy director said the process is not standard or clear: "There have been embarrassing and often disruptive occurrences at hearings because appropriations committees have the kinds of departmental budgets to work with. Executive agencies have found themselves in conflict with the governor's presentation rather than part of a united effort within the executive branch." (5)

Michigan has made recent dramatic changes in its budget-making procedures. In 1971, while the state was converting to program budgeting, the House Fiscal Agency and the Senate Fiscal Agency were created. Until then, the legislative role in budget development was minuscule. The House Fiscal Agency, with its staff of thirteen analysts, is an information source for the legislature that is independent of the governor, so that the legislature can be more than a merely reactive body. Beginning with planning for fiscal year 1974, information that is now provided by the Department of Management & Budget for preparation of the executive budget also goes to the House Fiscal Agency. Previously, the HFA did not get a copy of the governor's proposed budget until January, too late to develop a useful analysis for the legislature. Staff of HFA are now allowed to go directly to the departments to get information firsthand as well. The HFA provides in-depth program analysis of the executive budget to the entire legislature. As a result of these reforms, the legislature hopes to become an effective check on the governor's administration of various programs.

The Tennessee legislature has only two joint committees that have permanent staff: the Fiscal Review Committee and the Legislative Council. Until 1969 the legislature was a rubber stamp for the governor's budget, which it received and passed in the same day. Public insistence on accountable elected officials has changed this situation, and now the House and Senate Finance, Ways and Means Committees have more staff and funds to provide analytical capability. Another change in the direction of a better functioning legislature is the invitation to the assembly to attend the executive budget hearings and get information firsthand by asking department heads and staff their own questions. This invitation has recently been made more realistic by the provision of paid expenses for the legislators, whose meager salaries of \$5,000 per year would otherwise be a disincentive for attending these hearings. Yet, not everyone is happy with the new role of the legislature. Ted Walsh, the Commissioner of Finance, said he believed the general assembly had made mistakes by trying to "infringe" on the management of state government through excessive budget input. (6)

More and more it seems that the job of governing is a full time job. Yet in three of the six survey states, Tennessee, Texas and Iowa, legislating is a part-time job. In Massachusetts, legislators are legislators full-time, but in 1973 they earned an average of \$12,000 as legislators, and most held additional jobs. California and Michigan legislators are full-time.

Not only is Texas handicapped by having part-time legislators, an inefficient budget process and insufficient

budget staff (7) but also by an inflexible biennial budget process in which decisions on appropriations and revenue allocations are made as much as thirty months ahead of the beginning of the second fiscal year. There is no executive authority to exercise control over the budget during the biennium. Thus, the opportunity to respond to unexpected changes resulting from new federal policies, court directives, population changes, economic crises and needs for new programs are minimal. Budget planners are forced to assume the role of seers, forecasting what might change the financial picture during the next biennium. In Iowa, the only other survey state that also uses a biennial budget cycle.

Legislative discretion is further hampered in Texas by the extensive earmarking of funds for specific programs. Since some three-quarters of state revenues are so fate long-range comprehensive planning is limited.

Texas decision makers are keenly aware of process deficiencies. In 1973 the legislature added a Program Evaluation Unit to the Legislative Budget Board which was designed to issue performance audits. It also mandated an in-depth study of zero-based budgeting. The transition to zero-based budgeting has been initiated and was named among the highest priorities by most government officials interviewed. Until this new system is fully operational, the pattern of steady incrementalism will continue, with agency budgets increased by the percentage of the previous year's allocation. The increases are a response to normal growth of the state economy, inflation, salary increases and federal programs requiring matching funds; programs are not subjected to careful scrutiny and evaluations of effectiveness as to whether they are a difficult job of setting priorities and assessing needs is also avoided by incremental budget making.

Massachusetts may be moving toward a program budget soon. Some departments are already using a method of evaluating programs and defining goals, as opposed to working under a target figure. One department head said that he wanted an overall sense of direction and a program that hangs together, but his department grew out of unrelated parts and it's difficult to change past patterns. When a fiscal shortage crisis occurred in 1973, the legislature attacked the Shepard Amendment to the budget bill. This emergency required an immediate 10 percent cut to adjust to the less-than-expected level of available revenue. In fiscal 1974 department budgets were based on ceiling figures established by the governor, and in fiscal 1975 department requests were based on a 10 percent cut of the previous year's expenditures. Again the opportunity to set priorities or assess needs was ignored. Legislators and department heads expressed great chagrin over the quagmire of the Massachusetts budget process. Most felt that they played no real role in it, and that the Massachusetts budget itself was meaningless and impossible to understand. The Speaker of the House said, "The legislature is powerless in budget matters and is given no real time to consider it." (8) The Budget in English is a recent attempt to make the Massachusetts budget comprehensible, yet the great use of supplemental budgets throughout the year means that any budget document is incomplete.

While staffing for the legislature has improved, it is still grossly inadequate. Even with further staffing improvements, the budget process would still be subject to negative attitudes, such as those expressed by the vice chairman of the House Ways and Means Committee who said that legislators don't participate in budget making because "there are too many distractions: other legislation, constituents' requests, etc." There is a "tied" budget to gain budget work since most constituents are indifferent. (9) Still, constituents' concerns and legis-

lative matters are affected by the budget. Possibly the most significant acts a legislature performs involve refining and defining the state budget.

The fate of revenue sharing funds is tied inseparably to the budget process. The act has no special features that protect it from bad aspects of decision-making processes or help it to enhance the process itself. The status quo is ensured by Section 123 (a)(4), which requires recipient governments to use GRS funds only in accordance with the same rules and procedures that regulate the expenditure of the governor's own revenues. The intent of this section was to make sure the funds were not misused or deprived of what Congress apparently assumed were the benefits of established budget-making procedures; the effect, however, has been to conflate the GRS funds with regular source revenues, with no attention given specifically to these particular funds. Far from serving as a force toward modernizing and reforming state government decision making, the funds have lost, or rather never had, an identity of their own, thus making accountability and evaluation of their effects nearly impossible. The effect of the state budget process on citizen information and citizen involvement will be discussed later.

It is not solely federal law that has made the conglomeration so prevalent. State officials seemed to worry that calling attention to this new revenue source would bring criticisms of people from inside and outside of government to the halls of the legislature to make requests. They would then have the difficult task of making fiscal as well as political decisions about priorities. As the Tennessee Commissioner of Revenue put it, "The plans for revenue sharing and the use of overall law for planning and no separate planning for the use of revenue sharing funds has taken place," (10) because there would immediately be many demands for specific programs or projects if revenue sharing funds were set aside and a plan drawn up separately for them.

None of the six survey states allowed any visibility to GRS funds by holding special hearings. In only one state, Texas, was a stab taken at setting up a special council to deal with the program. However, this revenue sharing council was only temporary and was set up more to help local governments to implement revenue sharing than to affect the state share allocations.

The invisibility of GRS funds applies to everyone except a handful of decision makers in each of the six states. Only in California did the process of budget-making seem to allow for or encourage debate on how to handle the funds. The governor wanted to develop a five-year plan for the use of GRS money by adding it to other budget surpluses for tax relief. The legislature wanted year-by-year planning for the use of the money, but was fragmented in its goals and purposes. Many felt strongly that it should be used to fill in for lost federal funding. The balance struck between a strong executive budget process and a competently staffed legislature makes comparison of the state's revenue sharing officials with those dealing with GRS funds, SE 90, gave the governor his tax relief program and the legislature its yearly legislative decision for fund transfer, plus additional money to address the Serrano decision.

While the Michigan budget process appears to allow for conflict and debate, none related to GRS funds was reported by field monitors, perhaps because of the prevalent distasteful earmarking and revenue requirements for particular uses. The decision of the governor to put the money into the school aid fund and from there into the teachers' retirement system satisfied both the legal requirements of the act for an audit trail to the expenditure funds and the officials' interest in the earmarked funds. Any debate over the use of GRS funds

then became masked as part of normal budget debate, which takes place at several points in the process. No special planning for either GRS funds or the freed-up funds in the general fund took place. People interviewed, particularly state officials, did not think about GRS funds as a special federal program but as merely another one of many sources of total state revenue.

The Texas study is a near repeat of what happened in Michigan. Since the funds were not clearly given a special identity, the legislature relinquished any opportunity to exercise control over their use by readily accepting the recommendations of the Legislative Budget Board and the governor's budget office, which acted in concert in applying the four-part criteria for the use of the funds. (11) Other than these informal criteria, no comprehensive planning was done. General revenue sharing was buried in the total appropriations bill, which was said to be seven inches thick. Given its size and the fact that the legislature had only two weeks of time to react to it, as interviewed legislators claimed, it is no wonder that there was little motivation for the legislature to give it a separate review. Most legislators could not name any program activity or capital project that was funded by general revenue sharing.

In Iowa and Massachusetts, legislators claimed not to have been at all involved in any decisions regarding the use of GRS funds. The chairman of the Senate Ways and Means Committee had no notion of how the funds were appropriated, even though the appropriations bill for the funds was passed by his committee. Since the specific appropriation was merely a bookkeeping procedure anyway, there was no incentive for anyone to have any knowledge affecting this decision.

Tennessee legislators did not agree about whether or not any plan for GRS funds was developed. One representative, a member of the Finance, Ways and Means Committee said, "Some document was submitted to us with areas of expenditures and amounts of money but with no discussion or debate." (12) A few other legislators also thought they had seen such a document but could not lay their hands on it or recall what it said. Some legislators were certain no such plans had ever been made, that the money had just been thrown into the pot. Even the chairman of the Senate Finance, Ways and Means Committee complained that the legislature never got information on how federal funds were used or transferred. (13) While the existence of such a document remains in dispute, the role of the legislature in deciding how to use the funds does not. As the Speaker of the House said, "The legislature did not participate in planning...either in general (budget-making matters) or in revenue sharing." (14)

Many officials justified their lack of knowledge, participation and interest by pointing out the tiny proportion of the total budget that GRS funds represent, no more than 3%. But nearly \$6.86 billion—more than 10 percent to the fifty state government and the District of Columbia through July 1, 1974—is no small sum. It's a lot of power to return to the people, or at any rate to the state and local officials. But state decision makers, for whatever reason, have displayed a relatively meager interest in enterprise about yielding their power.

ATTITUDES TOWARD GRS

An assessment of attitudes toward the GRS program is made difficult by the sequence of events that took place in and around the same time. General revenue sharing was to be "new" money, over and above other federal funds made available to state and local governments. Only a few state and local elected officials openly voiced their concern that this would not turn out to be so. One of the areas of concern was the former governor of Georgia, Jimmy Carter, who did not support the coalition effort of the governors

and mayors to lobby for the program's passage, because he said the federal government could not share what it did not have. (15) As the setbacks and impoundments of federal grants-in-aid began, disillusionment spread among those officials who had worked so hard for the program. The sense of betrayal and broken promises colored the attitude of citizens and officials alike, who were beginning to see that the federal government gave with one hand as it withdrew with the other. The matter was further complicated by the mistiming of the enactment of special revenue sharing programs such as the Comprehensive Employment and Training Act and the Housing and Community Development Act which eventually did make block grants available, and by the release of certain impounded funds. Fiscal experts interviewed in early 1974 said there was a lot of misunderstanding about what federal revenues they did and did not have. Legislators also complained that the budget process had been enormously confused by this chain of events. Tennessee's Speaker of the House, Ned McWherter, expressed much of this frustration in saying, "The state has had to pick up federal programs when funds were cut off; federal guidelines come out after the budget is made; money for existing programs is withheld after the budget is made; new programs come out after the budget is made; chaos is the result." (16)

Another major factor affecting the attitude toward general revenue sharing is the great concern over the federal deficit. Most states must pass balanced budgets, and state leaders and decision makers are generally appalled at the growing federal deficit. Some are merely insecure about the continuation of general revenue sharing during a time of federal fiscal crisis; others feel that it is downright irresponsible to continue doling out federal funds that don't exist and refer to revenue sharing as "debt sharing." A sampling of views on this point: --Speaker McWherter spoke for more than himself when he said, "The term 'federal revenue sharing' concerns me because there is a large debt at the national level...The sooner the federal government balances the budget the better off will be the poor people because inflation is the result of deficit spending." (17)

--Senator Milton Hamilton, chairman of the Finance Ways and Means Committee in Tennessee, said the state's GRS money was spent primarily on capital projects because, "looking down the road five years, federal funds are not reliable; the national deficit makes us think GRS will expire." (18)

--Robert Brown, executive vice president of the California Taxpayers Association, speaking to the local Cal Tax Annual Dinner, said the 1972 passage of general revenue sharing and S.B. 90 marked the demise of local government fiscal responsibility. He went on to say, "Revenue sharing today is really debt sharing. The (federal) government doesn't have \$5.5 billion to share, and we at Cal Tax don't welcome revenue sharing as a solution to local problems at all." (19)

--(Lieutenant Governor Hobby of Texas called general revenue sharing "bad government," according to Dallas Morning News Chief Richard Morehead. (20)

--Iowa Representative Joan Lipsky said, "Revenue sharing is a substitute for really addressing yourself to the problems." (21)

Though some attitudinal responses revealed complaints about the mechanics of the categorical grants-in-aid programs, these were not tied to endorsement of revenue sharing as the alternative. Major criticisms of the former were of two types: too many regulations and guidelines from too many different agencies and the adverse

effect of the availability of federal categorical grants on state and local needs assessment. Elected and appointed officials repeatedly admitted that their government had applied for grants based on availability of the funds instead of their need for the programs. They felt public pressure to bring in as many federal dollars as possible and then tailor priorities to fit the programs.

Robert Hampton, consultant to the Senate Committee on Finance in California, said, "We don't turn down any money." (22) The waste and inefficiency created is only one of the problems; it also distorts priorities and citizen expectations. For some, the drying up of the well was a welcome way out of the sham.

Elected and appointed officials and community leaders asked, "Do you feel that the revenue sharing approach is or will be a satisfactory substitute for federal categorical grants-in-aid programs?" Of those responding, 44% indicated a preference for the concept of revenue sharing as opposed to categorical grants. Forty-three percent said it was not a satisfactory substitute, and 24% were not specific in their preference. Of all those interviewed, governors and chief fiscal officers gave revenue sharing the strongest endorsement—63% and 67% respectively. Twenty-six percent of the public interest and citizen action leaders and 65% of the business and labor leaders preferred general revenue sharing. Only 34% of the legislators preferred the revenue sharing approach, while 47% responded negatively and another 19% qualified their responses without indicating a preference. Of the three percent of the respondents who preferred the revenue sharing approach, (23)

Those interviewed were given an opportunity to suggest changes in general revenue sharing that would make it a better program in their eyes. Only 30% of those interviewed chose to make a specific recommendation. However, the common notion that the program is too unstructured and loose does come through. Many respondents suggested guidelines, as well as a planning requirement and better monitoring and accountability for chosen expenditures. These types of suggestions did not come exclusively from the community leaders, but from legislators and department heads: 33% and 40% made comments of this type. Sixteen percent of the total respondents said they preferred that the federal tax levels be reduced so that less money would go to Washington to begin with, thereby obviating altogether the need for a program like revenue sharing. Thirteen percent wanted to see the program continue, 7% wanted an assurance of the program's continuation, 5% felt it should have fewer strings and restrictions, and 4% said state governments should determine the distribution formula for the local jurisdictions within their own state. Five percent wanted the program to be abolished. The remaining responses were scattered. (24)

It seems clear that decision makers, as well as the potential beneficiaries of state programs and federal share dollars, are far from a consensus in their attitudes about revenue sharing. Many elected and appointed officials and community leaders expressed relief that state and local governments were finally being given money and the discretion to use it according to their own needs, as determined by their own voters. Others, just as many were less than eager to see the federal government make a sudden shift from what has been called too many guidelines to almost none at all.

ACCOUNTABILITY TO CITIZENS

General revenue sharing is an attempt to give fiscal relief and broad discretion to state and local governments without all the trappings of the federal bureaucracy's guidance, evaluation, review and judgment, all

of which are components of a full accountability system. The GRS accountability mechanism, aside from certain minimal legal requirements and often less than minimal compliance checks at the federal level, was lodged with the state and local citizenry. It was anticipated that officials would be accountable to their constituents and would no longer be able to pass the buck to Washington. "This increased accountability would result because constituents could more reasonably demand better and expanded government services." (25) Former Secretary of Treasury John Connally said, "The revenue sharing dollar and those who spend it will be scrutinized very carefully." (26) And President Nixon said revenue sharing "would make government more responsive to taxpayer pressures." (27)

These hopes were based on the premise that the nearer to home a government is, the greater chance citizens have to make an impact on its decisions.

THE PLANNED AND ACTUAL USE REPORTS

The GRS law and regulations do not provide any special or additional vehicle for citizen participation beyond the required publication of Planned and Actual Use Reports. Planned Use Reports must be published in a newspaper of general circulation before the beginning of each entitlement period, indicating how the government purposes to use its money. The Actual Use Reports are published at the end of the entitlement period and show the amounts and purposes for which the money was spent. These two reports may indicate totally different expenditure categories. Unlike local governments, which are limited to seven broad categories of expenditure, state governments are not bound by any limitations on what they may do with GRS money.

The imperfections and inadequacies of these reports have been noted by nearly every review of the GRS program, including that of the General Accounting Office. The expenditure categories are far too vague to tell a citizen anything useful. For one thing, they indicate nothing about the beneficiaries of any particular expenditure. And, as noted earlier, at the state level general revenue sharing expenditures usually do not add real dollar amounts to those categories, but instead merely free up other general revenues. According to Section 121 of the law, a certain portion of Planned and Actual Use Reports sent to the U. S. Treasury Department's Office of Revenue Sharing must be given to the public. Even if the report had something meaningful to communicate, they would have actually reached very few people. Sins of omission were numerous and ingenious.

Some of the reports were reduced in size and placed in obscure sections of the paper, so that they were nearly invisible to most citizens.

In Michigan, even this meager requirement has not been met. The state government issued a press release on the planned uses for the funds instead of meeting the publication requirements prescribed in the law. A press release, regardless of how informative, is not an acceptable substitute.

In defense of this practice state officials said they got more coverage through a press release than they would have by buying advertisements for \$500 apiece. They added that in order to get statewide coverage the state would need to buy space in several papers, since no one paper covers the whole state. One state League member also felt the press release was more effective than publication of the PUR's and AUR's and that the law should be changed to provide better communication to the public.

Each Planned and Actual Use Report sent to the Office of

Revenue Sharing has a section called Assurances. It says, "The news media have been advised that a complete copy of this report has been published in a local newspaper of general circulation." There is a line to be filled out with "Name of Newspaper," and another for "Date of Publication." Below is a line for the governor's signature. Michigan's Actual Use Report for January 1, 1973 to June 30, 1974 and the Planned Use Report for July 1, 1973 to June 30, 1974 says "General News Release" under this assurance. The PUR for January 1, 1973 to June 30, 1973 says "Released through normal press channels." This bending of the legal reporting requirements was not questioned by the federal Office of Revenue Sharing.

The requirement that the Planned and Actual Use Reports be published in a newspaper of general circulation was taken quite literally in Tennessee. The first Actual Use Report (for the entitlement period ending June 30, 1973), appears in one metropolitan newspaper, in Knoxville, and thus met the requirement. Perhaps the hope was that the wire services would pick it up as a news item. This did not happen.

Monitors found that most officials were in the dark about whether or not the reports had been published in the newspapers. Only 30% of the respondents gave a definite "yes." Sixty-five percent of the respondents didn't know or believed that such reports had been published. Even the media people were fairly ignorant of the requirement and compliance with it: only 26% could say with any assurance that the reports had been published; 58% said "no, not to their knowledge." Thirty-seven percent of the community leaders thought the reports had been published. The only respondents that said "yes" with any consistency were the chief fiscal officers, 90% of whom said yes—probably because they were the officials who saw to their publishing. (28)

CITIZEN PARTICIPATION IN THE BUDGET PROCESS

As stated earlier, Section 123 (a)(4) of the GRS law requires governments receiving GRS money to use it under the same rules and procedures that regulate the expenditure of their own money. The state governments surveyed took this requirement literally; at any rate, nothing special was done to separate GRS money from any other revenues in terms of its treatment in the decision-making process.

Project monitors asked the individuals they interviewed if there had been any citizen participation in GRS decision-making process. Fifty-five percent responded with an unqualified "no." Twenty percent stated that there had been citizen participation, but only in the sense that GRS funds were part of the overall budget making process, which does allow for citizen participation in some fashion. Another 17% of the respondents said they didn't know if there had been any citizen participation or not. The remaining 8% of the responses were scattered among those indicating lobbying, a citizens' advisory council (29), unspecified types of participation, nonapplicable responses, and two legislators who said special hearings on general revenue sharing were held. (30) This last is based on misinformation. (31) To see whether or not there really was any citizen participation in determining a state's use of general revenue sharing money necessitates an examination of the role of and opportunities for citizen input in the regular budget process.

The most intense work on the state budgets takes place during the preparatory executive phase, before the document is sent to the legislature for consideration. Even in Texas, where the Legislative Budget Board and the governor's budget office share the responsibility for framing the budget proposal, the major work is done at this time. Yet only four of the six surveyed states allow for formal

citizen input during the executive phase. Both Texas and Iowa have open meeting laws that allow citizens not only to attend and listen at the hearings held by the executive branch (during which the departments and agencies defend and explain their budget requests) but also to testify as well. Texas' 1973 open meeting law is reinforced by Article 689A-4 of the Constitution on Hearings by the Governor in preparation of the budget: "...any taxpayer shall have the right to be present at any and all public hearings and to participate in the discussion of any item proposed to be included in the budget under consideration." (emphasis added) In Tennessee citizens can also speak, if an advance request is made of the relevant department head or the Commissioner of Finance and Administration. However, the required prior arrangement is seen by many as a brake on participation. When the executive director of the Iowa Association of Counties was asked when public hearings are held, his answer was, "Never. Members of the public at large never can just give comments at a hearing. Public hearings are never held in Iowa. In Iowa one must give notice ahead of the hearing if one wants to be recognized during the hearing." (32) Citizens rarely take advantage of these circumscribed opportunities in any of these three states.

As of August 1974, citizens in Massachusetts had no opportunities to participate in the executive phase of budget preparation. Each of the ten executive branch secretaries must hold a public hearing on agency requests before the budget recommendations are sent to the governor.

California and Michigan do not offer the public an opportunity to attend budget meetings (which, significantly, are not referred to as public hearings) that take place during the executive phase of budget making. Informal lobbying can and of course does take place, but is a private matter that is closed to public scrutiny.

The legislative phase of budget making, while it has, ironically, less impact on the final budget document than the executive phase, is open to the public in all six states, but with frequent inhibiting provisos. Texas, Iowa and Tennessee have open meetings and formal open hearings on the budget. The Texas Constitution specifies in Article 689A-7 that "likewise, any taxpayer in the state shall have the right to be present and to be heard at the hearing on the proposed appropriation." (emphasis added) In Iowa, citizens can speak only if invited to give testimony, and as one legislator said, "We only invite persons to speak when there is a controversial issue under debate." (33) Who determined whether controversy exists was not specified. Legislative committees in Tennessee can close their meetings with a two-thirds membership vote to do so, but this policy is used less and less and is in the process of being limited by law to only "certain circumstances."

The various subcommittees of the California House and Senate Finance and Ways and Means Committee have daily open hearings from February to June so that citizens can be well informed and even have some impact, limited though it may be. And beginning with the 1974-75 budget deliberations, the Joint Conference Committee has been open to the public.

Massachusetts is moving in a similar direction. The law requires that formal hearings be open to the public, and as of August 1974, the legislature must hold hearings. Until recently, executive sessions were generally closed. Now executive committee sessions are open, as are the critical markup sessions unless the committee is recording a vote. The Joint Conference Committee, which resolves House and Senate differences in the budget bills, is now open as well. Though the law mandates that this joint committee exists merely to resolve differences, until it went public it dealt with any aspect of the budget a mem-

ber wanted to address, despite prior full House-Senate consensus. This activity effectively usurped the power and binding authority of the House and Senate decisions. Now major budget decision-making power within the legislature has been shifted back to the Ways and Means Committee where by law it belongs.

The Michigan legislature gives citizens little more access to the budget process than does the executive branch. No public hearings are required, though the Appropriations Committees of the House and Senate may have them. A citizen can attend a regular committee meeting as a guest of a member by prior arrangement, but is not supposed to speak. The 1963 state constitution merely says, "All actions on bills and resolutions in each committee, names and votes shall be recorded. Such votes shall be available for public inspection. Notice of all committee hearings and a clear statement of all subjects to be considered at each hearing shall be published in the journal in advance of the hearing...The doors of each house shall be open." While the constitution is silent on the issue of open committee meetings, tradition and policy have allowed citizens to attend hearings on pending legislation and to speak if they want to. Markup sessions are not officially public, but citizens can and do attend them on occasion.

Some states have numerous boards and commissions attached to executive departments and agencies. These boards are in themselves a limited form of citizen participation, and sometimes they operate in ways that offer citizens a degree of access to departmental budget decision making and priority setting. But they are not an adequate substitute for an open budget process or for direct citizen participation. The deputy director of the Department of Community Affairs in Texas criticized boards and commissions as often being made up of well-known names rather than individuals who truly represent the people whose needs are to be addressed by the body represented. He was appointed to nine different state boards while serving as president of the Texas Association of Community Action Agencies. He finally said, "I don't represent the poor...you get out there and get those people on this board." (34) He said the current governor is doing a better job of making more representative appointments.

If citizen boards and commissions are to be an effective avenue for citizen input, there need to be regulations, laws and policy statements that define the representative selection process, purposes, duties and functions of these bodies.

In addition to formal avenues for public input such as public hearings, open meetings, citizen boards and commissions, there is an informal lobbying substructure that includes the highly sophisticated and professionalized type efforts as well as less organized pressure through phone calls, letters and discussions with elected representatives or with other decision makers that individuals and groups think can affect the issue. Then, of course, there is the participation available to every voter on election day.

Even after adding up these "opportunities" for citizen participation in the budget process, neither citizens nor officials think that much if any citizen participation actually takes place. The reasons are many--and the problems circular. The state budget and budget process are hard to understand, and information about them is hard to come by. Since most state officials aren't anxious to have heads looking over their shoulders, few of them work very hard to make their budgets either understandable or accessible. And few citizens have the time or the knowledge to do so. Citizen participation at the state level is further complicated by geographic distances and the centralization of government. The state capital may be

closer than Washington, D.C.--a favorite point of GRS backers--but it's not next door.

Some typical attitudes toward citizen participation expressed by public officials in interviews:

--"My feeling is that people are apathetic about the whole expenditure program. Their real concern is about taxes...The average citizen does not want to get involved." (35)

--"The budget and the budget process are complicated and very difficult to understand. The average citizen would neither have the time nor the desire to delve very deeply into it." (36)

--"Can't expect it (citizen participation) to work at the state level because citizens are too far removed from Austin (the capital)." (37)

Public hearings, which should be the single best arena for citizen participation, are virtually programmed to fail. In most cases, citizens may only listen; if they are allowed to speak or testify, it is often only by prior request. Public opinion is clearly not solicited by these methods. Furthermore, no budget hearings at any level are designed specifically to obtain citizen input. Yet some citizens are obviously interested and determined to avail themselves of the opportunity to be informed and to address budget issues. A sampling of the roadblocks noted by officials interviewed in the study:

--"All of our hearings are public. There is no advertising or public notices given, but the media always have access to the business at hand via the Senate calendar. They just generally choose not to print it." (38)

--A consultant to the California legislature said that public hearings are given one day's notice in the Daily Journal of the legislature. (39) This publicity is obviously not designed to attract public attention or attendance, especially in a state with the geographical size of California.

--When Tennessee's Deputy Commissioner of Education was asked about opportunities for citizen participation he responded, "At every stage, opportunities are available for input," adding that "...hearings are not advertised or publicized." (40) Tennessee State Senator Douglas Henry, Jr., said, "There is no system of public notices." (41)

--One legislator said explicitly that "public hearings are not well attended because the public is not well informed about them." This same individual indicated the need for such input "to get a cross section of the needs on which to make decisions." (42)

--One Michigan legislator assumed, "While nothing is published about these hearings, most interested people are aware of the meetings and attend." (43) Another Michigan legislator confessed that those who appear are listened to, but added that there was little or no public input, nor was it encouraged by public officials. (44)

--An Iowa legislator said, "the laypeople are not listened to, so the concept of public hearings is misleading." (45)

Tennessee officials stated over and over that hearings were not publicized and that the time and place of such an event was a near secret. Public participation, surely diminished by this factor, is even further hampered by the difficulty of getting copies of the budget, though by law it is public information. The Assistant Commissioner of Mental Health, Frank Dearnear, said, "Published copies of the budget exist and are in limited supply. There should be greater access to this material." (46)

Availability of information is critical to citizen participation. Recognizing this fact, regulations governing Section 121 of the GRS law state in part: "Each recipient government shall make available for public inspection a copy of each of the reports required under §§11(a) and (b) (Planned and Actual Use Reports) and information as necessary to support the information and data submitted on each of those reports. Such detailed information shall be available for public inspection at a specific location during normal business hours." §§11(c)

When a Tennessee monitor asked the Commissioner of Revenue if detailed supporting material for the Planned and Actual Use Reports was available he said, "yes." However, when she asked to look at the material he said, "No, as they are only working papers." (47) This exchange took place on April 15, 1974; yet regulations guaranteeing citizens the right to see this information were issued on April 10, 1973. By April 15, 1974, information, according to the law, should have been available.

Back in February 1974 the same monitor had been told by Richard Henderlight, Tennessee's federal programs manager, that "the government has no responsibility to initiate citizen participation. The information is available." (48) The monitor explained that even legislators and other executive officials she had talked to had never seen any of the state's Planned or Actual Use Reports. She requested to the office of the Secretary of State where they were supposed to be on file, no one knew what she was talking about. The monitor reported Mr. Henderlight's surprise and interest in this matter. However, two months later on April 15, the situation persisted. It seems clear that the availability of general revenue sharing as well as other budget-related information to citizens is a problem.

GRS regulations offer another provision designed to insure the availability of information to the public. §§13(b)(8) requires that recipient governments "shall advise the news media, including minority and bilingual news media within its (the recipient jurisdiction) geographic area of the publication of its reports (RUR and AUR) made pursuant to paragraph (a) of this section, and shall provide copies of such reports to the media on request." Monitors in all six survey states contacted minority media throughout their states and in five states found evidence of any advancement in this regard. This is a serious problem in all states, but especially in states with large minority populations like California and Texas. In Massachusetts the Department of Administration and Finance did notify the minority media. However, according to the monitoring coordinator, the minority media chose to ignore the notices.

Minority media are overlooked in more ways than one. The experience of the General Manager and Director for Community Affairs of KQOR, a Spanish radio station in Texas, is representative:

"We were never advised...There are about seventy-five stations in Texas that broadcast in Spanish. If people would have made a trip to Austin if they had known (about hearings)...Most of our listeners are ignorant of the state. If we had information we could do a much better job of explaining what is happening to our tax dollars...we ask for releases that are available. Senator Bernal would be wiser to have a weekly report of what was happening in state government. After he was defeated none of the present state senators speak Spanish and want to come over here and explain this...we don't get any state financial information in Spanish...Maybe we aren't on their mailing list because we are an ethnic station." (49)

While it is true that in Texas there were no hearings on

general revenue sharing of which to be advised, these respondents expressed a general state of alienation of Spanish-speaking minorities from the state government processes.

Minorities and the minority media may have severe problems getting information on general revenue sharing, but the media in general seemed to be lax about giving information about state money matters, not accountability to citizens. It is to be a working reality for general revenue sharing, citizens must have access to information, and the media are their chief source. The media representatives interviewed were strangely uninformed about how their state had spent its GRS dollars. Only one in three (33%) indicated any such knowledge. A common defense for this ignorance was that they report on items that interest the public. On the other hand, it is hard for citizens to express their interest in general revenue sharing or the general budget process if information is scarce and channels for real participation so few.

Chef Brooks, a Texas state senator, said: "There was little citizen participation (in general revenue sharing) for just about the same reason there was little legislator input—the people were just generally uninformed about how revenue sharing would work, how it could be utilized, and what programs it could be utilized for." (50)

A partial solution to the information gap was suggested by Rayson Ray, the managing editor for the Iowa Bystander: "Fiscal and other state matters should be distributed to all media, not just major newspapers. It is important to get information to the people. The public should have input into fiscal decisions." (51)

State legislators and heads of state departments and agencies said over and over that the budget process is too complicated and not interesting enough to attract much citizen participation. Yet 77% of the legislators and 47% of the department and agency heads felt there should be some means of encouraging more citizen participation in the budget process. (52) Still, much distrust and chagrin was expressed by many of these same government leaders at one of the possible alternatives for citizens wishing to air their views and concerns—lobbying. Tennessee State Finance Commissioner Ted Wilch expressed a not uncommon attitude when he said, "Certainly the first step the working man needs to take is to be sure that his legislator will not be the kind of person who would respond to the lures of the lobbyist." (53) Some legislators do not even consider lobbying a legitimate form of citizen participation. William Hargrave, an Iowa state representative, said, "Public hearings are held... but I don't put much faith in them; only special interests come so they really are not public hearings. At the hearings 'experts' present their views." (54) Representative Hargrave feels that "people are apathetic, and they won't be involved until it [expenditure decisions] hurts them." (55) Yet at the point when budgetary decisions hurt certain people, presumably their expressions become "special interests." When asked about the desirability of expanding opportunities for citizen participation in the budget process, B. B. Frier, director of the Texas Urban Affairs Department said, "I think the opportunity is there. My concern is that additional citizen input would probably come from special interests' lobbyists. This wouldn't be good. Forums that were informative and substantive would be good. But this would have to be carefully weighed to assure that it wasn't special interest making the noise." (56) The other side of the argument was expressed by the executive director of the Michigan Civil Rights Commission: "The general public does not have the effective know-how to make themselves heard by representatives (in the legislature). Hopefully grassroots organizations, black clubs, etc. would have more pull than individual letters. Since

organizations seem to carry more weight with the legislature, educating the public to organize is a good starting point." (57) Clearly, there is a real dichotomy in the way state government decision makers view lobbying: Lobbying by individuals is good—but a nuisance; lobbying by groups is bad.

One view is that citizen input should be limited to the ballot box: "We want input from the grassroots... I think that people in general can do two things: they can inform themselves better on the issues... and find out how their elected representatives voted on the issues; then exercise the ballot to put into office legislators who will reflect their desires." (58) The other view notes that, "Yes, greater citizen participation will increase the respect citizens have for the integrity of their government." (59) Forcing citizens to rely on the ballot box as an indicator of public support for GRS expenditure choices places a disproportionate burden on the vote. Presumably citizens vote for candidates for public office on the basis of several indicators of performance. This method of accountability for general revenue sharing further assumes that citizens can pinpoint what happened to the money and who decided its fate. Both assumptions have been proven false by project monitors.

In short, citizen participation in the state budget process is minimal, and it is unlikely to increase unless some of these Catch-22 problems are solved:

- Opportunities for in-person citizen participation are few and are often limited to observation.
- Time and place of hearings and meetings are given inadequate, if any, public notice.
- Geographic distance makes it hard for individual citizens to pursue the budget process from beginning to end.
- Lobbying is viewed with suspicion and mistrust from decision makers.
- Budget information is not readily available.
- Only selected media are well informed about budget matters; moreover, reporting is limited to the media's perception of citizen interests.
- Budgets and the budget process are complex; not every governor and legislator understand them, let alone the citizens.
- Decision makers have mixed attitudes about the desirability and value of citizen participation in the budget process.

At the state level, general revenue sharing has been subjected to all the problems, deficiencies, confusion, complexities and dilemmas of the overall state budget process. Citizens have been neither better informed nor more involved in decisions relating to general revenue sharing than they have been about the general budget, perhaps less so, since GRS funds have been buried so deeply within the budget that they have become invisible to many of the decision makers themselves. A few government officials explained that they believed in citizen participation and an open government process but that separating general revenue sharing funds from other budget revenues would encourage every individual and group with a special interest to come in and ask for a part of the money. Apparently these decision makers did not want to be faced with making hard choices and setting priorities publicly or to be pressed into justifying their decisions on the use of these funds.

Citizen accountability for the general revenue sharing problem is in serious trouble at the state level. The program has had no effect on opening up the state budget process or encouraging greater citizen participation. It was never envisioned that that was the purpose of revenue sharing. It hasn't happened in California. It

was never presented to California that the public should be involved. (60) California, it felt to be said, is not unique in this regard.

GENERAL REVENUE SHARING AND CIVIL RIGHTS

The massive federal grants-in-aid programs of the 1960s were tied to a federal commitment to ensure basic civil rights to all segments of the population. No federal money can be used on the basis of race, color or national origin. General revenue sharing, though it signaled the dismantling of so many of these programs, shares this feature with them. Indeed, it goes a step further by prohibiting discrimination on the basis of sex as well. These prohibitions are contained in the law.

The regulations (51.41) give the Secretary of the Treasury the responsibility and legal authority for "such auditing and evaluation as may be necessary to ensure that expenditures of entitlement funds by recipient governments comply with the requirements of the Act." The Office of Revenue Sharing was created within the Treasury Department to carry out this mandate. This mandate includes all aspects of the GRS law and regulations, including the enforcement of the antidiscrimination provisions. GRS has the power to initiate its own routine compliance check and is not confined to responding to complaints from individuals. These are some of the more common discrimination complaints and areas of noncompliance by state and local governments:

- government employment policies and practices that discriminate against women and minorities;
- construction of facilities to which women and minorities are denied access due to admissions policies or location;
- inequitable services between a community or area of one ethnic or racial identity and another.

Under the system of categorical grants-in-aid, grant recipients were required to submit documents, develop plans and maintain records that backed their assurances to the federal funding agencies that they were in compliance with the nondiscrimination features of the grant and with Title VI of the Civil Rights Act of 1964. (1) Recipients of the grants have often referred to these regulations as "strings" and as "excesses." While it is hard to dispute that the categorical grant system did lead to some confusion and considerable paper work because of the differing details and compliance standards of each grant, many have feared that a shift from this system of federal aid to the no-strings "new federalism" approach would mean a regressive step in terms of civil rights enforcement.

Monitoring civil rights enforcement has been a critical component of this GRS monitoring project. Every aspect of enforcement has been carefully examined to establish whether the fear of regression is valid. (2)

State monitors concluded that civil rights had not been given any special attention or consideration by government officials, the media or the general public in the allocation of the state share of GRS funds. Nor could they find any evidence that state government officials had given any individual or office responsibility for civil rights compliance with GRS requirements. However, this finding does not permit the simple conclusion that state government officials are unconcerned about civil rights. It may be true of more states than Tennessee that "the civil rights aspects of the use of these funds is considered part of the state's overall attitude toward civil rights." (3) In any case, it is not the case that state officials, free from supplying documentation of compliance, have assumed that the state

government itself is free of discriminatory practices and therefore have taken civil rights compliance for granted.

Other states may, however, also be like Tennessee in acknowledging that "the most pervasive discrimination today results from normal, often unintentional and seemingly neutral practices throughout the employment process," as the Tennessee Commissioner of Personnel put it. "Employment systems perpetuate discriminatory effects of past discrimination, even when original discriminatory acts have ceased, and continue to discriminate daily, creating very unequal opportunities for many minorities and women." (4)

The same pattern can be observed in service delivery, the other most common area of discrimination in government. Unless special attention is paid to the multitude of ways in which discrimination can occur, by inaction as well as action, covertly as well as overtly, discrimination will surely persist.

Presumably citizens should do their part to keep the GRS program accountable in civil rights compliance as in other areas. But in order to do so, they have to know who is responsible for compliance and what civil rights provisions do indeed exist. Mighty few citizens know. When asked "which office or individual is responsible for civil rights and compliance matters associated with state revenue sharing," 40% of the community, labor and business leaders said the state civil rights or human relations commission. (5) Another 30% said they "didn't know," with the rest of responses scattered among a variety of departments and agencies. (6) Perhaps the most correct answer would have been "no one," since monitors learned from talking to the heads of these state agencies that not one of them knew what had happened to GRS money in their state. When asked directly whether the state government even planned to establish procedures for ensuring compliance with GRS regulations only one of them made a positive response. Again, the evidence suggests a lack of attention to civil rights and other compliance issues rather than any direct intent to discriminate.

TROUBLES FOR TEXAS AND MICHIGAN

The lack of adequate attention to civil rights provisions of the GRS law and regulations has brought serious problems to at least two of the six states surveyed in this study.

Texas

On February 1, 1975 the Texas League of Women Voters wrote a complaint alleging noncompliance with civil rights provisions of the general revenue sharing law to the U. S. Attorney General. A letter was also sent to Graham Hart, director of the Office of Revenue Sharing, to notify him of the probable violation and to request that he use his authority to disallow the continued misuse of GRS funds by the state of Texas. Both letters were accompanied by extensive and full evidence to support the allegation of noncompliance.

Texas monitors had obtained data from the recently created governor's Office of Equal Employment Opportunity (EEO) which showed that women, blacks and ethnic minorities are underrepresented in Texas state employment and occupy a disproportionate share of the low-skilled, low-paying jobs. The data, collected and analyzed by the EEO, in part to meet requirements of the federal Equal Employment Opportunity Act of 1972, included employees from all agencies.

Blacks, both male and female, held only 7.7% of the 70,976 jobs included in the governor's EEO study, while they make

up 12.7% of the total state population according to the 1970 census. Spanish-surnamed individuals, comprising 18.5% of the population, held only 11.1% of the jobs. As salary levels increased, minority percentages decreased. In the \$16,000 to \$24,999 range, 96.4% of the jobs were held by white non-Spanish-surnamed persons; 1.5% were held by Spanish-surnamed persons and 0.5% by blacks. Women constituted 41.3% of the state's employees, but held very few of the high paying jobs. The majority (57.4%) earned less than \$6,000; only 10.6% of the jobs at or above the \$16,000 level were held by women. (7)

The record within the specific recipient agencies that got state GRS funds is no better and in some instances is much worse. Employment data for the forty-two agencies, commissions and courts receiving GRS funds shows that black employees in 1973 earned an average of \$5,585, a wage level far below the average of \$7,797 for white non-Spanish-surnamed persons. In these agencies, 79.9% of the black employees, 68.2% of the Spanish-surnamed, and 29.8% of the women earned \$6,000 or less. Of those earning \$16,000 or more, only 5.1% were Spanish-surnamed, 0.8% were black and 12% were female. (8)

The Department of Justice began a full investigation of Texas state employment practices in October 1974, after getting numerous complaints of discriminatory practices from individuals in Texas and from federal level agencies as well. It is anticipated that the Department of Justice will file suit against the state of Texas for violation of the Equal Employment Opportunity Act of 1972 in late summer of 1975. (9)

On April 17, 1975 ORS sent a letter of inquiry to the governor explaining the nature of the charge and requesting an explanation within thirty days. The governor requested and was granted a ninety day extension. Meanwhile, the state of Texas continues to enjoy the unwhitened flow of GRS funds. Documentary evidence of employment discrimination has been on file with the Federal Equal Employment Opportunity Commission since 1973 and is therefore available to the Office of Revenue Sharing. Furthermore, the evidence accompanied the February 4, 1975 letter from the Texas League of Women Voters to Graham Matt.

The Office of Revenue Sharing has had more than ample cause to initiate its own investigation into the probable cause of general revenue sharing funds and to play its mandated role of either obtaining compliance or terminating GRS funds to the state. An ORS official stated on August 5, 1975 that the use of administrative proceedings against the state of Texas has not been ruled out as a means of obtaining compliance, but for the present ORS is working with the Department of Justice and is hopeful that the matter will be resolved without a suit. So far state officials have not responded to the Texas League about its complaint. The pace of action by the Office of Revenue Sharing and the lack of any reaction at the state level call into question whether accountability has any real meaning in the GRS program. Redress for the employment discrimination of the magnitude discussed here, if left to a private court suit, could involve several years of costs running into tens of thousands of dollars. The citizens of Texas should not be forced to choose between accepting the state's continued employment discrimination or spending very large sums of time and money to pursue the matter in court.

Events to date have made a mockery of the "people" and citizen accountability in Texas. It can only be hoped that Justice Department action or a late awakening to responsibility on the part of the Texas government alters this current abuse of the law and the people.

Michigan

In Michigan, the Office of Revenue Sharing has played a markedly more active role. The Michigan controversy stems from the 1972 termination of federal financial assistance to the Ferndale School District for its refusal to desegregate the Grant Elementary School, as required by Title VI of the Civil Rights Act of 1964. This action, the first of its kind in a northern school district, took place only after the Department of Health, Education and Welfare used every resource to get voluntary compliance with the law. The full procedure, which took over four years from the initiation of the action in 1968 to final termination in 1972, was upheld by the Sixth Circuit Court of Appeals in 1973. By refusing to hear the case the U. S. Supreme Court endorsed the circuit court opinion.

ORS says that Michigan used its GRS funds for the state retirement system for public school teachers which is of direct value to the Ferndale School District; hence the action violated the antidiscrimination provisions of the GRS law. On November 14, 1974, the State of Michigan was advised by the Office of Revenue Sharing of the probable violation and requested a remedy or adequate defense of this expenditure within thirty days. None was presented. Governor Milliken's letter to ORS dated January 30, 1975, argued that the funds do not directly benefit the Ferndale School District, and no violation of the law has occurred.

The Office of Revenue Sharing has chosen not to pursue the matter under its own auspices, an action which could, and according to many civil rights advocates does, require the deferral of future revenue sharing payments to Michigan. Instead, it has asked the Department of Justice to take corrective action. (10) The Department of Justice notified the Ferndale School District in a November 14, 1974 letter that it was not in compliance with Title VI and has since requested a written plan of action that will desegregate the Grant School. No constitutionally acceptable plan has been forthcoming. Consequently the Justice Department filed suit on May 24, 1975, against the district and included the State of Michigan as a defendant in the suit at the request of ORS.

Meanwhile the Grant School in Ferndale continues as an all-black facility and ORS money continues to flow into the state coffers.

Resolution of the Ferndale issue may not be the end of problems for the state. Michigan's GRS funds could be jeopardized by yet other complaints against Michigan school districts in which discrimination on the basis of race, sex or national origin is an issue.

POTENTIAL FOR CIVIL RIGHTS ENFORCEMENT AT THE STATE LEVEL

The expressed philosophy of the Office of Revenue Sharing is that "governments will comply with a law which they favor if they clearly know the nature of their responsibilities." (11) Given such a defensive set of assumptions, which seem to say that favoring a law is a necessary prerequisite to obeying it, it should be no surprise that the record of the ORS on civil rights enforcement is wretched. Lacking a strong federal commitment to enforce federal law, what can be said about the states? Do they have, or are they capable of developing, the needed understanding of the law and the needed determination to live up to it?

State monitors asked the heads of state civil rights commissions and other similar bodies if the state government had established procedures for ensuring compliance with GRS regulations, especially civil rights requirements. (12) Representatives from three states gave an

unqualified "no." The director of the Iowa Civil Rights Commission said, "Yes," but later discussed revenue sharing in this answer to refer to civil rights matters in general and not to GRS regulations specifically.

The chairman of the Massachusetts Commission Against Discrimination said, "We're beginning to think about that." (13) The executive director of the Texas governor's Office of Equal Employment Opportunity said, "I was just informed that the state could set up criteria for review and monitoring. We will require that affirmative action plans be filed for each agency getting \$25,000 or more, regardless of the number of employees...This plan will be for any agency, not just those funded by revenue sharing." (14) It will be interesting to note any follow-through on this commitment, particularly in light of pending action from the Department of Justice.

The staff and budget constraints, level of commitment and enforcement powers of each state's primary civil rights agency differs. The governor's Office of Equal Employment Opportunity in Texas, seemingly so eager to take a forward step, is strapped by a yearly budget of \$25,000, a staff of eighteen and a lack of authority. It cannot issue cease-and-desist orders, initiate court action or impose fines for violations. This office has only two choices: to ask the attorney general to file suit against agencies that will not file affirmative action plans or to request the governor to cut off agency funds. Neither is a likely recourse. On July 19, 1974, Attorney General John Hill issued an opinion that a rider to the appropriations act for fiscal 1974-75 attempting to require comprehensive affirmative action plans was unconstitutional. Even a layman's reading of the constitutional provision in question (Article 3, Section 35) and of subsequent court rulings would agree with the attorney general's opinion, one can only wonder why the legislature sought this means to institute legislation of such grave importance when more direct and legal action could have been taken. The answer appears to be a lack of commitment by the majority in the legislature to provide this kind of protection against discrimination. The lack of alternative action by the governor or suggestion by the attorney general makes doubtful that any aggressive support might be given to that powerless body--the governor's Office of Equal Employment Opportunity.

Other states' civil rights agencies are also under-staffed, underfunded and underpowered. The Iowa Civil Rights Commission mainly uses conciliation to resolve complaints. It can issue cease-and-desist orders but rarely does. It does not have subpoena power. The commission has no subpoena power. Iowa is in the initial stages of developing a state affirmative action plan. Are there discrimination problems in Iowa? It is hard to say, since the commission treats this kind of information as confidential. Monitors were told that there had been discrimination complaints filed against the state, but none have come even to the hearing stage of resolution in the last three years. A review of summarized state employment data shows that Iowa has problems in employment practices that may warrant a charge of discrimination on the basis of sex and possibly on the basis of race as well. (15)

California's Fair Employment Practices Division is charged with eliminating discrimination in housing and employment. It is typically understaffed and underpowered. The division chief, Roger Taylor, claimed only a 30% success rate in resolving discrimination complaints. (16) Perhaps the lack of enforcement power and sufficient staff help to explain the remaining 70%. Each of the five affirmative action program staff and twenty-five consultants works simultaneously on over seventy-five investigations. For 1974, Mr. Taylor estimated that the active case load would reach 3,700. (17)

Both the Massachusetts Commission Against Discrimination and the Michigan Civil Rights Commission seem to have the power to deal with discrimination problems. They negotiate, hold hearings and can initiate court action, though final court orders must be enforced by the court. The Michigan commission also uses legislative resolutions to force compliance. The power is there but the staff is not. In Michigan only the compliance program is effective; there is little staff and consequently little activity in the Preventive Services Program, which is the one that has the most direct responsibility. The Massachusetts Commission has a staff of sixty but needs 300 according to its chairperson, Glendora Putnam. (18)

The Tennessee Human Development Commission investigates, conciliates and gives technical assistance with its limited staff of five, but has no enforcement power other than the endorsement of the governor. However, it does have a friend who seems to have both the commitment and the power to eliminate discrimination, the governor.

In January, 1972 Governor Winfield Dunn established an affirmative action program because "this administration recognizes that the citizenry of the state of Tennessee includes a substantial minority group which is not adequately represented in the large number of persons employed by the state." (19) The first complete state employment report was issued in 1971 by the Commission for Human Development and showed blacks composing 16.1% of the state population but only 11.8% of the state's employees. This was up from 11.0% in 1970. Further, in 1971 the average minority yearly salary was \$1,266 less than the average white yearly salary. The report goes on to document in detail the status of minorities in state government, concluding, "Some agencies have progressed notably, some have not moved, and some have regressed...Much progress needs to be made." (20)

Some progress is being made. Total minority employment in state government was up to 13.2% in December 1973. The Consolidated Affirmative Action Report also shows an effort to promote and hire minorities into the professional, supervisory and skilled job levels. Still, by December 1973 two agencies had no minority employees. More than two-thirds of the thirty-four agencies included in the consolidated report have minority employment that deviates by more than 5% from the 1970 minority population. (21) However, even more relevant are the twenty-four of the thirty-four reporting agencies which have less than 5% of the total minority percentage in state government. (22)

The employment problem is spotty and differs from agency to agency. Corrections, mental health and social services traditionally have preponderances of minorities, usually in low paying unskilled jobs. In 1973 over 50% of the minorities in Tennessee government were in these three agencies. However, without the more detailed EEO4 forms, which also indicate salary ranges, no conclusion can be made about discrimination in salaries and job levels.

While even this meager amount of data shows the need for improvement and continuing effort to eliminate discrimination and its effects in state employment practices, without a good affirmative action plan and the endorsement of the governor the picture would no doubt be much worse.

Each year the affirmative action program has been revised and refined in response to continuing problem areas. Jane Hardaway, the Commissioner of Personnel, who is responsible for developing and implementing the state's affirmative action program, keeps hammering away at the

agencies to do better. She feels her success is due to the strong backing of the governor, (23) also described by others to be "a compassionate man" with a "record to show it." (24) Jane Hardaway hopes that the practices established by the affirmative action program can be "locked in" so that the next commissioner and next governor cannot throw it all out.

On February 7, 1974, Governor Dunn signed Executive Order No. 3, creating the Commission on the Status of Women. The affirmative action program, revised July 1, 1973, now includes discrimination against women. Data collected by League monitors did not provide breakdowns by sex, since the addition of sex to the affirmative action program was still in transition at the time of data collection. On paper, the plan looks good. It includes assignment of enforcement responsibilities, a recruitment and referral agency designation, hiring procedures, job qualifications review and policy procedures, evaluation mechanisms, reporting procedures, information dissemination through media use and advertising, a listing of minority referral agencies and a detailed complaint procedure. The real test will be the continued progress in achieving real equal employment opportunity and the correction of past discrimination.

Monitors in all six states found surprisingly little awareness of any civil rights provisions in the GRS law and regulations. This nearly total ignorance on the part of individuals charged with state civil rights compliance matters was even more dismaying. However, in several instances the individuals being interviewed were also dismayed at the ignorance. Cornelius Jones, the Executive Secretary of the Tennessee Human Development Commission, asked the interviewing monitor to attend the next meeting of the Human Development Commission to present her concerns about civil rights compliance requirements in the GRS regulations.

The Michigan Department of Civil Rights has gone even further. On September 30, 1974, Executive Director James H. Blair issued a memorandum that sets forth "Recommendations For Action to Insure Equal Opportunity in Federal Revenue Sharing." These recommendations include the issuance of a nondiscrimination policy statement, an executive order specifically addressing nondiscrimination provisions of general revenue sharing, implementation of a review and monitoring procedure, the delegation of enforcement authority to the Department of Civil Rights and, perhaps most importantly, the appropriation of a portion of the state's GRS funds to implement and carry out these programs. Clearly, the development of this program is in part a response to the LWV's monitoring efforts.

While the success of the League in Michigan must be commended, the amount of volunteer time at the state level and the professional time and money that went into the effort at the national project level must not be overlooked. Positive results are indeed satisfying, but the effort cannot be repeated in each of the 38,000 jurisdictions receiving GRS funds. The volunteer time and financial and professional resources involved in backing up such an effort would be enormous. Without these efforts and without some commitment on the part of federal agencies designated with the responsibility of enforcing the law as well, discriminatory practices on the part of state governments will remain with us for a long time to come.

CONCLUSION

Has the general revenue sharing program been a success? The answer to this question depends upon what measures or criteria are used to define success. One set of criteria consists of the arguments originally offered in support of the program's passage.

Has general revenue sharing restored states to their "proper role" in the federal system? The monitoring investigations found no evidence that the role of state government has been altered in any way by the influx of GRS funds. These funds have been digested into the budget without affecting either the decision-making process or the way in which state governments function.

It is true that general revenue sharing has shifted power away from Washington. But at the state level, this shift has not been accompanied by its proscribed counterbalance - bringing government closer to the people. There has been neither citizen involvement nor even much legislative input regarding GRS allocation decisions. These funds quietly sneaked into the state coffers and for all practical purposes disappeared.

Because of the fungibility of GRS funds, it was impossible for survey monitors to conclude whether or not general revenue sharing has helped create job opportunities or has altered the pattern of state spending. However, since the influx of these new dollars occurred at a time when other federal domestic programs were being reduced and terminated, it is unlikely that either economic goal was accomplished.

GRS funds appear to have helped some state implement tax and school finance reforms. However, some decision makers clearly felt that these reforms occurred at the same time the GRS program was implemented only by coincidence. Others felt that the influx of unrestricted dollars actually retarded these reform efforts. Again, the fungibility of GRS funds makes this type of analysis of GRS fiscal effects on state government very difficult, if not impossible.

Since the general revenue sharing program contained no incentives for government modernization or reform, it deserves no credit in this area. The positive changes that have occurred in state government budget processes, including increased openness and the increased capability of state governments to deal more effectively with complex issues, are part of a slow-moving trend that began before general revenue sharing existed and does not seem to be related to it at all.

Investigation into the way general revenue sharing is working at the state level provides little evidence of program success when examined in light of the articulated goals of the program. General revenue sharing has merely provided another source of state revenue which in fact is a partial substitute for other federal funding that has been reduced.

And what has happened in the areas of citizen participation in revenue sharing and civil rights compliance at the state level? The former has not materialized at all, and the presence of the latter is highly questionable. Certainly if citizen participation in general revenue sharing decision making is a goal, the law and regulations must make specific provision for it. Evidence shows that it will not exist otherwise. Citizens must have information beyond what is currently provided by the AIR's and PUR's and much better back up information upon which to base their priorities and judgments. They also need specifically legislated opportunities to express those priorities and judgments.

The same arguments hold in regard to civil rights compliance. Evidence shows that, without federal level enforcement of civil rights provision of the law, state governments will knowingly or unknowingly perpetrate the pattern of discrimination that already exists, particularly in the area of state employment practices. A federal level commitment to the eradication of racial, ethnic and sex discrimination must be made, and specifications must be made in the law and regulations to carry out that

commitment. Relying on the good will and intentions of state government officials will not suffice. Nor is the delegation of civil rights enforcement of federal law to state human rights agencies or state civil rights commissions an adequate shifting of enforcement responsibility, since those state agencies tend to be grossly understaffed and often lack authority to give full redress to discrimination problems. Their cooperation should be solicited, but only as an accompaniment to a strong federal level enforcement effort.

Certainly not all of the problems of the GRS program can be solved by more or different legislation. Commitment and positive attitudes toward citizen participation, civil rights and better assessment of needs and priorities cannot be legislated. In the end, it is the citizenry within each state that must make the program accountable. This can only happen if adequate provisions for citizen participation are mandated by the law.

CHART 1 HOW THE STATES SPEND THEIR GRS FUNDS

Expenditure Categories	CALIFORNIA	LOMA	MASSACHUSETTS	MICHIGAN	TENNESSEE	TEXAS
AIR: January 1, 1972 - June 30, 1973	\$215,000,000	None Spent	\$69,263,649.40	\$95,780,411	None Spent	None Spent
Operating and Maintenance			\$69,263,649.40			
Payments to Other Governments			\$69,263,649.40			
General Government			\$69,263,649.40			
Education			\$69,263,649.40			
Social Services			\$69,263,649.40			
Health & Com. Dev.			\$69,263,649.40			
Other			\$69,263,649.40			
AIR: July 1, 1973 - June 30, 1974	\$280,000,000	\$32,171,975	\$65,936,999.00	\$86,193,504	\$73,909,439	\$98,752,651
Operating and Maintenance			\$65,936,999.00			
Payments to Other Governments			\$65,936,999.00			
General Government			\$65,936,999.00			
Education			\$65,936,999.00			
Social Services			\$65,936,999.00			
Health & Com. Dev.			\$65,936,999.00			
Other			\$65,936,999.00			
Direct State Expenditure			\$17,463,831.00			
Education			\$17,463,831.00			
Health & Hospitals			\$17,463,831.00			
Social Services			\$17,463,831.00			
General Government			\$17,463,831.00			
Education			\$17,463,831.00			
Health & Hospitals			\$17,463,831.00			
Social Services			\$17,463,831.00			
General Government			\$17,463,831.00			
Education			\$17,463,831.00			
Health & Hospitals			\$17,463,831.00			
Social Services			\$17,463,831.00			
General Government			\$17,463,831.00			
Education			\$17,463,831.00			
Health & Hospitals			\$17,463,831.00			
Social Services			\$17,463,831.00			
General Government			\$17,463,831.00			
Education			\$17,463,831.00			
Health & Hospitals			\$17,463,831.00			
Social Services			\$17,463,831.00			
General Government			\$17,463,831.00			
Education			\$17,463,831.00			
Health & Hospitals			\$17,463,831.00			
Social Services			\$17,463,831.00			
General Government			\$17,463,831.00			
Education			\$17,463,831.00			
Health & Hospitals			\$17,463,831.00			
Social Services			\$17,463,831.00			
General Government			\$17,463,831.00			
Education			\$17,463,831.00			
Health & Hospitals			\$17,463,831.00			
Social Services			\$17,463,831.00			
General Government			\$17,463,831.00			
Education			\$17,463,831.00			
Health & Hospitals			\$17,463,831.00			
Social Services			\$17,463,831.00			
General Government			\$17,463,831.00			
Education			\$17,463,831.00			
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Health &						

CHART II

DID THE RESPONDENT KNOW HOW THE STATE'S GRS MONEY HAS BEEN SPENT?

(6 State Totals)	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Totals
Yes	7 - 88	52 - 65	12 - 35	14 - 33	12 - 92	0 - 0	21 - 45	7 - 27	125 - 48
No - Don't Know	1 - 13	15 - 19	16 - 47	25 - 58	1 - 8	7 - 100	18 - 38	16 - 62	99 - 38
Wrong Answer Given	0 - 0	0 - 0	1 - 3	1 - 2	0 - 0	0 - 0	1 - 2	3 - 12	6 - 2
Partially Correct	0 - 0	5 - 6	3 - 9	1 - 2	0 - 0	0 - 0	3 - 6	0 - 0	12 - 5
Response Did Not Answer Question	0 - 0	8 - 10	2 - 6	2 - 5	0 - 0	0 - 0	5 - 11	0 - 0	17 - 7
No Response	0 - 0	9 - 11	1 - 5	0 - 0	2 - 2	0 - 0	2 - 4	3 - 12	17 - 17
Total Responding	8	80	34	43	13	7	47	26	259

Interviewers used different questionnaires for each of several categories of people. Not all questions were asked of every category. Responses were tallied according to these categories and are coded as follows:

Q1 - Governor's Office
Q2 - State Legislators
Q3 - Media Representatives
Q4 - Agency and Department Heads
Q5 - Comptroller or Chief Fiscal Officer
Q6 - Civil Rights or Human Affairs Officer
Q7 - Citizen Group's Representatives
Q8 - Labor Leaders' Representatives

CHART III

NUMBER OF PEOPLE INTERVIEWED BY STATE AND BY CATEGORY

State	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Total
California	2	15	4	7	7	1	5	4	45
Iowa	1	12	6	11	2	1	13	6	52
Massachusetts	2	9	4	4	-	-	6	3	28
Michigan	2	20	10	5	2	3	14	8	64
Tennessee	1	15	2	8	1	1	4	2	34
Texas	-	18	9	8	3	1	8	6	53
Totals	8	89	35	43	15	7	50	29	276

CHART IV

*EFFECT OF GRS ON TAXES AS REPORTED ON PUR'S AND AUR'S

PUR	CALIFORNIA	IOWA	MASSACHUSETTS	MICHIGAN	TENNESSEE	TEXAS
Jan. 1, 1973-June 30, 1973	Prevent Increase	No Effect	Too soon to predict	No Effect		Prevent Increase
July 1, 1973-June 30, 1974	Prevent Increase	Reduce Increase	Prevent Increase	No Effect	Too soon to predict	Prevent Increase
July 1, 1974-June 30, 1975	Prevent Increase	Reduce Increase	Prevent Increase	No Effect	Too soon to predict	Prevent Increase
AUR						
Jan. 1, 1972-June 30, 1973	Prevented Increase and Reduced Increase	Prevented Increase	Prevented Increase	No Effect	Too soon to predict	Prevent Both Increase & New.
July 1, 1973-June 30, 1973	Prevented Increase and Reduced Increase	Prevented Increase	Prevented Increase	Too soon to predict	Too soon to predict	

*Effect categories have been abbreviated for charting and appear as follows on the PUR's (and on AUR's with appropriate verb tense change).

- Will enable reducing rate of a major tax.
- Will prevent increase in rate of major tax.
- Will prevent enacting a new major tax.
- Will reduce amount of rate increase of a major tax.
- No effect on tax levels.
- Too soon to predict effect.

CHART V

WHO WILL BE THE MAJOR BENEFICIARIES OF GENERAL REVENUE SHARING (in your state)?

(6 State Totals)	Q1	Q2	Q4	Q5	Q7	Q8	Totals
Everyone	3	11 - 12	2	2	4	2	24 - 12
No One	0	15 - 17	1	0	1	0	17 - 8
The Poor and Near Poor	2	10 - 11	6	1	4	5	28 - 13
Property Taxpayers	0	3	3	4	3	0	13 - 6
Taxpayers	0	5	0	0	4	0	9 - 4
Construction Industry	0	0	1	0	6	1	8
Schools or School Children	1	8	3	0	2	2	16
Suburban Schools	0	1	0	0	0	0	1
Upper Classes	1	1	0	0	1	2	5
Politicians, Professional Bureaucracy	0	1	0	1	2	0	4
Local Governments	0	1	1	0	1	0	3
Business Community	0	0	0	0	0	1	1
Politicians and the Well Off	0	0	0	0	1	0	1
Schools and the Elderly	0	1	1	0	0	0	2
Rural Areas	0	1	0	0	0	0	1
Environment and Recreation	0	0	0	0	1	0	1
Property Taxpayers and Elderly	0	1	0	1	1	1	4
Poor, Elderly, Schools, Special Education Interests	0	1	0	0	0	1	2
Highways and Public Works	0	0	0	0	1	0	1
Criminal Justice Interests	0	0	0	0	1	0	1
Poor, Workers, Education	0	0	0	0	1	1	2
Mental Health, Education and Roads	0	1	0	0	0	0	1
Mental Health and Education	0	0	1	0	0	1	2
Don't Know	0	7 - 8	9	0	9	3	28 - 13
Response Did Not Answer Question	0	8	11	2	4	8	33 - 16
No Response	1	13	4	4	3	1	26
Total Responding	7	76	39	11	47	28	208 - 75

CHART VI

HAS THERE BEEN A REDUCTION OF FEDERAL FUNDS TARGETED
PRIMARILY FOR THE MINORITIES AND POOR IN YOUR STATE?

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Totals
(6 State Totals)	#	%	#	%	#	%	#	%	#
Yes	4 - 67	35 - 42			5 - 50	4 - 57	34 - 71	16 - 55	98 - 53
No	1	24			0	1	5	4	35 - 19
Don't Know	0	19			4	2	9	9	43 - 23
Response Did Not Answer Question	1	6			1	0	1	0	9
No Response	2	5			5	0	1	0	13
Total Responding	6	84			10	7	49	29	185 - 67

CHART VII

WHAT IMPACT HAS GRS HAD ON THE AMOUNT OF
STATE AID THE LOCAL GOVERNMENTS RECEIVE?

	Calif.	Iowa	Mass.	Mich.	Tenn.	Texas	TOTALS
(6 State Totals)							
Increase	4	4	0	6	10	4	28 - 34.6%
No Effect	6	3	2	6	2	13	32 - 39.5%
Effect Not Specified	2	4	2	4	0	1	13 - 16.0%
The Same Aid. Would Have Been Less Without It	0	0	2	0	0	0	2 - 2.5%
Don't Know	3	1	0	1	1	0	6 - 7.4%
No Response	7	2	3	5	2	4	23 - 28.4%
Total Responding	15	12	6	17	13	18	81

It was reasoned that these two categories of government officials would know how GRS funds had affected the state - local fiscal relationship. Since there was no within-state consensus on this matter, the case for the lack of accountability in the GRS program is affirmed. It is not clear either how the funds were really spent or what their fiscal effect was on state government.

CHART VIII

DO YOU FEEL THAT THE REVENUE SHARING APPROACH IS OR WILL BE A SATISFACTORY
SUBSTITUTE FOR FEDERAL CATEGORICAL GRANTS IN AID PROGRAMS?

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Totals
(6 State Totals)	#	%	#	%	#	%	#	%	#
Yes	5 - 63	29 - 34		23 - 53	10 - 67		13 - 26	8 - 28	88
No	0	40		8			25	13	86
Qualified Answer Without Expressing Preference	3	16		10	3		11	5	48
No Response	0	4		2	2		1	3	12
Total Responding	8	85		41	13		49	26	198

CHART IX

TYPES OF CHANGES SUGGESTED FOR THE GRS PROGRAM BY THOSE WHO WERE INTERVIEWED

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Totals
(6 State Totals)	#	%	#	%	#	%	#	%	#
Reduce federal tax and eliminate GRS	0	4	1	2	1		2	3	13-16%
More guidelines for use of money	0	5	1	5	0		3	0	14-17%
Better planning, monitoring and accountability	0	3	0	6	0		0	0	9-11%
Assure its continuation	1	1	0	1	1		2	0	6-7%
Fewer strings and restrictions	0	1	0	3	0		0	0	4-5%
Should have more money in it	2	6	1	1	0		0	1	11-15%
More equitable formula	0	0	1	0	0		0	0	1
More weight to need component of formula	0	0	0	1	0		1	0	2
States should determine distribution to local governments	0	3	0	0	0		0	0	3-4%
Plans for use and amounts of \$ should be negotiated	0	1	0	2	0		0	0	3-4%
Better guidelines for local government use	0	0	0	0	1		0	0	1
Assure citizen participation	0	1	0	0	0		0	0	1
Earmark a % for each use category	0	0	0	1	0		0	0	1
Restrict uses to human needs and social services	0	1	0	0	0		0	0	1
Penalize use for tax relief	0	0	0	1	0		0	0	1
Eliminate small jurisdictions	0	0	0	0	1		0	0	1
Allow community to determine needs	1	0	0	0	0		0	0	1
Insure continuation of social services support	0	0	0	1	0		0	0	1
Give authority to invest rather than spend	0	0	0	0	1		0	0	1
Remove matching funds prohibition	0	0	0	1	1		0	0	2
Give greater protection against abuses & discrimination	0	0	1	0	0		1	0	2
Disallow supplanting other state funds	0	0	0	1	0		0	0	1
Abolish it	0	1	1	1	0		0	1	4-5%
No comment on changes	4	63	29	16	9		41	24	186-
Total Responses	4	26	6	27	6		9	5	83-30%

CHART X HAS THERE BEEN ANY CITIZEN PARTICIPATION INVOLVED IN GRS DECISION MAKING?

(6 State Totals)	Q1		Q2		Q3		Q4		Q5		Q6		Q7		Q8		Totals	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
No	4		41		17		12		4				36		14		128-55	
Regular Budget Hearing and Process	2		17		5		5		5				3		9		46-20	
Lobbying	0		2		0		1		0				2		0		5	
GRS - Special Hearing	0		2		0		0		0				0		0		2	
Citizen Advisory Council	0		1		0		0		0				0		0		1	
Yes - Unspecified	0		4		0		1		0				0		1		6	
Don't Know	0		1		11		20		0				4		3		39-17	
Response Did Not Answer Question	0		1		0		3		2				0		0		6	
No Response	2		20		2		1		4				5		2		36	
Total Responding	6		69		33		42		11				45		27		233-84	

CHART XI HAVE REPORTS FROM THE STATE GOVERNMENT SUMMARIZING HOW THE STATE PLANS TO USE OR HAS USED GRS FUNDS BEEN PUBLISHED IN THE NEWSPAPER?

(6 State Totals)	Q3		Q5		Q7		Q8		Totals	
	#	%	#	%	#	%	#	%	#	%
Yes	9-26		9-90		14		4		36-30	
No	18				21		18		57	
Don't Know	6				10		4		20	
Response Not Applicable	1		1		2		2		6	
No Response	1		5		3		1		10	
Total Responding	34		10		47		28		119-43	

CHART XII DO YOU THINK THAT MORE CITIZEN PARTICIPATION SHOULD BE ENCOURAGED?

(6 State Totals)	Q1		Q2		Q4		Q8		Totals	
	#	%	#	%	#	%	#	%	#	%
Yes	3-60		64-77		17-47		14-56		98-66	
No	1		13-16		9-25		1		24-16	
Response Not Applicable	1		6-7		10-27		10		28-18	
No Response	3		6		7		4		20	
Total Responding	5		83		36		25		149-54	

The 66% or 98 affirmative answers to this question must be qualified by the consideration that elected officials would not want to say to a representative of the League of Women Voters that he/she did not favor citizen participation. The 66% could easily represent an inflated view of genuine feelings.

CHART XIII WHICH OFFICE OR INDIVIDUAL IS RESPONSIBLE FOR CIVIL RIGHTS AND COMPLIANCE MATTERS ASSOCIATED WITH STATE REVENUE SHARING?

(6 State Totals)	Q6		Q7		Q8		Totals	
	#	%	#	%	#	%	#	%
Governor/Governor's Office	0		2		3		5	
Civil Rights or Human Relations Commission	1		9		10		20-26	
Individual Agency and Department Heads	0		1		2		3	
EEO Office	1		2		2		5	
Attorney General	0		5		2		7	
Human Relations Commission/ Federal & Urban Affairs Office	0		1		0		1	
Dep't. of Community Affairs	0		2		0		2	
Dep't. of Social Services	0		0		1		1	
Black Caucus of the Legislature	0		1		0		1	
EEO Office	0		0		1		1	
Budget/Mgmt./Planning Office	0		1		0		1	
Civil Rights Commission and Comptroller	0		2		0		2	
Civil Rights Commission and Attorney General	0		1		1		2	
Civil Rights Commission and Program & Planning Office	0		1		0		1	
Office of Revenue Sharing			1		0		1	
No One	0		0		1		1	
I Don't Know	2		17		5		24-31	
Response Not Applicable	3		4		1		8	
No Response	3		4		1		8	
Total Responding	4		46		28		78-91	

ANALYSIS OF IOWA STATE EMPLOYMENT COMPOSITE REPORT

Incidence of employment

Incidence analysis does not show evidence of discrimination against minorities in hiring practices; see Table 1. However, as indicated in Table 11, women, occupying only 40.2% of the total 16,480 full time jobs, do not fare as well.

TABLE IV - INCIDENCE OF EMPLOYMENT BY RACE

Race	*State Employment		Total Population	
	Number	%	Number	%
White	18,129	98.1	2,782,762	98.5
Black	234	1.3	32,596	1.2
Am. Indian	49	.3	2,992	.1
Other	68	.4		
Total	18,480	**100.1	2,824,376	

*Employment figures are for May 1973

**Total is greater than 100% due to rounding

TABLE V - INCIDENCE OF EMPLOYMENT BY SEX

	Number	%
Male	11,051	59.8
Female	7,429	40.2
Total	18,480	100.0

Salary Levels

Analysis of data showing salary levels of men, women, whites and blacks shows disparities in terms of who gets the high paying jobs. The Summary of Salary-Table III, shows white men faring best and earning an average yearly salary that is \$2.77 thousand more than white women, who fare worst. Also, whites average close to \$1,000 more per year than blacks.

TABLE VI - SUMMARY OF SALARY

Average Male salary	-	\$9.86 (thousand)
Average Female salary	-	7.11
Average White salary	-	8.77
Average Black salary	-	7.87
Average White Male salary	-	9.88
Average White Female salary	-	7.11
Average Black Male salary	-	8.53
Average Black Female salary	-	7.31

TABLE VII - SALARY

Annual Salary (in thousands)	No. of White		No. of Black	
	Male	Female	Male	Female
\$ 0.1- 3.9	191	105	2	3
4.0- 5.9	644	2,502	15	22
6.0- 7.9	2,951	2,911	47	65
8.0- 9.9	2,909	903	21	31
10.0-12.9	2,350	664	13	5
13.0-15.9	1,290	140	5	-
16.0-24.9	491	26	5	-
25.0 Plus	49	3	-	-

Total No.	10,875	7,254	108	127
Total \$	\$107,460.5	\$51,543.0	\$921.5	\$928.0

Average Salary	\$ 9.88	7.11	\$ 8.53	\$ 7.31
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34.8% of the white males earn less than \$8,000
35.1% of the total males earn less than \$8,000
51.3% of the total whites earn less than \$8,000
65.5% of the total blacks earn less than \$8,000
75.6% of the total females earn less than \$8,000

ANALYSIS OF TENNESSEE EEO DATA FOR DEPARTMENT OF TRANSPORTATION

The major employment problem in the transportation department is one of hiring incidence. Both blacks and women occupy far fewer jobs, 4.1% and 6.6% respectively, than whites and males. (see Table V on Incidence of Employment.) In terms of average salary women do not suffer nearly to the extent that blacks do. The latter average \$1,500 less in annual salary than whites. (see Table VI - Salary Levels.) It is significant to note that not one black or woman occupies any of the 268 jobs that are above the \$12.9 thousand range.

These isolated statistics provide an indication of race and sex discrimination problems in the Transportation Department and place Tennessee in possible violation of Section 122 of the general revenue sharing law, since by June 30, 1974 Tennessee had spent \$24,000,000 on state highways. This expenditure amounts to approximately 1/3 of all state GRS funds spent by that date. It is doubtful that either state officials or the Office of Revenue Sharing have given attention to the violation or the jeopardy in which it places Tennessee's GRS funds.

TABLE VIII - INCIDENCE OF EMPLOYMENT

Tennessee Transportation Department Full Time Employees
May 1973

	Number	Percent of Total
White Male	5,436	89.5
White Female	386	6.4
Black Male	233	3.8
Black Female	16	.3
Male (total)	5,669	93.3
Female (total)	402	6.6
White (total)	5,822	95.9
Black (total)	249	4.1
Total Employees	6,073	

The data clearly shows an imbalance that strongly favors white men, who occupy 89.5% of the 6,073 jobs in this department.

TABLE IX - SALARY LEVELS

Annual Salary (in thousands)	White		Black	
	Male	Female	Male	Female
\$ 0.1 - 3.9	84	14	-	-
4.0 - 5.9	2,885	162	211	12
6.0 - 7.9	1,355	174	18	-
8.0 - 9.9	579	20	3	1
10.0 - 12.9	365	18	1	3
13.0 - 15.9	121	-	-	-
16.0 - 24.9	47	-	-	-
25.0 Plus	-	-	-	-
Total	5,436	385	233	16

Conclusions

89.6% of the blacks earn less than \$6,000
54.0% of the whites earn less than \$6,000

Average male salary = \$6,843
Average female salary = \$6,682
Average white salary = \$6,896
Average black salary = \$5,386
(Using mid-point of each salary range as average)

On the average, annual salaries of blacks are more than \$1,500 lower than those of whites.

TABLE X - AGENCIES DEVIATING MORE THAN 5% FROM TOTAL
STATE MINORITY EMPLOYMENT

Agency	Total Employment	Minority Employees	% Minority Employees
Low Minority Incidence			
Agriculture	337	18	5.5%
Alcoholic Beverage Com.	52	0	0
Banking	58	2	3.4
Com. Children & Youth	5	0	0
Conservation	2,326	111	4.7
Finance and Administration	364	24	6.5
Game and Fish Com.	422	12	2.8
Governor's Office	30	1	3.3
Higher Education Com.	23	1	4.3
Insurance	281	20	7.1
Labor	112	7	6.2
Legislative Council Com.	21	1	4.7
Safety	1,083	61	5.5
State Planning Com.	140	6	4.2
Tennessee Arts Com.	27	2	3.6
Transportation	6,010	255	4.2

High Minority Incidence

Com. for Human Development	11	9	81.8
Com. on Aging	13	3	23.0
Dept. of State	31	6	19.4
Corrections	2,431	450	18.5
Social Services	491	135	27.4
Law Enforcement Tr. Academy	22	7	31.8
Mental Health	7,801	1,890	24.2

Data was reported this way on the consolidated report and was used as reported in this analysis. However, 20 of 281 employees is 7.1%, not .7%. It is not clear if this is a mere decimal error or an inaccuracy in either the 20 or 281 figure.

FOOTNOTES

FOREWORD

1. General Revenue Sharing in American Cities: First Impressions, published by the National Clearinghouse on Revenue Sharing in December, 1974 is a preliminary report on the local monitoring effort.
2. For a copy of the law and/or the regulations, write to the Office of Revenue Sharing, 2401 E Street, N.W., Washington, D.C. 20226.
3. All general purpose units of government are eligible. This includes states, counties, townships, municipalities and recognized governing bodies of Indian tribes and Alaskan native villages. Special purpose governments like school districts and water and sewer districts are not eligible.

INTRODUCTION

1. Richard Nixon, August 13, 1969 Message; referral of GRS bill to House Ways and Means Committee.
2. Richard Nixon, February 4, 1971 Message; referral of GRS to House Ways and Means Committee.
3. Senator Howard H. Baker, February 9, 1971; Address on the U.S. Senate Floor.
4. Representative Jack H. McDonald, January 29, 1971; Floor of U.S. House of Representatives.
5. Richard Nixon, January 29, 1971; Budget Message.
6. Senator Marlow Cook, February 10, 1971; Address before Rotary Club of Paducah, Kentucky.
7. Richard Nixon, January 29, 1971; Budget Message.
8. Richard P. Nathan, Allen D. Manvel, Susannah E. Calkins; Monitoring Revenue Sharing, (1974), p. 350.
9. Republican party platform, Congressional Quarterly Almanac, 1968, Vol. 24 (1969), p. 990.
10. Nathan, Monitoring Revenue Sharing, p. 355.
11. The Senate formula has three factors: population, general tax effort and relative per capita income. The House formula has five factors: population, general tax effort, relative per capita income, urbanized population and state income tax.

CHAPTER I. FISCAL SALVATION FOR STATE AND LOCAL GOVERNMENT

1. Friedrich J. Grasseberger, "Amending the Revenue Sharing Act to Address Existing Problems to Local Government Modernization," (Paper No. V) presented at November 20-22, 1974 Conference on the Possibility of Amending the Revenue Sharing Act to Encourage Local Government Modernization; sponsored by the U.S. General Accounting Office, p. 1, 11.
2. Several modernization incentives were incorporated in the "State and Local Government Modernization Act of 1971" proposed by Senator Hubert Humphrey and Representative Henry Reuss and introduced in the Senate and the House on January 26, 1971 and February 18, 1971 respectively; making state funding beyond the first year of the program contingent on the submission of a master plan and timetable for modernizing state and local government, giving double weight in the funding formula to states with income taxes, providing a bonus for negotiated city and county intrastate allocation plans. Other potential financial incentives considered by at least some of the supporters of general revenue sharing include: additional bonus payments to governments that develop plans for regional cooperation and rewards for jurisdictions that use initial payment funds for tax reforms.
3. Comptroller General of the United States and Report to the Congress, Revenue Sharing: Its Use By and Impact on State Governments, August 2, 1973.
4. For a detailed breakdown of all expenditures in the six project states through June 30, 1974 see Chart I in the appendix.
5. For a detailed breakdown of responses see Chart II in the appendix.
6. The Property Tax in a Changing Environment; Advisory Commission on Intergovernmental Relations, March 1974, p. 58.
7. Los Angeles Times article, January 30, 1973.
8. The basic support level for Unified School Districts was raised from \$437 for elementary pupils in 1972 to \$785 in 1973 and from \$558 for high school pupils in 1972 to \$970 in 1973. In non-unified School Districts, foundation support was raised to \$765 for elementary and \$950 for secondary pupils in 1973.
9. Robert Singleton, Director, Education Finance Reform Project, a subsidiary of Nairobi College, The School Finance Crisis and the Black Education Administrator; July 1974, pp. 12-14.
10. Ibid., p. 19. Singleton's data was derived by Paul Goldfinger of the Childhood and Government Project from California's Department of Education, Bureau of Apportionment File Tapes.
11. From a U.S. Department of Health, Education and Welfare, Office of Education School Finance Study Unit memorandum, November 12, 1973.
12. David Doerr, Chief Consultant to Assembly Revenue and Taxation Committee, interviewed on March 11, 1974.
13. Donald Collin, Consultant to Senate Revenue and Taxation Committee, interviewed on February 14, 1974.
14. "Amending the Revenue Sharing Act to Reduce Disincentives to Local Government Modernization," Friedrich J. Grasseberger, November 20-22, 1974, pp. 33-34.
15. Budget Message, January 26, 1973.
16. From an interview with Governor Ray on April 11, 1974.
17. See Table I Fiscal Year End Budget Surpluses and Deficits.
18. Tribune, article, March 5, 1973.
19. Register, article, January 26, 1973.
20. Register, article, May 17, 1973.
21. From an interview on May 30, 1974.
22. See Chart III, "Effects of GRS on Taxes as Reported on PUR and AUR" in the appendix.
23. Massachusetts state income taxes have a flat rate and are not graduated. In November 1972 voters defeated a referendum to make the state income tax a graduated one. 1973 income tax rates were 5% on earned and 9% on unearned income.
24. Budget Message of the Governor for the fiscal year 1974-75, pp. 53-55. The reference is to general revenue sharing funds received in 1972-73, 1973-74 and 1974-75.
25. Surpluses recorded on Table 1, "Fiscal Year End State Budget Surpluses and Deficits," may be deflated figures in some instances and represent post tax relief or credit payments.
26. The Property Tax in a Changing Environment; Advisory Commission on Intergovernmental Relations; March 1974, p. 128.
27. Information Bulletin: No. 74-1, January 1974, Advisory Commission on Intergovernmental Relations; p. 22.
28. The Tennessean, article by Elaine Shannon, January 13, 1974.
29. Richard Henderlight, Federal Programs Manager, Department of Urban Affairs, interviewed on February 5, 1974.
30. From an interview on February 5, 1974.
31. From an interview on January 31, 1974.
32. The Property Tax in a Changing Environment; Advisory Commission on Intergovernmental Relations, March 1974, pp. 198-199.

33. The Actual Use Report for July 1, 1973-June 30, 1974 shows expenditures of \$96,752,651. The monitoring report from the Texas League coordinator shows money spent through the 1974-1975 biennium as follows:
Total GRS available - \$316.2 million
Colleges and Universities - 190.4 million
Courts of Appeal - 23.2 million
Construction - 55.0 million
34. Stuart Long, Editor of the Long News Service and the Austin Report, interviewed on June 28, 1974.
35. New York Times, article, January 13, 1974.
36. From interviews on April 2 and May 17, 1974.
37. A New Constitution for Texas: Text, Explanation, Commentary, Texas Constitutional Revision Committee, November 1973, p. 143.
38. The Property Tax in a Changing Environment, Advisory Commission on Intergovernmental Relations, March 1974, p. 203.
39. "Florida Revenue Sharing \$ to Schools," Newsletter, Vol. 2, No. 5, Texans for Educational Excellence, May 1974.
40. For a detailed breakdown of responses see Chart V in the appendix.
41. For a detailed breakdown of responses see Chart VI in the appendix.
42. For a detailed breakdown of responses see Chart VII in the appendix.

CHAPTER II. SHIFTING POWER TO THE PEOPLE

1. Membership of the Legislative Budget Board consists of 10 individuals: Speaker of the House; Chairman of the House Appropriations Committee; Chairman of the Revenue and Taxation Committee; two members of the House selected by the Speaker; Lieutenant Governor; Chairman of the Senate Finance Committee; Chairman of the Senate State Affairs Committee; two members of the Senate selected by the Lieutenant Governor.
2. Better Budgeting and Money Management for Texas, February 1971, Texas Research League, p. 2.
3. In all states except Arkansas, Mississippi, South Carolina and Texas, the governor has the major budget-making authority.
4. Better Budgeting and Money Management for Texas, February 1971, Texas Research League, p. 11.
5. Theodore Ellis, Deputy Director, Department of Environmental Quality, interviewed on March 28, 1974.
6. Nashville Banner, article, April 18, 1974.
7. In 1971 the GBO and LBS had a combined professional staff of 21 plus clerks and stenographers, insufficient for the job to be done. The GBO further suffers a high turn-over making it impossible to build expertise, according to the Texas Research League (Better Budgeting and Money Management for Texas, p. 11).
8. David M. Bartley, interviewed on June 12, 1974.
9. Joseph D. Early, interviewed on May 7, 1974.
10. George Tidwell, interviewed on April 15, 1974.
11. This was discussed in Chapter I, under Fiscal Efforts of GRS in six states as: 1. avoid a tax increase; 2. stay clear of programs receiving other federal funds; 3. put money into non-recurring expenditures; 4. use it as widely as possible.
12. D. Y. Copeland, interviewed on March 11, 1974.
13. Melton Hamilton, interviewed on March 6, 1974.
14. Ned McWherter, interviewed on March 6, 1974.
15. James Carter, in testimony for Congressional oversight hearings in the fall of 1973.
16. From an interview on March 6, 1974.
17. Ibid.
18. From an interview on March 6, 1974.
19. Sacramento Union, article, March 23, 1973.
20. From an interview on May 16, 1974.

21. From an interview on March 6, 1974.
22. From an interview on February 15, 1974.
23. For a detailed breakdown of responses see Chart VIII of the appendix.
24. For a detailed breakdown of responses see Chart IX of the appendix.
25. Senator Marlow Cook in an address before the Rotary Club of Paducah, Kentucky, February 10, 1971.
26. John Connally, in a statement before the U.S. House of Representatives, February, 1971.
27. Richard Nixon, February 4, 1971 Message.
28. For a more detailed breakdown of responses see Chart XI in the appendix.
29. One Texas Legislator noted that a citizen's Advisory Council had been set up in Texas. This was actually a temporary revenue sharing council made up of city, county and state officials designed to educate and give guidance to local decision makers. There is no evidence that this council ever addressed the issue of citizen participation.
30. One Texas legislator said the revenue sharing council held a public hearing. However, this body never held an open public hearing or even a closed session on possible uses of the state GRS funds. A California legislator erroneously stated that the state held a special hearing on the use of GRS funds. The hearing referred to was actually on the specifications of S.B. 90, which used the funds. However, the discussion was not on the revenue source for S.B. 90 and did not center around the uses of GRS funds.
31. For a detailed breakdown of responses see Chart X in the appendix.
32. Donald Cleveland, interviewed on April 2, 1974.
33. State Senator Clifton C. Lamborn, interviewed on February 26, 1974.
34. Sam Price, interviewed on May 26, 1974.
35. Richard Lazansky, finance consultant to California Senate Office of Research, interviewed on April 17, 1974.
36. R. Wayne Richey, Executive Secretary of Iowa Board of Regents, interviewed on March 27, 1974.
37. Senator Chet Brooks of Texas, interviewed on May 2, 1974.
38. Senator Clifton Lamborn of Iowa, interviewed on February 26, 1974.
39. John Mockler, Education Consultant to Assembly Ways and Means Committee, interviewed on February 7, 1974.
40. Dr. James Colney, interviewed on April 25, 1974.
41. From an interview on April 5, 1974.
42. Senator Milton Hamilton of Tennessee, interviewed on March 6, 1974.
43. Bobby Crim, interviewed on March 26, 1974.
44. Harry A. DeMaso, interviewed on February 11, 1974.
45. William Hargrave, interviewed on March 19, 1974.
46. From an interview on April 4, 1974.
47. George Tidwell, interviewed on April 15, 1974.
48. From an interview on February 5, 1974.
49. Nathan Safir, General Manager, and Frank Cortez, Director of Community Relations, for KCOR Radio in San Antonio, Texas, interviewed jointly on February 18, 1974.
50. From an interview on May 2, 1974.
51. From an interview on March 29, 1974.
52. For a detailed breakdown of responses see Chart XII in the appendix.
53. Nashville Banner, article, April 18, 1974.
54. From an interview on March 19, 1974.
55. Ibid.
56. From an interview on May 18, 1974.
57. James Blair, interviewed on April 16, 1974.
58. Ted Welch, Commissioner of Finance, interviewed on April 18, 1974.
59. Representative William B. Fitzgerald of Michigan, interviewed on March 25, 1974.
60. Robert Hampton, consultant to California Senate Com-

mittee on Finance, interviewed on February 15, 1974.

CHAPTER III. GENERAL REVENUE SHARING AND CIVIL RIGHTS

1. Title VI of the Civil Rights Act of 1964 prohibits discrimination on the basis of race, color and national origin in any program or activity funded in whole or in part by federal funds.
2. The results and findings of the federal level and city and county monitoring efforts will be reported in separate documents.
3. Revenue Sharing Monitoring Project, Interpretive Summary from Tennessee League of Women Voters, p. 3.
4. Memorandum of April 4, 1974 from Jane L. Hardaway, Commissioner of Personnel, to Heads of all Departments and Agencies on the Legal Basis for Affirmative Action.
5. The responses of the Equal Employment Opportunity Office in Texas and Department of Community Affairs are in this category, as is any suggestion of a shared responsibility between any of these offices and some other office such as the state attorney general, controller, or Program and Planning Office.
6. For a detailed breakdown of responses see Chart XIII in the appendix.
7. "Federal Revenue Sharing: The Texas Portion, A Study Prepared for the League of Women Voters of Texas," January 1975, p. 6.
8. Ibid.
9. Information obtained in an interview with David Rose, Chief of the Employment Section, Civil Rights Division and Squire Padgett, Attorney, both of the U.S. Department of Justice on April 15, 1975.
10. Action taken by the Department of Justice does not involve deferral of funds since it ultimately rests on the authority of the court to enforce any remedial orders. Other federal departments, however, depend on deferral as a device to bring cooperation and compliance from recalcitrant recipients of funds.

11. Written comments of August 13, 1974, from John K. Parker, Deputy Director, Office of Revenue Sharing, to John A. Biggs, Staff Director, U.S. Commission on Civil Rights, appearing on page 66 of Making Civil Rights Sense Out of Revenue Sharing Dollars, U.S. Commission on Civil Rights, February 1975.
12. Monitors talked to representatives of State Civil Rights Commissions in Iowa and Michigan and of the Division of Fair Employment Practices in California, Commission Against Discrimination in Massachusetts, Commissions of Personnel and Human Development in Tennessee and the Office of Equal Employment Opportunity in Texas.
13. Glendora Putman, interviewed on August 23, 1973.
14. Lorenzo Cole, interviewed on March 13, 1974.
15. See "Analysis of Iowa State Employment" in the appendix.
16. From an interview on May 6, 1974.
17. Ibid.
18. From an interview on August 23, 1973.
19. Affirmative Action Program for Tennessee State Government, revised March 13, 1972, p. 1.
20. 1971 Survey of Minority Employment in Tennessee State Government, Tennessee Commission for Human Development, p. 1.
21. State employees in education institutions and State Department of Education are not included in these reports. Only the Higher Education Commission is included.
22. See "Tennessee Employment Analysis" and "Analysis of Tennessee Employment Data for the Department of Transportation" in the appendix.
23. From an interview on April 10, 1974.
24. Cornelius Jones, Executive Secretary of Human Development, interviewed on February 8, 1974.

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IOWA CASE STUDY ON IMPLEMENTATION OF GENERAL REVENUE SHARING AT THE LOCAL LEVEL

PREPARED BY THE LEAGUE OF WOMEN VOTERS EDUCATION FUND
FOR THE NATIONAL REVENUE SHARING PROJECT

KATHERINE FAHNESTOCK
DATA ANALYST AND AUTHOR

NATIONAL REVENUE SHARING PROJECT

SPONSORS

- Ruth C. Clusen, Chairman - League of Women Voters Education Fund
- M. Carl Holman, President - National Urban Coalition
- Pablo Eisenberg, President - Center for Community Change
- William L. Taylor, Director - Center for National Policy Review

LEAGUE OF WOMEN VOTERS EDUCATION FUND STAFF

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- Linda Brown - Project Administrator
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STATE COORDINATORS OF IOWA CASE STUDY

- Betty Rieke
- Jan Peterson

Without the intensive monitoring and data collection efforts of many League members in the twenty-three Iowa cities involved in the study, this report would not have been possible.

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PREFACE

Under the federal general revenue sharing program, known officially as the State and Local Fiscal Assistance Act of 1972 (Public Law 92-512), the Office of Revenue Sharing, U.S. Treasury Department, is authorized to distribute \$30.2 billion over a five year period to nearly 39,000 state and local governments. Although the act was not signed into law until October 20, 1972, it covers the period from January 1, 1972 through December 31, 1976.

Local governments receive two-thirds of the total amount of GRS funds available. Although the amount of their shares is determined on the basis of the overall state share, local governments are paid directly, on the basis of a three-factor formula that takes into consideration population, per capita income and general tax effort. According to the law, local governments must spend their funds within specified categories: 1) any capital expenditures permitted by state and local law; 2) operating and maintenance expenses in the following eight priority categories: environmental protection, financial administration, health, libraries, public safety, public transportation, recreation and social services for the poor or aged.

There are a few other key provisions that apply to local governments' expenditure of GRS funds. The nondiscrimination section states that funds must not be used in any way that discriminates against women and minorities. The no-matching provision forbids local governments from using GRS funds to obtain other federal funds. Other provisions state that GRS money must be kept in its own trust fund and that governments must maintain accounts in such a way as to permit tracing of funds. The reporting requirements mandate publication of planned and actual use reports for each entitlement period.

In 1973, about a year and a half after the first GRS checks were distributed, four national public interest organizations--the League of Women Voters Education Fund, the Center for Community Change, the National Urban Coalition and the Center for National Policy Review--established the National Revenue Sharing Project to study the implementation of general revenue sharing at the federal, state and local levels.

The Project organizations, particularly concerned with the impact of general revenue sharing on the needs of poor and minority groups, wanted to focus attention on policy issues such as citizen participation, civil rights and allocation of funds. They also sought to generate increased involvement of citizen groups in decisions about GRS allocations and the overall budget process through citizen monitoring at the state and local levels. While the Center for National Policy Review monitored at the federal level, the three Project organizations with grass-roots affiliates undertook a comprehensive monitoring effort in six states and 60 local jurisdictions.

This report is based on monitoring carried out by League members in 23 Iowa cities as part of the overall Project monitoring effort. Trained by national Project staff and using a monitoring instrument developed in cooperation with Dr. Lawrence Susskind of the Harvard-M.I.T. Joint Center for Urban Studies, League members in each of the 23 Iowa communities surveyed conducted about 30 one-to-two hour interviews with elected officials, agency heads, media representatives and leaders of local community organizations; and collected extensive demographic information, budget documents, studies and newspaper clippings. After the information had been compiled over an 18-month period beginning in November, 1973, the data, interviews and local evaluations were then analyzed by LMVEF national Project staff.

On the basis of findings from 23 Iowa cities, the report

critically examines the contention made by proponents of general revenue sharing that it would return power to the people. This case study discusses the key issues related to general revenue sharing and the local budget process, including the relationship between state laws and local fiscal affairs, the development of local budgets, decisions about the expenditure of GRS funds, citizen participation, civil rights and media participation.

OVERVIEW

General revenue sharing has brought little positive change to the lives of citizens in the 23 Iowa cities monitored by the League of Women Voters. For the most part, GRS funds perpetuated business as usual. Public input was minimal, and what there was of it came after the budget had already been prepared. Municipal monies were spent for the same purposes as they had been the year before--and the year before.

Why should this be? Manna, especially manna that falls from federal heavens upon the places beneath, usually evokes some kind of reaction. One explanation is that the amount of the entitlement for this state of small communities was too small to create new spending patterns on the local level. Another explanation is that officials were wary: Would the federal government continue to parcel out funds without strings?

Monitoring efforts have reaffirmed what others have discovered--that all too often public service is more closely allied to stewardship than to leadership. The public elects officials to take care of municipal business. These officials then hire a manager or clerk to take care of the city's business. And the manager does just that. He or she takes on more power, often because elected officials have neglected the policy-making aspects of their own jobs. All too often, and especially at budget-making time, the question "What do we do now?" is answered with "Whatever we did last year, plus 5% for inflation." In some of the 23 communities monitored, elected council members, mandated to represent the citizenry and its interests, gave only the most perfunctory glance at the budget before approving it for certification. Responsible participation by the public and its elected designees seemed to be translated, much of the time, to mean "approval" for whatever executive or administrative proposal had been made. Criticism was perceived as the feared "Pandora's box" of a citizenry none wild.

But not every Iowa city government has relinquished its responsibilities. Some officials tried to involve the people, only to find that apathy has become a way of life. In a few reassuring cases, local governments that made genuine attempts to include citizens in the early stages of the decision-making process found that people are willing to participate.

Whatever revitalization of local government processes is taking place can hardly be credited to general revenue sharing. Rather, such changes as the demand for local control and the willingness of people to participate are results of broad social and political changes in this nation.

HOMOGENEITY OF SURVEY CITIES

Twenty-three municipalities ranging in population from 3018 to over 200,000 were covered in this study. The striking homogeneity of these cities is reflected in this survey's findings.

There is remarkably little racial diversity. Two of the cities, Carroll and Monticello, are all white. Six have a minority population under 1%, five cities have a minority population between 1% and 1.99%, and four ci-

ties between 2% and 2.9%. Only six cities have minority populations (Black, Spanish-speaking and Native American) that comprise 3% or more of their populations. Waterloo, at 9.6%, has the largest percentage of minority citizens, but Des Moines has the largest number. Only Des Moines has a minority newspaper.

As in the rest of the nation, Iowa's minorities suffer disproportionately from low income and unemployment, but the majority of Iowa's poor are white. The most clear-cut class of disadvantaged citizens is the elderly. Nationwide, 9.9% of the population is age 65 or over. With only four exceptions (two of them university towns), the cities in this survey have elderly populations above the national average. In Osakaola, nearly one-fifth of the citizens are elderly. (See appendix #2)

In 1973, Iowa ranked 20th in the nation in average personal income. Many of the respondents in this survey believe their communities are practically free from poverty. Despite this perceived affluence, at least 5% of the families in each town surveyed had an income below poverty level. The majority of cities fell between 6.0% and 8.5%.

Most of the communities in this survey are small enough so that any changes that may have occurred in the machinery of local government as a result of revenue sharing are easily detectable. However, how the funds were used, whether for previously unscheduled purchases, for expansion of existing programs, or simply for maintenance of the present level of services, should tell something about the fiscal health of these communities. The GRS program was allegedly designed to return political power to local government, to make the fiscal decisions local instead of national. If any such changes have taken place in the decision-making process, they should be visible in some of the survey cities. Also, the size of many of the survey communities should be conducive to direct citizen access to government. Finally, Iowa has an open meeting law and requires budget hearings.

STATE LAW GOVERNS FISCAL AFFAIRS

Until recently, Iowa cities were governed by a variety of state laws delineating what functions local governments could perform, how these functions could be financed, and in what forum finance decisions were made. Iowa municipalities were forbidden to engage in any activity not expressly defined by state law, a state of affairs that led one official to complain that "cities are step-children of the state." That definition ran to 200+ pages of regulations governing—or, as many a city official would put it, hamstringing—municipalities.

Things will change with the new Home Rule Bill that became effective statewide in July 1975. Under Home Rule the terms of the game will be reversed: Cities will be able to engage in any activity not expressly forbidden by state law—a significant widening of the permissible activities of local jurisdictions. However, the uses of GRS monies which the League monitored were governed by the old rules.

The most far-reaching of the state regulations governs taxation. The only form of taxation permitted local jurisdictions is the property tax, a tax which cities share with county governments and school boards. Cities get little state aid—only about \$5,000,000 annually for city governments; school districts get far larger sums from the state. In addition, a percentage of the liquor profits and gasoline tax collected by the state is returned to the communities in which they were collected. However, the property tax still remains the primary source of income to Iowa cities.

The property tax must be spent for activities in one of the seven functional areas set forth by the state legislature. These activities are split into "funds": the general, street, public safety, sanitation, municipal enterprise, recreation and utilities funds. Social services are considered to be county business and are therefore not included in the definition of municipal duties. Although some cities have provided human services; e.g., leased housing for the elderly or youth employment, most city officials have taken a traditional approach to government functions by spending money on streets, public safety, sewers and parks.

DEVELOPMENT OF THE LOCAL BUDGET

Iowa law requires that all meetings of public bodies be open to any citizen who wishes to attend. This law covers meetings of commissions and boards as well as city council meetings. Only sessions dealing with the dismissal of personnel or impending real estate acquisitions may be closed to the public. In addition, the Iowa code provides for a mandatory public hearing on the city budget before it is approved for certification. At that hearing, citizens may question, suggest and/or criticize the proposed budget. It should be noted that the public hearing is not often held on the same night that the city council/commission approves the budget, so the opportunity for real input or change is negligible.

Iowa state law also specifies that citizens may protest the budget. The protest may be made by a reasonably small group of citizens (see appendix #1), so long as they are directly affected by either the budget or the tax levy that supports it. However, these protections do not provide for citizens to lobby the state legislatures on budget-making. They do not require city departments to solicit the opinions of the public they serve before establishing priorities.

The budget process is similar in nearly all of the cities in this survey, though every city has its idiosyncracies. The city manager or clerk distributes budget forms to department heads asking them to outline their needs for the upcoming fiscal year. When the forms are completed, the manager or clerk puts together the proposed city budget by refining department budgets and reconciling expenditures with income. The city council then debates the budget, usually with an eye to cutting it. The public is invited to comment on this budget making, notification must be published two weeks before it is held. The council then approves the budget, and it is certified by the state.

In a few cities, the finance committee of the council (or city commission) prepares the budget without involving the city departments at all. All Iowa cities were scheduled to switch to program budgeting in 1975 (under Home Rule), but only five cities had made the change at the time this survey was carried out. Five cities used a computer in the budget process, primarily to figure the costs of inflation and to perform "mental" mathematics.

Although officials do not perceive themselves as responding to new political stimuli, they readily admit to the informal influences that work on the budget. The two most persistent influences are the departmental favorites of managers or mayors and the chamber of commerce and its associated groups. The former mayor of Dubuque described the intragovernmental pressures at work during the writing of the budget, "A lot of personalities are involved. The city engineer enjoys the highest priority with the manager. There manager, there are less effective lobbyists with the city manager." One manager was described as a "street" man, while a council finance chairman was characterized as a "controlling whip" whose primary interest was in "building roads." Nearly as common as

this form of "participation" is influence of the chamber of commerce. Nearly all chambers in the survey cities make it their business to review the city budget. Their opinions and priorities are relayed to the city council and the manager and/or mayor. Perhaps because chamber input is educated and thoughtful, this business oriented group seems to find willing listeners everywhere. The chamber is the most frequently cited organization as a source of citizen input. In Dubuque, "those who are familiar with city government know that if there is a project they (the chamber of commerce) want to get going they can communicate in this fashion to the council." The Marshalltown parks director asks for input from other parts of the city government, the local school district—and the chamber of commerce. This social relationship is enjoyed by the chamber in every city and is reflected in the comments of one businessman. "They say you can't fight City Hall; that is absolutely wrong. You can fight City Hall. I have always been very well received, have had no problem in getting hearings or action on requests. The Development Chamber of Commerce Tax Committee describes its activities, 'We review budgets and act as a watchdog, make suggestions and take action. We represent the business community. We are concerned that the lay people on the council do not have the expertise to run the budget.' Apparently, a number of elected officials tacitly agree. It is only logical that the council member who is willing to rubberstamp an executive budget because the preparer was 'professional' or 'more knowledgeable' would welcome input from 'public-minded' community stalwarts with accounting or business expertise.

Several communities have taxpayers' associations, organizations devoted to holding down property taxes. In Des Moines, the taxpayers' association has acquired an unusual privilege. Before the budget is released to the public for discussion, while departmental decisions are still being made, the association has access to the budget and the budget-makers. Although the association's original recommendation, that general revenue sharing be used to reduce taxes one million, was rejected by the Des Moines City Council, the ongoing relationship of the executive and the association indicates some community of purpose.

RETURNING POWER TO THE LOCAL GOVERNMENT

Proponents argue that general revenue sharing, by shifting the locus of decision-making from Washington, D. C. back to "the people," will return power to local government. Local officials, it is claimed, are closer to the real needs of their communities and are therefore able to make wiser decisions than the Washington bureaucracy. Although many of the local officials and community leaders interviewed for this survey believe that general revenue sharing is returning power to local governments, the decision-making process and expenditure of the funds do not bear out their statements.

The return of power to local government implies that the local governments have acquired greater capabilities in creating and carrying out governmental actions as a result of general revenue sharing. The truth of this proposition can be tested by exploring whether local governments have entered new areas of endeavor, gained control over problems formerly taken care of by the federal government, acquired more input into decisions affecting a particular community that were once made by "the feds," and/or become more responsive to the needs of a greater number of people within the community.

That is the theory but not the reality. Monitors found that local officials are reluctant to consider new programs and ideas in inflationary times. Instead, their energies are directed to a more modest end: maintaining the current level of traditional services without rais-

ing the tax rate. Since county governments bear the primary responsibility for social services, many municipal officials believe that entering into human service areas is illegal and that money for such endeavors should not come from city coffers. Further, the rationale is that expansion of the city's responsibilities could have two deleterious effects on the workings of city government: first, according to a single new service might stimulate demands from other groups for more services; second, taking on new responsibilities means taking on new financial obligations, a prospect that made the blood of nearly every respondent run cold.

Because the availability of GRS funds to community groups was not a widely publicized fact in the survey communities, many of those who might have pressured their government to expand programs and services were unaware they could do so. In Ames, GRS funds were used to enter the field of leased housing for the elderly, but only after the federal funds originally intended to initiate the program had been cut off in Washington. Similarly, the Dubuque government agreed to use some of its entitlement to provide one-third the cost of constructing housing for the elderly. A civic group, Ecumenical Housing, is responsible for the program. Other cities have used GRS money to start new projects and programs that Iowa city governments acknowledge to be their obligation. For example, Ames has used funds to partially finance an experimental solid waste disposal plant; waste disposal has long been a city function.

The mayor of Newton, in defending the traditional definition of city functions, stated that his first priorities are public safety, traffic and sanitation and the quality of life (by which he means parks and recreation). The mayor notes that there has been pressure since GRS funds have become available to get the city into "people programs." He is resisting this pressure on the grounds that social services are a county rather than a city function: while 60% of the county's income comes from the city, the mayor says the only services the city gets in return are in the social service area. The Newton view is a popular one, and despite all the talk of expanding the authority of city government few cities have reached into the county's customary domain.

Although general revenue sharing was originally proposed as a complement rather than an alternative to federal categorical grants, the impoundment of funds and termination of programs has created an "either - or" situation in government decisions. According to interviews with the city managers and chief fiscal officers, only eight cities have chosen to use GRS funds to replace federal programs, although officials from eleven cities noted that federal cutbacks were likely to affect the poor and minority groups more than others. Some did use GRS money to replace lost federal grants. If the loss was jeopardizing the ability of the communities to meet federal regulations, the prime example being in sewage treatment. It didn't take communities long to discover a fact of life about GRS funds: they don't come anywhere near equaling the amount of money formerly allocated in categorical grants. The chairman of the Low Rent Housing Agency in Muscatine sees the return of money (and power) this way, "...we are netting pennies." The federal government is glad to give us back our money to do our own thing, but we should be careful not to let the revenue sharing be really effective." Many community leaders and city officials do not see general revenue sharing as a return to local sovereignty, but as a sham, a soothing balm to reduce the patient's aches and pains without the destruction of the federal system. General revenue sharing, according to the city attorney for Osakaola, "has been an excuse to cut off good programs."

The federal flux, moreover, has also immobilized some po-

tential decisions to use GRS money as a substitute for cut programs. A Burlington councilwoman noted that while to-day maintenance was the top priority of both the government and citizens, possible expansion into former federally controlled areas was difficult because, "federal programs are in such a state of confusion [that the Council] is unable to plan." Further, there is a common misconception that GRS funds may neither be used to augment federal funds nor to substitute for discontinued federal funding.

The ability of local governments to assume the responsibility for program areas formerly or presently carried by the federal government is revealed by the answer to one of the survey items: "Do you believe the revenue sharing approach is or will be a satisfactory substitute for federal categorical grants-in-aid programs?"

Here are the answers:	Yes	No	Unsure
Mayors and their aides	12	21	2
Managers/Fiscal Officers	14	13	3
Council Members	41	47	12
Department Heads	82	70	1
Total	149	151	18

The absence of a clearcut majority response to the question indicates that the willingness of local governments to seize control of categorical grant areas is in serious doubt.

The governments of the survey communities are concerned with making decisions that benefit "everyone" in the city. They are wary of encouraging more and louder voices of citizen groups. Burlington's planning and development director shares with many officials a fear of "special interest groups fighting each other." This specter has led to favoring use of the funds for sewage, roads, public safety, lowering taxes, and other items that unarguably benefit "everyone." Because GRS money is regarded as a tax rebate to the community, or as "free" money that belongs to the city government, there is little incentive to use it to benefit those segments of the community whose needs have been commonly overlooked by the city government (see appendix - #3).

In 16 cities, at least one nongovernment group testified or attended a hearing at which the allocation of GRS funds was discussed. Although these groups varied in their ability to affect the decision making process, the effect was to increase the amount of information on which the city councils based their decisions. According to interviews with city council members, such participation influenced expenditures in 11 of the 16 cities.

New power for local government, then, appears to be more a matter of intent than a realized goal in the first years of general revenue sharing. These federal funds have allowed communities to support and expand services they have already incurred, but there is no evidence that any of these cities has increased the scope and/or the nature of its activities because of general revenue sharing. Since cities were often unwilling to spend their funds because of the vagaries of categorical grants and the uncertain future of general revenue sharing, no appreciable power seems to have passed from the federal to the local level—yet. In fact, since revenue sharing appears to function as a subsidy to local jurisdictions, the ultimate effect is to reinforce the budget status quo. And the officials, who profess to believe that power has been returned to local government, are unwilling to make decisions that might give their rhetoric the ring of truth.

NEW MONEY: NEW POSSIBILITIES

In theory, general revenue sharing is free money for citizens—that can be spent wherever the need or desire is greatest. Many officials cite this flexibility for local jurisdictions as a major reason for continuing the program. In practice, the allocation of the money has been governed by a series of factors that have limited general revenue sharing uses almost entirely to existing programs:

1. Communities fear that general revenue sharing will be discontinued, so they seek to avoid uses that one official termed "one-time" expenditures.
2. Communities that are limited in their ability to tax, generally believe it is difficult to maintain the expected level of city services and make capital and non-recurring expenditures.
3. General revenue sharing can be used for capital expenditures that would require public approval or a bond issue if made from local revenue.
4. Because they are confused by the prohibition against using general revenue sharing as local matching funds, some officials believe they are forbidden to use general revenue sharing to replace federal money that has been cut back or cut off.
5. Nearly all survey cities refrained from involvement in "social services."
6. The funds can be used "on paper" for one purpose, freeing money for a different purpose.

According to many officials, there is little room for change and adjustment in any given city budget. Simple maintenance of the current level of services accounts for the vast majority of possible expenditures. The Iowa City manager said 80% of the budget is fixed. "The budget isn't cut and dried, but there are certain basic things that comprise most of the budget, with little to fiddle around with," according to the mayor of Muscatine. Keeping expenses down is more important than responding to citizen input. The public safety director of Iowa City said the city must "work within a sound fiscal approach. The second consideration is citizen desire."

General revenue sharing uses reflect the same priorities as the use of local revenues. "Day-to-day maintenance rather than long-range goals" account to most government efforts. Council members frequently cited sewers, garbage, dogs-at-large and street repair as the most important issues for their cities. A percentage breakdown of city government concerns is typified by one Burlington council member, "Do the absolute necessities first, then try to stretch the money as equitably as possible among further needs. The basic thing is to keep a city moving. First, fire protection and police. Then water, sewer systems and transportation, which would include streets." A Cedar Rapids community leader expressed a somewhat more cynical view. Spending priorities are governed by the "ease of administration for elected and appointed officials." It takes a crisis to change priorities. Several communities shifted large amounts of money into sewers after antiquated systems backed up in heavy spring rains. And Des Moines finally repaired a bridge after it collapsed into the river.

Response to social service needs is limited. Several officials indicated that city governments would be able to allocate money to the needs of the poor and minorities after "catching up" on a backlog of priority items. But Waterloo's community enabler believes that minorities don't have even secondary importance when the budget is written. Officials, he says, are not concerned with catching up and then holding the budget hostage with cutting costs. The small amount of GRS money allocated to social programs was "given to programs which are not necessarily good, but the agencies have behaved."

DECISION MAKING AND HOW THE FUNDS WERE USED

Since general revenue sharing was most often considered part of the regular budget, it is safe to assume that the real decision-maker on the use of these federal funds was the same individual who was responsible for preparing the remainder of the budget. Revenue uses often reflect this official's personal priorities. A past mayor of Duquesne sees the manager as a "benevolent tyrant," and an Iowa City official notes that "if he is a street man, money goes to streets, if humanist, it goes to programs for people." This is not to say that the manager exercises purely arbitrary control over city expenditures. More often than not, these officials reflected a broader view of city needs than council members, who were frequently tied to past priorities or were newly-elected and unsure of the role and power of the manager. Influence is worth noting because people often have less access to these appointed officials than to their elected representatives.

An analysis of the Actual Use Reports filed by these 23 cities shows that GRS funds have been spent in the same areas as local revenues. All data cited in the section is detailed in the Planned/Actual Use Chart in appendix #5, and cover planned uses for the first five entitlement years (January 1, 1972 through June 30, 1975) and actual uses for the first four entitlements (January 1, 1972 through June 30, 1974).

As of June 1974, only two cities, Marshalltown and Muscatine, had spent all of the funds from the first two entitlements, according to the Actual Use Report. Ames spent virtually all of its money, 99.5%. Pella had spent none; the city is saving for a sewer. Nine of the 23 cities spent less than half of the available GRS funds (entitlements plus interest); six spent between half and three quarters; and the remainder over three-quarters. Of the three cities that used all of the funds, only one (Ames) used the money in ways that were responsive to citizen input. There are 22 actual use entries falling into 14 different operating and maintenance and capital expenditure categories for the 23 cities for the first two years of the GRS program. All discussion of actual uses is based on these 222 entries.

Less than two-thirds of the available GRS funds was spent. The total amount spent by these cities is \$19,004,598, while \$10,439,776 remained unused. Nearly equal amounts were allocated to capital expenditures and to operating and maintenance expenditures. A percentage breakdown of capital and operating expenditures may be found in appendix #4. Five categories account for nearly 90% of the expenditures, with no money spent on Social Development and less than one-third of 1% on Housing and Community Development.

CATEGORY	% OF TOTAL EXPENDED FUNDS	% OF ACTUAL USE ENTRIES
Public Safety	44.5	20.7
Transportation	22.2	15.3
Recreation	9.7	14.8
Environment	7.6	10.3
Multipurpose & General Government	5.2	9.9
Total	89.2	71.0

Cities planned as though they intended to spend 100% of each anticipated entitlement. Although the first entitlement was larger in nearly every case than the amount planned, that disparity in no way accounts for the amount of money that has been unspent, according to the Actual Use Reports. Further, the actual uses often bear only an accidental resemblance to the actual expenditures. Of the 222 actual use entries, only 56.3% were anticipated in the matching Planned Use Report. Even among these anticipated actual uses, it is evident that the planned expenditure

and the actual expenditure are not the same. Here are two sample entries that are not uncommon:
1974 Planned Use Report: Environmental Protection, capital expenditures - \$973,486
1974 Actual Use Report: Environmental Protection, capital expenditures - \$221,158

(See Cedar Rapids)
1973 Planned Use Report: Transportation, capital expenditures - \$15,732
1973 Actual Use Report: Transportation, capital expenditures - \$230,569
(See Marshalltown)

Because the Planned Use and Actual Use Reports need not match, the filing of Planned Use reports has become the routine fulfillment of a regulation, rather than a vehicle for public involvement. The Pella city clerk describes the process in that city: "We have filed all the necessary forms to keep from losing the funds. Our first major concern—not to raise the property tax. To file, I got together with the mayor and said we have to file, how shall we work the planned use? We decided to use Environmental Protection because of the sewer situation here." One of the arguments for a five-year appropriation was to allow cities to plan. The reports for the first two years show little inclination to take advantage of the five-year funding assistance.

Only five discrepancies occurred in the Planned and Actual Use Reports. Four of these were between the beginning and ending balance of Actual Use Reports. One discrepancy may be attributable to a city official's believing that all reports are cumulative. The balance discrepancies range from obvious accounting errors (in Port Madison and Iowa City) to two apparent cases of overspending. Mount Vernon shows an approximate \$18,000 discrepancy that may have led the city to overspend its entitlement by about \$3,000 (depending on interest). Davenport's 1974 Actual Use Report contains the most noteworthy discrepancy: the city appears to have spent \$800,000 more than it was given. The 1973 Actual Use Report gives the June 30, 1973 trust fund balance as \$17,065. However, when the fund balance was reported on the Actual Use Report of 1974, it was listed as \$867,858 instead of \$17,065. It would be simple to call this a gross typographical or accounting error if the 1974 report did not go on to detail the manner in which the approximately \$800,000 was spent. The balance discrepancy is a problem in the remainder of the Davenport data, and the Office of Revenue Sharing reports that there have been no compliance complaints in the entire state of Iowa.

Local officials have faith in the oversight function of GRS. The Ames director of planning noted that "the check and balance of the federal government makes sure that GRS funds are used effectively." The balance check is reported being spent and what is actually done. Whether errors occur in the spending or the reporting of GRS funds, it is clear that reports are not getting the necessary scrutiny from ORS.

Interview data indicates that 21 out of 23 cities spent all or part of their GRS allotments on projects already planned before GRS funds were available. In 14 cities, GRS funds were used to maintain the current level of services; 18 cities spent some money on projects that were "new." Some officials indicated that the "new" projects were expenditures that had been planned for the future, but their calendar was pushed up when GRS funds became available. Less than one-third of the cities showed use of the money to raise the salaries of city employees, although such use may be buried in the large sums allocated to Public Safety Operating and Maintenance.

Actual Use Reports and officials with fiscal responsibility

sibilities verify that the most common effect of general revenue sharing on the tax rate has been to prevent an increase in the tax rate. Over half the cities were so affected, according to their managers and mayors. A smaller number reported a reduction in the tax rate or a reduction in the rate of increase. (For more detail, refer to the chart, "Effect on Tax Effort", in appendix B6.) In Monticello and Pella, neither of which has spent any GRS funds, general revenue sharing obviously had no effect on the local property tax.

The extent to which GRS funds have been substituted for general categorical grants is somewhat unclear. Official estimates of city income from these grants were highly disparate. Estimates made by members of the Burlington City Council varied from 15% to 50% of the city income. Further, many respondents considered general revenue sharing itself as a federal categorical grant. Half of the officials did not even guess at how much grant money is being received by their city. In only three cities could all council members agree on whether the total federal categorical grants to the city had increased or decreased over the past few years. Mayors and managers of eight cities say that part of their GRS allotment will be used to replace funds that have been cut off or cut back by the federal government.

Special evaluations to determine the effect of general revenue sharing on city budgets are not anticipated by most city officials. Iowa state law requires a yearly audit of each municipal budget, and most communities seem to feel that an audit of the whole suffices. One city has made an evaluation of general revenue sharing's effects, and is considering such an exercise. Five of the department and agency heads are planning to evaluate general revenue sharing as it impacts their departments. Three cities were unsure whether the GRS audit procedures would be instituted for the 1974-75 entitlement.

In sum, general revenue sharing has effectively augmented the budgets of the survey communities by preventing tax increases and permitting expenditures to be made by choice. The availability of these funds is an advantage to most communities, but the failure to spend large portions of the entitlements indicates that the dire need frequently articulated by officials may be exaggerated. Official assessments of general revenue sharing range from "frothing the cake" to "we need more money." Regardless of need, the GRS funds have supported established priorities; they have not been a catalyst for change.

CITIZEN PARTICIPATION

With Iowa's open meeting law and requirement for a budget hearing, citizen participation should have been the rule in the 23 survey cities. Although council/commission members in all 23 cities told interviewers that they took part in the decisions on use of GRS income, most communities entrust the actual work of budget preparation to either the mayor or the city manager/clerk. It is to these officials that the department heads, citizens, and even council members must go in order to lobby for a particular budget item. A few cities have a budget process in which each council/commission member has responsibility for oversight of a particular city function—an oversight which is frequently akin to advocacy.

Once they made the decision to spend GRS money, most governments chose to act as though it was a regular part of the budget, rather than a discrete fund to be allocated according to citizen input. The process by which they allocated GRS money was frequently no different from that for other sources of municipal income. Provisions for citizen participation, beyond the

legal requirement for a public hearing, fell into five categories: citizens' presentations, appointed boards, commissions and task forces, special hearings and workshops, mayoral outreach, and, in Cedar Rapids, a poll.

MECHANISMS FOR INPUT

Citizen group presentations and proposals were by far the most common form of citizen participation. Such input was seldom actively sought, nor were funds always forthcoming. In seven cities, council members say that no citizens appeared before the council in hearings or other sessions to comment on the budget. Although estimates of the efficacy of citizen participation-by-proposal are generally negative, at least seven communities responded to one or more of the groups asking for funding. Ames officials funded four of the groups who appealed to the city for GRS funds. These funds went to such diverse purposes as leased housing for the elderly, a cohab unit for the hospital, the arts and crafts center, and an Openline, a volunteer listening service formerly funded by LEAA. A youth employment program was funded in Mount Vernon, amid some controversy over the legality of funding a program whose participants would actually be performing services for another government, the school district. In LeMars, citizen participation secured funds for the hospital. Buses for the elderly, a law enforcement center and housing were some of the other uses sought and won by citizen groups. In Council Bluffs, the chamber of commerce proposal for a swimming pool and pressure for a highway pedestrian overpass met with council approval.

There is some disagreement among officials and citizen groups alike over the appropriate form and substance for citizen participation. While suggestions for specific projects given in testimony have met with some success, it is clear that the ideas that got funding were those that already had wide acceptance in the community, and that these ideas for funding did not first reach council members on the day of the public hearing.

Whether the participation takes the form of unsolicited testimony or of an appointed mayor's task force, there appear to be three different points of view on the appropriate role for citizens. One viewpoint sees the citizen as essentially uninformed and believes that participation consists of self-education about local government in order to understand why officials make decisions as they do. This sort of passive participation is advocated primarily by appointed officials, business people, and some council members. A second view holds that citizens should not be involved in the intricacies of fixing budget amounts, but that citizen participation is important in setting the priorities within which the elected officials must work. The director of city planning for Sioux City, an appointed official, articulated this role: "Citizen involvement should be in helping to articulate priorities; then elected council should determine allocation of total funds to meet these priorities." The third school of thought on citizen participation welcomes specific suggestions from the citizens. The mayor of Davenport, who sent letters to over 100 groups asking for budget input, and the City of Cedar Rapids, which held a Conference on Unmet Needs, fall into this final group.

The Sioux City Parks and Recreation director describes one successful proposal laid before the City Council and the pre-hearing groundwork: "A citizen council lobby Council members about a pet project. If the council just lobbies a Department head it is not as effective, as a Department head's voice gets lost in the shuffle during the budget time. As an example, the time the funeral directors came to see me about getting better roads in the city, I was unable to force anything about this but after the funeral directors made a presentation before the

council, the following year there was money made available for this purpose. To make a presentation before the council, a citizen may make an appointment with the City Manager to be placed on the Council meeting agenda...it was better for the citizen's presentation if the Department head involved in the citizen's project supported his project."

Citizen advisory boards, task forces and commissions represent another kind of effort to bring government and public opinion together. Nine survey cities appointed such bodies, sometimes in response to a specific issue, sometimes as a means of setting out city-wide goals and priorities. Four of these communities—Ames, Dubuque, Muscatine, Fort Madison—established boards to deal with GRS funds.

Des Moines, Oskaloosa, Council Bluffs, Marshalltown and Ottumwa have or recently had citizen advisory groups on the general budget. Des Moines has an additional central advisory board as a part of the Community Development program. The Budget Study Committee Task Force in Des Moines was initiated by the mayor several years ago to provide input into the entire city budget. Composed primarily of business-oriented men, the non-defunct Task Force's findings are still being debated by the City Council. No attempt has been made to provide for an ongoing citizen study group. In Council Bluffs, a citizen committee charged with making an annual report to the council on the community's needs is appointed by the mayor; each section of the city has representation. The Council Bluffs Citizens Committee for Community Development has been an ongoing input in the setting of priorities in general terms, according to a League of Women Voters monitor. The citizens committee is characterized by being the recipient of communications from City Hall rather than taking the community's message to the government.

The mayor of Ottumwa told interviewers that the Citizens Advisory Council had input into the city budget, although no further mention of this interest was made by city officials. In January 1974, new mayors took office in Marshalltown and Oskaloosa. Both announced intentions of establishing citizens advisory boards. In Marshalltown, the group is called the Mayor's Task Force and is responsible for "looking after the social concerns of the city." In Oskaloosa, the Citizens Advisory Council heralded the end of an era in which citizens could attend the yearly budget hearing, according to a local labor leader, "if you want to go and get insulted."

However, none of these citizen advisory groups have made any impact on the city's decisions and decision-making process. Citizen groups are, in fact, treated as an extra-curricular activity—a worthwhile extra, but not a necessity.

The citizen advisory groups appointed to deal with general revenue sharing had little more impact than their general budgetary counterparts. The small success the GRS groups did have probably lies in the philosophy that led to their appointment: that GRS funds are a distinct fund and that citizens are entitled to a voice in GRS allocations. In late 1972, the Ames City Council appointed a Task Force to develop a five-year use plan for general revenue sharing. The membership of the Task Force—the city manager and department heads—was intra-governmental rather than grass roots. At the recommendation of the Task Force, the first entitlement was used to cut property taxes. Capital improvements was the other recommended use for the funds. Several council members expressed concern over the vacuum in the recommendations were made. To prevent future recommendations from being made, the Task Force called the Citizens Goals and Priorities Committee was created to chart a course for the city.

The Dubuque Citizens Advisory Commission on Revenue Sharing has been called "highly ineffective" by a former city council member. A commission member agrees that "members are reluctant to really study issues or grapple with problems. The mission is not given needed information to be able to advise effectively." The commission did review the proposed GRS allocations and ask for deletion of street repair project. The council complied. The former co-chairman, a local radio station owner, maintains that the commission was told by the city administration "what to study, what to decide." So obscure is the role of the commission that most officials and civic leaders failed to mention the groups when listing city organizations with an interest in general revenue sharing.

The Fort Madison government decided to use its GRS funds for a new city hall and established a Citizens Advisory Committee on City Hall. The story of this group's experience was related to a League monitor:

"I accepted a position on the Citizens Advisory Committee thinking that we were to investigate the possibilities of building and/or remodeling City Hall. At the first meeting, plans were already made. It appeared that the Committee of 7-8 members was expected just to listen. Questions were asked to city officials and the architect about the remodeling and these questions were not satisfactorily answered, e.g. the movement of the snorkel fire truck from the west station to the east station. The west station is closer to the hospital and the snorkel could be used in the evacuation of patients. There are no other high-rise buildings in the city at the present....City Council had its mind made up and got mad when questioned about details."

Several members of the city council and the city attorney appeared to be unaware of the Citizens Advisory Committee, and the new mayor commented that the committee had been "unauthorized." The former mayor, who was in office during the advisory group's tenure, called the committee unresponsive. "Nobody said anything. There was 50% to 25% participation by the Mayor's Citizens Advisory Committee on City Hall plans. Generally, it's apathy." Neither side seems to dispute that the basic decision to use GRS funds for City Hall was made by city officials without citizen input.

After two years without citizen participation, Muscatine has set forth the most ambitious plan for an advisory council. CACIN, the Citizen Advisory Council in Muscatine, is a 35 member group composed of the mayor and council with consolidating requests for GRS funds and making recommendations. Five subcommittees—human needs, recreation, city government, education, health facilities—work on developing suggestions in the functional areas. The council has its own outreach program, asking local organizations for recommendations and for information on federal outbacks. It is interesting to note there were no responses to the latter query. CACIN will present a three-year GRS use program to the city council to meet monthly after reporting, in order to provide ongoing assessments. The most encouraging aspect of the Muscatine program is the high level of awareness of CACIN shown by both government and community leaders. The advisory council is widely recognized as a vehicle for presenting citizen needs to the council.

Only one city, Ames, held a special hearing on general revenue sharing. Seven other cities made provision for citizen participation in the regular budget process for one hearing either in the form of extra hearings or department budget workshops and hearings. The Conference on Unmet Needs. Extra budget hearings were held by LeMars and Davenport. Little interest was shown by LeMars citizens. The Davenport mayor's 100 interviews

resulted in at least a half dozen presentations. Community organizations were encouraged to make general proposals rather than to ask for GRS funds because of the "strings" attached to federal funds. Marshalltown's new early budget hearings had not yet been tested as a vehicle for citizen participation.

Dubuque, Newton and Burlington have special departmental hearings or workshops in which the public may participate. In Newton and Burlington, few people attended department budget hearings, even though the Burlington hearings were heralded by heavy publicity. The Dubuque department workshops are regularly attended by the League of Women Voters, Chamber of Commerce, Citizens Advisory Commission and the City Council, all of whom receive special invitations from the city manager. The Cedar Rapids Conference on Unmet Needs was convened in order to encourage participation by the poor, minorities and the elderly. As a result of the conference, GRS funds were used to establish a mini-bus system for the elderly. The outcome of special hearings in other cities was not as encouraging. The budgets do not appear to have been influenced at all—partly because the public failed to respond and partly because of governmental rigidity. As a councilman in an area more concerned that we should meet the city's current needs in existing departments rather than adding new services," was the evaluation of a Dubuque council member.

Five mayors have regular forums ranging from a weekly radio show to a monthly breakfast to report to citizens and to ask for their help. None has proven to attract widespread, or even narrowly based, citizen participation. Although the Cedar Rapids office of city priorities was supposed to be another attempt to solicit participation, it was originally sent out with the water bill and so only went to property owners. The poll has been expanded to include renters.

No active citizen coalitions have been formed around general revenue sharing. In several cities, minority groups and senior citizen organizations have gotten together to "keep an eye" on the process. But this monitoring appears to have gone no further than a few leaders talking to each other.

Not surprisingly, elected officials and representatives of citizen groups disagree about the extent to which governments have been made aware of community needs through general revenue sharing. Only 19% of all city council members interviewed said that they had become more aware of poor and minority needs because of the GRS allocations. In Cedar Rapids, 19% said that they were aware of such special needs, but that they had "always" known or that their district had a large disadvantaged population.

When citizen and community action groups were asked if officials were more aware of their needs because of general revenue sharing, 29% answered "yes." Among those groups, half of the youth organizations, 41% of the community action agencies and 69% of the senior citizens' oriented groups thought that elected officials were now more knowledgeable. When business and labor leaders were asked a similar question, only 13% of the business leaders thought that general revenue sharing had brought awareness of their needs to the fore. But 45% of the business people felt that the program had made council members more aware of groups other than business organizations. Labor leaders expressed similar beliefs. Nine percent felt that general revenue sharing had increased officials' awareness of their needs, but 35% believed that awareness of groups other than labor organizations had increased. Like the belief in the return of power to the local governments, the conviction that officials have expanded their horizons is reasonably common, despite a budget performance that belies the citizen

leaders' belief.

HOW OFFICIALS SEE PUBLIC PARTICIPATION

Official opinion on the worth of citizen participation is mixed. Seventy-six percent of the city council members interviewed said they favored increased citizen participation. On the whole, elected officials favored citizen access to the decision-making process, while appointed officials are less inclined toward public input. Arguments for citizen participation vary. Some cite a belief in the democratic process. But the sentiments of one Monticello council member was typical. "Participation in the form of constructive analysis is encouraged, but group action about 'ideal' issues is discouraged." Although a few official respondents favored public input into the budget process because it was public money that was being spent, most were motivated by a desire to keep the public from complaining after the fact about official actions. Mount Vernon Council member favors citizen participation on the expedient grounds that "then they wouldn't complain so after the fact." Even those officials who favor participation want to hear from citizens on a selective basis. Repeated references were made to "constructive" proposals and "responsible" groups. Citizen participation was even construed by some to mean input from department heads, commissions and boards. There was little evidence that officials believed that public participation would change either the budget decisions or the process by which they were made.

Some officials actually opposed citizen participation on the grounds that the public is too ignorant to cope with the complexities of the budget and that citizens cannot realize the extent to which money must be committed to ongoing services. In Des Moines, interviewers were told that the "Manager is a professional and preparing the budget is part of his job." A Muscatine department head noted that "it would be impossible...to work the public individuals into the budget process, as they would have too many radical ideas." Over and over again, officials and businessmen repeated that too much citizen input would only confuse the budget process and that the only participants in the process would be "special interest" groups. "It's easier for three to make a decision than three hundred," commented a Waterloo council member.

CITIZEN APATHY

Even more distressing than some official attitudes toward citizen participation is the reluctance of citizens themselves to take advantage of the opportunities that exist. This reluctance is born of two sentiments. The first is apathy, or the unwillingness to involve oneself. The second—more common to community action groups than to the chamber of commerce—is a sense of futility. Although the mayor of Cedar Rapids has appeared on the radio each week for six years to ask for citizen problems and suggestions, he has yet to hear from a single citizen. The chair of the Muscatine Budget Committee says no one has ever come to see him about the budget, in spite of a ten-minute period at the beginning of each council meeting set aside as a public forum. Burlington held extra budget meetings and gave them heavy publicity complete with a timetable of topics for discussion. Few attended the meetings, to the disappointment of the manager and Council.

That the real decision making process takes place without public input is a fairly common admission. The new director of a Fort Dodge television station says that the budget is put together "behind closed doors." The mayor of Iowa City cited a list of citizen groups that expressed responsible interest in general revenue sharing, then admitted that all this input had absolutely no

effect on the distribution of funds. It is not surprising that many community groups see no reason to expend time and effort in an attempt to influence a closed process.

The President of the Ottumwa League of Women Voters summed up the problem:

"Lack of citizen participation is due to both the budget being already drawn up and being too difficult for citizens to comprehend at this point. General comment is 'It's all out and dried, why bother?' The attitude of the council is that the public doesn't understand the city's needs. Therefore, there is no need to present more information to the public. Department heads know the needs of their department."

Thus, the vicious circle. Officials see an uncaring, uncomprehending public and dismiss its potential role in budget-making. The public, having been shut out, does not acquire the knowledge that would allow it to function effectively. And this ignorance further reinforces the opinion of city officials.

General revenue sharing has had a minimal effect on the budget process in the surveyed cities. Although the question raised by this survey opened the eyes of some community groups to the possibilities for participation, there is no indication that the simple availability of GRS funds and the concomitant nationwide publicity brought forth more than the merest trickle of citizen activity in the two-year start-up period.

INEQUALITY

If actual complaints against local governments are a valid indicator, racial and ethnic discrimination is not widespread in Iowa. In fact, few cities have minority populations large enough to have any influence on the local government, and officials assume that because there are few minority citizens there is little discrimination. On the other hand, sex discrimination is rather freely acknowledged, and is being dealt with by local governments. Several have developed affirmative action programs following federal government guidelines. It is far more difficult to substantiate unequal treatment of the impoverished. Aside from the frequent assertion that there are no poor, the argument that those who contribute least to the government should benefit least seems written between the lines of several responses. A member of the Council Bluffs City Council thought that unpaved streets in poor sections were all right because "the houses on these streets have such low assessed values that the cost to the city would not be compensated in taxes."

Six cities had sex and/or race discrimination complaints filed against the city government. As a result of such complaints, three of the cities have instituted affirmative action plans and job reclassification. The Dubuque and Des Moines cases are still "in process," while Pottawattamie County is appealing a court's findings against the county. (For a listing of cases, see the chart entitled "Discrimination and Labor Complaints" in appendix 77.) Most communities have passed an ordinance that keeps the exact nature of discrimination complaints confidential. Although several human relations officials were willing to detail the number and kind of cases, one officer refused to refer to "civil rights" as the basis for complaints against the city government.

In only one community, Ottumwa, was a Davis-Bacon violation found, although officials in two other communities cited Davis-Bacon requirements as a reason for not using general revenue sharing for construction projects. The Davis-Bacon provision of the GRS law says that prevailing wages (as defined by the Davis-Bacon Act) must

be paid to laborers on any construction project costing over \$2,000 and financed 25% or more by GRS.

Inequalities in city services are cited in several cities. Such complaints are difficult to validate. The director of the Waterloo Human Rights Commission says that the Black community claims it receives fewer city services than the white sections of the city, but that the commission is unable to substantiate the claim because "we can't find out where the money has gone and can't get the basic statistical information to prove it." In Council Bluffs, streets in the poorer section are unpaved. Iowa City respondents cite a lack of bus service for a federally-subsidized housing project. In Cedar Rapids, community leaders talked about a lack of law enforcement in the poor areas that would not be tolerated by the affluent. One example of this neglect was a house of prostitution operating next to an elementary school. Equal services are difficult to force on these city governments, according to a Cedar Rapids community leader, because there "are not enough minority people to put pressure on city government." This sentiment is repeated in one city after another by both frustrated representatives of the poor and minorities and by some of the officials who represent them.

Distribution of GRS funds for the benefit of poor and minorities is a victim of the same kinds of thinking that dominate the regular budget process. One school of thought is represented by the Marshalltown mayor, who "doesn't believe there are very distinct lines between groups in Marshalltown or any general feeling of discrimination," and by the mayor of Fairfield, who says that "needs of the entire community are appraised without special consideration of the minority or poor...Some groups of poor in this size community do not want help from city involvement." In several cases, the search for examples of city services that are of equal benefit to all reached an absurd level. When asked how the poor are taken into account when writing the budget, a Letters official answered, "Free services for the poor in use of the cemetery."

The League of Women Voters in Cedar Rapids describes the second school of thought in dealing with poor and minority groups:

"City officials claim to want more input, and most community, labor and business groups feel they are not getting a fair share of GRS money. Representatives of poverty and minority groups express bitterness and hostility toward city government, having no hope of input now because of previous brush-offs."

This perception of government intransigence is reflected in the fact that 81% of the community and civic leaders interviewed believed that poverty and minority groups were not getting a fair share of GRS monies. However, only 19% of these representatives said that their organization had submitted or intended to submit a proposal or suggestion for use of the funds. The input of these groups may be more welcome than they believe. The mayor of Waterloo readily admitted that such groups were not receiving their fair share, then said "I don't know how to do it."

In two cities, there were complaints that the city council did not allow the human relations office to be effective. The chairman of the Muscatine Citizen's Advisory group mentioned an unusual use of the city affirmative action program..."(the) city administrator has an affirmative action program. Must be careful, jobs are refused on the right grounds."

The Des Moines Budget Study Committee Task Force Found

that the Human Rights Commission is not fully utilized, that "some city officials do not support the commission's efforts, and city departmental employment figures suggest discrimination problems." A local civil rights leader cited the way in which the council's capriciousness can affect the commission's workings. "For example, the commission had a backlog of cases on long hair discrimination complaints, and the Council decided to strike it from the commission's responsibilities." In addition, this leader says, the Council has not required affirmative action programs from bidders on city construction over \$10,000. The Director of the Urban Ministry and a housing leader in Fort Dodge noted that the city's Human Rights Commission has responsibility for civil rights enforcement, but has no powers. It is appointed by the mayor, according to the Urban Ministry Director, "to satisfy the law, to insure federal funding."

MEDIA PARTICIPATION

Media coverage of general revenue sharing in Iowa did not promote citizen participation in the allocation process. In some cases, the required notice was printed in a story dealing with the proposed budget; other cities simply place the notice among the legal notices, where it went largely unread. The reason is not hard to find; in responding to monitors' inquiries, neither newspapers nor broadcast media expressed a sense of responsibility for helping to make citizen participation more of a reality in the governmental process.

The survey asked, "What steps has your station/paper taken to instruct the public on the eligibility for GRS funds?" On the procedure for applying for funds, "twenty-nine respondents answered 'nothing,'" while 30 mentioned that they had run general stories on general revenue sharing. Only seven journalists said they had either printed or broadcast guidelines for eligibility, and three had publicized the procedures for procuring funds. Six did not answer the question, while four said that their paper/station had done nothing because non-governmental organizations are not eligible to receive GRS funds and therefore need not apply. One television station owner in Haverhill told the project that his station would not publicize public hearings because the function of a broadcaster is not to "preview" the news, but to report on events only after they have occurred. The same broadcaster also noted that general revenue sharing would become a hot news item if it were ended.

Not that coverage of general revenue sharing and its community/budget impacts was especially bad. It's simply that media reportage on local budgets is generally poor. Most journalists agreed that information on the budget is readily available from City Hall; nonetheless, the approach to coverage was generally unimaginative. Newspapers ran line-item descriptions of the budget that compared the figures to the amount spent the previous year. Seldom are the figures translated into the services they represent. Both radio and television journalists stated that the budget is unexciting material, difficult to cover on the air.

Misinformation and lack of information hamper coverage of the seemingly esoteric GRS program. In Ottumwa, a television station manager acknowledged his responsibility to inform the public about general revenue sharing, but cited ignorance as the reason for the media's failure. More than one journalist claimed to be poorly informed about general revenue sharing, it's interesting to note. And the lines between general revenue sharing and categorical grants are often blurry. A reporter on the Fort Madison Evening Democrat, "...thinks (there has been) a lot of rhetoric from national government sources regarding general revenue sharing and that it is not really clear to some people, including me, just exactly to what extent revenue sharing has replaced and will replace cate-

gorical aid programs."

In Des Moines, the Register and Tribune has made no special effort to inform the public about general revenue sharing because, the paper feels, there is no use in telling people that money is available when the city government has already slated it for "brick and mortar projects." The same paper carried budget information as the budget was being prepared by the city government. The practice of giving the information to the newspaper has stopped because city officials felt that pre-budget information was confusing the public.

Few complaints were registered about the quality of coverage. One Carroll council member complained that the local paper did not give full coverage to city council meetings, while a Mount Vernon environmental leader commented that "more is accomplished over coffee at the local cafe in the way of communication with citizens than through the newspaper."

A citizen in Muscatine claimed that the local paper did not cover city council meetings, but the amount of coverage available to this survey site compared favorably with others. Only in Mount Vernon did a journalist refuse to be interviewed. The publisher of the weekly newspaper, the only media other than a campus radio station, suggested that "it might be best" if the repeat attempts to interview him were ended. Several community leaders find this publisher to be uncooperative, and a LWV monitor cited the newspaper as a "major communications problem in Mt. Vernon."

Only one television station, WMM in Council Bluffs, appears to have devoted special programming to general revenue sharing through a series of interviews in early 1973 with officials from Council Bluffs and the surrounding communities.

The Iowa Bystander in Des Moines is the only minority newspaper in the state of Iowa. According to a columnist who writes for the paper part-time, white ownership puts a damper on many of the stories or opinions the paper should carry. No Planned or Actual Use Reports have been carried by the paper, nor has the availability of GRS funds been discussed. This interviewee was unaware that the city had public hearings on the budget. Efforts to inform Blacks about the budget process would be futile, in his opinion, because the "city structure reacts only to threats of violence."

Even though media acknowledge a responsibility to inform the public about the decisions and machinery of their governments, the unspectacular nature of budget material and the casual attitude of officials toward general revenue sharing have resulted in reporting that is perfunctory at best. Since the press is a necessary vehicle of government outreach to the citizenry, citizen participation is not likely to get very far if the media remains uninformed and cool to this responsibility.

CONCLUSION

The overwhelming reply of government, community, business, and labor leaders to the question: "Which group(s) will benefit most from general revenue sharing?" was "everyone." No other answer came close. That general revenue sharing ought to benefit everyone in general—and no one in particular—was the premise on which many allocation decisions were made. By not inviting citizen participation, cities sought to avoid and largely succeeded in avoiding "special interest" pressure by spending for streets on which all citizens may travel, cities avoided decisions that might favor one group over another, even if the beneficiaries suffered from unequal services to

begin with.

The effect of general revenue sharing on the 23 cities monitored in Iowa has been negligible. So far, its sole effect has been to give them a little more money to spend. The availability of these "new" federal funds has changed neither the pattern nor the process of establishing a com-

munity's priorities and allocating the funds to carry them out. Neither the governors nor the governed have changed their behavior. The principle of redistribution of revenue that underlies general revenue sharing has not been translated into any concomitant redistribution of power.

APPENDIX

APPENDIX REFERENCE #1

STATE CODE PROVISION TO PROTEST THE BUDGET

The state code has no requirement for a public hearing during the budget planning process. Code 24.27 provides a right for "Protest to budget": "Not later than the first Tuesday in September, a number of persons in any municipality equal to one-fourth of one per cent of those voting for the office of governor at the last general election in said municipality, but in no event less than ten, who are affected by any proposed budget,

expenditure or tax levy, or by any item thereof, may appeal from any decision of the certifying board. Upon the filing of any such protest, the county auditor shall immediately prepare a true and complete copy of said written protest, together with the budget, proposed tax levy or expenditure to which objections are made, and shall transmit the same protest to the certifying board or to the levying board, as the case may be." (LOCAL BUDGET LAW, 24.27).

APPENDIX REFERENCE #2

DEMOGRAPHY OF IOWA CITIES

	FAMILIES WITH INCOME Less than Poverty		UNEMPLOYMENT RATES (at time of survey)		MINORITY UNEMPLOYMENT (at time of survey)		
	# Families Under \$3000	Number Percent	All Male (%)	All Female (%)	Black (%)	Sp.Sp. (%)	Other (%)
Ames	637	570 7.1	3.1	5.8	2.6	8.7	6.2
Burlington	690	519 6.2	3.0	8.8	7.5	0.0	0.0
Carroll	176	153 7.7	2.9	5.0	0.0	0.0	0.0
Cedar Rapids	1802	1480 5.3	2.7	6.1	7.6	7.7	10.5
Council Bluffs	1241	1257 8.2	3.0	4.1	8.7	1.4	0.0
Davenport	1848	1792 7.4	3.7	5.1	9.4	7.3	10.9
Des Moines	3712	3496 6.9	3.1	2.8	6.2	3.0	2.0
Dubuque	1028	826 6.0	2.5	3.2	NA	NA	NA
Fairfield	268	216 10.3	3.7	2.9	NA	NA	NA
Fort Dodge	587	570 7.4	4.1	4.9	NA	NA	NA
Fort Madison	269	222 6.4	4.5	11.5	17.3	14.8	0.0
Iowa City	762	692 7.2	2.6	3.1	0.0	0.0	2.0
LeMars	200	160 8.0	2.0	4.3	0.0	0.0	0.0
Marshalltown	513	411 6.4	1.3	4.8	14.0	0.0	0.0
Monticello	121	100 10.5	NA	NA	0.0	0.0	0.0
Mount Vernon	27	29 5.2	2.9	.8	0.0	0.0	0.0
Muscatine	492	432 7.5	2.6	5.6	0.0	0.0	0.0
Newton	328	291 7.0	3.5	5.6	0.0	40.4	50.0
Oskaloosa	385	360 12.2	3.3	4.2	0.0	0.0	0.0
Ottumwa	880	733 9.2	9.4	9.9	NA	NA	NA
Pella	175	135 8.3	1.0	1.5	0.0	0.0	0.0
Sioux City	1992	1762 8.2	3.7	6.8	7.7	3.7	1.7
Waterloo	1496	1447 7.6	6.4	6.7	12.5	15.2	0.0

(26% of Bl.
fam. 6.3 of
Sp Sp)

APPENDIX REFERENCE #2 continued

	1970 Population	% of Population Over 65	% of Population Minority	Spanish Speaking Population	Black Population	Native American Population
Ames	39,506	5.5	1.7	349	298	18
Burlington	17,366	14.3	3.6	379	739	35
Carroll	8,716	4.9	0	0	0	0
Cedar Rapids	110,642	9.5	2.4	890	1669	135
Council Bluffs	60,348	10.6	2.5	852	585	75
Davenport	98,469	10.6	6.2	1935	4099	78
Des Moines	200,587	11.4	7.1	2705	11,449	197
Dubuque	62,309	11.1	.41	142	100	16
Fairfield	8,715	15.3	.78	0	66	2
Fort Dodge	31,263	13.1	2.4	100	618	18
Fort Madison	13,996	13.4	7.4	587	430	13
Iowa City	46,850	6.6	1.6	0	0	0
LeMars	8,159	14	.24	0	20	0
Marshalltown	26,219	13.1	1.5	111	246	32
Monticello	3,669	17.7	0	0	0	0
Mount Vernon	3,018	11.4	.66	0	17	3
Muscatine	22,405	12.1	3.2	568	128	30
Newton	15,619	12.5	.67	82	21	3
Oskaloosa	11,224	18.8	1.5	116	57	6
Ottumwa	29,610	15.3	1.3	61	309	14
Pella	6,668	16.5	.43	0	29	0
Sioux City	85,925	12.6	2.7	539	1046	700
Waterloo	75,533	10.5	9.6	663	6496	86

APPENDIX REFERENCE #3

WHAT CONSTITUENCIES, GROUPS, AND/OR NEIGHBORHOODS IN YOUR CITY DO YOU
FEEL WILL BE THE MAJOR BENEFICIARIES OF GENERAL REVENUE SHARING?

	Mayors +Aides	City Council Members	Department Heads	Managers + Fiscal Officers	Community + Civic Leaders	Business + Labor Leaders	Total	% of total Responses
EVERYONE	19	76	78	21	45	40	279	37.8
Business	0	5	4	0	12	10	31	4.2
Minorities	0	2	10	0	0	3	15	2.0
Poor	6	1	24	5	14	20	82	11.1
Elderly	2	12	9	4	14	17	58	7.9
Young	5	6	5	2	9	9	36	4.9
Property Owners	2	4	8	0	7	8	29	3.9
City Employees	1	3	1	0	9	5	19	2.6
Affluent	0	0	4	0	10	2	16	2.2
Nobody	0	3	3	0	7	6	19	2.6
Other	6	10	15	1	22	6	60	8.1
Don't know	0	6	27	2	15	12	62	8.4
No Answer	2	1	12	1	9	7	32	4.3

APPENDIX REFERENCE #4-a

PERCENTAGE OF FUNDS PLANNED AND ACTUALLY SPENT ON OPERATING AND MAINTENANCE BY CATEGORY

Category	Planned through June 30, 1975	Actually spent through June 30, 1974
Public Safety	54.62%	65.64%
Environmental Protection	11.34%	4.04%
Public Transportation	17.67%	16.15%
Health	0.68%	0.82%
Recreation	3.09%	4.12%
Libraries	2.63%	1.72%
Social Services for Poor and Aged	5.85%	5.16%
Financial Administration	4.21%	2.46%
Total Percent	100.00%	100.11%
Total Funds	\$11,273,879	\$9,676,146

APPENDIX REFERENCE #4-b

PERCENTAGES OF FUNDS PLANNED AND ACTUALLY SPENT ON CAPITAL EXPENDITURES BY CATEGORY

Category	Planned through June 30, 1975	Actually spent through June 30, 1974
Public Safety	19.47%	24.33%
Environmental Protection	18.32%	11.01%
Public Transportation	15.86%	27.97%
Health	2.09%	4.87%
Recreation	15.87%	15.17%
Libraries	3.04%	1.46%
Social Services for Poor and Aged	0.04%	0.98%
Financial Administration	0.60%	0.01%
Multipurpose and General Government	16.03%	10.12%
Education	9.12%	0.56%
Social Development	0.01%	0
Housing and Community Development	6.88%	0.55%
Economic Development	0	0.57%
Other	1.67%	2.38%
Total Percent	100.00%	99.98%
Total Funds	\$21,955,692	\$10,128,452

APPENDIX REFERENCE #4-c

PERCENTAGES OF USES BY CATEGORY

Category	Planned Uses Through June 30, 1975 Capital	O/M	Actual Uses Through June 30, 1974 Capital	O/M	Total Actual Uses through June 30, 1974 for Capital and O/M
Public Safety	12.84%	18.55%	12.44%	32.02%	45.5%
Environmental Protection	12.09%	3.86%	5.63%	1.97%	7.6%
Public Transportation	10.46%	6.01%	14.30%	7.89%	22.2%
Health	1.38%	0.23%	2.49%	0.40%	2.9%
Recreation	10.47%	1.05%	7.76%	2.01%	9.8%
Libraries	2.00%	0.89%	0.75%	0.84%	1.6%
Social Services for Poor and Aged	0.03%	1.99%	0.50%	2.52%	3.0%
Financial Administration	0.40%	1.43%	0	1.20%	1.2%
Multipurpose and General Government	10.58%	-	5.18%	-	5.2%
Education	0.08%	-	0.29%	-	.3%
Social Development	0.01%	-	-	-	-
Housing and Community Development	4.54%	-	0.28%	-	.3%
Economic Development	0	-	.29%	-	.3%
Other	1.10%	-	1.22%	-	1.2%
Total Percent	65.98%	34.01%	51.13%	48.85%	101.1% (Due to rounded figures percent is more than 100)

APPENDIX REFERENCE #5

		PUBLIC SAFETY		ENVIRONMENTAL PROTECTION		PUBLIC TRANSPORTATION		HEALTH		RECREATION		LIBRARIES		SOCIAL SERVICES		FINANCIAL ADMINISTRATION		GENERAL GOVERNMENT		EDUCATION		SOCIAL DEV.		HOUSING		ECONOMIC DEV.		OTHER		SUB TOTALS		NOF AVAIL. FUNDS		TOTALS	
		Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	Cap.	Cap.	Cap.	Cap.	Cap.	Cap.	Cap.	Cap.	Cap.	Cap.	Cap.	Cap.	O/M				
AMES				101,846				50,000		39,590		50,000	15,600			23,489													101,846	39,089	100.0			314,613	
FY 73	P			101,846						30,000		35,000	15,600			23,489													251,436	39,089	91.5			290,525	
FY 74	P	10,000	60,000																										213,232	90,000	92.0			297,892	
FY 75	P	60,000	33,410	101,677	84,126		150,000		7,500				15,600		10,000	23,770		178,232		40,000								211,677	126,626	99.5			338,303		
	A																											0	306,906	99.5					
BURLINGTON																													162,685	0	100.0			363,337	
FY 73	P	11,043		94,135		51,666						1,605						4,236										77,213	0	21.0			77,213		
FY 74	P	26,380		25,000		15,000						35,440						121,060										222,880	0	35.5			336,605		
FY 75	P	26,364		33,627		35,454						7,283					962		122,748		19,508							122,748	0	19.0			122,748		
	A	84,990	674	18,380								37,645	4,445	41,150			1,219				147,991							331,375	5,119	39.0					
CARROLL																													66,103	0	100.0			147,545	
FY 73	P											66,103																	24,651	0	16.5			24,651	
FY 74	P											48,254						60,000										108,245	0	46.5			114,243		
FY 75	P			70,000		61,585						11,323		8,000			30,000		16,000									72,990	0	29.5			72,990		
	A																											185,585	0	52.0					
CEDAR RAPIDS																																			
FY 73	P			827,829								60,000	80,000																827,829	0	100.0			1,846,304	
FY 74	P	804	100,000	87,000	100,000												129												147,304	280,129	23.0			427,933	
FY 75	P	212,000		973,486		170,000	85,000	140,000				110,000	6,700	60,000		100,000		329										1,605,486	251,700	56.0			1,806,803		
	A	110,758	13,538	221,758			9,344					142,440	5,965	86,862														512,381	116,038	18.5			628,419		
FY 75	P	226,000		983,000		135,000	60,000	70,000				59,300		90,000				197,133										1,670,433	150,000	39.5					
COUNCIL BLUFFS																																			
FY 73	P			228,866		1,234		10,214				119,447																	119,447	242,096	100.0			807,479	
FY 74	P			132,183		10,617		251,636				66,723	45,000					20,000										246,193	469,048	92.5			757,550		
FY 75	P			462,433		617		5,107				119,447						126,746										246,193	469,048	92.5			717,202		
FY 75	P			416,156		2,991		10,214				194,171	3,064					10,596										275,171	437,987	89.5			713,158		
	A			531,037		3,459						134,447	30,178															134,447	575,270	89.5					
DAVENPORT																																			
FY 73	P			487,937		63,460		556,619		17,000																			68,460	489,937	100.0			1,230,897	
FY 74	P	235,500	243,968	98,600		400,000																							986,929	243,968	98.5			1,230,897	
FY 75	P	136,000	561,179			536,207	272,956			18,000		95,063	7,225	88,999														602,000	586,179	98.5			1,166,831		
	A	327,314	565,221	90,018		805,271				66,000			60,000																1,155,601	845,402	96.5			2,001,003	
FY 75	P	213,425																											1,084,696	60,000	94.0				
DES MOINES																																			
FY 73	P			1,157,000																									1,257,521	0	100.0			2,807,948	
FY 74	P		2,179,188																										1,987	2,179,188	76.5			2,181,175	
FY 75	P	734,000	35,571									836,974																	829,479	35,571	78.5			2,455,779	
	A	307,163	55,308									300,494																	28,038		21.0			691,001	
FY 75	P	384,000	113,481									336,100		615,000															635,693	55,308	51.0				
	A																												315,000		51.0				
DUBUQUE																																			
FY 73	P			30,000		30,000	250,000					110,000																	140,000	398,510	100.0			1,203,242	
FY 74	P			143,532		2,932																							19,120	143,532	13.5			162,652	
FY 75	P	67,000	398,000	10,000	100,000	28,000	242,000					50,000		20,000															155,000	884,211	49.5			1,048,661	
FY 75	P	93,700	463,386	290,800	109,666	107,722	413,999					71,352																	563,574	1,134,322	76.5			1,697,896	
	A			353,923		20,000	264,415		10,350			48,579																	166,579	867,300	66.0				
FAIRFIELD																																			
FY 73	P																																		
FY 74	P	45,006				31,460																								76,466	26,150	89.5			102,616
FY 75	P		1,000	29,262		50,000						14,000	10,000																93,262	12,000	90.0			104,625	
	A																													34,000	0	29.0			34,000
FY 75	P	9,000	3,000	60,000		5,000								800		5,038													84,038	3,800	51.5				
FORT DODGE																																			
FY 73	P	4,000	96,000	7,403		30,000		88,600		57,080	77,000	14,400	3,000																130,003	99,000	100.0			513,667	
FY 74	P	109,987	104,000	7,403																									218,870	188,200	78.5			407,070	
FY 75	P		100,000			50,000																													

APPENDIX REFERENCE #5 continued

		PUBLIC SAFETY		ENVIRONMENTAL PROTECTION		PUBLIC TRANSPORTATION		HEALTH		RECREATION		LIBRARIES		SOCIAL SERVICES		FINANCIAL ADMINISTRATION		GENERAL GOVERNMENT		EDUCATION		SOCIAL DEV.		HOUSING		ECONOMIC DEV.		OTHER		SUB TOTALS		TOTALS	
		Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M	Cap.	O/M
LE MARS	P					10,000		25,000		5,318								5,000		5,000							2,000		52,318	0	100.0	142,950	
FY 74	A	4,500	6,000	14,000	5,000	18,791	5,305	50,000		116,791										20,000							4,000		116,791	80.5	116,791		
FY 75	A					40,000		40,000		33,000		20,000								10,000								91,020	16,305	106,652	79.0	106,652	
FY 75	P	22,000				15,000		40,000		25,000				3,633														85,000		61.0	85,000		
MARSHALLTOWN																																	
FY 73	P			153,920		15,735		166,000																					169,655	0	100.0	378,721	
FY 74	A	58,881	100,000	31,398	100,000	230,569	13,824			1,450	1,320									5,000								396,569	0	100.0	396,569		
FY 75	A	58,881	106,476		36,328		63,797	34,628		25,987		19,718		8,010		33,528												90,279	260,462	104.0	347,741		
FY 75	P	20,075	168,660		56,254		56,302	5,506		23,833		18,084		6,571		3,352													58,881	294,944	100.0	353,825	
FY 75	P																												20,075	338,562	100.0	338,562	
MONTICELLO																																	
FY 73	P		5,281															13,000											13,000	5,281	100.0	40,798	
FY 74	A		5,113															16,155											16,155	5,113	52.0	21,268	
FY 75	A		10,000															29,651											29,651	10,000	67.0	38,877	
FY 75	P		5,281							16,000								43,213											43,213	5,281	83.0	48,494	
FY 75	P		10,500															14,840		500									15,340	26,500	81.0		
MT. VERNON																																	
FY 73	P							6,083		1,450	1,320	216		2,300																			
FY 74	A							3,863		1,450	1,320	216		2,300																			
FY 74	P									3,250																							
FY 75	A	2,700		1,200		2,402	4,737	3,000	5,688	1,662	1,371																						
FY 75	P			435		13,857							216																				
FY 75	P			5,500		13,750							500																				
MUSCATINE																																	
FY 73	P	138,215																															
FY 74	A	253,440																															
FY 75	A	129,507																															
FY 75	P	238,399																															
NEWTON																																	
FY 73	P																																
FY 74	A	9,000	30,000	23,000		15,000				6,200																							
FY 75	A	2,875				31,750	68,751	15,600																									
FY 75	P	13,800				55,000		66,000																									
OSKALOOSA																																	
FY 73	P	10,000		19,000		17,734	5,000																										
FY 74	A	15,000		15,000			7,870																										
FY 75	A	15,000					30,000																										
FY 75	P	34,115		34,115		34,115																											
OTTUMWA																																	
FY 73	P	77,252				33,331																											
FY 74	A	268,463																															
FY 75	A	239,465																															
FY 75	P	222,086																															
PELLA																																	
FY 73	P			40,237																													
FY 74	A																																
FY 75	A																																
FY 75	P			70,284																													
ST. LOUIS CITY																																	
FY 73	P	122,200				373,550				160,659																							
FY 74	A	15,796	157,000			181,102																											
FY 75	A	160,150	161,000	285,000		515,229		10,100																									
FY 75	P	272,609	162,000	5,016		193,557		17,295		164,175																							
FY 75	P	48,200	245,000	60,768		62,400		3,200		246,950																							
WATERLOO																																	
FY 73	P	35,100	324,000			162,000	54,382	72,900																									
FY 74	A	140,000	281,250			425,000	92,000	138,750	75,000																								
FY 74	P	35,100	574,000			248,235	94,410	145,900																									
FY 75	A		518,750				40,000	67,500																									
FY 75	P		249,560				146,000																										
TOTALS																																	
FY 73	P	1,553,058	1,259,336	1,285,370		187,074	660,605	371,445	55,000	6,083	554,696	16,920	42,016	135,789		52,010																	

APPENDIX REFERENCE #6

EFFECT ON TAX EFFORT

RS has enabled reductions in the rate of one or more local taxes	RS has invented a planned increase in the rate of one or more local taxes	RS has reduced the planned rate of increase in one or more local taxes	RS used for new or expanded undertakings that would not have been initiated without GRS funds	RS used for expenditures that would probably have been made regardless of the availability of GRS
X			X	X
X	X		X	X
			X	
	X			X
	X		X	
	X		X	X
		X		
X			X	X
X			X	X
			X	X
	X		X	X
	X	X	X	X
	X	X	X	X
X		X	X	X
			X	X
	X			X
	X	X	X	X
X		X	X	X
X	X		X	X
X	X			X
		X	X	X
			X	X
X			X	X
X	X			X
X				
X	X	X	did not answer	X
9	13	9	18	20

Totals by a number of cities for which one or more respondents answered affirmatively

APPENDIX REFERENCE #7

DISCRIMINATION + LABOR COMPLAINTS AGAINST LOCAL GOVTS RECEIVING GRS \$

<u>Gov't Unit</u>	<u>Type</u>	<u>Disposition</u>
Cedar Rapids	sex discrim. in employment	Although aggrieved party withdrew complaint, women's groups referred. Police department has neutralized entrance requirements. Woman's suit has been referred to the state and has not yet been considered.
	race discrim. in employment	Minority individual filed a complaint with HUD re: Community Dvlp't. Funds. Ref. to state civil rights agency where it is "being processed."
Council Bluffs	race discrim. in employment	Black social worker terminated by Pottawattamie County Dept. of Soc. Services. Dept. claimed social worker had behaved improperly; social worker claimed discrimination. Lower court agreed w/social worker. Case now being appealed to Iowa Supreme Court.
	discrim. v. ex-conviction employment	Ex-convict claims city discriminated against him because of his ex-convict status. Human Relations Commission agreed.
	Ghettoization	Labor official claims violent construction will create a ghetto. Will wait until spring rains cause damage to file suit against Iowa Highway Dept.
Des Moines	race discrim. in employment	3 - no probable cause 1 - deferred to EEOC
	race and sex employ. discrim.	1 - no probable cause
	sex discrim. in employment	1 - no probable cause 1 - currently in State Supreme Court, lower court found probable cause
	3 complaints administratively closed	1 - deferred to EEOC

APPENDIX REFERENCE #6 continued

RS used to maintain existing levels of programs and services	RS used to substitute or compensate for reductions in federal program funds	RS used for expenditures which resulted in increased salaries and pension fund contributions for local gov't employees	Respondent:
X	X		Ames Manager
			Ames Finance Director
X	X		Burlington Manager
			Carroll Manager
			Carroll City Clerk
X			Council Bluffs Budget Officer
X		X	Council Bluffs Manager
X			Davenport Admin. Officer
X	X	X	Dubuque Manager
			Fairfield Finance Director
X		X	Ft. Dodge City Clerk
X			Ft. Madison City Clerk
	X	X	Iowa City Manager
	X	X	LeMars past City Clerk
	X	X	LeMars City Clerk
X	X	X	Marshalltown City Clerk
			Monticello City Clerk
			Mt. Vernon City Clerk
X			Muscatine City Administrator
			Newton City Clerk
			Oskaloosa City Clerk
X		X	Ottumwa former Finance Chair
X		X	Ottumwa Finance Chair
			Pella City Clerk
			Sioux City Finance Director
X	X		Sioux City Manager
X		X	Waterloo City Clerk
X	X		Cedar Rapids Finance Commissioner
			Des Moines Manager
			Des Moines Finance Director
14	8	8	

APPENDIX REFERENCE #7 continued

<u>Gov't Unit</u>	<u>Type</u>	<u>Disposition</u>
Sioux City	8 "civil rights" complaints	Nature and disposition of complaints confidential by city ordinance.
Waterloo	sex discrim. in employment race discrim. in employment	3 Affirmative Action officer hired & plan instituted. Police & fire depts seeking applications. 2 from women and minorities. Two department heads now female.
Dubuque	race discrimination in employ. sex discrim. in employment religious discrimination	3 or 4 Blacks have filed suit, and the first case against the city will be heard soon. no probable cause. H.R. commission conciliation unclear situation. Complainant filed suit against single member of County Board, who has now left office. Attempts to get help from federal government have failed.
Iowa City	sex discrim. in employment	City has instituted an affirmative action and job re-classification program
Qtumwa	Davis-Bacon	Contractor underpaid workers on bridge construction. Union filed through HUD. Contractor found out of compliance and must pay back wages.

APPENDIX REFERENCE #8

SOME PUBLIC PERCEPTIONS

	Citizen & Community Action Groups	Business Leaders	Labor Leaders	Total
Number of Respondents	147	76	22	245
# of respondents able to name 1 or more uses of revenue sharing in their city	77	43	9	129 (52.6%)
Did the government encourage citizen participation.	18 'yes'	24 'yes'	6 'yes'	48 (19.6%)
Has (or will) your organization submitted a proposal or suggestion for Revenue Sharing use?	29 'yes'	9 'yes'	1 'yes'	39 (15.6%)
Are poverty + minority groups receiving a fair share of Revenue Sharing funds?	19 'yes'	not tabulated	not tabulated	19 (12.9%)
Are officials more aware of your organization because of revenue sharing?	42 'yes'	10 'yes'	2 'yes'	54 (22.0%)
Of other organizations?	not asked	44 'yes'	8 'yes'	
Do you believe that the revenue sharing approach is or will be a satisfactory substitute for categorical federal grant programs?	51 'yes'	52 'yes'	11 'yes'	114 (46.5%)

APPENDIX REFERENCE #9

PERCEPTIONS OF IOWA DEPARTMENT AND AGENCY HEADS

Agency or Department	Number of respondents	Able to name at least one GRS expenditure	Planning to evaluate effect of RS on department	Is GRS a satisfactory substitute for federal categorical grants?
Law Enforcement	22	7	1	9
Planning	22	16	2	13
City Attorney	3	1		1
Transportation	2	1		1
Urban Renewal	8	3		4
Public Employment	1	0		1
Aging	4	1		1
Community Service	3	2		2
Fire Dept.	2	2		2
Educational	5	1		0
Airport	1	0		0
Personnel	1	0		0
Migrant	1	1		0
Council of Govt.	1	0		1
Finance	4	3	1	2
Public Works	13	10	1	11
Health	13	9		7
OEI	15	7	1	7
Housing	14	7	1	6
Library & Cultural	14	8	1	3
Recreation & Parks	15	8		10
Community Devt.	2	2		1
Legal Aid	1	0		0
	153	90 (58.82%)	8 (5.23%)	82 (53.59%)

APPENDIX REFERENCE #10

PERCENTAGE OF ANNUAL DEPARTMENT BUDGET FROM FEDERAL GRANTS ACCORDING TO AGENCY HEADS

Agency or Department	Able to name amt. but not %	0-5	6-9	10-19	20-29	30-39	40-49	50-59	60-69	70-79	80-89	90-99	100
Total	25	56	13	4	11	0	2	1	4	6	2	10	7
Law Enforcement	5	6	4	2	1								
Planning	12	1	1		1	1			2		1	2	
City Attorney	2												
Transportation	1												
Urban Renewal	2							1	2	1		1	
Public Employment												1	
Aging						1						2	1
Community Service				2									
Fire Dept.	2												
Educational	1	2									1	1	
Airport													
Personnel													
Migrant											1		
Council of Gov't									1				
Finance	2	1		1									
Public Works	8	3	1					1					
Health	3	5	2	2									
OEI	2	1									6	3	2
Housing	3	3						1	1		1	1	4
Library & Cultural	1	10	2										
Recreation & Parks	2	5	2	2	3			1					
Community Devt.	1									1			
Legal Aid	1												

APPENDIX REFERENCE #11

MEDIA PERCEPTIONS:

HOW INFORMED ARE OFFICIALS ABOUT GRS?

	Very well	Well	Poorly	Very Poorly	Varies	Don't Know	No Response
Mayor	9		1				
Council	2	4	3	1	2	1	
Manager	4	2					
Officials in general	17	27	9	1	3	3	1
Others	3	2		1			
Total	35	35	13	3	5	4	1

ORDER FROM League of Women Voters of the United States
1730 M Street, N.W. Washington, D.C. 20036.

Pub. No. 653, 50¢

— 30885 —

League of Women Voters of the U.S.
1730 M Street, N.W.
Washington, D.C. 20036

THIS IS GOING ON DPM

October 30, 1975

STATEMENT
TO THE

SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS AND HUMAN RESOURCES
OF THE
HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

BY

NAN WATERMAN, CHAIRWOMAN, HUMAN RESOURCES,
LEAGUE OF WOMEN VOTERS OF THE UNITED STATES

ON HR 10319

Mr. Chairman and members of the subcommittee:

My name is Nan Waterman and I appear before you today representing the League of Women Voters of the United States. The League of Women Voters is a national organization representing over 1300 constituent Leagues and 140,000 members. I wish to thank the subcommittee for affording us this opportunity to appear before you today and testify on the extension of the "State and Local Fiscal Assistance Act."

During the last decade, as part of its Human Resources position, the League of Women Voters of the United States has consistently supported federal categorical aid programs aimed at combating poverty and discrimination and obtaining equal access to housing, employment and quality education. Our traditional support of categorical aid programs has been based on a firm commitment to the establishment of federal programs which would address the nation's unmet social needs.

When the idea for general revenue sharing, symbolic of the "new federalism" approach and representative of a sharp move away from categorical aid, was debated in 1970 and 1971, the League of Women Voters of the United States took a careful look at the concept. While the League recognized the pressing needs of many local governments for fiscal relief, we were also concerned about the potential impact of general revenue sharing on minorities and the poor, who have historically been slighted by local and state governments and have had to look to the federal government for equal protection and redress.

Since general revenue sharing has been signed into law, the League's concern over the unrestricted flow of federal funds has been reinforced by the impoundments, reductions and terminations of many categorical programs, particularly those designed to aid minorities and the poor. As former League president Lucy Benson stated in congressional testimony on June 14, 1973, "... returning power to the people should not mean an abandonment by the federal government of its responsibility to generate, finance and oversee programs which further the general well-being of all the nation's people, on an equitable basis."

The concerns I have expressed about general revenue sharing have been documented in the extensive field monitoring carried out by the League of Women Voters Education Fund as a part of the National General Revenue Sharing Project. For the past two and one-half years, the League of Women Voters Education Fund has been participating in an intensive monitoring effort of the impact of general revenue sharing on national, state and local levels with the Center for Community Change, the Center for National Policy Review and the National Urban Coalition.

The extensive League monitoring effort in ten local jurisdictions, 23 cities in Iowa, and six states has identified critical problem areas in the operation of general revenue sharing, including the present inequities of the allocation formula, the lack of civil rights compliance, inadequate citizen participation, absence of national oversight, and lack of incentives for government modernization. This is not an exhaustive list of flaws, and I know that there are those of this subcommittee who have come up with a far more comprehensive list of the chamber of horrors under general revenue sharing, but we think our list is one that lends itself to immediate reforms which we believe are in the grasp of this Congress.

Since the spring of this year, a number of civil rights, public interest and labor organizations have met to consider ways of insuring improvements in the general revenue sharing program. A committee formulated by those organizations has been meeting since that time to develop from these common principles a specific legislative proposal. That proposal is now before you as HR 10319, introduced by Representative Dante Fascell on October 22. The League of Women Voters of the U.S. has been active throughout this entire process, and we appear here today to express our growing concern that there must be new approaches to the legislation. We have talked with many members of the Congress and been encouraged that they share our concerns.

Although general revenue sharing is funded through 1977, the administration is seeking early renewal of the program. It is our strong contention that if the Congress decides to renew the program, there must be certain minimum assurances built into it. We believe that HR 10319 does provide these critical assurances. I would like to call this subcommittee's attention to the kinds of changes we suggest must be made in the existing legislation.

(1) Inequity of the allocation formula. In its present form, the allocation formula does not direct an adequate share of funds to those states and localities that have the greatest need. For example, the current method of distribution of funds among states provides two alternatives: a three-factor formula based on population, general tax effort, and relative income; or a five-factor formula based on population, urbanization, per capita income, income tax collection and general tax effort. This formula does not adequately take into account either need or state fiscal effort in determining the state shares.

HR 10319 suggests that the formula determine 40% of a state share by population and income factors, and the other 60% by population and tax policy. These changes move in the direction of focusing more directly on need in several ways. First of all, income factor is changed to relate to the number of persons below the poverty level; and for central cities, income factor relates to the number of persons whose income is below 125% of the poverty level. Thus, the definition weights poverty as a factor in determining the state share.

One effect of this change from using the inverse of per capita income as the definition of the income factor is to give income about the same weight as tax effort in the formula. Another effect is that it gives more assistance to jurisdictions which have

large numbers of poor with greater unfilled needs for social services, but which do not necessarily have a below-average per capita income. Using percentage of persons in central cities with income below 125% of the poverty level takes into account the higher cost of living in central cities, the higher cost of providing services and the need to provide extra services associated with urban living.

Need is also taken into account in the tax effort definition. Two alternative methods are set up to determine tax effort and a state uses the one producing the greatest yield.

The alternatives are a tax effort formula and a formula based on state income taxes. Not only is tax effort redefined in the direction of more accurately assessing need, but also there is greater encouragement for the use of state income taxes, since tax effort affects 60% of the state share as opposed to 17% under the administration's proposal. While non-income-tax states are not overly penalized under HR 10319, incentive for adoption of a state income tax is provided.

The formula for distribution of funds to local governments in the proposed administration bill establishes a 20% minimum per capita expenditure and a 6% increase in maximum per capita payments from the existing 145% maximum to the level of 175% in five years. We realize that this formula would not provide enough funds either to urban areas with high concentrations of poor populations, high service costs and overburdened tax bases, or to areas of rural poverty with great need but limited fiscal resources. In an effort to more equitably distribute funds to local jurisdictions, the League favors raising the maximum per capita payment to 300%. In view of the fact that the 20% minimum has tended to reward wealthy areas and to make limited function governments eligible, HR 10319 eliminates the 20% floor and sets a minimum annual payment of \$2,500. As is the case in the state allocation formula, need is accounted for by the income factor. Again, the difference is that in recognition of the severe burden on cities, income factor is related to the percentage of persons with incomes below 125% of the official poverty level.

(2) Citizen participation. To fulfill the promise of the program, citizens must be involved in decisions about spending general revenue sharing funds. By involvement, we mean the opportunity for effective participation, with a chance for real impact on the decisions. We feel that citizen participation is crucial because fiscal accountability, particularly elusive given the fungibility problem, is impossible to achieve without citizen involvement. Also, heightened responsiveness among state and local officials is linked to the level of citizen participation. Unfortunately, we have been unable to find evidence of any increased citizen participation in local and state decision-making processes as a direct result of general revenue sharing. Given the bare requirements in the existing program, it is not surprising that League monitors have consistently found minimal citizen involvement. Under the existing program, recipient governments have been able to take care of their citizen participation obligations by publishing the mandated planned and actual use reports for each entitlement period. The renewal proposal would require recipients to give residents the opportunity to express their views through public hearings or such other manner as prescribed by the Secretary. While this is a step in the right direction, it does not go nearly far enough. HR 10319 specifies a specific set of steps focusing on involvement well in advance of submission of planned use reports. Recipient governments must notify the public of the prospective receipt of funds and include detailed information about the allocation process and the program's provisions about priority expenditures, make available detailed budget information, hold public hearings, and establish a citizens' advisory committee for jurisdictions of a certain size. A precise timetable is laid out for the various stages of citizen input.

(3) Absence of national oversight. Although general revenue sharing is the single largest federal domestic program, virtually no accountability at the federal level is structured into it. The League feels this can in part be alleviated in at least two major ways. First of all, the Director of the Office of Revenue Sharing should be required to report annually to Congress with a detailed examination of the expenditure of general revenue sharing funds, their fiscal impact, civil rights compliance efforts, and citizen participation. The Office of Revenue Sharing should also be mandated to conduct periodic field evaluations on the operation and status of the program.

The second major thrust toward improving accountability focuses on setting up a three-year forward appropriations procedure. The administration renewal proposal sets out a 5 3/4 year appropriations procedure. The League feels that the program must be examined annually so that adjustments based on changes in the economy can be made, if necessary. We also feel that 5 3/4 years is far too long a period of time for such a large amount of funds to be dispensed without any provisions for program review at the national level. The type of annual review set out in HR 10319 would make possible national oversight of program operations. Since appropriations would be made for three years forward, local government officials would still have adequate time to plan ahead.

(4) Civil rights. Civil rights enforcement under general revenue sharing has by now been well documented as inadequate. As the Office of Revenue Sharing has stated, its primary interest is in getting those checks out to the 38,000 jurisdictions. The reluctance of the Office of Revenue Sharing to use administrative handles of deferral and termination to ensure civil rights compliance is therefore not surprising.

Experience with other federally-funded programs has shown that to effect rigorous enforcement, strong guidelines and timetables must be laid out for both administrative action and litigation. However, the League feels that legislating a specific timetable for activity within the administrative enforcement procedure may not suffice in persuading Treasury and particularly the Office of Revenue Sharing to carry out a civil rights enforcement mission. The League suggests that the responsibility for investigating potential civil rights violations of the general revenue sharing law and regulations be transferred from the Secretary of Treasury to the Attorney General. This transfer would require the Department of Justice to add an entirely new administrative enforcement role to the litigation function it already carries out.

Because of the extreme fungibility of general revenue sharing funds and discretion of state and local officials to move the funds from an agency with discrimination problems to one less suspect, the League feels that the non-discrimination provisions of the general revenue sharing law should cover all programs and activities conducted by a state or local government receiving general revenue sharing funds.

In cases where a determination of noncompliance based on the Justice Department's investigation is made, under HR 10319 the Governor of the state would have 30 days to obtain compliance, after which time the Attorney General, in cases of the Governor's failure to obtain compliance, would decide whether to initiate administrative enforcement proceedings or litigation. In either event, the Attorney General would be authorized to seek an order placing further general revenue sharing payments in escrow. Such a deferral of funds would last no longer than 180 days, unless in the interim the jurisdiction had either been found in noncompliance by a hearing panel or administrative hearing judge or a court had made a determination of noncompliance.

The Attorney General would be authorized to initiate judicial actions or administrative enforcement proceedings upon his determination that a pattern or practice of

discrimination had occurred or upon his determination that a citizen complaint of civil rights violation has validity. Investigation of citizen complaints would take place promptly. The Governor would be notified of the complaint within ten days after its receipt, and enforcement proceedings would be initiated within 30 days thereafter, unless the Governor had successfully resolved the problem by obtaining voluntary compliance. If all efforts seeking voluntary compliance failed and a hearing panel or administrative law judge had rendered a decision of noncompliance, general revenue sharing funds would be terminated, but only those funds going to the particular entity found in noncompliance.

In instances where citizens or aggrieved persons, other than a unit of government, brought their own cases before the courts, reasonable attorney's fees would be allowed in addition to other costs.

If there is to be a general revenue sharing program, we must assure citizens, particularly minorities and women, that this program does not mean a philosophical and actual retreat by the federal government from its concern for their rights. I know that this subcommittee shares these concerns for basic civil rights, and I believe HR 10319 offers some real solutions to these critical problems. The suggestions made in this bill are a step toward greater assurance that the federal government indeed is not in retreat.

(5) Government modernization. General revenue sharing was advanced as a concept by which would be restored balance to the federal system. However, the League feels that merely giving 38,000 jurisdictions near total discretion over the spending of federal dollars does not in and by itself do anything to increase the management or problem-solving capacity of state and local governments.

HR 10319 suggests that in order to provide incentives for government modernization, an additional pot of money should be set aside for those states qualifying for additional funds. Modernization of state and local governments is a goal toward which state and local Leagues have been working for 50 years, and we are pleased that HR 10319 takes a big step toward advancing the goal.

HR 10319 states that in order to qualify for these additional funds, a state must submit and have the Secretary's approval of a master plan and timetable for modernizing and revitalizing state and local governments. Such plans should be designed to improve the effectiveness, economy and equity of government, include steps to carry out the plan within a specified time frame and give citizens an adequate opportunity to comment on the plan.

The evaluation of these plans by the Secretary of Treasury should focus on some of the following concerns:

- 1) Does the plan aim toward assigning government functions to that body of government best able to provide particular public services to all citizens?
- 2) Does the plan eliminate or reduce the number of limited function governments and special districts?
- 3) Does the plan reassess and reassign taxing authority so that the system reflects the fiscal capacity of the taxing unit?
- 4) Does the plan address the professional capacity of governments?
- 5) Does the plan devise a means of encouraging broad participation by the public in decision-making?

The Secretary should appoint an Advisory Committee to assist in evaluating and reviewing the master plans. The Secretary should also report to the Congress annually on the level of participation in the modernization program and its effectiveness.

At a time of acute fiscal crisis in so many areas of the country, a program the size of general revenue sharing cannot ignore the inability of many of our state and local governments to deal with their problems of efficiency, tax structure, regional cooperation and equity. The League feels that by adding modernization incentives to the program, Congress will be responsibly aiding the states to restore a better federal balance in government capability and will not merely be providing fiscal aid to governments that need more than money to solve their problems.

(6) Expenditure categories. We feel that by adding citizen participation and comprehensive planning for modernization to the permissible expenditure categories for local governments, HR 10319 makes general revenue sharing far more responsive to domestic priorities and to citizen involvement. It makes sense that since we so desperately implore local governments to achieve better mechanisms for effective citizen participation and to develop more efficient, responsive governments, they be encouraged to spend general revenue sharing funds to advance toward these goals.

In conclusion, I wish to thank the subcommittee again for your careful consideration of this major legislation. Obviously, we are firmly of the opinion that general revenue sharing must be carefully reviewed in terms of maximum guarantees of civil rights, equitable distribution of funds, citizen participation, modernization of state and local governments and federal oversight. For all of these reasons, we appear here today in support of HR 10319.

Mr. Chairman, I thank you again for your courtesy today and will be happy to answer any questions that the subcommittee may have.

HR EXCHANGE

MARCH 1976

SECOND PHASE OF NATIONAL REVENUE SHARING MONITORING PROJECT GETS UNDERWAY

This winter, 2½ years of work on general revenue sharing (GRS) bore fruit when League monitors and staff were invited to help develop a legislation amending the 1972 act. In 1973 the LWVEF joined the Center for National Policy Review, the Center for Community Change and the National Urban Coalition in establishing the National Revenue Sharing Monitoring Project. The 4 public interest groups sought a reading on federal policy and state and local performance in the first years of the GRS program. The focus has been on citizen participation, civil rights enforcement and the allocation of funds for social services.

In the now completed first phase (funded by the Clark Foundation) the Center for National Policy Review monitored at the federal level while the other three project organizations utilized their grass-roots affiliates to monitor at the state and local levels. As part of this extensive "first round," League members monitored in six states, 10 local jurisdictions around the country, and 23 Iowa communities.

From the outset, the project has viewed local citizen monitoring as a multipurpose activity:

- ☐ providing data about how the GRS program is functioning for use at state and local levels and in national policy discussions;
- ☐ heightening citizen awareness and involvement;
- ☐ generating dialogue among citizens and officials at state and local levels.

Results of the first round of monitoring have been reported in 5 publications to date: General Revenue Sharing in American Cities: First Impressions, Equal Opportunity Under General Revenue Sharing, General Revenue Sharing: The Case for Reform, Iowa Case Study on Implementation of General Revenue Sharing at the Local Level (LWVEF #653, 502), and General Revenue Sharing and the States (LWVEF #595, \$1.00). They have been widely disseminated among policy makers, congressmen, and public interest and citizens' groups.

In the current legislative renewal debate, project findings are the chief resource for formulating reform legislation that is being advocated in the form of HR 10319, (introduced by Rep. Dante Fascell) by a broad range of concerned groups, including the League of Women Voters of the United States.

The monitoring project has also proven to be a valuable experience for local citizen monitors, who not only gained expertise on the GRS program but also made some headway in increasing citizen participation in the budgetary process at the local level. Local Leagues have published their findings locally, conducted follow-up budget workshops with citizens and local officials, and brought discrimination complaints under the nondiscrimination provision of the GRS law.

The project organizations have sought--and gotten--funding for a second round of monitoring, to further advance the goals of the project. This second phase (funded by the

Rockefeller, Carnegie, Taconic, New York, and New World foundations) will focus on both "old" and "new" sites. Old League sites include Burlington, Louisville, Nashville, and Seattle. The new sites are Kootenai County, Idaho; Portland, Maine; Omaha, Nebraska; the county surrounding Burlington, Iowa; and Portland, Oregon.

Examining a combination of old and new sites should provide some useful comparative analyses. For example: to what degree has the citizen monitoring process influenced the program in old sites? Has citizen involvement increased in these sites? Is it greater than in new sites?

All project sites are using a revised edition of the original monitoring instrument. Revisions, particularly in the questionnaires, were geared toward making it easier for site monitors and others to use them.

After consultation with data processing people experienced in dealing with this type of project, revisions in the questionnaire were also designed to make it possible to code the responses. Responses can now be readily quantified and output tables generated, to accompany a narrative report.

The revised instrument, including detailed monitoring instructions, can be ordered from the LWVUS, 1730 M St, NW, Washington, DC 20036, Pub. #626, \$3.00 apiece.

During phase 2, monitors will get more on-site technical assistance than in the first phase. To date, training sessions have been held in Portland, Maine; Burlington, Omaha; Kootenai County; Seattle; Portland, Oregon; and Louisville. Project staff plan site visits later to give Leagues help in developing strategies for using the information and in executing follow-up activities.

Many Leagues other than those participating in the project are studying GRS or are involved in related topics such as the expenditure of special revenue funds and the local budget process. The LWVEF project staff is prepared to provide you with technical assistance in a variety of ways, including help in starting a study of GRS or a related topic and help in adapting the monitoring instrument to fit a local situation.

If you have ideas or questions, call Marlene Proviser, GRS Project Assistant, or Linda Brown, GRS Project Administrator, at (202) 296-1770. If you are already involved in or are considering a study of GRS or the local budget and have not already ordered a copy of the monitoring instrument, you will find it a useful tool.

This is the first issue of HR EXCHANGE, and we want it to be just that--an "exchange" in the truest sense of the word. Send us accounts of your successful or innovative HR projects...problems you've encountered...and ways you've found to cope with them. Your contribution may be just what another League needs to plan a new project or inject new life into an old one. You've told us you'd like to know more about what other Leagues are doing. Here's your chance: we'll try to print as many of your contributions as possible. Send them to: Alice Kinkead, HR EXCHANGE, LWVEF, 1730 M Street, N.W., Washington, D.C. 20036. Let us hear from you!

FOOD STAMP INFORMATION

According to the U.S. Department of Agriculture (USDA) the cost of the Food Stamp Program for fiscal 1976 may exceed \$6 billion, with participation ranging between 18 and 20 million persons. It is estimated that another 15 to 20 million people are eligible but are not currently buying stamps.

Since the program has become the nation's most visible social assistance plan, it is an easy target for attack, complete with lurid accounts of inefficiency and abuse by allegedly undeserving recipients.

The Administration, and the USDA specifically, acknowledge that there are problems in the current program:

- complexities and inefficiencies in the administration of the program and certification procedures;
- lack of participation by those who are truly in need;

- inequities in the program, which should, but doesn't, treat households with similar incomes and resources alike.

Monitoring organizations, including the League, have identified the purchase requirement or cash contribution as one serious problem. It compels all but the poorest recipients to contribute a standard lump sum in order to get the "bonus coupon." This amount varies in accordance with a sliding scale that takes into account projected monthly earnings after numerous deductions.

NEED PROJECT IDEAS?

HERE'S A SAMPLING OF LEAGUE CONTACTS AND ACTIVITIES RELATED TO THE FOOD STAMP PROGRAM

Cynthia Blackburn
Social Services Consultant
LW Pasadena Area
1393 E. Washington Blvd.
Pasadena, CA 91104

Deanna Gardner
LW Brooklyn Park
8216 Yates Ave., N.
Brooklyn Park, MN 55443

Nancy Somers
LW Anne Arundel Co.
5 State Circle
Annapolis, MD 21401

Molly McClenon, Chairman
Human Resources
LW Lynchburg
1024 Timberlake Dr.
Lynchburg, VA 24502

Mary Turnquist, Chairman
Human Resources
LW Wisconsin
433 W. Washington Ave.
Madison, WI 53703

Explored reported problems in food stamp distribution. Worked with other interested groups to identify and correct existing problems.

Distributed information on history and current administration of Food Stamp Program to local League members.

Participated in Food Stamp Outreach workshop with a variety of citizens representing food and nutrition programs and public interest groups.

Prepared Food Stamp summary as a service for County Food Stamp Office, Social Services Dept., and Virginia Coalition on Nutrition, distributing 1,000 copies. Met with various groups in effort to make the Food Stamp Program more widely understood and available.

League testified at public meeting held to discuss ideas for outreach in the new state plan. Local Leagues are involved in sharing information with their members, are involved in outreach efforts in their communities.

It averages 24 percent of income after deductions (with a ceiling of 30 percent). This from one amount is so large that many regard it as a major reason for massive nonparticipation.

The clamor over alleged abuses of the program by recipients has been loud, but these same critics have had little to say about the fact that over half the American families under the U.S. government's official poverty line (\$5,050 yearly income) are not participating in the plan. An example illustrates the dilemma: A family of four whose monthly income averages \$375 after deductions must pay \$104 for \$166 worth of food stamps—the amount needed to buy what USDA says is a "nutritionally adequate" diet. This prohibitive sum effectively excludes them from the program. A large number of those for whom it was designed, Congress is now in the process of revising the food stamp program.

November 1975 saw the formation of a Washington-based National Food Stamp Information Center. This nonpartisan organization is sponsored by 60 national organizations (including the LWUS). The information center serves as a resource center for data collected by various government agencies concerned with the Food Stamp Program. For more information contact Paul Overdorff, National Food Stamp Information Center, 1010 K Street, N.W., Washington, D.C. 20006 or A. Susan Richman, Human Resources, LWWEF, 1730 M Street, N.W., Washington, D.C. 20036.

HOUSING: A SOUTHERN STRATEGY

A fall conference on "Housing: A Southern Strategy" brought together League members and non-League resource people from 14 states in the southern region. It was the fourth and last conference under the LWEEF Open Suburbs Project. Although the specific issues varied, all four conferences had one constant focus: to pinpoint problems and to develop workable strategies for expanding low- and moderate-income housing opportunities.

At the September 1975 conference (Montreat, S.C.) Emory Via of the Southern Regional Council set the stage with an overview of the current housing situation in the South:

- Of the almost 19 million occupied housing units in the South, almost 2.4 million or 12 percent are substandard.
- About 600,000 or 25 percent of all substandard housing is occupied by households living in overcrowded conditions.

- A higher percentage of blacks than whites live in substandard housing. For example, in South Carolina and Florida the number of black households in need of better housing is about 6.5 times that of non-black households.

- About 25 percent of all substandard housing in each of the 15 southern states is occupied by one- or two-person households 62 years of age or over.

- In 1970, approximately 1,800,000, or 9.4 percent of all households in the southern region, were adequately housed in rental units but were paying in excess of 25 percent of their income for rent.

These facts tell us that one severe need in the southern region is to increase the supply of standard housing. To do so, Via said, requires: active citizen participation in the development and planning of applications for federal housing funds by local governments; changing those aspects of the federal housing program that limit a community's possibilities for solving its housing problems; and monitoring those processes and programs that lend themselves to potential abuse.

THE NUTS AND BOLTS OF HOUSING STRATEGY DEVELOPMENT
Gerl Harris—a housing consultant based in Atlanta, Georgia—outlined for conferees the principles involved in

developing a housing strategy. Her underlying theme: an effective housing strategy is a planning one. He thinks that you will find her remarks, excerpted below, helpful, no matter what your League's goal may be—whether it is to increase the supply of low and moderate income housing in your community, to get a fair housing ordinance enacted, to set up a homeownership counseling service, or to get a state housing finance agency established.

THE PLANNING PROCESS

There is nothing mysterious about planning, which is an inherent part of strategy development. Planning enables an organization or community to make the best use of its resources in an orderly, economical and goal-assuring way. There are three basic steps: (1) develop a detailed program of action; (2) implement the tasks set out in the plan; and (3) examine the action taken to determine whether the desired results have been achieved. Plans will change, depending upon whether the desired results have been achieved or whether the situation has changed.

SOME ELEMENTS OF A HOUSING STRATEGY

There are several elements from which housing strategies are developed and implemented. Two are discussed below.

Community Assessment. Purpose: to provide the framework and base from which to identify issues, assess current proposals and plans, pinpoint possible resources, and determine gaps and inequities in housing services planned. Your League may find that your local government has not participated in federal housing programs because it is unaware of the need for low- and moderate-income housing. Documenting the need in a study may be all the impetus needed for your local government to take the necessary steps to increase the housing supply.

Monitoring and Evaluation. One of the most critical roles that a community organization can play is to monitor and evaluate the use of federal community development block grant funds at the local level. To do so, local groups must understand the relationship between program intent, program performance, the delivery of services, and the budget format as key ingredients in the monitoring and evaluation process. One great need is to improve methods of identifying and measuring the beneficial impact of programs and projects.

The Open Suburbs Project officially ended with this Southern Housing Conference but the League's commitment to tackle the complex issues of expanding housing opportunities for low- and moderate-income families continues. National Human Resources staff stand ready to provide technical assistance to help Leagues on every level to achieve their goals. Within the limitations of our small budget we will try to provide on-site assistance as well. Call or write: Barbara Burton, LWEEF, 1730 M Street, N.W., Washington, D.C. 20036; (202) 296-1770, Ext. 247.

EDUCATION FINANCE REFORM PROJECT

Three state Leagues have been deeply involved over the past 2 years in getting citizens to think about how public education is paid for in their state—and how it ought to be paid for. The Leagues in New Jersey, South Carolina and Vermont have devised unique citizen education campaigns with the help of grants from the Ford Foundation administered by the Human Resources Department of the LWEEF.

The goals of the project are to educate citizens in specific states about the equity problems in the existing method of funding public education and to examine the alternatives for correcting those inequities.

An advisory committee, drawn from the legal, academic, political, economic and tax worlds helps in selecting participant states and giving them technical assistance. Among the selection criteria are: the magnitude of the

equity problem; whether or not any movement toward reform is underway; the political and economic climate; and League interest and capability.

While the number of project grants to state Leagues is limited, LWEEF staff and advisory committee members are available to give information and advice to those Leagues concerned about school financing in their state or involved in education finance reform.

The experience of the three state Leagues has been as varied as their states are—in demography, in present education financing apparatus, and in readiness to consider changes. Two of the projects are still ongoing.

IN NEW JERSEY

New Jersey for many years has witnessed one of the hottest situations in the school finance reform movement. In April, 1973 the New Jersey State Supreme Court declared the state's method of financing elementary and secondary education unconstitutional and mandated that a new system be enacted by law no later than December 31, 1974 and implemented by July 1, 1975. This ruling provided a testing ground for the impact of state Supreme Court decisions in the legislative response to the need for changes in school financing.

The New Jersey LW, for many years, has urged that state's citizens to reform their tax and school finance systems. The League has used its grant money (received November, 1973) to form a coalition, which has spearheaded a public dialogue on school finance reform. The coalition, called Focus Education, includes the New Jersey Education Association, New Jersey School Boards Association, Newark Urban Coalition, AAUW, and C of C.

Focus Education blanketed the state with flyers, speakers, a taped slide show, information kits, newspaper articles, radio spots and half-hour programs and TV spots to educate the public and increase citizen participation in decision making. Coalition members also conducted workshops for

DON'T FORGET LITIGATION:
SOMETIMES IT'S THE BEST WAY TO GO
SOMETIMES IT'S THE ONLY WAY TO GO

Here's a sampling of Leagues involved in Litigation under Human Resources:

- LW of Metropolitan Columbus, Ohio is plaintiff in a suit challenging amendment to an Equal Opportunity ordinance which makes it illegal to use "checkers" when discriminating in real estate practices is suspected. Status: Pending.
- LW of Schenectady County, N.Y. is plaintiff with others in a suit to stop federal monies for urban renewal until the City constructs low income housing. Status: Pending.
- LW of San Diego, Calif. is plaintiff in a suit challenging the use of public funds to construct segregated schools. Status: Pending.
- LW of Indianapolis, Indiana is amicus along with other groups in a suit to force adoption of a school desegregation plan by the city public school system. Status: Appeal pending.
- LW of Massachusetts was amicus in the suit to desegregate the Boston school system. Status: Won.
- The Erie County ILO, N.Y. and the LW of Houston, Texas are also amici in similar local suits to desegregate schools. Status: Pending in both.
- LW of Louisiana is amicus in a suit to overturn Louisiana community property laws which give sole financial authority to the husband. Status: Pending.
- LW of Montana is plaintiff as part of ERA Ratification Council in a suit to remove ERA revision referendum from ballot. Status: Won.

the Senate Education Committee, municipal officials in selected areas, and organizations. Letters went to key individuals and showings of the slide show were arranged.

The New Jersey Court extended its deadline for enactment of a new education finance system until October 1, 1975. Not until two days before the deadline was a new education bill signed; to date, no funds have been appropriated to implement the bill and its constitutionality has been challenged. To date, no ruling has been made on the challenge. The New Jersey League, though it has at no point espoused a particular plan, is continuing its efforts, revising its education campaign strategy as new developments occur. For more information on the New Jersey experience contact Mary Nash, 27 Kobring Circle, Harrington Park, NJ 07042 (201) 768-5943.

IN SOUTH CAROLINA

A coalition of South Carolina organizations working for school finance reform was already in existence when the South Carolina League shifted into high gear in late 1973. With the help of grant money and technical assistance, the Citizens' Coalition on South Carolina School Financing was formalized, and expanded its activities. The coalition used many of the same citizen education techniques that the New Jersey coalition used, and it also had several unique things going for it: a close working relationship with the State Department on Education, a major legislative staff person working on school finance, and the encouraging support of the governor.

The legislature asked for and got valuable technical assistance from the Legislators' Education Action Project of the Council of State Governments in analyzing the school problem and the effects of various alternatives. In addition, South Carolina was fortunate in not having to leap the no-income tax hurdle that has been at the heart of the situation in New Jersey.

Two forward moves have already been made. In 1975, the South Carolina Legislature passed a bill that brought about uniform property assessment ratios, an important first step in the reform of school financing for South Carolina. The governor appointed a committee of citizens, legislators and educators to study school finance and make recommendations for him to submit to the legislature. The committee has issued a report with reform recommendations that will hopefully be drafted into legislation in the near future. The League project coordinator and chairman of the citizens' coalition, Joy Soyde (2386 Fern Cliff Rd., Rock Hill, SC 29730, (803) 366-9780) was part of that committee.

With these initial steps nearing completion, the Citizens' Coalition is preparing to educate citizens about the options being proposed and debated, to solve South Carolina's school funding problems.

The task is far from complete, but so far the coalition has been successful in helping to make school financing an important issue in South Carolina and in focusing alternatives that will eventually make the system more equitable for both children and tax payers.

In June 1975, the grant for the Education Finance Reform Project was renewed for another two years. With these funds, the project will continue to give technical assistance and support to the ongoing projects and will select three to four more states for participation. The process of state selection is underway.

PARTICIPATION IN TITLE IX MONITORING PROJECT OF THE AMERICAN FRIENDS SERVICE COMMITTEE

Ten Leagues responded to the call from the American Friends Service Committee (AFSC) last February to consider monitoring sex discrimination and compliance with

Title IX in public school districts of six southern states. The project will use concerned local citizens as monitors to identify problems of sexism in their schools. Local findings will be compiled into a regional report. The goal: to focus national attention on local school district compliance, federal law enforcement, and the Title IX regulations themselves.

Title IX of the Education Amendments of 1972 states: "No person...shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any education program or activity receiving federal financial assistance...."

Since the Title IX regulations were not enacted until July 1975 (after a three-year federal delay), the 1975-76 school year is the first year of implementation. By July 1976, school districts must not only have completed a self-evaluation but also have developed a plan specifying the steps they will take to comply. School districts should already have designated a Title IX coordinator and given public notification of their plans for complying with the law.

AFSC has sought out individuals and local groups to:

- provide information about existing sex discrimination problems in their school districts for documentation and investigation and,

- carry out on-site monitoring of school district compliance progress.

For the latter, AFSC is supplying individual questionnaires to be used by local monitors in interviewing students, teachers, non academic employees, vocational education directors and teachers, athletic directors, physical education teachers and coaches, principals, superintendents and school board members, directors of testing and counseling, guidance counselors, and Title IX coordinators. It is also providing monitoring handbooks and on-site technical assistance. Besides publishing a regional report, AFSC will help local groups with follow-up, particularly on methods of bringing local school districts into compliance.

In early December, Nan Waterman, Human Resources National Chairwoman, invited all interested local Leagues in Alabama, Arkansas, Georgia, Louisiana, Mississippi and South Carolina to participate in the AFSC project. League response has been heartening. Leagues in Pulaski County, Washington County, Pope County-Russellville and Camden in Arkansas; Marietta-Cobb County and Columbus in Georgia; Baton Rouge and Shreveport in Louisiana; Columbia Area, Greenville County and members-at-large in Rock Hill, South Carolina have contacted AFSC and expressed interest in participating in the project. By the time this newsletter reaches you they may well be monitoring. A regional report is slated for publication in the fall.

FEDERAL EDUCATION PROJECT LAUNCHED BY LAWYERS' COMMITTEE

A new project will take a hard look at two federal education programs to see how well--or how badly--they are working: Title I of the Elementary and Secondary Education Act (ESEA) of 1965 and Title IX of the Vocational Education Act of 1963 as amended are the targets of the Federal Education Project, just launched by the Lawyers' Committee for Civil Rights Under Law. The project is supported by grants from the Carnegie Corporation and the Ford Foundation.

Project coordinators will issue a regular newsletter beginning in January 1976 which will include information about recent federal and local developments affecting education agencies and community groups. Leagues wishing to receive this free newsletter should contact: Cindy Brown and Norman Chackin, Codirectors of Federal Education Project, Lawyers' Committee for Civil Rights Under Law, Suite 520, 733 15th St. NW, Washington, DC 20005, (202) 628-6700. Look for details in the next HR EXCHANGE.



LEAGUE OF WOMEN VOTERS
OF MINNESOTA

PHONE (612) 224-5445

555 WABASHA • ST PAUL, MINNESOTA 55102

SOCIAL SERVICES BLOCK GRANT PROGRAMS

April, 1977

To: Local League Presidents and Human Resource Chairmen
From: Karlyn Fronek, Lobbyist, Human Resources
Re: H.F. 1 (McCarron, Sabo, Swanson, Biersdorf)
S.F. 459 (Johnson, Willet, Milton)

This update is for your information; it does not require action on your part.

H.F. 1 has passed the House Health and Welfare, Governmental Operations, and Local and Urban Affairs Committees. At present it is slated for 3rd engrossment and referral to the Taxes Committee. The Senate version has not yet been heard.

The chief author, McCarron, states that this is a revenue sharing, administrative funding bill which is intended to simplify and consolidate state social service aids.

The following services are mandated in the bill: adoption, child protective services, detoxification, foster care, mental health, mental retardation, inebriety, disease control, community nursing and home health care. The county would be required to spend 60% of the funds they receive on these services. The remaining 40% of the funds could be spent as the individual county chooses. The programs that would vie for this money include day care and handicapped among others.

The basic intentions of the bill could be supported under two League positions and also League Principals:

LWVMN POSITION: ".... state is responsible for all its citizens on an equal basis and should work to ensure equal treatment...."

LWVMN POSITION: ".... advocate less dependence on the property tax as a source of revenue."

1. State funding for social services goes to elected officials (county board) who will be responsible for planning and providing social services.
2. The procedure for funding social services will be simplified by the use of a formula. This formula could in many cases place more of the funding responsibility on the state and less on the local property tax base.
3. Responsibility for providing services would rest with the county which is closer to the consumers of the services.

The bill does have a number of problems.

1. The formula may be oversimplified.

\$80 times the average number
of AFDC recipients

+

\$8 per capita

+

\$50 times those over 60 years

minus

1½ mills times
the assessed
valuation of the
county

= level of state
funding

(Over)

The county will be permitted to levy 1 additional mill.

The use of AFDC recipients as an indicator of need is said by some to be a negative incentive index. There may be other factors that significantly influence need. The bill provides that no county will receive less aid in 1978 or 1979 than it received in 1977. The impact of the bill over the long term has not really been dealt with.

2. Citizen participation - A repealer in the bill will take out several health and welfare advisory committees. An early amendment changes the planning process so county boards shall appoint a social service advisory committee. League is concerned about the makeup of this committee and the actual input they would be allowed to have into county boards' decisions. We are currently looking at the possibility of asking that the membership of the committee be mandated so that it reflects the public, providers and consumers of services.
3. Repeals other provisions whose effect has not been thoroughly assessed.
 - A. Child Care Facilities Act
 - B. Community Mental Health Boards

4. Disruption of the Community Health Services Act, passed in 1976

The Association of Minnesota Counties supports the bill.

Several groups oppose the bill. Day care proponents oppose on the basis that many of the services will be lost in counties that are insensitive to the need and also that their share of 40% of the monies will mean less funding for day care.

Community Health Services people are of the opinion that the elaborate planning and extensive community participation that has gone into the program would be lost. Rule making from above could result in too many rules being set. What will be the role of the State Board of Health, since the Commissioner of Public Welfare will make the grants and provide the technical assistance.

The following are additional expressions of concern:

At a recent League-sponsored forum, Mayor Law of Richfield offered two reactions to H.F. 1. He warned legislators to take a closer look at what abolition of the Community Health Services Act would do - especially where will enough money come from. (He praised its operation in his community.) On the other hand, he told legislators that he "wants local governments accountable" (a key to H.F. 1) and hoped they'd constantly work with advisory committees.

John Arlandson (DFL-Golden Valley), commenting on the bill said, "It's more than a revenue-sharing proposition than its authors claim. It has, in discussions, raised the important question of financing social services in Minnesota and the roles the Legislature and counties should play.

It should be noted that the MINNEAPOLIS STAR, April 6, 1977, devoted an editorial to the premature concept of H.F. 1 and noted two major obstacles:

1. "The absence of a state social services policy which sets minimum standards of service guaranteed to every citizen" regardless of locale.
2. "The absence in most counties of management capability for taking on new responsibilities of this magnitude."

The LWVNM will continue to follow this bill and keep you informed through the Capitol Letter. (The progress of H.F. 1 has been covered in the first two issues.)



memorandum

JAN 9 1978

December 1977

This is going on DPM

TO: State, Local and ILO Presidents
FROM: Dot Ridings, Human Resources Chairperson
ABOUT: A New Publication for Human Resources (Housing)/Urban Crisis Committees

The enclosed LWVEF COMMUNITY GUIDE, Monitoring Your CDBG Program, has been written to meet a need expressed by many of the state and local leagues working on local housing problems.

Leagues that are watching closely how their communities are dealing with their Community Development Block Grants (CDBGs) should find it a useful and durable aid. Because of the discretionary nature of the CDBG program, this guide is not a conventional checklist. Rather, it uses a "think/evaluate" approach that can be applied regardless of the local approach to CDBG implementation or the shape of the final program regulations, which have not yet been issued but are expected shortly.

The primary focus of most leagues that monitor CDBG is how funds are being used to meet the housing needs of those people in greatest need of assistance. If your league is primarily interested in another aspect of CDBGs, we urge you to also evaluate how your community's entitlement addresses the needs of low-income persons in its overall plans. Assessment of how CDBG funds are being used to promote Section 8 rental assistance and other housing assistance programs is particularly critical.

If your league is among those that are monitoring the CDBG program, please share your results with the national office, so that we can monitor whether the CDBG program overall is meeting congressional intent.

Be sure to share this publication with the HR chairperson or whoever is assigned housing.

Monitoring Your CDBG Program

The Community Development Block Grant (CDBG) program is a major federal initiative that gives money to local communities for activities in pursuit of the national goal of a "decent home in a suitable living environment for every American." Funds are supposed to be used primarily to alleviate the physical problems of urban areas, especially residential sections.

The program's first three years of operation have been carefully scrutinized by many groups: Congress, the Department of Housing and Urban Development (HUD), academicians, local public officials, a variety of citizen organizations. As a result of this monitoring, numerous changes have been made in the program's authorizing legislation and its administration at the federal level. Continued citizen monitoring will be necessary to assure that these program improvements are felt at the local level.

This introductory guide is designed to help local citizen groups that want to monitor and become involved in the CDBG program in their community as the second three-year fund authorization begins. It contains three "how-to" aids:

- ☐ a discussion of CDBG—how it works, results of the first three years, and recent changes in program requirements;
- ☐ suggestions for organizing a citizen monitoring project;
- ☐ a list of questions to ask when evaluating the impact of a Community Development Block Grant.

CDBG: The big picture

The Housing and Community Development Act of 1974 was adopted after a protracted struggle between the Nixon administration and the Congress over the future direction of federal housing and urban development programs. Title I of the act—Community Development Block Grants—is a compromise between no-strings-attached general revenue sharing and a strictly regulated categorical approach. CDBGs replace former federal urban assistance programs: Model Cities, urban renewal and Neighborhood Development, water and sewer grants,

neighborhood and senior citizen centers, parks and recreational space, and code enforcement. Regulations covering the minutest of details are replaced in the act by general guidelines and a list of eligible activities. A time-consuming, project-by-project application process—so characteristic of the categorical grant programs—is replaced by a 75-day review of a terse list of planned projects and simple assurances of adherence to federal laws.

Eligibility for CDBG funds is determined by a simple formula that measures a community's need relative to other communities, rather than by a community's grantmanship abilities. All cities of 50,000 or more and all urban counties of 200,000 or more (not counting cities of 50,000 or more that lie within the county) are "entitled" to a share of the yearly federal appropriation, based on the formula, if they submit an acceptable application and proper assurances. Twenty percent of CDBG money is reserved for distribution at the "discretion" of HUD. Communities not entitled to a block grant—that is, those having a population under 50,000—compete for discretionary funds. These, too, are awarded on the basis of a formula, developed each year by HUD, which measures relative need among applicants and the impact of proposed projects on those needs.

The primary objective of Title I (CDBG) "is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income." A variety of activities are eligible for funding. An application may be rejected only if it is "plainly inconsistent" with known facts and data or does not meet the requirements of the act (such as progress in providing housing for low and moderate income people).

Monitoring findings

Because CDBG was designed as a totally new approach to addressing the nation's urban problems and because it transferred significant program control from the federal government to local communities, Congress required careful monitoring of program

community
guide



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results by HUD. The National Association of Housing and Redevelopment Officials (NAHRO) and numerous citizen groups throughout the country also set out to monitor the use of CDBG funds.

After the first two years of CDBG program operations, what did this monitoring reveal? HUD's annual progress reports to Congress indicated that in one area—cutting paperwork and red tape—the program was clearly a success. But did the expenditures forward the goals stated in the law? No clear answer was found.

Comprehensive strategy All reports showed that expenditures of funds in low-income areas went down, with a correlative decline in areas with a concentration of minority groups. In fact, NAHRO's report on the second year of CDBG activities showed that only ten percent of the funds were used in low-income areas, while 34 percent were spent in moderate-income census tracts, 39 percent in middle- and high-income tracts, and 17 percent on activities with citywide or unspecified impact. This spending pattern was coupled with an increasing trend toward funding many small, scattered projects, rather than concentrating funds on some of the most pressing urban problems. When a community scatters funds this way, it raises doubts about whether it is complying with the statutory requirement of a "comprehensive strategy" for meeting community development needs. Such a hypothesis is hard to prove, however, because the CDBG application form has consisted primarily of a list of needs and a list of proposed projects, with no description of a "strategy" linking the two required.

Citizen participation Another problem documented by monitors of the CDBG program was a wide variation in the quality of citizen participation programs. In some cities, officials have genuinely tried to include citizens in the process of determining priorities and designing programs; in others, citizens have had to file court suits just to be allowed into meetings where the block grant application was being discussed by city officials. Monitors found that HUD's complaint-handling process left a good deal to be desired—the agency simply routed the complaints back to city officials—the very ones who were the subject of the complaint!

Affirmative action CDBG's affirmative action requirements were often given short shrift. A number of equal opportunity staff persons in HUD area offices stated publicly that their documentations of noncompliance with regulations were ignored and that CDBG funds were released to local communities that were violating civil rights and affirmative action laws.

Housing assistance In spite of the fact that the 1974 act for the first time mandated a link between a community's housing and development activities, through the vehicle of the Housing Assistance Plan, little progress has been made in increasing the supply of decent housing for low- and moderate-income people or in reducing the isolation of income groups. This lack of progress can be partially explained by HUD's near-total dependence on the new and untried "Section 8" rental assistance program. This program has suffered from unrealistic rent levels (making it economically unworkable in many areas) and a general mistrust on the

part of landlords and developers, both of federal housing programs and of the people those programs are designed to serve. But the lack of progress is also a product of the reluctance or outright refusal of suburban jurisdictions to make low-cost housing possible within their boundaries (for example, by changing zoning to allow multifamily housing or by using CDBG funds to buy land that could be sold at reduced prices to developers using Section 8 guarantees). HUD has often aided and abetted suburbs in their actions—or inaction—by not stringently conditioning its approval of a suburb's CDBG application on its progress toward realistic housing assistance goals, even though the law requires them to do so.

Legislative changes:

In response to monitoring project findings that have been forcefully presented in a number of national forums, substantial changes are being undertaken in CDBG program guidelines and in its administration by HUD. In the Housing and Community Development Act of 1977, which reauthorized the CDBG program for a second three years, Congress made several significant additions to program requirements.

Housing needs The summary of a three-year community development plan, which is part of the block grant application, must now identify housing needs and must describe a program to improve conditions for low- and moderate-income persons residing or expected to reside in the community.

Citizen participation Local governments must now provide assurances that, prior to submission of the CDBG application, they:

- ☐ prepared and followed a written citizen participation plan that: gives citizens a chance to take part in developing the application; encourages citizens, particularly residents of blighted neighborhoods and those of low and moderate income, to submit views and proposals; allows for timely responses to the proposals submitted; schedules hearings at times and places that permit broad participation;

☐ gave citizens adequate information about the amount of funds available for proposed community development and housing activities, eligible activities and other important requirements;

☐ held public hearings to get the views of citizens on community development and housing needs;

☐ gave citizens a chance to comment on community development performance.

HAPs In addition to previous requirements, Housing Assistance Plans must now:

☐ identify the number of housing units in deteriorated condition;

☐ set a realistic annual goal for the number of lower-income persons to be assisted;

☐ target goals for subsidized rehabilitation primarily to low- and moderate-income persons.

Application requirements The new law adds, as a basis for disapproval of block grant applications, noncompliance with the requirements of the block grant program "with specific regard to the primary purposes of principally benefitting persons of low and moderate

income or aiding in the prevention or elimination of slums or blight or meeting other community development needs having a particular urgency."

Urgent needs Community development "needs of a particular urgency" are now defined as existing conditions that pose a serious and immediate threat to the health or welfare of the community, for which other financial resources are not available.

Eligible activities The new law also adds, as an eligible use of Title I assistance, grants to neighborhood-based nonprofit organizations, local development corporations or Small Business Investment companies to carry out a neighborhood revitalization or community development project in furtherance of block grant objectives.

HUD administration Even before the 1972 Amendments, HUD had announced that it intended to enforce statutory objectives and guidelines more rigorously. The new HUD Secretary, Patricia Harris, sent a memo on April 15, 1977 to all HUD field offices and all CDBG recipients making clear that applications would henceforth be examined critically and approved only if the law's priorities were adhered to and progress made toward housing assistance goals.

The need for continued monitoring

In spite of increasing federal oversight, there is still a great need for careful monitoring and active citizen involvement in local community development programs. HUD's resources for monitoring are limited, and day-to-day involvement in a local program is required to evaluate the impact and effectiveness of a community development strategy. Additionally, because of the broad local discretion and responsibility that are integral to the CDBG program, strong citizen oversight at the local level will have greater impact on program direction than any number of changes in general federal guidelines. In any case, further changes at the federal level will be possible only with careful and extensive documentation of local problems.

How to organize a monitoring project

Once your organization decides to undertake a monitoring project, you'll need to follow certain steps in order to become effective participants in the community development process. First, decide on the goals of your group and prioritize the issues that you want to address. The number of issues and the depth with which you can cover them will depend on your resources: people, time and money. It is usually wiser to focus on a single problem and cover it completely than to give only superficial attention to all potential areas of consideration. Of course, if you are a coalition of organizations, dividing the workload will enable you to do a very extensive project (for instance, the League of Women Voters could look at citizen participation, the Urban League at affirmative

action, a fair housing group at the HAP, and neighborhood organizations at the overall plan).

Documents to get

Once you've determined your group's priorities, you'll have to build a foundation of facts. Start by collecting basic resources.

From HUD:

- Title I, the Housing and Community Development Act of 1977. A complete summary ("Summary of the Housing and Community Development Act of 1977") is available from the HUD Public Affairs Office, Washington, D. C., 20410. The full text of the law (PL 95-128) can be ordered from the House Document Room, Washington, D. C., 20515. In both cases send a self-addressed label.
- Community Development Block Grant regulations (proposed revised regulations were published in the *Federal Register* on October 25, 1977; HUD anticipated publishing final regulations by the end of 1977). The *Federal Register* may be available in your local library.
- From your HUD area office, get a calendar of approximate dates when various documents local governments are required to submit are due. (If HUD is not listed in your phone book, write to the Community Planning and Development Division, HUD National Office, 451 7th Street, S.W., Washington, D. C. 20410 for the address of your area office.)

From your local government:

- Previous applications for CDBG assistance and this year's if already developed.
- Citizen participation plans.
- Housing assistance plans.
- Performance reports.
- Local and regional planning documents.
- City budgets.
- Reports on the planned or past use of other federal and state funds (such as CETA, Highway Trust Fund, General Revenue Sharing, etc.).

Use these materials to acquaint all members of the monitoring project with the basics of the CDBG program and with facts and figures about city and regional physical, social and economic characteristics. If you have difficulty obtaining any of the documents needed, familiarize yourself with the Freedom of Information

Basic facts you'll need to know

- Who is actually responsible for developing the CDBG application?
- Who is responsible for coordinating the implementation of CDBG activities?
- What is the timetable for application development and submission, program implementation and evaluation?
- What are the current HUD criteria for judging between competing applications from discretionary applicants?
- How much of an entitlement is your city eligible for, or, how much discretionary money is available in your area?

Act and how to use it. (See *Letting the Sunshine In*, listed under Resources.)

One way of making the information-gathering task easier is to assign small groups to go over portions of the material and prepare synopses of the primary points, which can then be reproduced and distributed to all project members. Your community's CDBG application materials should be analyzed by first determining whether they adhere to all statutory and regulatory guidelines. You should then look at the application in light of the questions listed in this guide under "What to Ask When Evaluating Your CDBG Program" (see p. 5).

Some of the questions posed in this guide will not be answerable simply by studying the written materials. You will also need to go out and do some in-person investigating. These are all important sources of information.

People to talk to, places to go

- The chief executive of your local government.
- Leaders of the legislative branch.
- Heads of planning, renewal/redevelopment, housing and community development agencies or departments.
- Neighborhood, minority group, community and business leaders.
- Heads of nonprofit organizations that have received CDBG funds.
- HUD area office representatives.

Ask these people about questions raised by your examination of the application and get their opinions about your priority issues (knowing their priorities will help you in planning your follow-up activities). These interviews will work best if conducted by teams: one person to ask the questions, one to take notes (and each verifying the other's perceptions).

Another important task is walking around and viewing the results of CDBG spending (if the city has had three years of funding but has yet to produce any visible results, this may be an indication of severe problems).

Ways to report your findings

Once you've answered the questions in this guide—plus others you have about your priority concerns—you'll want to write a report of your findings. Note especially any problems you discovered and pinpoint any actions you believe to be illegal. Of course, give credit where credit is due: well-designed and effective programs deserve public applause.

Whatever the results of your evaluation, make the report public. Present copies to public officials and interested community organizations. Be sure to make an abstract of the report available for people who haven't time to read the entire document. Hold a press conference if your findings are dramatic, or at least be sure all media outlets get a copy of the report along with an explanatory press release. Establish personal contact with interested reporters to ensure continued press coverage as your project moves along. One important by-product of good media coverage should be additional recruits for your project work.

The findings of your report will determine the direction your next phase of activities will take.

Follow-up

If you found that your community followed the letter but not the spirit of the law, if you disagree with CDBG spending priorities, or if you just want a bigger say in program planning—**speak up**. Local governments are required to give you a say in how Community Development Block Grant funds are used. You may have to be very aggressive—many officials think it's easier to plan and carry out a program without ever considering citizen opinion. However, with a loud collective voice and with enough people to represent a power base, your group can have an impact.

Speak out on the issues Create forums for the expression of public opinion. Survey other residents to determine what they perceive their housing and community development needs to be. Write letters to the editor. Appear on public television. Call in to radio programs. Publicize your efforts. Develop proposals for how your goals can be accomplished. Contract with the city for the service of creating and implementing a citizen participation mechanism.

Create a power base Join forces with other community groups who have similar goals, including members of churches, unions, civil rights organizations, public interest groups. Represent as broad a spectrum as possible. Even if you can't agree on everything, there will be unity on some issues. And the CDBG program is much more likely to be successful if it is the product of a concerted, involved community effort. (Consult the Resources section of this guide for other action tools.)

Consider a complaint or lawsuit If you find violations of CDBG law or regulations during your investigation, a formal complaint and possibly a lawsuit will be in order. To file a complaint, send a letter to your local chief executive, the A-95 review agency, and your HUD area office. (See *Growth and Housing: Connections and Consequences*, listed under Resources, for an explanation of the A-95 review process.) Document what actions you believe to be illegal or irregular, what law or regulation they violate and what you believe should be done to remedy the violation. Request a meeting with local officials to discuss the problem. Send letters of complaint by certified mail/return receipt requested, making sure you keep copies for your files. If you do not receive answers within a specified period of time, follow up with phone calls.

Remember . . .

An effective monitoring group:

- has members who understand the CDBG program;
- represents as broad a base as possible;
- documents its findings in writing—paying attention not only to the details of CDBG spending but also the implications of how city budget and funds from other federal and state programs are spent;
- stays in operation continuously, because community development is a process, not an event. Planning, implementation and evaluation must be a perpetual cycle.

It is important to receive written answers for documentation purposes, but face-to-face meetings with officials offer an opportunity to negotiate a settlement of the problem. However, accomplishing your objective in this way will be possible only if the law is clearly on your side, or if you've built up a base of support in the community which makes it politically wise for officials to compromise on their positions. It must be understood that the CDBG law contains a number of ambiguities which make "power politics" a necessary part of the decision-making process. Cases involving CDBG have had mixed results, so if you suspect that you will need to file a formal court suit, it is imperative to secure a lawyer at the earliest stage possible. (See *Going to Court in the Public Interest*, listed under Resources, for how to find one.) If you fail to resolve your complaint through negotiations with your local government or at the local (area office) level of HUD, you can appeal to the regional office and ultimately to the national office: the Assistant Secretary of HUD for Community Planning and Development. The resolution of your complaint will depend on several factors, primarily the severity of the violation and the timing of your investigation and complaint. HUD has only 75 days within which to approve or disapprove an application. However, approval can be conditioned on the applicant's making certain adjustments in planned activities. Additionally, if funds are found to have been spent illegally, they may be recovered from the applicant.

Evaluating your CDBG program: what to ask

Generally, did all aspects of program planning and implementation conform to the law and to applicable regulations? If not, what were the deficiencies?

Citizen participation

- ☐ What is the citizen participation plan? Does it comply with the statutory requirements? Was it followed?
- ☐ Which citizens are involved in the CDBG decision-making process? Are low- and moderate-income and minority citizens involved?
- ☐ Are accurate records kept to document citizen participation (transcripts of meetings and hearings, copies of citizen proposals, etc.)?
- ☐ Is there a mechanism to handle citizen complaints? Is it adequate, in your view? If not, why not?
- ☐ Was technical assistance provided to citizens who wished to submit proposals?
- ☐ What impact did citizens have on CDBG plans and priorities?

Community development plans

- ☐ Is there a comprehensive community development strategy? Does it identify needs and set priorities? What are these? How were these priorities determined? (Were there disputes? If so, between which people, groups or agencies?)
- ☐ Do proposed activities address the identified problem?
- ☐ Does the plan identify for priority attention any

areas of the city receiving inequitable delivery of services (for instance, minority or low-income neighborhoods with unpaved streets or without sanitary sewer connections)?

- ☐ Do citizen groups agree with this assessment of development needs? If not, why not?
- ☐ Are projects sufficiently concentrated within an area so that they will have an impact on the problems being addressed?
- ☐ Is there continuity in planning and projects over the years?
- ☐ Is there evidence of progress toward goals?

Community development activities

- ☐ What projects and activities proposed for CDBG spending are already underway?
- ☐ Are all activities "eligible" under Title I?
- ☐ Do all activities meet the "priority" test? (that is, do they benefit low- and moderate-income families, or aid in preventing or eliminating slums and blight?) If not, do they meet the new statutory definition of an "urgent need"? (that is, addressing a problem that presents an immediate threat to health or community welfare, for which no other funding sources are available?)
- ☐ Are any "urgent needs" adequately and accurately documented?

Housing

- ☐ Does the Housing Assistance Plan (HAP) identify the needs of all low- and moderate-income families, including those "expected to reside"?
- ☐ Does it represent a fair share of the metropolitan area's housing assistance needs? (Does it link "expected-to-reside" with the statutory objective of spatial deconcentration of housing opportunities for persons of low income?) Does it identify needed rehabilitation and new construction? Are these housing needs incorporated into the comprehensive community development strategy?
- ☐ Are CDBG funds being used to promote housing opportunities for low- and moderate-income people (for instance, land acquisition for use in a Section 8 new construction project, counseling services for persons eligible for housing subsidies, grants or low-interest loans for rehabilitation)? If so, do you think this amount is sufficient? What trade-offs could be made to allow its increase?
- ☐ Are other necessary steps being taken to make possible the provision of housing for low- and moderate-income people, such as zoning changes to allow multifamily or cluster development?
- ☐ Is there a local fair housing law? Is it vigorously enforced? What action has been taken to promote open housing?

Employment/economic development

- ☐ Are CDBG funds being used to promote economic development? If so, what kind?
- ☐ Who will be the primary beneficiaries? Will there be

any negative impacts on the low-income or minority communities?

- ☐ What actions, if any, are planned to mitigate these negative impacts? If residents will be displaced, is there a relocation plan? Does it assure that those displaced will be able to obtain decent, suitable housing at a reasonable cost? Is the plan being followed?
- ☐ Has the government complied with the federal requirement that a maximum of job and business opportunities be provided to residents of neighborhoods where CDBG projects are scheduled to take place?
- ☐ Has the government taken into account the special needs of identifiable groups of low-income people and, if necessary, taken steps to overcome the effects of past discrimination? Have they made use of other available funds, such as CETA, in these efforts?
- ☐ Are federal labor standards being followed? Particularly, will construction workers be paid the prevailing wage and work a 40-hour week? Are any local unions involved in this issue? For all of the above, if yes, how? If no, why not?

Affirmative action

- ☐ Have federal civil rights/affirmative action guidelines been followed in all aspects of CDBG programming and use?
- ☐ Have there been any complaints of illegal discrimination in the use of CDBG funds (especially in employment and housing)? If yes, how were these complaints resolved?
- ☐ What steps were taken to remedy any violations of civil rights laws and guidelines? Were these sufficient? Have steps been taken to remedy past discrimination (especially in employment and housing)?

Environmental review

- ☐ Has the correct review and reporting of the environmental impacts of all community development projects taken place? Are the staff responsible for the review experienced and knowledgeable in this field?
- ☐ Have any major environmental issues been raised? How were these addressed? Can you identify any issues which have been ignored? What are they? Why have they been ignored?

Resources

Guides for citizen participation

Citizen Involvement in Community Development: An Opportunity and a Challenge (28 pp., \$1.50.) Order from Center for Community Change, 1000 Wisconsin Avenue, N.W., Washington, D. C. 20007.

Handbook for Citizen Fair Housing Advocacy under the Housing and Community Development Act of 1974 (46 pp., \$2.50; revised ed., available January 1978.) Order from National Committee Against Discrimination in Housing, 1425 H Street, N.W., Washington, D. C. 20005.

Media Action Handbook (57 pp., \$3.00.) A comprehensive

Order from League of Women Voters of the United States, 1730 M Street, N.W., Washington, D. C. 20036. Pub. No. 120, 40c.

guide to using the media for information campaigns; especially geared for open housing advocates. Order from National Committee Against Discrimination in Housing, address above.

League of Women Voters publications

Public relations

Reaching the Public. The role of public relations in whatever you do. 1976, 6 pp., #491, 30c.

Getting into Print. Tips on working effectively with the print media. 1974, 4 pp., #484, 25c.

Breaking into Broadcasting. Comprehensive look at opportunities for radio and television. Guidelines for approaching media and for producing radio spots, television spots and films. 1975, 6 pp., #586, 15c.

Action

Making an Issue of It: The Campaign Handbook. Step-by-step instructions on managing, coordinating and executing a lobbying campaign. Geared to state-wide campaigns, but principles apply locally. 1976, 12 pp., #613, 75c.

Public Action Kit (PAK). How to organize and gain public support for public action goals. 1976, approx. 130 pp., #629, \$3.00.

The Politics of Change. To help the concerned citizen understand forces that operate in the community and identify community needs and goals. 1972, 16 pp., #107, 35c.

Anatomy of a Hearing. To help individuals and groups present their cases effectively in public hearings. 1972, EF, 16 pp., #108, 35c.

Going to Court in the Public Interest: A Guide for Community Groups. How to use litigation to achieve community goals. Advice on how to litigate on a small budget, how to find and work with a lawyer. Explains court system. 1973, EF, 16 pp., #244, 35c.

What Ever Happened to Open Housing? A handbook for fair housing monitors. Complete how-to guide for monitoring fair housing practices in your community. 1974, EF, 64 pp., #462, \$1.00.

Background

Growth and Housing: Connections and Consequences. Provides detailed background on various federal housing initiatives, including discussion of the Housing and Community Development Act of 1974. 1977, EF, 6 pp., #192, 40c.

Know Your Community. Guide to help citizens and civic organizations interested in change take a good look at the existing structure and functions of their local government. 1972, EF, 48 pp., #288, 75c.

The Citizen and the Budget Process. How to read a budget; how to be effective in having your say. 1974, EF, 20 pp., #482, 35c.

The Budget Process from the Bureaucrat's Side of the Desk. A budgetmaker shares his views on how citizens can understand and influence government budgets. 1974, EF, 12 pp., #483, 35c.

Letting the Sunshine In: Freedom of Information and Open Meetings. Discussion of the Freedom of Information Act and how citizens can use it. 1977, EF, 4 pp., #223, 30c.

Order all League publications from League of Women Voters of the U. S., 1730 M St. N.W., Washington, D. C. 20036.

Researched and written by Mira N. Marshall, former Human Resources staff specialist.

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memorandum

November 1978

This is not going on DPM

TO: Local League Presidents (to be shared with HR and Housing Chairs)
(cc: State and ILO Presidents)

FROM: Regina O'Leary, Community Development Chair

RE: League Participation in the National Citizen Monitoring Project on
Community Development

The June and September BOARD REPORTS mentioned our involvement in the Working Group for Community Development Reform and the national Community Development Block Grant (CDBG) monitoring project being funded by the Community Services Administration. The project, funded for one year (with possibilities for renewal), will provide small sub-contracts for 10-20 local organizations to participate in data-gathering, program evaluation and encouragement of increased citizen participation in the CDBG monitoring program.

In addition to the direct contracts with local organizations, the Working Group CDBG monitoring project has contracted with the LWVEF to involve approximately 10-20 local Leagues in the data-gathering and program evaluation phase of the project. Our very small contract will enable us to have a full-time staff member (Mira Marshall, former LWVEF housing staff person) specializing in community development, to maintain letter and phone communication and to visit each League monitoring site to provide training. It will not, unfortunately, allow us to provide direct funding to League participants.

The local Leagues that are invited to join in the formal monitoring will be chosen on the basis of previous CD monitoring experience (as shown in annual and special reports to the national office), geographic location, type of community represented and potential "people power" to work on the project. A separate communication is going directly to those Leagues.

In addition to working with the Leagues participating formally in the monitoring project, we would like to provide as much assistance as possible to other Leagues interested or involved in CD monitoring. We will be glad to provide answers to questions you may have about CDBG, help in designing strategies for involvement in the program locally and assist in finding information you may need about potential CD uses. If you would like to know who's doing the monitoring nearest to you, please write and ask. We'll provide you with the name and address of the closest group so that you may explore the possibilities of participating in their training sessions and/or monitoring activities.

You can assist us by sharing any information you have gathered on how the CDBG program is working in your community--its success and failures, strong and weak points,

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Hemo: LMVEF CDBG Monitoring Project (continued)

and any suggestions you may have for improving the way it functions. All such information is extremely useful not only for preparation of League comments on proposed and current regulations, but also helps meet the project goal of creating a network of informed citizens involved in determining the local use of community development funds.

IF YOU'RE NOT ALREADY ON THE CDBG MAILING LIST, PLEASE LET US KNOW--WE'LL PUT YOU ON SO YOU CAN RECEIVE ANY SPECIAL MAILINGS WE SEND OUT AND INFORMATION WE RECEIVE IN CONNECTION WITH THE MONITORING PROJECT.