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REPORT TO THE SUBCOMMITTEE ON
INTERGOVERNMENTAL RELATIONS
COMMITTEE ON
GOVERNMENT OPERATIONS
UNITED STATES SENATE

094958

Case Studies Of Revenue Sharing In 26 Local Governments

This summary report is accompanied by separately bound case studies on each of the 26 governments.

These case studies highlight differences in local government structure, responsibility, revenue-raising capability, financial condition, and work force composition.

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

GGD-75-77 JULY 21, 1975

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CASE STUDIES OF REVENUE SHARING IN 26 LOCAL GOVERNMENTS

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General Government
Revenue Sharing

Report to the Chairman, Subcommittee on Intergovernmental Relations, Senate Committee on Government Operations, pursuant to his request

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-146285

The Honorable Edmund S. Muskie
Chairman, Subcommittee on
Intergovernmental Relations
Committee on Government Operations
United States Senate

Dear Mr. Chairman:

This report was prepared in response to your letter of July 8, 1974, requesting us to conduct indepth case studies of revenue sharing in 26 selected jurisdictions around the country. It is accompanied by separately bound case studies which contain more specific information on each government.

We provided local officials in each of the 26 governments a copy of the case study prepared for their government, and their comments were considered in finalizing each study. As agreed with your office, we did not obtain comments on the report from officials of the Office of Revenue Sharing, Department of the Treasury.

We are providing copies of the report to other committees and Members of Congress and to others having responsibility for or an interest in the revenue sharing program.

Sincerely yours,

Elmer B. Staats

Comptroller General
of the United States

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Y	Woodruff, South Carolina
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ABBREVIATIONS

EEA	Emergency Employment Act
GAO	General Accounting Office

COMPTROLLER GENERAL'S REPORT
TO THE SUBCOMMITTEE ON
INTERGOVERNMENTAL RELATIONS
COMMITTEE ON
GOVERNMENT OPERATIONS
UNITED STATES SENATE

CASE STUDIES OF
REVENUE SHARING IN
26 LOCAL GOVERNMENTS

D I G E S T

In order to help clarify issues that have arisen about the general revenue sharing program, GAO has conducted indepth case studies of revenue sharing in 26 local governments throughout the United States for the Subcommittee on Intergovernmental Relations. The 26 local governments represent a judgmental sample which is not statistically representative of the revenue sharing program.

Individual case studies have been prepared as separately bound enclosures to this report and should be consulted for specific information relating to each of the 26 governments. Although differences in authority, responsibility, situation, and constituency among the 26 governments prevent certain generalizations and conclusions, GAO observed the following after obtaining information on seven areas.

1. The specific operating and capital programs funded in part or in whole by general revenue sharing in each local government. (See ch. 2.)

According to their accounting records, the governments had spent a total of $452 million as of June 30, 1974, for various purposes. Accounting designations of the uses of revenue sharing are illusory and should not be interpreted to indicate increased or improved services in the functions or activities that have been designated as being financed with the funds.

2. The impact of revenue sharing on local tax rates and tax laws, including comparison of the tax burden on families of three different income levels. (See ch. 3.)

Revenue sharing has eased tax pressures on

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the governments. Since program inception in 1972, nine governments had reduced tax rates, including six which indicated that revenue sharing had been a significant factor in the reductions. Among the governments whose taxes did not decrease, revenue sharing assisted many to avoid or minimize tax increases. Revenue sharing did, and will continue to, affect local governments' decisions on tax rates.

The State and local tax burden on a hypothetical family of four varied considerably among the 26 governments. Taxes paid to the recipient governments alone tended to represent about the same percentage of family income at all three income levels.

3. Public participation in the local budgetary process, and the impact of revenue sharing on that process. (See ch. 4.)

A few local governments made a special effort to encourage the public to help decide how the funds should be used. However, public participation in most of the governments' budgetary processes did not change but remained at the same low level that existed prior to revenue sharing.

4. The percentage of the total local budget represented by general revenue sharing. (See ch. 5.)

Among the 23 governments that budgeted revenue sharing during the most recent fiscal year, the percentage of total budgeted expenditures represented by revenue sharing ranged from 1.7 to 20.1 percent. When the governments became familiar with the program and were able to estimate the amount of funds they would receive during the ensuing fiscal year, a substantial portion of the funds was included in their budgets. Without revenue sharing, many of the governments would have had to (1) reduce or eliminate some services, (2) increase their taxes, fees, service charges, or other self-generated revenues, or (3) obtain other financial assistance from the State or the Federal Government.

5. The impact of cutbacks in other Federal assistance programs and the degree, if any, that revenue sharing has been used to replace the cutbacks. (See ch. 6.)

Since 1970, Federal aid, excluding revenue sharing, to all State and local governments has increased each year, from about $24 billion in fiscal year 1970 to an estimated $49.3 billion in fiscal year 1976. Generally, Federal aid to the 26 governments reflected this national trend.

6. The record of each jurisdiction in complying with the civil rights, Davis-Bacon, and other provisions of the law. (See ch. 7.)

The legacy of what is now recognized as discriminatory employment practices was indicated by the racial and sexual composition of many of the governments' work forces. GAO found evidence, however, that increasing numbers of minorities and females are being hired. Most governments having construction projects subject to the Davis-Bacon provision experienced some compliance difficulties.

Because of the wide latitude recipients have, they can choose to use their own funds, rather than revenue sharing funds, in areas where compliance problems might be encountered. Consequently, GAO suggested during the April 1975 hearings held by the Revenue Sharing Subcommittee, Senate Finance Committee, that the civil rights provisions of the Revenue Sharing Act be broadened to provide that a government receiving revenue sharing could not discriminate in any of its programs or activities regardless of the source of funding.

7. The fiscal condition of each governmental unit, including its surplus or debt status. (See ch. 8.)

GAO's analysis of fiscal trends and its discussions with local officials indicated that, generally, the governments were in reasonably good financial condition.

CHAPTER 1

INTRODUCTION

On July 8, 1974, the Chairman, Subcommittee on Intergovernmental Relations, Senate Committee on Government Operations, requested us to conduct case studies on general revenue sharing at 26 selected local governments throughout the country. (See app. I.) The request was part of the Subcommittee's continuing evaluation of the impact of general revenue sharing on State and local governments.

The State and Local Fiscal Assistance Act of 1972 (Public Law 92-512), commonly known as the Revenue Sharing Act, provides for distributing about $30.2 billion to State and local governments for a 5-year program period beginning January 1, 1972. The funds provided under the act are a new and different kind of aid because State and local governments are given wide discretion in deciding how to use the funds. Other Federal aid to State and local governments, although substantial, has been primarily categorical aid which must be used for defined purposes. In considering the act, the Congress concluded that State and local governments faced severe financial problems and that aid made available under the act should give recipient governments sufficient flexibility to meet their most vital needs.

About $14.3 billion in revenue sharing funds has been paid for entitlement periods through June 30, 1974. Of this amount, State governments and the District of Columbia received about $4.9 billion, and local governments received about $9.4 billion.

The Office of Revenue Sharing, Department of the Treasury, is responsible for administering the act, including distributing funds to State and local governments; establishing overall regulations for the program; and providing the accounting and auditing procedures, evaluations, and reviews necessary to insure full compliance with the act.

The act directs the Comptroller General to review the work of the Department of the Treasury, the State governments, and the local governments to assist the Congress in evaluating compliance and operations. Our initial report, entitled "Revenue Sharing: Its Use by and Impact on State Governments" (B-146285, Aug. 2, 1973), discussed the status of $1.7 billion distributed to the 50 State governments and the District of Columbia for calendar year 1972. A second report, entitled "Revenue Sharing: Its Use by and Impact on

Local Governments" (B-146285, Apr. 25, 1974), discussed the status of $1.7 billion distributed to 250 selected local governments through June 30, 1973.

This report summarizes the results of our case studies on 26 selected local governments. Individual case study reports have been prepared as separately bound enclosures to this report.

The 26 local governments were selected from the group of 250 local governments which were the subject of our previously mentioned report to the Congress. The selection represents a judgmental sample composed of counties and municipalities and one township, all of various sizes and located throughout the United States. Care should be taken in drawing overall conclusions because the sample is not statistically representative of the entire revenue sharing program.

BACKGROUND INFORMATION ON 26 RECIPIENT GOVERNMENTS

The following table identifies each of the 26 recipient governments and shows its population, according to the 1970 census, and form of government.

Government	Population (1970 census)	Form of government
County:		
Churchill County, Nevada	10,513	Board of commissioners-manager
Clarke County, Mississippi	15,049	Board of supervisors
Holt County, Nebraska	12,933	Board of supervisors
Jefferson County, Alabama	644,991	Board of commissioners
Lake County, Oregon	6,343	Board of commissioners
Los Angeles County, California	7,040,697	Board of supervisors
Polk County, Florida	288,515	Board of commissioners
Wayne County, Michigan	2,670,368	Board of commissioners
Westchester County, New York	894,104	Board of legislators-elected executive
Worcester County, Massachusetts	637,037	Board of commissioners
Municipality:		
Boston, Massachusetts	641,071	Mayor-council
Brentwood Borough, Pennsylvania	13,732	Mayor-council
Cleveland, Ohio	750,879	Mayor-council
Denver, Colorado	514,678	Mayor-council
Des Moines, Iowa	201,404	Council-manager
Los Angeles, California	2,809,813	Mayor-council
Milwaukee, Wisconsin	717,372	Mayor-council
Newark, New Jersey	381,930	Mayor-council
New Hope, Minnesota	23,180	Mayor-council
New Orleans, Louisiana	593,471	Mayor-council
Oakland, California	361,561	Council-manager
Philadelphia, Pennsylvania	1,949,996	Mayor-council
Redding, California	16,659	Council-manager
Saco, Maine	11,678	Council-manager
Woodruff, South Carolina	4,690	Mayor-council
Township:		
Pigeon Township, Indiana	53,899	Trustee-advisory board

Most of the recipient governments provided a wide variety of services to their residents. Police protection, fire protection, highway and street maintenance, recreational facilities, health services, sewage disposal, trash collection, libraries, and social services for the poor and aged were provided by one-half or more of the recipients. Other services provided by some recipients included public transportation, water supply, public welfare, airports, and weed control.

Services provided by recipients at certain locations were furnished at other locations by special districts, boards, commissions, or other governmental or private organizations independent of the recipient. As a result, a few governments provided only limited services, notably Pigeon Township (whose primary function was providing relief for the poor) and Worcester County (whose main functions were operating the courts system, a jail and house of correction, and a chronic disease hospital).

REVENUE SHARING ALLOCATION

The revenue sharing entitlement for each State and the District of Columbia is determined by means of formulas specified in the act. One-third of the State's amount is allocated to the State government, and the remaining two-thirds is available for allocation to the State's local governments.

The local government share of each State's allocation is allocated first to the county areas (geographic areas, not county governments) using a formula which takes into account each county area's population, relative income, and general tax effort. The amount for each county area is then allocated to the local governments (including the county government) within the county area.

The act places limitations on the amounts allocated to local governments. The per capita amount allocated to any county area or local government (other than a county government) may not be less than 20 percent nor more than 145 percent of the per capita amount available for distribution to local governments throughout the State. In addition, a local government's allocation (including county governments) may not exceed 50 percent of the sum of the government's adjusted taxes and intergovernmental transfers it receives. Adjusted taxes are defined as compulsory contributions exacted by a government for public purposes (other than employee and employer contributions to finance retirement and social insurance systems, and special assessments for capital outlays) reduced by that portion which is properly allocable to expenses for education. Intergovernmental transfers are the amounts of revenue received from other governments as a share in financing the performance of governmental functions.

The following table shows, for each of the 26 governments, (1) residents' per capita income according to the 1970 census, (2) revenue sharing allocations for the period January 1, 1972, through June 30, 1974, (3) per capita revenue sharing allocations, (4) total allocations as a percentage of each government's total adjusted taxes, and (5) net amount by which final allocations were increased or decreased because of the formula constraints.

Revenue Sharing Allocations for the Period January 1, 1972, through June 30, 1974

Government	Per capita income	Revenue sharing allocation: Total	Revenue sharing allocation: Per capita	Revenue sharing allocation: As a percent of adjusted taxes	Amount entitlement increased or decreased (-) due to formula constraints
Churchill County, Nevada	$2,854	$ 237,027	$22.55	15.9	$ 2,151[a]
Clarke County, Mississippi	1,764	941,965	62.59	73.8	56,511[a]
Holt County, Nebraska	2,018	407,521	31.51	38.9	18,252[a]
Jefferson County, Alabama	2,821	16,441,011	25.49	24.9	616,768[a]
Lake County, Oregon	2,628	215,417	33.96	36.8	-35,751[a]
Los Angeles County, California	3,864	230,288,522	32.70	10.1	2,319,134[a]
Polk County, Florida	2,566	5,394,100	23.61	23.4	59,558[a]
Wayne County, Michigan	3,485	31,513,810	11.80	16.3	1,272,711[a]
Westchester County, New York	5,059	8,965,647	10.02	4.9	-131,235[a]
Worcester County, Massachusetts	3,189	2,417,199	3.79	13.8	176,552[a]
Boston, Massachusetts	3,093	48,941,428	76.34	10.3	-14,857,599[b]
Brentwood Borough, Pennsylvania	3,493	300,939	21.92	15.2	55,279[a]
Cleveland, Ohio	2,821	36,104,832	48.08	15.8	-3,228,667[ab]
Denver, Colorado	3,534	31,679,798	61.55	14.5	809,862[a]
Des Moines, Iowa	3,404	5,872,733	29.16	15.0	18,350[a]
Los Angeles, California	3,951	85,179,741	30.29	9.7	861,402[a]
Milwaukee, Wisconsin	3,184	33,503,438	46.70	18.8	-640,435[a]
Newark, New Jersey	2,492	22,997,666	60.21	14.4	-926,675[ab]
New Hope, Minnesota	3,321	228,325	9.85	15.4	25,097[c]
New Orleans, Louisiana	2,705	44,620,024	75.18	27.8	1,257,336[a]
Oakland, California	3,616	12,322,333	34.08	11.2	124,790[a]
Philadelphia, Pennsylvania	3,017	119,024,669	61.04	12.3	-66,242,589[b]
Redding, California	3,322	957,247	57.46	16.6	9,620[a]
Saco, Maine	2,620	676,356	57.92	18.8	31,513[a]
Woodruff, South Carolina	2,436	339,917	72.48	60.9	7,314[ab]
Pigeon Township, Indiana	2,295	421,302	7.82	27.9	72,455[c]

[a]Entitlement increased or decreased because of constraints applied to other governments throughout the State.
[b]Entitlement lowered to 145 percent maximum.
[c]Entitlement raised to 20 percent minimum.

CHAPTER 2

PROGRAMS FUNDED WITH

REVENUE SHARING

Under the Revenue Sharing Act, local governments may directly use revenue sharing funds only for priority categories of expenditures, which are defined as (1) ordinary and necessary capital expenditures authorized by law and (2) operations and maintenance expenses for public safety, environmental protection, public transportation, health, recreation, libraries, social services for the poor or aged, and financial administration.

STATUS OF REVENUE SHARING PAYMENTS

Appendix II shows, for each of the 26 governments, the status as of June 30, 1974, of all revenue sharing payments received or due and interest earned thereon. Of these funds, which totaled $767 million, $688 million was received by June 30, 1974, and $79 million was received in July 1974. The 26 governments had spent $452 million (59 percent) and had obligated for expenditure $77 million (10 percent). The remaining $238 million (31 percent) was unobligated. Funds obligated but not expended represent the value of contracts, purchase orders, or other contractual instruments already awarded for which payment has not been made. Unobligated funds are funds which have not been contractually committed.

Philadelphia had expended all its funds. Seven other governments had expended at least three-fourths of their funds, while three--Lake County, Redding, and Pigeon Township--had spent less than one-fourth of their funds. Pigeon Township planned to use its unexpended funds for poor relief. Redding and Lake County planned to use most of their remaining funds for capital purposes, which normally involve longer expenditure periods than the financing of ongoing operations.

The $238 million unobligated as of June 30, 1974, consisted primarily of funds which the governments planned to use before their current fiscal years were completed.

USES OF REVENUE SHARING

The uses of revenue sharing funds described in this chapter, and throughout this report, are those reflected by the governments' financial records. As we have pointed out in earlier reports on the revenue sharing program ("Revenue Sharing: Its Use by and Impact on State Governments," B-146285, Aug. 2, 1973, and "Revenue Sharing: Its Use by and Impact on Local Governments," B-146285, Apr. 25, 1974), fund "uses" reflected by the financial records of a recipient government are accounting designations of uses. Such designations may have little or no relation to the actual impact of revenue sharing on the recipient government.

For example, in its accounting records, a government might designate its revenue sharing funds for use in financing environmental protection activities. The actual impact of revenue sharing on the government, however, might be to reduce the amount of local funds which would otherwise be used for environmental protection, thereby permitting the "freed" local funds to be used to reduce tax rates, to increase expenditures in other program areas, to avoid a tax increase or postpone borrowing, to increase yearend fund balances, and so forth.

All 26 governments had spent some of their revenue sharing funds. Most of them spent revenue sharing for both operations and maintenance purposes and capital purposes. However, eight governments spent revenue sharing only for operations and maintenance purposes, and Churchill County spent its funds only for capital purposes.

This chapter does not describe the uses of any revenue sharing funds by Westchester County and Saco or the operations and maintenance uses by New Orleans. Westchester County and Saco did not maintain accounting records that identified either the functional categories in which the funds were used or the specific services that were financed by the $8.4 million they spent. New Orleans identified its capital expenditures totaling $2.4 million but not its operations and maintenance expenditures of $23.3 million.

Through June 30, 1974, 22 governments had expended about $348 million for operations and maintenance purposes. About two-thirds of this amount was designated as being expended on public safety, with the cities of Los Angeles and Philadelphia together accounting for $135 million.

The functional categories in which the 22 governments spent their revenue sharing funds for operations and maintenance and the amounts spent in these categories were as follows:

Expenditure category	Amount spent (000 omitted)	Percent
Public safety	$221,844	64
Environmental protection	41,517	12
Health	26,734	8
Recreation	17,701	5
Public transportation	15,825	4
Social services for poor or aged	10,585	3
Libraries	8,043	2
Financial administration	5,704	2
Total	$347,953	100

The amounts that each government spent in the above functional categories are shown in appendix III.

Although most operations and maintenance expenditures were for salaries, some were for repairs and supplies. Almost all of Pigeon Township's expenditures were made to purchase medical or burial services, food, clothing, shelter, fuel, transportation, etc., for eligible poor residents.

Sixteen governments spent revenue sharing funds totaling $72.2 million for capital purposes; Los Angeles County accounted for $55.6 million of this total. Generally, capital expenditures were made for land acquisition, building construction or renovation, and vehicle purchases.

The following table shows the total funds the 16 governments designated as being spent for capital acquisitions and construction.

Expenditure category	Amount spent (000 omitted)	Percent
Public safety	$18,948	26
Multipurpose and general government	17,311	24
Recreation	16,804	23
Hospitals and clinics	11,010	15
Highways and streets	4,628	6
Environmental protection	2,827	4
Social services for the poor or aged	421	1
Libraries	251	1
Total	$72,200	100

The amount of revenue sharing funds that each government spent in the above functional categories is shown in appendix IV.

ACCOUNTING FOR REVENUE SHARING FUNDS

Each of the 26 governments established a revenue sharing trust fund either as a separate bank account or as a separate set of accounts in its books and records. However, three governments--Westchester County, Saco, and New Orleans--did not comply with the requirement that the governments' records permit tracing of revenue sharing expenditures to a level that is adequate to establish that the funds were not used in violation of the restrictions and requirements of the Revenue Sharing Act and the implementing regulations. New Orleans and Saco were changing their accounting practices to comply with this provision.

In Westchester County the commissioner of finance periodically directed the accounting department to transfer moneys from the revenue sharing trust fund to the general fund, where they were commingled with other county moneys. No vouchers were prepared showing which expenditures were made with revenue sharing; therefore, compliance with the restrictions on the uses of revenue sharing could not be determined. We have referred this situation to Office of Revenue Sharing officials, and they are investigating.

Many governments transferred revenue sharing funds to their general fund or other operating funds. Some of these recipients considered the moneys transferred to be a reimbursement for specific expenditures previously made from the operating fund, while others considered the moneys transferred to be available for future disbursements.

GAO OBSERVATIONS

A State or local government can substantiate, through its accounting records, the amounts of revenue sharing funds it used for specific purposes. Such accounting designations, however, may not in any way reflect what the government actually accomplished as a result of revenue sharing because the funds may displace the government's own funds that would have been used for the designated purposes. Consequently, accounting designations of the uses of revenue sharing are illusory and should not be interpreted to indicate increased or improved services in the functions or activities that have been designated as being financed with the funds.

CHAPTER 3

IMPACT OF REVENUE SHARING ON TAXES

The revenue sharing program has eased tax pressures on the recipient governments. Since the beginning of the program, several governments had decreased tax rates and some attributed the reductions to revenue sharing. Among the governments where taxes did not decrease, revenue sharing assisted many of them to avoid or minimize tax increases.

All governments except Worcester County had authority to directly tax their residents. In Worcester County revenues are raised by levying an assessment on the county's cities and towns, which increase local taxes accordingly.

The property tax was by far the most significant tax levied by the remaining 25 governments. All taxed real property, and all but six taxed some form of personal property. In fiscal year 1973, property taxes comprised 70 percent of the $2.8 billion in total taxes collected by the 25 governments. Seven of the governments had a sales tax, five had hotel occupancy taxes, four levied an excise tax on motor vehicles, and four had franchise taxes. Other levies included utility consumption taxes, income taxes, and taxes on real property transfers.

Real property assessment practices varied considerably. Three governments assessed property at full market value while the others generally assessed it at a percentage of market value. Assessed valuations were usually reviewed on a periodic basis, often annually.

CHANGES IN TAXES SINCE START OF REVENUE SHARING PROGRAM

Nine of the 25 governments that levy taxes had reductions in major tax rates since the beginning of the revenue sharing program. In six cases, local officials indicated that revenue sharing had been a significant factor in the reductions. For example, the mayor of Newark stated that, by using revenue sharing to pay salaries of municipal employees, property taxes were stabilized and a rising property tax spiral broken. The very high 1972 combined-property tax rate for the city, county, and school district of $9.63 per $100 of fair market value was reduced to $9.39 in 1973 and $8.60 in 1974.

Los Angeles County decreased its property tax rate per $100 of assessed valuation (25 percent of full market value) from $4.4337 in fiscal year 1972 to $3.8652 in 1974; however, the rate was increased to $4.3554 in 1975. County officials said part of the reduction in fiscal year 1974 was directly attributable to revenue sharing, and they believed the fiscal year 1975 rate would have been 20 cents higher without revenue sharing. On the other hand, Lake County decreased its property tax rate, but the decrease was due mainly to increased revenues from State timber severance taxes rather than revenue sharing.

Seven of the governments had tax rate increases. The city of Los Angeles increased its property tax rate per $100 of assessed valuation from $2.5743 to $2.7296 in fiscal year 1973 and then to $2.7648 in 1974. According to city officials, the major impact of revenue sharing had been to delay new tax measures.

Oakland increased its real property tax rate per $100 of assessed valuation from $2.80 to $2.91 in fiscal year 1973 and then to $2.964 in 1974. The rate was decreased slightly in fiscal year 1975 to $2.96. In addition, in fiscal year 1974 the utility consumption tax rate was increased from 5 to 5.5 percent of gas, electricity, and telephone service billings. The transient occupancy tax rate was increased from 5 to 6 percent of hotel and motel room receipts. A bedroom tax became effective in fiscal year 1973 whereby a flat assessment of $100 for each new bedroom constructed (first bedroom exempted) is made. Oakland officials said the real property tax rate in 1975 was 14 cents below the maximum allowed, primarily because of revenue sharing.

Nine governments had no changes in their tax rates or had increases in some rates and decreases in others. Officials of most of these governments felt that revenue sharing helped to stabilize rates or prevent cuts in services.

For example, the comptroller of Jefferson County said the funds, although not permitting a tax decrease, had helped the county avoid raising taxes. An official of Brentwood Borough said revenue sharing prevented a 4-mill increase in the real property tax rate. The mayor of Woodruff stated that, without revenue sharing, general revenues would have been insufficient to meet expenses. In 1973 Westchester County introduced a 1-percent sales tax and reduced the property tax rate. One county official estimated that without revenue sharing property tax rates for 1973 and 1974 would have been higher by about $1.00 and $1.30, respectively, per $1,000 of assessed valuation.

With the exception of three governments--Cleveland, Woodruff, and Pigeon Township--more taxes were collected during the recipient's most recently completed fiscal period than were collected during the period ended 4 years earlier. In 17 of these governments, the increase in tax collections exceeded 25 percent.

TAX BURDEN ON RESIDENTS

For each of the 26 governments, we calculated the annual amount of major taxes which families of three different income levels would pay to the recipient government, the State government, and other local governments, including school districts and special districts. Tax rates in effect during 1973 were used. The relationship between assessed value and market value was furnished to us by local officials. Internal Revenue Service guidelines were used to estimate sales and gasoline taxes. Standard deductions allowed by taxing authorities were used in calculating the amount of any income tax.

The following assumptions were made in all cases:

	Family		
	A	B	C
Annual income (all wages)	$ 7,500	$12,500	$17,500
Market value of house (new)	18,750	31,250	43,750
Value of personal property (all furniture)	1,500	2,500	3,500
Market value of automobile	a/1,700	b/1,800	c/2,300
Annual gasoline consumption (gallons)	1,000	1,000	1,500

a/1972 compact model with a 6-cylinder engine.

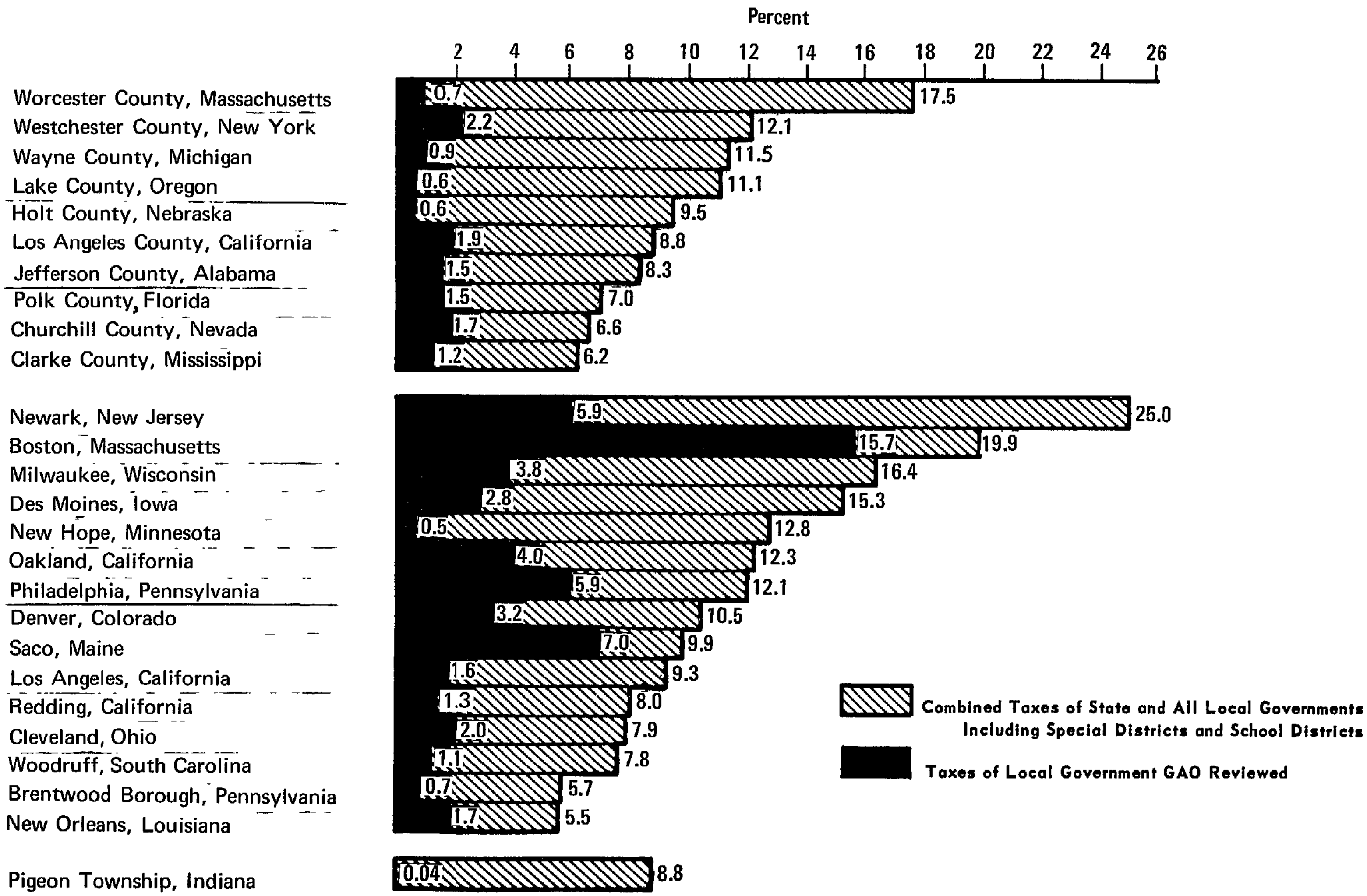
b/1972 standard size model with a V-8 engine.

c/1972 subcompact model and a 1970 standard size model with a V-8 engine.

In each case the family consisted of a husband, wife, and two children. For county governments, the family was assumed to live in a municipality within the county. No assets or income other than shown above were assumed.

In all except two cases--Boston and Saco--taxes that a family with an annual income of $12,500 paid to the recipient government represented less than one-half of total State and local taxes (see chart on p. 13). As a percentage of income, total State and local taxes for

STATE AND LOCAL TAXES AS A PERCENTAGE OF FAMILY INCOME ($12,500)



families residing in the 26 jurisdictions averaged 11 percent, ranging from 5.5 percent for New Orleans to 25 percent for Newark. The percentage of income paid in taxes to the 26 recipient governments alone averaged 2.7 percent and ranged from 0.04 percent for Pigeon Township to 15.7 percent for Boston.

In 16 of the governments the percentage of family income paid in State and local taxes increased as income increased. As an average for all 26 governments, the total State and local tax burden increased slightly from 10.6 percent of family income to 11.0 and 11.7 percent as family income increased from $7,500 to $12,500 and $17,500, respectively. (See app. V.)

On the other hand, taxes paid to the recipient governments tended to represent about the same percentage of family income at all three income levels. In only four cases--Los Angeles County, Polk County, city of Los Angeles, and Redding--did the percentage of family income paid in taxes to the recipient government increase as family income increased. These four jurisdictions relied heavily on the property tax, and a large homeowner exemption against assessed valuation was allowed which had the effect of reducing the tax rate on lower-valued homes.

GAO OBSERVATIONS

In preparing their budgets, local governments typically estimate the total costs of the programs and services they plan to provide during the ensuing fiscal year and compare these costs with total revenues they anticipate from various sources, such as taxes, service charges, and State and Federal aid, including revenue sharing. The way that revenue sharing affects tax rates and structure therefore depends on whether revenues are sufficient to finance the desired programs and services.

Since revenue sharing began in 1972, 9 of the 25 governments that levy taxes experienced reductions in their major tax rates, 7 had increases, and 9 experienced no changes or had increases in some tax rates and decreases in others. Revenue sharing, as a source of revenue, was, and will continue to be, a factor that affects local governments' decisions to reduce, increase, or maintain tax rates.

CHAPTER 4

PUBLIC PARTICIPATION IN THE

LOCAL BUDGETARY PROCESS

The Revenue Sharing Act requires that each recipient government periodically report to the Secretary of the Treasury how it used its revenue sharing funds and how it plans to use future payments. The reports must be published in a local newspaper and the news media advised of the publication of the reports. Disclosure to citizens by a recipient government of how it proposed to spend the funds was intended to help insure wise spending.

The act also requires that each recipient provide for the expenditure of revenue sharing funds in accordance with the laws and procedures applicable to expenditure of its own revenues. Public scrutiny and involvement in local affairs were intended to serve a significant role in insuring that local officials were accountable for the use of revenue sharing funds.

With few exceptions, the revenue sharing program did not measurably increase the amount of public participation in the budgetary process of the 26 governments. Almost all of them held public hearings on proposed overall budgets, but special efforts to publicize revenue sharing were limited.

BUDGETARY PROCESS OF LOCAL GOVERNMENTS

Local governments often use two kinds of budgets. The annual or current operating budget authorizes and controls current financial operations for a fiscal year. A long-term budget includes a period of several years and is frequently restricted to major capital outlays. In such a case, it is referred to as a capital budget or capital improvement program.

The annual budgetary process usually involves three steps--preparation, adoption, and execution. Preparation is generally the responsibility of the chief executive and involves consideration of historical cost data and projected program requirements of various functions and activities. The budget is presented to the legislative body for consideration, possible modification, and final enactment.

In adopting the annual budget, the local government is ordinarily required to follow a prescribed procedure which often includes

--receiving a tentative budget by the governing body;

--posting the budget for public inspection at a designated time and place and for a prescribed time period;

--advertising a public hearing;

--holding a public hearing;

--final legislative adoption of the budget; and

--filing copies of the budget with higher governmental agencies.

Tax statutes or ordinances are adopted for annually levied taxes, such as the property tax. No legislative action is required to provide for budgeted revenues from permanently levied taxes, such as sales and income taxes, unless changes are proposed. Budgeted expenditures are enacted into law through the passage of an appropriation act or ordinance.

Capital expenditures are usually included in a separate capital budget, which is usually a forward-moving long-range plan for 5 or more years. Such budgets normally include annual authorizations or approvals for individual projects. Project approvals authorize expenditure amounts as well as the means of financing. Bonds to finance capital projects often require approval at a public referendum before final action by the legislative bodies.

All recipients except Woodruff had a formal budgetary process. The mayor of Woodruff believed that a formal process was unnecessary because of the small size and known fixed expenses of the town government. At the town's request, the South Carolina Appalachian Council of Governments prepared budgets for Woodruff for 1972 and 1973; however, the latter budget was never formally adopted, and no budget was prepared for 1974. Expenditures in excess of $25 are approved by the town council at monthly meetings which are open to the public.

Practically all the remaining 25 recipient governments held public hearings on proposed budgets. Hearings were usually required by State or local law; however, some recipients held public hearings although not legally required to do so. The only governments that did not hold public hearings were Clarke County and Brentwood Borough. Although the board of supervisors of Clarke County is not required to hold public budget hearings, the meetings at which the budgets are approved are open to the public. Brentwood Borough has not held public hearings for the past several years because of a lack of public interest. The Borough is not required to hold public budget hearings, but it is required to make the proposed budget available for public inspection prior to adoption.

SPECIAL EFFORTS TO PUBLICIZE THE REVENUE SHARING PROGRAM

In addition to satisfying the publicity requirements of the act and regulations, some recipients issued press releases on revenue sharing to the news media and held several hearings. Other measures taken to publicize the program consisted primarily of the following instances.

During the first year that revenue sharing funds were to be budgeted, Lake County twice published a questionnaire in the newspaper soliciting suggestions for project. It also presented an informational revenue sharing radio program and made public presentations at civic functions. Only twenty-two completed questionnaires were received and these efforts were not repeated for the subsequent budget year.

The mayor of Cleveland discussed the revenue sharing program during local television appearances and in speeches. The mayor of Newark discussed revenue sharing through television and radio appearances. Also, the budget office prepared a folder on revenue sharing for public use; however, a Newark official told us that use of the folder had been sparse.

New Hope stated in the official notice of the 1975 budget hearing, printed in the local newspaper, that consideration would be given at the hearing to the appropriation of revenue sharing funds. The government's newspaper, distributed quarterly to all residences and businesses in New Hope, included information on the proposed 1975 budget and reported the amount of anticipated revenue sharing funds.

IMPACT OF REVENUE SHARING ON PUBLIC PARTICIPATION

The revenue sharing program did not measurably increase public participation in the budgetary process. Participation remained at about the same generally low level which existed prior to revenue sharing.

There were two instances where the revenue sharing program caused a significant increase in public participation. In 1973 Redding conducted several special public hearings on revenue sharing. One hearing was presented jointly with the county and a neighboring city. Nineteen revenue sharing proposals benefiting many groups were presented at the hearing by community organizations. Attendance was much greater than at regular city budget hearings. A city official told us that the following year no special hearings were held because the city received a large community development grant and anticipated that this grant would provide funds for many of the programs proposed by community organizations.

In Oakland the city council held two special public hearings in March 1973 to encourage public participation in revenue sharing. About 1,500 persons attended the first hearing, at which 30 speakers presented their views on revenue sharing. About 80 persons attended the second meeting where 20 speakers offered their views. Many uses for revenue sharing funds were suggested. Although city officials acknowledged the significance of the suggestions, they believed it more important to use the funds for continuing essential city services. Special hearings on the use of revenue sharing funds were not held for fiscal years 1974 and 1975 because of the need to use the funds to maintain the current level of city services.

At some locations very little citizen interest in the local budgetary process was evident. For example, Wayne County has had little direct public participation in its budget hearings; no citizens or special interest groups attended the latest hearings. In Milwaukee no special interest groups were present at any of the hearings on the proposed uses of revenue sharing funds. The official abstract for the 1974 Newark budget hearings showed no public involvement in the budgetary process, and city officials said the public did not participate in the 1975 budget hearings. In New Hope the city council's proposals for appropriation of revenue sharing funds were not discussed at the 1975 public budget hearings.

At other locations there was some public participation, but revenue sharing had not generated much additional interest. In Des Moines the amount of general citizen participation was limited, but several public interest groups did participate in budget hearings. One group made a study of revenue sharing in Des Moines, but the resulting report did not get wide public circulation. The report revealed that very few people had input into decisions concerning the use of revenue sharing funds. In Philadelphia some groups and citizens attended budget hearings and suggested possible uses of revenue sharing funds. In Saco some public interest groups participated in the budgetary process and requested funds for community activities. For the most part, however, the groups in Saco did not specifically request that their activities be financed with revenue sharing.

At some locations, public participation occurred apart from the budget hearings. A Boston official told us that effective public participation in the budgetary process preceded the hearings. Community needs are determined in a series of neighborhood meetings throughout the city before the budget is prepared, and provision may be made in the budget to provide the services that the community requested. Lake County officials said public participation through informal methods is extensive and that the small community atmosphere encourages citizens to approach county commissioners as friends, neighbors, or local businessmen rather than as county officials at formal public hearings.

There were considerable differences in the views of representatives of local public interest groups on the adequacy of information received from the governments on the proposed use of revenue sharing funds. No group believed that it received more information regarding the proposed use of revenue sharing funds than it did for other local government funds.

Some groups believed the amount of information received was about the same. For example, two groups in Des Moines believed this to be the case, although one group thought the information was adequate while the other did not. Groups in Milwaukee, New Hope, and Philadelphia believed that information on proposed uses of revenue sharing funds was comparable to that received on other funds.

At some locations, however, representatives of local public interest groups felt that the recipient was not providing sufficient information on the revenue sharing program. For example, all four groups contacted at Westchester County shared this view, as did some groups in Cleveland. Of five groups in Los Angeles city, three said they received less information on revenue sharing than on other city funds. In Newark three of five groups contacted said they received no information concerning the proposed use of revenue sharing funds, while only one group received no information concerning other city funds. Of the two groups receiving information on revenue sharing, one thought the information was adequate while the other did not. Several groups in New Orleans thought the public had not been adequately informed about the revenue sharing program and that citizen participation in the program had not been encouraged by the city. However, city officials disagreed with the views of these groups.

GAO OBSERVATIONS

In addition to publishing the required reports showing the planned and actual uses of revenue sharing funds, a few of the governments attempted to publicize the revenue sharing program and encourage public participation in deciding how the funds should be used. However, public participation in most of the governments' budgetary processes did not change but remained at the same low level that existed prior to revenue sharing.

CHAPTER 5

PERCENTAGE OF TOTAL BUDGET

REPRESENTED BY REVENUE SHARING

In complying with Revenue Sharing Act requirements that the expenditure of revenue sharing funds be made in accordance with the laws and procedures applicable to the expenditure of a government's own revenues, most of the 26 governments authorized the expenditure of revenue sharing by including the funds in their regular annual budgets. Three of the governments, however, followed other authorized procedures to comply with this provision.

The table on page 22 shows the percentage of revenue sharing that comprised the governments' budgets for their two most recently completed fiscal years. Although this information gives some indication of the relative importance of revenue sharing to these governments, other data, such as the comparison of revenue sharing entitlements with the total taxes collected by the governments (see p. 5), should also be considered because

--some recipients budgeted all estimated revenue sharing income for the year, while others budgeted a portion or none at all;

--all revenue sharing funds for calendar year 1972 were received within 3 weeks of the end of that year; and

--ideally, funds are budgeted for the year they are needed rather than when they are received or available.

Of the 26 governments we visited, 7 budgeted some revenue sharing funds during both fiscal years we reviewed; 16 budgeted revenue sharing funds only during the most recently completed fiscal year; and 3 did not budget any revenue sharing funds in either year but did spend substantial portions of their funds.

Budgeting of revenue sharing funds during the first year we reviewed was limited, primarily because the receipt of the funds did not coincide with the governments' budget cycles. All of the 19 governments that had not budgeted any revenue sharing during the first year were well into their fiscal years before they received their first revenue sharing payment in December 1972. The fiscal years of 3 of these governments were completed before the initial revenue

Percentage of Budgeted Revenue Sharing to

Total Budgeted Expenditures

Completed Fiscal Years through June 30, 1974

Government	Most recent fiscal year: Revenue sharing payments received	Payments received but not budgeted--cumulative	Payments budgeted: Amount	Percent of total budgeted expenditures	Previous fiscal year: Revenue sharing payments received	Payments received but not budgeted--cumulative	Payments budgeted: Amount	Percent of total budgeted expenditures
	(000 omitted)				(000 omitted)			
Churchill County, Nevada	$ 106	$ 60	$ 150	3.2	$ 104	$ 104	$ -	-
Clarke County, Mississippi	505	316[a]	-	-	-	-	-	-
Holt County, Nebraska	170	33	333	20.1	196	196	-	-
Jefferson County, Alabama	11,025	-	11,304[b]	14.8	-	-	-	-
Lake County, Oregon	91	137	56	3.2	102	102	-	-
Los Angeles County, California	98,900	24,500	127,000	4.3	106,400	52,600	53,800	2.0
Polk County, Florida	3,040	-	3,040	12.2	-	-	-	-
Wayne County, Michigan	13,364	-	13,364	5.6	11,468	-	15,000	6.6
Westchester County, New York	4,546	2,010	4,352	1.7	1,816	1,816	-	-
Worcester County, Massachusetts	1,713[c]	644[c]	1,518[c]	6.5	449	449	-	-
Boston, Massachusetts	34,743[c]	14,633[c]	29,014[c]	4.5	8,904	8,904	-	-
Brentwood Borough, Pennsylvania	152	30	180	14.4	58	58	-	-
Cleveland, Ohio	18,437	1,151	24,500	9.2	7,214	7,214	-	-
Denver, Colorado	15,824	700[b]	22,034[b]	6.8	5,915	5,915	-	-
Des Moines, Iowa	2,934	-	4,065	4.7	1,112	1,112	-	-
Los Angeles, California	36,100	300	59,700	4.2	40,100	23,900	16,200	1.3
Milwaukee, Wisconsin	15,683	-	21,223	7.5	5,540	5,540	-	-
Newark, New Jersey	11,348	1,031	14,564	7.7	4,247	4,247	-	-
New Hope, Minnesota	113	24	109	4.4	43	20	23	1.0
New Orleans, Louisiana	22,328	-	30,570	15.7	8,460	4,786	3,674	2.5
Oakland, California	5,187	-	11,658	14.1	5,851	4,868	983	1.3
Philadelphia, Pennsylvania	50,745	-	51,079	5.8	55,510	-	67,946	7.6
Redding, California	416	558	294	3.2	436	436	-	-
Saco, Maine	283	127	219	15.0	63	63	-	-
Woodruff, South Carolina	131	28[a]	-	-	62	62	-	-
Pigeon Township, Indiana	208	197[a]	-	-	78	78	-	-

[a]Substantial portion of funds was spent after authorization by governing body.

[b]Includes interest earned.

[c]18-month period.

Note: Similar data, including budgeted school expenditures, is presented in the enclosures.

sharing check arrived; 12 governments were in the final month of their fiscal years; and 4 governments were about midway through their fiscal years. The 7 governments that had budgeted some revenue sharing funds during their first year either amended their original budgets to include revenue sharing or included an estimate of anticipated revenue sharing receipts in their original budget.

Government officials said they had not budgeted the full amount of revenue sharing they received during the initial fiscal year because the exact amount and date of receipt of the funds were uncertain, insufficient time was available to plan for the use of the funds, and personnel were not knowledgeable of the revenue sharing program.

For the most recently completed fiscal year, all but three of the governments budgeted some revenue sharing funds, and these three spent substantial portions of their funds after the expenditures were authorized by their governing bodies. Of the 23 governments that budgeted some revenue sharing funds during the 2 years we analyzed, 8 had budgeted all their funds, 7 had less than 15 percent of the funds that remained unbudgeted, and 8 had at least 15 percent of the funds that remained unbudgeted. These 8 governments either budgeted all their revenue sharing funds the subsequent fiscal year or were allowing the funds to accumulate for capital projects planned for the next several years.

The 14 governments shown on page 22, for which revenue sharing funds totaled at least 5 percent of their budgets for the most recently completed fiscal year, had included substantially more revenue sharing in these budgets than they had received for that year. In most cases this occurred because revenue sharing funds for calendar year 1972, the first year of the program, were all paid within 3 weeks of the end of that year. Consequently, funds for more than 1 year were available to be budgeted in the following fiscal year.

GAO OBSERVATIONS

Our analysis showed that, when the governments became familiar with the program and were able to estimate the amount of funds they would receive during the ensuing fiscal year, a substantial portion of the funds were included in their budgets. Without revenue sharing funds, many of the governments would have had to (1) reduce or eliminate some services during these years, (2) increase their taxes, fees, service charges, or other self-generated revenues, or (3) obtain other financial assistance from either the State or the Federal Government.

CHAPTER 6

OTHER FEDERAL AID

In each of the 26 governments, we inquired into the level and nature of Federal aid (other than revenue sharing) that the government had received or expected to receive each year over a 3- or 4-year period. In two jurisdictions, data for the entire period could not be developed. If there had been reductions in assistance levels, we determined whether revenue sharing was used to continue or maintain the programs.

Three governments--Holt County, Brentwood Borough, and Pigeon Township--received no direct Federal assistance. A fourth, Lake County, did not receive any direct Federal aid during fiscal years 1970-74; however, for fiscal year 1975 the county received a grant of $263,246 to improve its airport.

The remaining 22 governments received varying amounts of Federal assistance for a variety of purposes. Total aid received by the larger counties and cities was substantial, in some instances exceeding $100 million annually. For the smaller jurisdictions Federal assistance totaled, in some cases, less than $100,000 per year.

Although there were annual fluctuations during the period we examined at each government, we found that total Federal aid (excluding revenue sharing) to most of the governments had increased or remained at approximately the same level. In Los Angeles County, Saco, and Woodruff the amount of Federal aid for the most recent year was less than the amount for the earliest year examined.

Los Angeles County's total Federal aid was $532 million in 1972 and $526 million in 1973. Receipts of $467 million and $527 million were estimated for 1974 and 1975, respectively. Reductions in Federal aid for social services were the primary cause of the decline in total funding between 1973 and 1974. County officials said the reductions occurred because the Federal Government assumed responsibility for adult welfare programs (aged, blind, and disabled).

In Saco most of the decline in total assistance was attributable to completion of a federally assisted sewage treatment plant. Federal aid to Woodruff declined substantially due to termination of the emergency employment program. However, the mayor felt the program had served its purpose and said 4 of the 36 postions established under the program were retained and funded by the town.

Although Federal funds under some specific programs were either reduced or terminated, the reductions were generally offset by increases under other programs or by new programs replacing those that were terminated. For example, Federal aid to New Orleans totaled $13.1 million in 1971, $19.8 million in 1972, and $18.8 million in 1973. Estimated total receipts for 1974 were $18.5 million. Model Cities receipts decreased about $3.7 million in 1973 and were expected to decrease about $0.7 million in 1974; however, the city expected to receive $14.8 million in 1975 under the community development program. New Orleans also anticipated that Federal support for employment programs would be reduced significantly between fiscal year 1974 and 1975 primarily because of discontinuance of the neighborhood youth corps program. City officials expected to offset reductions in employment programs with funds received under the Comprehensive Employment and Training Act.

Federal aid received by Wayne County had more than doubled since fiscal year 1971. In some instances, there were decreases in individual programs but these usually were offset by increases in other programs administered by the same Federal department or agency.

Federal categorical aid received by Philadelphia totaled $101 million in 1972, $144 million in 1973, and $109 million in 1974. Most of the reduction between 1973 and 1974 was attributable to declines in Model Cities, Office of Economic Opportunity, and Emergency Employment Act funding. The city did not plan to fund programs experiencing reductions with either its own funds or revenue sharing; however, city officials informed us that Model Cities programs would be continued with community development funds, and employment programs were expected to be continued with funds derived from the Comprehensive Employment and Training Act.

In five governments--Boston, Cleveland, Denver, Los Angeles County and Redding--revenue sharing funds were used or intended for use in programs which had experienced declines in Federal funding.

Federal categorical aid to Boston had not declined since the inception of revenue sharing. In 1971 the city received Federal aid totaling about $23.0 million; about $29.6 million was received in 1972; and for the 18-month period ended June 30, 1974, about $44.1 million was received. Boston used $56,000 of its revenue sharing funds to support a local antipoverty agency--Action for Boston Community Development--because of expected Office of Economic Opportunity funding reductions.

In Cleveland total Federal categorical aid had increased from $17.8 million in 1972 to an estimated $43.1 million in 1974. There was, however, a decrease in Emergency Employment Act (EEA) funding and in 1973 about $2 million of revenue sharing funds were used to pay personnel previously paid under EEA. The EEA funds have been replaced by funds received under the Comprehensive Employment and Training Act which, for Cleveland, totaled about $12 million in 1974.

Federal aid received by Denver totaled $22.8 million in 1971, $25.9 million in 1972, $27 million in 1973, and $25.5 million in 1974. The most significant reduction in Federal assistance was for the neighborhood health program. Denver used $900,000 of its revenue sharing funds for this program's 1973 operations and in 1974 appropriated $2,019,500 of general fund revenues for the program.

Los Angeles County had appropriated $22.5 million in revenue sharing funds to support community groups and private agencies that had experienced reductions in Federal funding.

Redding used $19,000 of its revenue sharing funds to help continue the operations of two social and recreational centers which previously had been financed with Office of Economic Opportunity funds.

GAO OBSERVATIONS

Since 1970, Federal aid, excluding revenue sharing, to all State and local governments has increased each year. In fiscal year 1970 such Federal aid totaled about $24 billion and in fiscal year 1976 will total an estimated $49.3 billion. Generally, the data we obtained from the 26 governments reflected the national trend.

CHAPTER 7

COMPLIANCE PROVISIONS OF THE REVENUE SHARING ACT

The act provides that recipient governments must observe certain restrictions and administrative requirements in using revenue sharing funds. Several of the restrictions and requirements were discussed earlier in this report. In addition, a recipient must comply with the following:

- --The funds may not be used in ways which discriminate because of race, color, national origin, or sex.

- --The funds may not be used, under certain circumstances, either directly or indirectly to match Federal funds under programs which make Federal aid contingent upon the recipient's contribution.

- --If 25 percent or more of the cost of a construction project is financed with revenue sharing, then the Davis-Bacon provision will be observed.

- --Employees of the recipient who are paid with revenue sharing funds will receive, under certain circumstances, no less than prevailing rates of pay for persons employed in similar public occupations.

We gathered information relating to the governments' compliance with the nondiscrimination, Davis-Bacon, and prevailing wage provisions. All 26 governments have different authority, responsibilities, and constituencies. These differences prevent the compilation of data and generalizations about the compliance record of the governments. For more specific, but still somewhat limited, information on the record of each individual government, the enclosures to this report should be consulted.

NONDISCRIMINATION PROVISION

The act provides that no person in the United States shall, on the ground of race, color, national origin, or sex, 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.

The Office of Revenue Sharing's regulations prohibit discrimination in employment, services or benefits, and location of facilities in any activity funded in whole or in part with revenue sharing. The Secretary of the Treasury is responsible for determining compliance with the nondiscrimination provision of the Revenue Sharing Act, and tne Office of Revenue Sharing has issued a guide for the administration and enforcement of this provision. We are studying the Office of Revenue Sharing's administration and enforcement of this provision as part of a separate review.

Generally, the larger units among the 26 jurisdictions had formal statements declaring their policies of nondiscrimination. For example, the mayor of Los Angeles, by executive directive dated October 29, 1973, stated it was city policy that recruitment, employment, promotion, assignment, compensation, benefits, training, and layoff of all employees be conducted without regard to race, religion, national origin, or sex. Wayne County, by resolution of its board of commissioners in July 1963, adopted the nondiscrimination provisions of the State of Michigan and related State laws.

Several of the larger jurisdictions had agencies that were concerned with civil rights matters. Some of the agencies had enforcement power while others were advisory. Sixteen of the 21 States in which the 26 governments are located had agencies empowered to enforce civil rights. As a rule, the State agencies had broader enforcement authority than the local agencies.

Comparison of government work forces with civilian labor forces

Comparison of the racial and sexual composition of an organization's employees with the composition of the total work force in its area is a commonly used technique to indicate possible discriminatory employment practices. The presumption behind this technique is that, in the absence of discrimination, an employer's work force will generally reflect the composition of the total work force of the area.

We compared the composition of the work force of each government (generally as of June 30, 1974) with the area civilian labor force as reflected by the 1970 census. We also analyzed data showing the composition of each government work force by department or function and job category. When possible, we compared the racial and sexual composition of government employees hired during the year ended June 30, 1974, with the composition of the government work force and the civilian labor force.

Although each government was unique, some broad generalizations may be made:

--In most of the counties, a higher percentage of females were employed by the county government than the percentage of females in the county civilian labor force. The opposite was true for cities. (See app. VI.) The cities typically had large sanitation, police, and fire protection services which employed a high percentage of males. The counties, on the other hand, often had large health and hospital, welfare, and social service functions which employed a high percentage of females.

--Six of the governments had no Spanish-surnamed or black employees in their work force. In these cases, there were no or very few black or Spanish-surnamed people living in the jurisdiction. In most of the remaining cases, the percentage of blacks on the government's payroll exceeded or closely approximated the percentage of blacks in the civilian labor force. The opposite was true for Spanish-surnamed people. (See app. VI.)

--Higher percentages of women and minorities were in the governments' lower level positions (i.e., clerical or manual labor jobs).

--Police and fire protection employees were predominately white males, while black males were concentrated in sanitation and service/maintenance type activities.

--The percentage of black and Spanish-surnamed persons hired during the year ended June 30, 1974, generally approximated or exceeded the percentage these groups represented in the recipients' total work forces. (See app. VII.)

We discussed significant variations between the composition of the area labor force and the government work force with local officials. Explanations varied:

In one city, officials explained that variations resulted from traditional discriminatory employment practices, such as (1) job qualification requirements net related to job performance, (2) culturally biased testing, (3) language barriers, and (4) restricted announcements of employment opportunities. Officials from other governments cited such things as lack of interest and necessary qualifications to explain low percentages of minority employees on their total work force or in certain departments.

The nature of work in large city departments was a common explanation for low percentages of female employees. City officials observed that few women were interested in employment as police officers, firefighters, or sanitation workers.

Current practices

The legacy of what is now recognized as discriminatory employment practices appears evident from the composition of many of the recipients' work forces. There was substantial evidence, however, that employment practices have been and are changing as a result of both internal and external forces. In some governments local officials appeared to be sensitive to and concerned about civil rights problems.

The director of the personnel board of Jefferson County pointed out, for example, that the percentage of blacks in the county's classified service increased from about 2 percent in 1966 to about 24 percent in 1974. New Orleans officials stated that since 1970 blacks and women had been brought into city government as fast as possible. They noted, however, that most jobs were filled under civil service regulations, and it would therefore take time to eliminate imbalances in the work force but changes were taking place. A Boston personnel official told us there was not a significant minority population in Boston 30 years ago and, as a result, most top city positions were held by whites. He said Boston was hiring increasing numbers of minorities and females for supervisory as well as supportive service positions, and this would continue.

Several of the larger jurisdictions had self-initiated affirmative action plans or had modified employment practices as a result of legal action. For example, in January 1974 the Oakland police department issued a plan to meet the requirements of a consent decree issued in December 1973 by a U.S. District Court. The plan established minority hiring goals to be achieved by January 1981. Simultaneously, the Oakland fire department issued an action plan to increase the minority composition of its work force from 9 percent in 1974 to 25 percent in 1979.

In 1974 a U.S. District Court found that the percentage of blacks in the Philadelphia fire department (8 percent) was low compared to blacks in the city population (33.6 percent) and that there was not a demonstrable relationship between the written civil service examination and successful job performance. The department was enjoined from hiring uniformed firefighters unless they were hired from the eligibility list at a ratio of one qualified minority for every two qualified whites. The Philadelphia police department was ordered by a U.S. District Court in 1973 to make certain changes in its hiring policies and procedures.

Representatives of the city service commission of Milwaukee (responsible for all city employment except in the fire and police departments) told us that efforts to increase minority and female representation had been underway for a number of years. However, studies completed in 1972 showed that substantial underrepresentation still existed in many job classifications. This led to the establishment of an affirmative action program. In 1974 civil suits were filed against the Milwaukee fire department alleging employment discrimination. Agreement was reached between the plaintiffs and the city on needed corrective actions, and a court order, issued in October 1974, directed in part that 40 percent of all firefighter appointments be from among black, Latin, and Indian applicants.

In several of the governments, revenue sharing funds were used in departments or activities which were the subject of employment discrimination suits. For example, in January 1973 the Department of Justice filed suit against the Massachusetts Civil Service Commission and the Boston fire department alleging a "pattern of discriminatory employment practices, against blacks and Spanish surnamed Americans." A U.S. District Court decided that the firemen's qualification test was discriminatory and prohibited its use. The court directed that one minority for each white was to be included on the certification for eligibles for the fire department. The decision was affirmed by a Court of Appeals, but the Massachusetts Civil Service Commission was seeking a review of the case by the U.S. Supreme Court. Revenue sharing funds were allocated to the Boston fire department.

In one government, the uses made of revenue sharing funds were affected by the nondiscrimination provision of the act. The city of Los Angeles had distributed revenue sharing funds to its fire department in budgets prior to fiscal year 1975. However, the mayor directed that in fiscal year 1975 revenue sharing funds not be used in the fire department, because a law suit alleging employment discrimination was pending against the department.

Services and capital projects

We tried to determine whether services or facilities funded with revenue sharing appeared to have been provided or located in a manner which had the effect of discriminating; from our limited review, we observed no obvious instances of such discrimination.

DAVIS-BACON PROVISION

The Revenue Sharing Act provides that all laborers and mechanics, employed by contractors and subcontractors to work on any construction project of which 25 percent or more of the cost is paid with revenue sharing funds, shall be paid wage rates which are not less than rates prevailing for similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended.

Office of Revenue Sharing regulations implementing this provision require that each contract exceeding $2,000 shall contain a provision stating the minimum wages to be paid various classes of laborers and mechanics as determined by the Secretary of Labor. Further, the contract shall stipulate that the contractor shall pay wage rates not less than those stated in the specifications, regardless of any contractual relationships alleged to exist between the contractor and such laborers and mechanics. A further contract stipulation is that there may be withheld from the contract so much of accrued payments as considered necessary by the contracting officer to pay to laborers and employees the difference between rates required by the contract and rates actually received.

About half of the 26 governments had undertaken one or more construction projects subject to the Davis-Bacon provision. Most of the governments having construction contracts subject to the provision experienced some compliance difficulties. Typically, failures to satisfy the procedural requirements were because local officials were either unaware or unclear about the requirements.

For example, in Woodruff the mayor told us it had never occurred to town officials that the Davis-Bacon provision applied to their small projects. Oakland used $46,411 in revenue sharing funds to pay the total cost of a construction contract. However, after Oakland determined the contract did not comply with regulatory requirements, the expended revenue sharing funds were replaced with the city's own funds. An Oakland official explained that the contract was awarded before the city learned the project was subject to the Davis-Bacon provision. Los Angeles city officials told us that they were having some difficulty in obtaining firm and clear guidelines needed to satisfy the requirements associated with the provision.

Among larger jurisdictions, it is doubtful that this provision had a substantive effect. Officials from these governments told us that all their construction work, regardless of the source of funds used to finance the work, was normally performed by contractors who paid prevailing union rates.

Officials from some of the small governments, however, indicated that construction costs would be higher on a project subject to the Davis-Bacon provision. For example, the city administrator of Saco identified one project funded with revenue sharing where the city failed to comply with the wage determination requirements. After the administrator discovered the omission, he changed the project funding from revenue sharing to city funds before the project was completed and payment made. A Saco official stated that a number of nonunion contractors were available and capable of handling city contracts. He said in order to save money the city would continue to finance construction projects with city funds rather than revenue sharing funds.

Similarly, Polk County officials told us that, because of higher costs which would result if projects were subject to the Davis-Bacon provision, they would try to limit the use of revenue sharing funds on future projects to less than 25 percent of project costs.

PREVAILING WAGE PROVISION

The Revenue Sharing Act provides that certain recipient employees whose wages are paid in whole or in part with revenue sharing funds shall be paid at rates which are no lower than the prevailing rates for persons employed in similar public occupations by the recipient government. The individuals covered by this provision are those in any category where 25 percent or more of the wages of all employees in the category are paid with revenue sharing funds.

We encountered some difficulties in reviewing compliance with this provision because the records of a few jurisdictions did not indicate which employees, if any, were paid with revenue sharing funds. Overall, however, we found no indication of significant compliance problems. The larger jurisdictions generally had civil service systems which assured that, regardless of the source of funds used for payment of salaries, employees would not receive less than other employees in the same class or category.

AUDITS OF REVENUE SHARING

The Revenue Sharing Act provides that the Secretary of the Treasury shall provide for such accounting and auditing procedures, evaluations, and reviews as may be necessary to insure that expenditures of funds received by local governments comply fully with the requirements of the act. The Secretary is authorized to accept an audit by a State of expenditures of a local government if he determines that such audit and the audit procedures of that State are sufficiently reliable to enable him to carry out his duties under the act.

Office of Revenue Sharing regulations emphasize the intention of the Secretary to rely to the maximum extent possible on audits of recipients made by State and local government auditors and independent public accountants. Acceptance of such audits is dependent upon meeting certain requirements, including the following:

--Audits will be performed in accordance with generally accepted auditing standards.

--Audits will include coverage as specified in the regulations, including a review of compliance with various provisions.

--Audit reports will contain a clear statement of the auditor's findings as to compliance or noncompliance with the requirements of the act and the regulations. In the event the auditor is unable to review compliance with all provisions, the audit report will reflect those areas in which a compliance review was not performed.

The Office of Revenue Sharing issued an audit guide in October 1973 to (1) assist State and local government auditors and public accountants to understand the special requirements for audits of revenue sharing funds and (2) establish the audit standards and minimum procedures for audits acceptable to the Secretary of the Treasury. Recipient governments are not required to have audits of revenue sharing performed in accordance with the audit guide.

In about three-fourths of the governments, audits including revenue sharing funds had been completed at the time of our review. Most of these audits were conducted by independent public accountants. However, only a few were performed in accordance with the Office of Revenue Sharing audit guide, which calls for both a financial audit as well as a review of the recipient's compliance with the restrictions and requirements of the act and regulations. The majority were routine financial audits in which revenue sharing funds were audited along with the recipient's other funds.

With one exception--Saco--no significant problems were disclosed by the audits. In Saco the auditor concluded that the city's method of accounting for funds did not meet the requirements of the Revenue Sharing Act. The auditor recommended establishing a separate revenue sharing fund, employing a full-time accountant, and reorganizing the accounting system. In April 1974 Saco hired a city administrator and an accountant; new administrative and accounting procedures for revenue sharing were implemented.

GAO OBSERVATIONS

Our analysis of the composition of many of the governments' work forces showed that the percentages of minority employees or females in either the total work forces or in certain departments or job categories of the work forces were low when compared to the total civilian labor forces. However, employment practices, particularly among the larger governments, have been and are changing. Most of the governments having construction projects subject to the Davis-Bacon provision experienced some compliance difficulties.

We noted in an earlier report ("Revenue Sharing: Its Use by and Impact on Local Governments," B-146285, Apr. 25, 1974) that restrictions on the direct uses of revenue sharing funds were less than totally effective. Because of the wide latitude recipients have in using the funds, they can arrange to use them in a fashion authorized by the act and still use their own funds in areas where compliance problems might be encountered. Recognizing this feature, which we believe is inherent in any general fiscal assistance program, we suggested during the April 1975 hearings held by the Revenue Sharing Subcommittee, Senate Finance Committee, that the civil rights provision of the act be broadened to provide that (1) a government receiving revenue sharing could not discriminate in any of its programs or activities regardless of the source of funding and (2) revenue sharing funds could be withheld pending acceptable actions to correct discriminatory practices.

CHAPTER 8

FINANCIAL CONDITION OF RECIPIENT GOVERNMENTS

The financial condition of a government cannot be measured in the same way as that of a commercial organization. In examining this area, we asked local officials for their assessment of the government's financial condition and reviewed such things as the trend of fund balances or deficits, indebtedness, the status of pension funds, and whether the government was at or near any debt or tax ceilings.

TREND OF GENERAL FUND BALANCES

A variety of funds are used to finance activities and programs of local governments. By far, the most important is the general fund, which typically finances most of the current operations of governmental units. The table on page 37 shows for each recipient its general fund balances at the end of its 5 most recent fiscal years and the percentage that the most recent fund balance represented of the general fund budget for that year.

The following observations may be made from data shown on the table:

--Eighteen recipients had larger general fund balances or smaller negative balances at the close of the most recent year than they had 4 years earlier.

--Twenty-one recipients had larger general fund balances or smaller negative balances at the close of the most recent year than they did 1 year earlier.

--Only three recipients--Boston, Philadelphia, and Woodruff--had negative general fund balances at the close of the most recent year (however, the deficit for Philadelphia amounted to only 1 percent of the general fund budget for that year).

--Fourteen recipients had general fund balances at the close of the most recent year which amounted to 10 percent or more of the general fund or general operating budget for that year.

General Fund Balances and Deficits (-) at Close of Five Most Recent Fiscal Periods

Government	At close of fiscal period: Most recent	First previous	Second previous	Third previous	Fourth previous	Most recent year's fund balance or (deficit) as a percent of general fund budget
	(000 omitted)					
Churchill County, Nevada	$ 254	$ 180	$ 235	$ 259	$ 273	27%
Clarke County, Mississippi	101	58	32	21	80	24
Holt County, Nebraska	199	186	158	124	113	42
Jefferson County, Alabama	4,832	4,895	5,201	5,124	3,908	25
Lake County, Oregon	33	33	-8	45	120	7
Los Angeles County, California	47,900	123,000	104,000	15,200	1,300	2
Polk County, Florida	3,346	1,976	1,202	846	757	21
Wayne County, Michigan	5,593	4,442	-1,829	2,905	3,979	2
Westchester County, New York	13,946	8,309	1,246	8,611	6,612	6
Worcester County, Massachusetts	2,759	1,514	1,305	1,173	1,186	16
Boston, Massachusetts	-37,850	-39,975	-24,036	3,494	1,934	(10)
Brentwood Borough, Pennsylvania	115	105	73	86	59	11
Cleveland, Ohio	52	2	-13,635	-450	207	(a)
Denver, Colorado	3,948	148	6,818	7,233	3,042	4
Des Moines, Iowa	823	231	162	322	439	20
Los Angeles, California	53,400	45,200	39,300	44,900	43,600	14
Milwaukee, Wisconsin	19,022	15,109	3,324	3,885	9,434	12
Newark, New Jersey	7,649	9,569	6,194	6,835	10,893	4
New Hope, Minnesota	120	49	115	210	232	9
New Orleans, Louisiana	4,252	3,418	1,916	506	252	4
Oakland, California	11,202	2,850	3,809	4,824	7,725	19
Philadelphia, Pennsylvania	-8,797	-10,991	-18,763	-36,430	19,789	(1)
Redding, California	2,999	2,430	1,857	926	695	54
Saco, Maine	396	248	87	88	47	27
Woodruff, South Carolina	-34	-134	-141	-1	-54	[b] (10)
Pigeon Township, Indiana	7	19	23	12	16	10

[a] Less than one-half of 1 percent.

[b] Based on actual expenditures because Woodruff did not have a formally approved budget.

Some recipients experienced significant changes in their general fund balances during the past several years:

--Los Angeles County's general fund balance increased from $1.3 million to $123 million, then decreased to $47.9 million. The increase resulted from actual expenditures falling significantly short of budgeted expenditures (primarily because of a reduction in the public welfare rolls) and the use of revenue sharing as substitute financing. County officials said the recent decrease in fund balance was not caused by any significant event but merely reflects that the prior 2 years' balances were abnormally high.

--Polk County's fund balance increased from $757,000 to $3.3 million. The county financial director attributed the increase mainly to proceeds of bank loans and revenue sharing funds.

--Wayne County's fund balance decreased from $4 million to a negative balance of $1.8 million; however, it subsequently increased to a surplus of $5.6 million. The county budget director told us that the receipt of revenue sharing funds in 1972 completely turned around the financial condition of the general fund.

--Boston's fund balance decreased from $1.9 million to a negative balance of $37.9 million. A city official stated that the deficit was due in large part to an increase in unpaid real estate taxes. In an attempt to encourage payment of delinquent taxes, the city is seeking a change to a State statute which limits to 8 percent the rate of interest that may be charged on overdue taxes.

--New Orleans' fund balance increased from $250,000 to $4.3 million. The balance was increased to accumulate funds for a general pay plan amendment.

--Woodruff's fund balance deteriorated from a negative balance of $54,000 to a negative balance of $141,000; however, it has since improved to a negative balance of $34,000.

The mayor said this improvement was due to the receipt of revenue sharing funds.

INDEBTEDNESS

The three types of bonds normally used for long-term borrowing are general obligation bonds, revenue bonds, and special assessment bonds. General obligation bonds are backed by the full faith and credit of the local government. Revenue bonds are normally redeemed from revenues of the governmental enterprise funded by the bonds and are not guaranteed by the general credit or taxing power of the local government. Special assessment bonds are payable from the proceeds of special assessments.

The table on page 40 shows the net outstanding debt at the end of each of the recipient's 5 most recent fiscal years and the per capita debt at the end of the most recent year. The amounts shown are net of accumulated sinking funds or other bond redemption funds.

Holt and Lake Counties had no outstanding debt, while indebtedness incurred for Pigeon Township's operations had been eliminated at the close of the most recent year. Seven other recipients experienced decreases, with Churchill County having the largest decline (45 percent). Sixteen governments had increases in debt during the 5-year period. In Polk County, Worcester County, Boston, and Saco, indebtedness more than doubled.

Per capita debt for the 23 governments ranged from $4.50 for Los Angeles County to $699.94 for the city of Los Angeles. Generally, per capita debt was considerably smaller for counties than for municipalities. Although both Polk and Worcester Counties had sharp increases in outstanding debt, per capita debt remained relatively low at $8.33 and $15.95, respectively. Oakland had, by far, the lowest per capita debt ($81.71) of the larger municipalities. Over one-half of Oakland's outstanding debt represented revenue bonds issued in 1974 to pay the State for retirement contributions of city employees who transferred to a State-administered pension fund.

Churchill County's debt reduction, from $968,000 to $533,000, resulted primarily from retiring bonds of the county-owned telephone company. The city of Los Angeles' indebtedness totaled about $1,967 million,

Net Outstanding Debt at End of

5 Most Recent Fiscal Years

Government	At end of fiscal year: Most recent	First previous	Second previous (000 omitted)	Third previous	Fourth previous	Per capita debt at close of most recent fiscal year
Churchill County, Nevada	$ 533	$ 598	$ 704	$ 832	$ 968	$ 50.70
Clarke County, Mississippi	1,904	2,134	2,356	2,580	1,854	126.52
Holt County, Nebraska	-	-	-	-	-	-
Jefferson County, Alabama	12,836	13,877	14,920	15,934	16,959	19.90
Lake County, Oregon	-	-	-	-	-	-
Los Angeles County, California	31,700	36,400	41,200	46,300	51,500	4.50
Polk County, Florida	2,402	331	388	448	498	8.33
Wayne County, Michigan	291,251	295,949	291,963	291,604	200,218	109.07
Westchester County, New York	82,941	88,966	90,824	59,341	41,500	92.76
Worcester County, Massachusetts	10,160	11,700	13,115	2,135	3,005	15.95
Boston, Massachusetts	364,945	325,582	263,993	211,189	175,753	569.27
Brentwood Borough, Pennsylvania	345	380	415	450	485	25.12
Cleveland, Ohio	377,161	374,236	321,571	318,980	263,685	502.29
Denver, Colorado	313,518	284,367	255,507	254,203	258,455	609.15
Des Moines, Iowa	54,669	54,935	55,961	54,255	52,693	271.44
Los Angeles, California	1,966,700	1,750,700	1,632,600	1,449,000	1,266,200	699.94
Milwaukee, Wisconsin	112,209	116,224	111,554	103,190	111,446	156.42
Newark, New Jersey	82,000	83,000	78,000	77,000	73,000	214.70
New Hope, Minnesota	1,945	2,142	2,146	2,229	2,295	83.91
New Orleans, Louisiana	165,023	154,782	151,030	144,474	150,976	278.06
Oakland, California	29,544	14,444	15,844	17,239	18,634	81.71
Philadelphia, Pennsylvania	1,054,469	1,041,349	994,985	963,347	867,442	540.75
Redding, California	5,048	5,239	5,391	5,549	5,237	303.02
Saco, Maine	2,445	958	1,041	419	501	209.37
Woodruff, South Carolina	446	476	498	561	602	95.10
Pigeon Township, Indiana	-	16	24	68	94	-

of which $1,781 million was revenue bonds and $186 million was in general obligation bonds. Boston's budget director said increased debt resulted mainly from the need to substantially improve the city's capital plant, and increases would probably continue for several more years.

Borrowing procedures

Local governments are normally required to observe certain procedures in authorizing debt. These procedures usually depend on the type of bond and involve two basic questions: (1) how the bond authorization is originated and approved within the government and (2) whether approval of the electorate is required.

When approval of the electorate is required, the proposed bond authorization is usually placed on a ballot. Clarke County has a somewhat unusual procedure. The board of supervisors' resolution declaring its intention to issue bonds must be published in a local newspaper for 3 consecutive weeks. The bonds may not be issued if a petition protesting the issuance is filed by 20 percent, or 1,500 (whichever is less), of the qualified county voters. If a petition is filed, the bonds may be issued only if three-fifths of the electorate vote favorably.

Some governments had experienced difficulties in recent years in obtaining voter approval of proposed bond issues. Los Angeles County placed six proposed bond issues on the ballot during the years 1964-74, and only one was approved. Because the county is so large, voters are reluctant to approve a bond issue to finance a project not proposed for their area. Inability to obtain voter approval has led to an alternate method of financing. The county and one city can form an authority that sells bonds to finance a capital facility. The facility is then leased by the authority to the county and the amount of rent is equal to the bond principal and interest due.

In Des Moines two proposed bond issues were rejected by voters during the years 1971-74. A referendum in October 1971, for a $2 million issue for constructing six fire stations, was rejected by 63 percent of the voters. The stations were financed later with revenue sharing funds. In 1974 the voters rejected a $7.5 million bond issue to expand the Veterans Memorial Auditorium.

The city of Los Angeles place nine general obligation bond issues on the ballot during the years 1965-74. Of these, seven were rejected by the voters.

Borrowing restrictions

The governments were usually subject to legal restrictions on the amount of debt which could be incurred. Polk County and Pigeon Township were the only governments having no ceiling on the amount of funds they could borrow. Where statutory ceilings on outstanding debt exist, the amount is usually based on a percentage of taxable property value--either assessed value or actual cash value.

Most recipients were well within their statutory debt ceilings. Newark may borrow up to 3.5 percent of the equalized valuation of real estate, and an additional $15.7 million when the 3.5 percent limitation is reached, and, finally, up to two-thirds of the current year's bond retirement amount. According to a city official, Newark had already exhausted an amount equal to the 3.5 percent limitation and the additional $15.7 million borrowing power. Four other recipients had outstanding debt which exceeded 50 percent of their ceilings: Philadelphia (83 percent), New Orleans (70 percent), Boston (67 percent), and Redding (55 percent).

Recipients with low percentages of debt to statutory ceiling (in addition to those with no applicable debt or ceiling) included Oakland (6 percent), Los Angeles County (11 percent), Churchill County (12 percent), Los Angeles city (14 percent), and Westchester County (15 percent).

Boston is effectively limited only by its ability to obtain State approval of financing in excess of the limits established by State law. The State has allowed Boston to finance the construction of schools, public buildings, and parking garages outside the debt ceiling.

LIMITATIONS ON TAXING AUTHORITY

Recipient governments are usually subject to legal restrictions on the kinds and amounts of taxes they may levy. Worcester County was the sole recipient without authority to directly tax its citizens; it levies an assessment (determined by the State legislature) on cities and towns within the county to raise operating revenues.

Several recipients were (1) levying taxes at rates which were at or near the legal maximums or (2) already levying every kind of tax allowed by law. For example, Los Angeles County had a fiscal year 1975 property tax rate of $4.3307 per $100 of assessed valuation, compared with a legal maximum tax rate of $4.5758 for general county purposes. County officials told us that the county had exhausted all major revenue sources permitted under State law. Cleveland could not increase the existing city income tax rate without voter approval. Recent attempts to increase the rate had been defeated.

PENSION FUNDS

Twelve recipients had established pension funds to pay benefits to some or all retired employees. Employees of all other recipients, except Holt County and Woodruff, were covered by other pension funds, most of which were State-administered. Employees of Holt County were not included in any State or local pension fund, while in Woodruff certain policemen were covered by a State plan but other employees were not.

All recipients with employee pension funds had performed actuarial valuations to determine the financial condition of the funds. Some of the funds had unfunded accrued liabilities. An unfunded accrued liability is defined as the present value, as of the date of a pension fund valuation, of all future benefits and administrative expenses for plan participants and beneficiaries less (1) the present value of future normal cost contributions and (2) the value of the fund assets. Normal cost is the annual cost of future pension benefits and administrative expenses assigned to years subsequent to the pension fund valuation date.

Denver has four pension funds. Reports showed that two funds were sound but not fully funded--the employees' fund had an unfunded liability of about $17 million and a balance of $36.9 million, and the board of water commissioners' fund had an unfunded liability of about $6 million and a balance of $5.2 million. An actuarial study showed that the firemen's pension fund was not sound and had an unfunded liability of $36 million and a balance of $12 million in 1972; the funded status was reported to be worse than it was in 1963. The police pension fund is on a pay-as-you-go system. An actuarial evaluation pointed out that the police fund would incur significantly larger future costs because reserves were not accumulated and investment earnings were not available to reduce the contributions needed to meet future pension payments.

Los Angeles city has two pension funds--one for fire and police and one for other city employees. While an actuarial evaluation showed that both funds were sound, the unfunded liabilities were $145.2 million for the city employees' fund (fund balance of $395.9 million) and about $1.2 billion for the fire and police fund (fund balance of $329 million). The unfunded liabilities for the city employees' and police and fire funds were being amortized over 30 and 64 years, respectively.

Milwaukee's employee pension fund also covers employees of other governmental units, such as the school board, water department, and sewerage commission. In 1972 the city's share of the unfunded liability for this fund was $142.6 million. In addition, the city had unfunded liabilities of $46.1 million in 1973 for firemen and policemen who worked for the city prior to July 29, 1947. Milwaukee makes annual contributions to the pension funds to amortize unfunded liabilities and for current liabilities.

Newark's pension fund had an unfunded liability of $53 million in 1971. The fund balance was $511,000 in 1973. The actuary said the fund may be sound by 1977--or as late as 1984.

New Orleans has five pension funds having a combined balance of $25.1 million. Two funds--the new police and new fire funds--had minor unfunded liabilities. However, the old police, old fire, and city employees' funds had unfunded liabilities of $82.2 million, $84.7 million, and $35.5 million, respectively.

Oakland has two pension funds--one for municipal (nonuniformed) employees and one for police and fire. The municipal employees' fund had an unfunded liability of $5.5 million in 1969 and a fund balance of $28.3 million in 1974; however, the director of retirement systems stated that the liability had increased significantly since 1969. The police and fire fund had an unfunded liability of $82.5 million and a fund balance of $26 million in 1970, but the director estimated the liability had increased to about $150 million. Actuarial evaluations of both funds were in progress. Oakland also has an unfunded liability of $19.3 million for employees who transferred to a State-administered pension fund. This liability is being liquidated over a 25-year period by an increase in the city's retirement contribution rate.

Philadelphia had an unfunded liability of $566.1 million, which will require large payments into the fund in future years. The fund balance was $138.1 million.

VIEWS OF LOCAL OFFICIALS

With few exceptions, officials of recipient governments considered the fiscal condition of their governments to be good. This was particularly true of counties and the smaller municipalities. Following are examples of comments we received:

--Clarke County officials said the county government is in good fiscal condition, although there would have been tax increases without revenue sharing.

--Holt County officials told us that the county's financial status is healthy and its overall economic condition is sound.

--Jefferson County's comptroller considered the county to be financially sound but anticipated some decrease in revenues because of the economic recession. A significant decrease could affect some of the county's major programs, such as hospital operation and sewer construction.

--Polk County's financial director considered the county's financial condition to be sound; however, reductions were expected in gasoline tax receipts and other revenues from the State.

--Westchester County officials believed the county is in good financial condition but has potential long-range problems.

--Des Moines' financial director considered the city's current fiscal condition to be excellent, citing a significant debt margin and high bond ratings.

--Los Angeles officials told us that the city is financially sound, as evidenced by the condition of the reserve fund and its bonded indebtedness, but that this situation could change in subsequent years.

--Saco officials believed the city's financial condition to be good; however, its future financial status depends on such factors as whether the revenue sharing program will be continued, the extent of inflation, and if and how postponed expenditures will be financed.

On the other hand, some of the governments faced financial difficulties. Newark's population declined from 439,000 in 1950 to 381,930 in 1970. It has been described as an area of concentrated unemployment and underemployment, with the unskilled labor force competing for jobs in a declining labor market. The State and local tax burden on Newark residents was high; debt had increased steadily since 1969 and the city was getting close to its borrowing ceiling on municipal bonds; the quality rating assigned to city bonds by a major rating service declined from "upper medium-grade obligations" to "medium-grade obligations" in 1968, where it has remained. When the city's pension fund was created in 1955, its unfunded liability was $22 million, while in 1971 it was $53 million. A Newark official said the city had to pay about one-half of 1 percent more interest on its bonds than other communities having the same bond quality rating because (1) the percentage of taxes collected was low, (2) property values had not kept pace with inflation, (3) family income was low, and (4) debt was high in relation to assessed valuation, population, and per capita income.

Cleveland has been confronted with periodic financial problems. In 1970 and 1971, Cleveland voters rejected proposals to increase city income tax rates. Because voter approval of the increase was anticipated, the city did not ask voters to renew a property tax levy due to expire. As a result, property tax receipts dropped $11.3 million. In addition, income tax receipts were $11.7 million lower than expected. To compensate for the revenue loss, the city government reduced its work force by nearly 2,000 in 1971, yet still experienced a $13.6 million general fund deficit. In 1974 voters rejected another attempt to raise the city income tax rate, and Cleveland was faced with another deficit in 1975.

Consequently, the city laid off approximately 1,100 employees in January and February 1975. A large number of these employees have been recalled and are being paid with Federal grant funds.

As of June 30, 1974, Boston's general fund had a deficit of $37.8 million, which a city official attributed mainly to an increase in unpaid real estate taxes. Between 1969 and 1974 the city's indebtedness more than doubled, going from $175.8 million to $364.9 million. The budget director said improvements to the city's capital facilities caused the increase in outstanding debt and this trend would probably continue for several more years.

Oakland officials were projecting budget deficits ranging from $6.9 million in fiscal year 1977 to $20.5 million in fiscal year 1980. The city budget for fiscal year 1975 projected a net reduction of 120 staff-years in city employment.

Denver's financial condition has been under pressure in recent years. General fund expenditures have increased faster than revenue earmarked for it. This condition has been offset by diverting capital improvement revenues to the general fund.

GAO OBSERVATIONS

Ultimately, the question of a government's financial condition depends upon whether resources are sufficient to provide what is perceived to be an adequate level and range of public services, a question which is resolved largely through the local political process. We made no attempt to judge the adequacy of services provided by the 26 jurisdictions. Our inquiry, which was restricted to an analysis of fiscal trends and discussions with local officials, produced mixed results. Generally, the jurisdictions appeared to be in reasonably good condition, but the financial situation of some was deteriorating.

CHAPTER 9

SCOPE OF REVIEW

We discussed the revenue sharing program with officials of the 26 governments listed on page 5 and obtained their comments on the impact of the program on local operations. We examined financial and other records to gather information relating to the activities funded with revenue sharing; the fiscal condition of the governments; compliance with the nondiscrimination, Davis-Bacon, and prevailing wage provisions of the Revenue Sharing Act; the extent and nature of other Federal aid received; and changes in tax rates. We contacted Federal, State, and local agencies and commissions concerned with civil rights matters.

We also interviewed representatives of local civil rights and other special interest groups to obtain their comments on the governments' civil rights posture and the impact of revenue sharing on public participation in the local budget process. Information on the revenue sharing amounts allocated to the governments was obtained from records of the Office of Revenue Sharing, Washington, D.C.

Our work was limited to gathering selected data relating to areas identified by the Subcommittee Chairman.

In each of the 26 governments, we provided local officials a copy of the case study prepared for their government, and their comments were considered in finalizing the case studies.

United States Senate

COMMITTEE ON
GOVERNMENT OPERATIONS
SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS
(PURSUANT TO SEC. 5, S. RES. 269, 93D CONGRESS, 2D SESSION)
WASHINGTON, D.C. 20510

B-146285

July 8, 1974

The Honorable Elmer B. Staats
Comptroller General of
the United States
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Elmer:

As part of the continuing evaluation of the impact of general revenue sharing on State and local governments, by the Subcommittee on Intergovernmental Relations, it would be most helpful if the General Accounting Office would conduct in-depth case studies of revenue sharing in 26 selected jurisdictions around the country. It is my hope that such a detailed analysis of objective facts will help to clarify a number of misconceptions that have already arisen in Congress and elsewhere about the program.

Of particular relevance to the Subcommittee is detailed information on the following questions:

1. The specific operating and capital programs funded in part or in whole by general revenue sharing in each jurisdiction;

2. The fiscal condition of each jurisdiction, including its surplus or debt status;

3. The impact of revenue sharing on local tax rates and any changes in local tax laws, and an analysis of local tax rates vis-a-vis per capita income;

[See GAO note 1, p. 52.]

BEST DOCUMENT AVAILABLE

The Honorable Elmer B. Staats
July 8, 1974
Page Two

4. The percentage of the total local budget represented by general revenue sharing;

5. The impact of Federal cutbacks in three or four specific categorical programs (i.e., Model Cities, library services, OEO, or public employment) and the degree, if any, that revenue sharing has been used to replace those cutbacks; and

[See GAO note 2, p. 52.]

6. The record of each jurisdiction in complying with the civil rights, Davis-Bacon and other provisions of the law.

7. Public participation in the local budgetary process, and the impact of revenue sharing on that process.

I understand that members of my staff have discussed the proposed study in detail with GAO representatives and that they have agreed on the attached list of 26 localities to be included in the case studies. Because the 94th Congress will begin reviewing general revenue sharing in 1975, I hope that these studies can be completed by March. We look forward to working with you in developing what I think will be a very significant and useful report.

With best personal regards,

Sincerely,

Edmund S. Muskie

Attachment

SELECTED JURISDICTIONS FOR IN-DEPTH GAO REVENUE SHARING STUDY

Newark

New Orleans

Milwaukee

Oakland, California

Des Moines

Boston

Philadelphia

Brentwood Borough (near Pittsburgh), Pennsylvania

Woodruff, South Carolina

Redding, California

Wayne County, Michigan (Detroit)

Cleveland

New Hope, Minnesota

Holt County, Nebraska (O'Neil)

Westchester County, New York (White Plains)

Jefferson County, Alabama (Birmingham)

Polk County, Florida (Bartow)

Churchill County, Nevada (Fallon)

Lake County, Oregon (Lakeview)

Saco, Maine

Los Angeles

Los Angeles County

Clark County, Mississippi (Quitman)

Selected Jurisdictions
Page Two

Denver

A New England County

A Midwest Township - to be selected

GAO notes:

1. In discussions with the Subcommittee Chairman's office, it was agreed that the report would compare taxes paid by families of three income levels rather than an analysis of local tax rates vis-a-vis per capita income.

2. In discussions with the Subcommittee Chairman's office, it was agreed that the report would describe major changes in all Federal assistance received by the governments.

STATUS AS OF JUNE 30, 1974, OF TOTAL REVENUE SHARING PAYMENTS RECEIVED OR DUE (PLUS INTEREST EARNED)

Government	Total funds received or due (note a) (000 omitted)	Status of funds: Expended: Amount (000 omitted)	Expended: Percent of total	Obligated but not expended: Amount (000 omitted)	Obligated but not expended: Percent of total	Unobligated: Amount (000 omitted)	Unobligated: Percent of total
Churchill County, Nevada	$ 240	$ 150	63	$ -	-	$ 90	37
Clarke County, Mississippi	953	479	50	-	-	474	50
Holt County, Nebraska	413	329	80	-	-	84	20
Jefferson County, Alabama	17,116	6,052	35	10,349	61	715	4
Lake County, Oregon	232	56	24	-	-	176	76
Los Angeles County, California	242,400	62,090	26	51,740	21	128,570	53
Polk County, Florida	5,611	3,093	55	-	-	2,518	45
Wayne County, Michigan	31,522	28,181	89	-	-	3,341	11
Westchester County, New York	9,077	8,200	90	-	-	877	10
Worcester County, Massachusetts	2,533	1,495	59	-	-	1,038	41
Boston, Massachusetts	53,597	24,977	47	1,812	3	26,808	50
Brentwood Borough, Pennsylvania	308	114	37	-	-	194	63
Cleveland, Ohio	36,425	23,079	63	286	1	13,060	36
Denver, Colorado	33,520	15,174	45	2,099	6	16,247	49
Des Moines, Iowa	6,061	2,872	47	1,388	23	1,801	30
Los Angeles, California	88,000	67,684	77	8,200	9	12,116	14
Milwaukee, Wisconsin	34,409	29,866	87	761	2	3,782	11
Newark, New Jersey	23,422	20,864	89	-	-	2,558	11
New Hope, Minnesota	231	158	69	47	20	26	11
New Orleans, Louisiana	46,225	25,664	56	-	-	20,561	44
Oakland, California	12,823	11,498	90	-	-	1,325	10
Philadelphia, Pennsylvania	119,089	119,089	100	-	-	-	-
Redding, California	1,037	145	14	149	14	743	72
Saco, Maine	702	204	29	47	7	451	64
Woodruff, South Carolina	342	233	68	-	-	109	32
Pigeon Township, Indiana	435	88	20	-	-	347	80
Total	$766,723	$451,834	59	$76,878	10	$238,011	31

[a] About $688 million was received by the governments before June 30, 1974, and $79 million was received in early July 1974 but was paid for the quarter ended June 30, 1974.

APPENDIX II

REVENUE SHARING FUNDS EXPENDED FOR OPERATIONS AND MAINTENANCE PURPOSES THROUGH JUNE 30, 1974

Government	Public safety	Environmental protection	Health	Recreation	Public transportation	Social services for poor or aged	Libraries	Financial administration	Total
					(000 omitted)				
Churchill County, Nevada	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Clarke County, Mississippi	17	-	13	3	23	-	-	-	56
Holt County, Nebraska	-	-	-	-	92	-	-	-	92
Jefferson County, Alabama	368	-	841	-	273	-	-	464	1,946
Lake County, Oregon	28	6	-	-	-	-	-	-	34
Los Angeles County, California	-	-	-	570	5,320	390	-	240	6,520
Polk County, Florida	-	9	-	-	-	-	-	-	9
Wayne County, Michigan	6,903	300	12,427	808	-	7,718	25	-	28,181
Westchester County, New York (note a)									
Worcester County, Massachusetts	1,495	-	-	-	-	-	-	-	1,495
Boston, Massachusetts	7,894	5,400	6,616	1,691	3,319	57	-	-	24,977
Brentwood Borough, Pennsylvania	40	-	-	1	12	1	4	11	69
Cleveland, Ohio	16,076	-	2,767	1,504	-	1,795	-	899	23,041
Denver, Colorado	6,051	365	1,318	135	2,251	540	-	87	10,747
Des Moines, Iowa	2,234	-	-	-	-	-	-	-	2,234
Los Angeles, California	62,900	2,700	-	700	300	-	300	-	66,900
Milwaukee, Wisconsin	13,041	12,135	1,455	-	1,661	-	1,574	-	29,866
Newark, New Jersey	20,864	-	-	-	-	-	-	-	20,864
New Hope, Minnesota	103	-	10	-	-	-	-	-	113
New Orleans, Louisiana (note a)									
Oakland, California	11,371	-	-	23	104	-	-	-	11,498
Philadelphia, Pennsylvania	72,403	20,549	1,268	12,260	2,470	-	6,140	3,999	119,089
Redding, California	-	-	19	-	-	-	-	-	19
Saco, Maine (note a)									
Woodruff, South Carolina	56	53	-	6	-	-	-	-	115
Pigeon Township, Indiana	-	-	-	-	-	84	-	4	88
Total	$221,844	$41,517	$26,734	$17,701	$15,825	$10,585	$8,043	$5,704	$347,953

[a]Accounting records did not identify specific expenditures of revenue sharing funds; however, Enclosure X contains estimates of Saco's uses of the funds.

APPENDIX III

REVENUE SHARING FUNDS EXPENDED FOR CAPITAL PURPOSES
THROUGH JUNE 30, 1974

Government	Public safety	Multipurpose and general government	Recreation	Hospitals and clinics	Highways and streets	Environmental protection	Social services for the poor or aged	Libraries	Total
	(000 omitted)								
Churchill County, Nevada	$ 150	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 150
Clarke County, Mississippi	13	3	-	67	314	-	26	-	423
Holt County, Nebraska	-	-	-	-	237	-	-	-	237
Jefferson County, Alabama	-	106	1,654	81	869	1,095	301	-	4,106
Lake County, Oregon	5	-	-	-	7	-	-	10	22
Los Angeles County, California	16,600	14,880	12,160	10,740	-	1,130	60	-	55,570
Polk County, Florida	1,374	75	-	99	1,536	-	-	-	3,084
Wayne County, Michigan	-	-	-	-	-	-	-	-	-
Westchester County, New York (note a)									
Worcester County, Massachusetts	-	-	-	-	-	-	-	-	-
Boston, Massachusetts	-	-	-	-	-	-	-	-	-
Brentwood Borough, Pennsylvania	13	1	-	-	29	-	1	1	45
Cleveland, Ohio	35	-	-	3	-	-	-	-	38
Denver, Colorado	311	37	2,291	20	1,423	302	-	43	4,427
Des Moines, Iowa	309	28	301	-	-	-	-	-	638
Los Angeles, California	-	784	-	-	-	-	-	-	784
Milwaukee, Wisconsin	-	-	-	-	-	-	-	-	-
Newark, New Jersey	-	-	-	-	-	-	-	-	-
New Hope, Minnesota	43	-	2	-	-	-	-	-	45
New Orleans, Louisiana	45	1,397	263	-	213	254	33	182	2,387
Oakland, California	-	-	-	-	-	-	-	-	-
Philadelphia, Pennsylvania	-	-	-	-	-	-	-	-	-
Redding, California	-	-	126	-	-	-	-	-	126
Saco, Maine (note a)	-	-	-	-	-	-	-	-	-
Woodruff, South Carolina	50	-	7	-	-	46	-	15	118
Pigeon Township, Indiana	-	-	-	-	-	-	-	-	-
Total	$18,948	$17,311	$16,804	$11,010	$4,628	$2,827	$421	$251	$72,200

[a]Accounting records did not identify specific expenditures of revenue sharing funds.

APPENDIX IV

TAXES AS A PERCENTAGE OF FAMILY INCOME

Government	Annual income of $7,500 Total State-local taxes	Annual income of $7,500 Recipient government taxes	Annual income of $12,500 Total State-local taxes	Annual income of $12,500 Recipient government taxes	Annual income of $17,500 Total State-local taxes	Annual income of $17,500 Recipient government taxes
Churchill County, Nevada	7.4%	1.7%	6.6%	1.7%	6.5%	1.7%
Clarke County, Mississippi	6.4	1.2	6.2	1.2	6.9	1.2
Holt County, Nebraska	9.4	.6	9.5	.6	9.9	.6
Jefferson County, Alabama	8.1	1.7	8.3	1.5	8.6	1.5
Lake County, Oregon	8.0	.6	11.1	.6	13.0	.6
Los Angeles County, California	7.7	1.5	8.8	1.9	9.8	2.0
Polk County, Florida	7.0	1.3	7.0	1.5	7.3	1.6
Wayne County, Michigan	11.1	.9	11.5	.9	11.9	.9
Westchester County, New York	11.9	2.4	12.1	2.2	13.0	2.1
Worcester County, Massachusetts (note a)	17.5	.7	17.5	.7	17.9	.7
County summary--Low	6.4	.6	6.2	.6	6.5	.6
Average	9.4	1.3	9.9	1.3	10.5	1.3
High	17.5	2.4	17.5	2.2	17.9	2.1
Boston, Massachusetts	19.8	16.2	19.9	15.7	20.3	15.6
Brentwood Borough, Pennsylvania	6.2	.7	5.7	.7	5.7	.7
Cleveland, Ohio	8.1	2.0	7.9	2.0	8.3	2.0
Denver, Colorado	10.8	3.7	10.5	3.2	11.1	3.0
Des Moines, Iowa	14.5	2.7	15.3	2.8	15.9	2.8
Los Angeles, California	8.1	1.4	9.3	1.6	10.4	1.7
Milwaukee, Wisconsin	15.2	3.8	16.4	3.8	18.0	3.8
Newark, New Jersey	25.5	5.9	25.0	5.9	25.0	5.9
New Hope, Minnesota	10.8	.5	12.8	.5	14.7	.6
New Orleans, Louisiana	5.4	1.7	5.5	1.7	5.8	1.8
Oakland, California	11.1	4.1	12.3	4.0	13.4	4.0
Philadelphia, Pennsylvania	12.6	5.9	12.1	5.9	12.2	5.9
Redding, California	7.1	1.2	8.0	1.3	9.1	1.4
Saco, Maine	10.4	7.3	9.9	7.0	10.3	7.0
Woodruff, South Carolina	7.5	1.1	7.8	1.1	8.8	1.1
City summary--Low	5.4	.5	5.5	.5	5.7	.6
Average	11.5	3.9	11.9	3.8	12.6	3.8
High	25.5	16.2	25.0	15.7	25.0	15.6
Pigeon Township, Indiana	8.5	.03	8.8	.04	9.3	.04
Summary of all governments--Low	5.4	.03	5.5	.04	5.7	.04
Average	10.6	2.7	11.0	2.7	11.7	2.7
High	25.5	16.2	25.0	15.7	25.0	15.6

[a] Worcester County does not have any taxing power. The amount needed to operate the county is set by the State legislature and is raised through assessment on the cities and towns. The percentage of family income paid to Worcester County was computed using an estimate of the family's share of the county assessment against the city of Worcester.

APPENDIX V

COMPARISON OF AREA LABOR FORCES AND RECIPIENT GOVERNMENT WORK FORCES (note a)

Government	Total number of employees in recipient work force	Percent of blacks in		Percent of Spanish surnamed in		Percent of females in	
		Area labor force	Recipient work force	Area labor force	Recipient work force	Area labor force	Recipient work force
Churchill County, Nevada	193	(b)	-	3	-	36	55
Clarke County, Mississippi	69	27	13	-	-	39	22
Holt County, Nebraska	71	-	-	-	-	31	37
Jefferson County, Alabama	3,497	27	30	(b)	-	38	47
Lake County, Oregon	44	-	-	-	-	31	30
Los Angeles County, California	63,659	10	28	16	10	39	48
Polk County, Florida	1,520	17	15	2	1	37	39
Wayne County, Michigan	6,423	26	30	1	1	37	39
Westchester County, New York	5,917	10	25	1	1	39	52
Worcester County, Massachusetts	784	1	(b)	1	1	40	53
Boston, Massachusetts	12,576	13	9	2	1	46	29
Brentwood Borough, Pennsylvania	32	-	-	-	-	37	9
Cleveland, Ohio	10,233	36	33	2	(b)	40	13
Denver, Colorado	10,207	8	10	13	16	43	32
Des Moines, Iowa	1,821	5	6	1	1	43	16
Los Angeles, California	41,299	16	22	16	10	41	17
Milwaukee, Wisconsin	8,915	12	8	2	1	42	15
Newark, New Jersey	7,355	49	37	5	3	42	22
New Hope, Minnesota	74	-	-	-	-	38	23
New Orleans, Louisiana	9,385	39	34	5	1	41	21
Oakland, California	3,609	31	24	9	4	41	20
Philadelphia, Pennsylvania	33,164	31	41	1	1	41	22
Redding, California	239	2	6	3	1	39	14
Saco, Maine	95	-	-	-	-	40	13
Woodruff, South Carolina	27	19	41	-	-	41	7
Pigeon Township, Indiana	19	7	16	(b)	-	39	68

[a]Area labor force percentages were calculated using 1970 census data. Generally, recipient work force percentages were calculated based on the composition of recipient work forces as of June 30, 1974.

[b]Less than one-half of 1 percent.

APPENDIX VI

COMPARISON OF AREA LABOR FORCES AND

NEW FULL-TIME EMPLOYEES HIRED BY RECIPIENT GOVERNMENTS DURING

YEAR ENDED JUNE 30, 1974

Government	Total number of new employees hired	Percent of blacks in		Percent of Spanish surnamed in		Percent of females in	
		Area labor force (note a)	Newly hired employees	Area labor force (note a)	Newly hired employees	Area labor force (note a)	Newly hired employees
Churchill County, Nevada	15	(b)	-	3	-	36	47
Clarke County, Mississippi	5	27	-	-	-	39	20
Holt County, Nebraska	17	-	-	-	-	31	41
Jefferson County, Alabama	796	27	48	(b)	-	38	60
Lake County, Oregon	9	-	-	-	-	31	22
Los Angeles County, California	3,173	10	28	16	21	39	49
Polk County, Florida	468	17	14	2	-	37	40
Wayne County, Michigan	513	26	33	1	2	37	52
Westchester County, New York	982	10	26	1	2	39	50
Worcester County, Massachusetts	29	1	(b)	1	-	40	48
Boston, Massachusetts	1,644	13	13	2	4	46	54
Brentwood Borough, Pennsylvania	2	-	-	-	-	37	-
Cleveland, Ohio	418	36	40	2	1	40	41
Denver, Colorado	1,694	8	12	13	18	43	55
Des Moines, Iowa	284	5	7	1	1	43	25
Los Angeles, California	3,496	16	20	16	12	41	27
Milwaukee, Wisconsin	403	12	12	2	3	42	46
Newark, New Jersey	(c)	49	(c)	5	(c)	42	(c)
New Hope, Minnesota	4	-	-	-	-	38	50
New Orleans, Louisiana	1,660	39	61	5	1	41	26
Oakland, California	307	31	42	9	9	41	35
Philadelphia, Pennsylvania	2,380	31	39	1	2	41	30
Redding, California	32	2	-	3	6	39	13
Saco, Maine	3	-	-	-	-	40	33
Woodruff, South Carolina	22	19	55	-	-	41	-
Pigeon Township, Indiana	-	7	-	(b)	-	39	-

[a]Calculated using 1970 census data.

[b]Less than one-half of 1 percent.

[c]Not available.

APPENDIX VII

PRINCIPAL OFFICIALS OF THE DEPARTMENT OF THE TREASURY HAVING AN INTEREST IN THE MATTERS IN THIS REPORT

	Tenure of office	
	From	To
SECRETARY OF THE TREASURY:		
William E. Simon	Apr. 1974	Present
DIRECTOR, OFFICE OF REVENUE SHARING:		
Graham W. Watt	Feb. 1973	Present

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