SUPPLEMENTAL FISCAL ASSISTANCE PROPOSALS CONTAINED IN THE PRESIDENT'S NATIONAL URBAN POLICY RECOMMENDATIONS

HEARING

BEFORE THE

SUBCOMMITTEE ON UNEMPLOYMENT COMPENSATION, REVENUE SHARING, AND ECONOMIC PROBLEMS

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-FIFTH CONGRESS

SECOND SESSION

ON

S. 2975

A BILL TO AUTHORIZE A SUPPLEMENTARY FISCAL ASSISTANCE PROGRAM OF PAYMENTS TO LOCAL GOVERNMENTS, AND FOR OTHER PURPOSES

MAY 3, 1978

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CONTENTS

ADMINISTRATION WITNESS

PUBLIC WITNESSES

COMMUNICATIONS

APPENDIX

ADDITIONAL INFORMATION

SUPPLEMENTAL FISCAL ASSISTANCE PROPOSALS CONTAINED IN THE PRESIDENT'S NATIONAL URBAN POLICY RECOMMENDATIONS

WEDNESDAY, MAY 3, 1978

U.S. SENATE,
SUBCOMMITTEE ON UNEMPLOYMENT COMPENSATION,
REVENUE SHARING, AND ECONOMIC PROBLEMS
OF THE COMMITTEE ON FINANCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m. in room 2221, Dirksen Senate Office Building, Hon. William D. Hathaway (chairman of the subcommittee) presiding.

Present: Senators Hathaway, Long, Moynihan, Roth, Jr., and Dole.

[The committee press release announcing this hearing and the bill, S. 2975 follow:]

SUBCOMMITTEE ON UNEMPLOYMENT COMPENSATION, REVENUE SHARING, AND ECONOMIC PROBLEMS ANNOUNCES HEARING ON THE SUPPLEMENTAL FISCAL ASSISTANCE PROPOSALS CONTAINED IN THE PRESIDENT'S NATIONAL URBAN POLICY RECOMMENDATIONS

Subcommittee Chairman William D. Hathaway (D.-Maine) today announced that a hearing will be held on May 3. 1978, on the President's national urban policy recommendations regarding supplemental fiscal assistance for State and local governments. These proposals would replace the Antirecession Fiscal Assistance Act which expires on September 30, 1978.

The hearing will be held on Wednesday, May 3, 1978, at 10:00 A.M. in Room 2221 Dirksen Senate Office Building.

Senator Hathaway noted that, "The Countercyclical Assistance Program which will expire later this year, has provided critical assistance to State and local governments suffering from high unemployment and inadequate revenues." He pointed out that, "Termination of this program could prove disastrous for many of these governments which continue to lack a sufficient tax base to provide adequate revenues to maintain government services at even the most minimal levels. The President's proposal to provide $1 billion of additional fiscal assistance annually for the next two fiscal years is an important step in the right direction. The purpose of this hearing is to determine whether the proposed modification of this program constitute constructive changes." Hathaway added that it is his hope that the extension of this important program can be authorized as soon as possible.

Requests to Testify.—Persons who desire to testify at the hearing should submit a written request to Michael Stern, Staff Director, Committee on Finance, Room 2227 Dirksen Senate Office Building, Washington, D. C. 20510 by no later than close of business on Friday, April 28, 1978.

Legislative Reorganization Act.—Senator Hathaway stated that the Legislative Reorganization Act of 1946, as amended, requires all witnesses appearing before the Committees of Congress "to file in advance written statements of their proposed testimony, and to limit their oral presentations to brief summaries of their argument."

Witnesses scheduled to testify must comply with the following rules:

(1) A copy of the statement must be filed by the close of business two days before the day the witness is scheduled to testify.

(2) All witnesses must include with their written statement *a summary of the principal points included in the statement.*

(3) The written statements must be typed on letter-size paper (not legal size) and at least *75 copies* must be submitted by the close of business the day before the witness is scheduled to testify.

(4) *Witnesses are not to read their written statements* to the Committee, but are to confine their ten-minute oral presentations to a summary of the points included in the statement.

(5) Not more than ten minutes will be allowed for oral presentation.

Written Testimony.—Senator Hathaway stated that the Subcommittee would be pleased to receive written testimony from those persons or organizations who wish to submit statements for the record. Statements submitted for inclusion in the record should be typewritten, not more than 25 double-spaced pages in length and mailed with five (5) copies by May 26, 1978 to Michael Stern, Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D. C. 20510.

95TH CONGRESS
2D SESSION

S. 2975

IN THE SENATE OF THE UNITED STATES

APRIL 24, 1978

Mr. HATHAWAY (by request) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To authorize a supplementary fiscal assistance program of payments to local governments, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Supplementary Fiscal Assistance Act of 1978".

FINDINGS OF FACT AND DECLARATION OF POLICY

SEC. 102. FINDINGS.—The Congress finds and declares—

(a) that local governments represent a significant segment of the national economy whose sound fiscal and economic condition is essential to national economic prosperity;

(b) that secular economic decline and national economic problems have imposed considerable hardships on many local government budgets;

(c) that general purpose assistance has been especially helpful to those governments experiencing secular economic problems which are aggravated by severe cyclical fluctuations; and

(d) that a general assistance program which aids local communities requiring fiscal relief is an essential component of a comprehensive urban policy.

AUTHORIZATION OF PAYMENTS

SEC. 103. (a) IN GENERAL.—The Secretary of the Treasury (hereinafter referred to as the "Secretary") shall in accordance with the provisions of this Act make payments to local governments, territories, Indian tribes, and Alaskan Native villages to provide fiscal assistance to areas experiencing substantial unemployment or a high degree of fiscal strain or secular economic decline as reflected in disproportionately slow growth in employment, per capita income, and population.

(b) PAYMENTS TO RECIPIENT GOVERNMENTS.—The Secretary shall pay, not later than five days after the beginning of each calendar quarter, to each eligible local government, territory, Indian tribe, and Alaskan Native village, which has filed a statement of assurances under section 106, an amount equal to one-fourth of the annual amount allocated to such government under section 104. The first quarterly payment shall be made within the first five days of October 1978. Payments under this Act may be made with necessary adjustments on account of overpayments or underpayments.

(c) AUTHORIZATION FOR APPROPRIATIONS.—There is hereby authorized to be appopriated for payments to eligible local governments, territories, Indian tribes, and Alaskan Native villages for the fiscal year 1979 the sum of $1,040,000,000, and for the fiscal year 1980 the sum of $1,000,000,000, and such additional sums in each fiscal year as may be necessary for the administration of this Act.

LOCAL GOVERNMENT ALLOCATION

SEC. 104. (a) IN GENERAL.—The Secretary shall allocate to each eligible local government from the amount appropriated for payments for each fiscal year pursuant to section 103, an amount for each such fiscal year equal to such government's local government percentage multiplied by an amount equal to the difference between the amount appropriated pursuant to section 103 and the amounts allocable pursuant to sections 113 and 114. Such allocation shall be made by the Secretary during the September preceding the appropriate fiscal year for which such allocation is made, based on the most current available data, pursuant to rules issued under section 111 of this Act.

(b) LOCAL GOVERNMENT PERCENTAGE.—For purposes of this Act the local government percentage for an eligible local government is equal to the quotient resulting from—

(1) the product of the local distribution index for such eligible local government multiplied by the local revenue-sharing amount for such eligible local government, divided by

(2) the sum of such products for all eligible local governments.

(c) DEFINITIONS.—For purposes of this Act—

(1) "local government" means a county, municipality, township, or other political subdivision of a State which is a unit of general government (determined on the same principles as are used by the Bureau of the Census for general statistical purposes), and performs substantial governmental functions. Such term includes the District of Columbia.

(2) "eligible local government" means a local government which satisfies the following conditions:

(A) For a local government with boundaries in whole or in part within a standard metropolitan statistical area (SMSA), as defined by the Department of Commerce and reported to the Secretary (hereinafter "SMSA governments"), an "eligible local government" is a local government which, in the area under its jurisdiction, either—

(i) has a local unemployment rate as determined pursuant to subparagraph (3) (A) in excess of 4.5 percentage points; or

(ii) satisfies at least two of the following:

(I) the local rate of growth in employment, as determined pursuant to subparagraph (3) (B), is less than the rate of growth in employment in all SMSA's;

(II) the local rate of gowth in per capita income, as determined pursuant to subparagraph (3) (C), is less than the rate of growth in per capita income for all SMSA's;

(III) the local rate of growth in population, as determined pursuant to subparagraph (3) (D), is less than the rate of growth in population for all SMSA's.

(B) For a local government with boundaries entirely outside an SMSA (hereinafter "non-SMSA governments"), an "eligible local government" is a local government which meets the unemployment or growth criteria set forth in subparagraphs (2)(A) (i) or (ii), above, except that the term "non-SMSA" is inserted in lieu of "SMSA".

(3) Local rate of unemployment, and local rate of growth in employment, per capita income and population are determined as follows:

(A) "Local unemployment rate" is the rate of unemployment in the area under the jurisdiction of the local government during the most recent four calendar quarters for which data are available, as determined or assigned by the Secretary of Labor and reported to the Secretary. In the case of a local government for which the Secretary of Labor cannot determine a local government unemployment rate, the Secretary of Labor shall assign such local government the local unemployment rate of the smallest unit of local government or appropriate geographic area for which a local unemployment rate has been determined and within the jurisdiction or area in which such local government is located, unless an unemployment rate has been provided for the local government to the Secretary of Labor by the Governor of the State in which the local government is located and such rate has been determined by the Secretary of Labor to have been developed in a manner consistent with procedures used by the Secretary of Labor and then assigned to the local government.

(B) "Local rate of growth in employment" is the rate of employment growth determined by subtracting from the employment in the area under the jurisdiction of a local government for the most recent four calendar quarters for which data are available, the employment within such area for a four calendar quarter period which preceded such recent four calendar quarters by either five or six years (depending on which prior year data are most useful), as determined by the Bureau of Labor Statistics for the Secretary of Labor, and dividing this difference by the employment within such area for the earlier four calendar quarter period. In the event that data are not available for such earlier period for determining an allocation under this section, the Secretary of Labor shall determine the rate of growth in employment on the basis of data for the most appropriate period of time less than five years preceding the most recent year for which data are available. In the case of a local government for which the Secretary of Labor cannot determine employment for a local government, the Secretary of Labor shall assign to such local government the local rate of growth in employment of the smallest unit of local government or appropriate geographic area for which such rate has been determined and within the jurisdiction or area in which such local government is located, unless a local rate of growth in employment has been provided for the local government to the Secretary of Labor by the Governor of the State in which the local government is located and such rate has been determined by the Secretary of Labor to have been determined in a manner consistent with procedures used by the Secretary of Labor and then assigned to the local government. The local rate of growth in employment shall be determined or assigned by the Secretary of Labor and reported to the Secretary.

(C) "Local rate of growth in per capita income" is determined by subtracting from the per capita income in the area under the jurisdiction of a local government for the most recent year for which data are available, the per capita income within such area for a year which preceded such recent year by either five or six years (depending on which prior year data are most useful), as determined by the Bureau of the Census for the Secretary of Commerce for general statistical purposes, and dividing this difference by the per capita income within such area for the earlier year. In the event that data are not available for such earlier period for determining an allocation under this section, the Secretary of Commerce shall determine the local rate of growth in per capita income on the basis of data for the most appropriate period of time less than five years preceding the most recent year for which data are available. The local rate of growth in per capita income shall be determined by the Secretary of Commerce, and reported to the Secretary.

(D) "Local rate of growth in population" is determined by subtracting from the population in the area under the jurisdiction of the local government for the most recent year for which population data are available, the population in such area as of a date which preceded the date of the most recently available population data by either five or six years (depending on which prior year data are most useful), as determined by the Bureau of Census for the Secretary of Commerce for general statistical purposes, and dividing this difference by the population within such area for the earlier year. In the event that data are not available for such earlier period for determining an allocation under this section, the Secretary of Commerce shall determine the local rate of growth in population on the basis of data for the most appropriate year less than five years preceding the most recent year for which data are available. The local rate of growth in population shall be determined by the Secretary of Commerce and reported to the Secretary.

(4) "Local revenue sharing amount" for a local government is the amount determined under section 108 of the State and Local Fiscal Assistance Act of 1972, as amended (31 U.S.C. 1221 et seq.), for such local government for the most recently completed entitlement period, as defined under section 141(b) of such Act.

(5) "Local distribution index" means:

(A) For each SMSA government, the largest of the quotients resulting from—

(i) subtracting 4.5 percentage points from the local unemployment rate for such government and dividing the difference by the standard deviation weighted by population of all

SMSA governments' unemployment rate, using 4.5 percentage points as the mid-point in calculating the weighted standard deviation;

(ii) subtracting the local rate of growth in employment for such government from the rate of growth in employment for all SMSA's (as calculated from data collected by the Bureau of Labor Statistics for the Secretary of Labor and reported to the Secretary for the same time period) and dividing the difference by the standard deviation weighted by population of all SMSA governments' rates of growth in employment for the same time period;

(iii) subtracting the local rate of growth in per capita income for such government from the rate of growth in per capita income for all SMSA's (as calculated from data collected by the Bureau of the Census for the Secretary of Labor and reported to the Secretary for the same time period) and dividing the difference by the standard deviation weighted by population of all SMSA governments' rates of growth in per capita income;

(iv) subtracting the local rate of growth in population for such government from the

29-418 O - 78 - 2

rate of growth in population for all SMSA's (as calculated from data collected by the Bureau of the Census for the Secretary of Labor and reported to the Secretary for the same time period) and dividing the difference by the standard deviation weighted by population of all SMSA governments' rates of growth in population.

(B) For each non-SMSA government, the same as it does for a SMSA government under subparagraph (5)(A) above, except that the term "non-SMSA" is to be inserted in lieu of "SMSA".

(d) ALLOCATION LIMITATIONS.—

(1) If the amount which would be allocated for any fiscal year to any eligible local government, territory, Indian tribe, and Alaskan Native village under this Act is less than $200, then no amount shall be paid to such government hereunder.

(2) The maximum amount payable annually to a local government under this Act shall be the lesser of the annual allocation determined under this section or the amount allocated during the period beginning July 1, 1977 and ending June 30, 1978 under title II of the Public Works Employment Act of 1976, as amended (42 U.S.C. 6721 et seq.), except for those govern-

ments which received no allocation under such Act during the period beginning July 1, 1977 and ending June 30, 1978.

(3) Amounts allocated under this section in excess of the maximum allowed under paragraph (d) (2) shall be reallocated to those remaining eligible local governments that have not exceeded the maximum allocation under paragraph (d) (2). Governments with no allocations under title II of the Public Works Employment Act of 1976, as amended (42 U.S.C. 6721 et seq.), for the period beginning July 1, 1977 and ending June 30, 1978 shall not be eligible for such reallocations under this paragraph.

(e) LOCAL GOVERNMENT LOCATED IN A LARGER ENTITY; BOUNDARY CHANGES AND GOVERNMENTAL REORGANIZATION, ETC.—

(1) ONLY PART OF UNIT LOCATED IN LARGER ENTITY.—If only part of a local government is located in a larger governmental entity, such part shall be treated for allocation purposes as a separate unit of local government, and all computations except as otherwise provided in section 104 (c) (2) (A) and appropriate rules, shall be made on the basis of the ratio which the estimated population of such part bears to the population of the larger governmental entity.

(2) BOUNDARY CHANGES, GOVERNMENTAL REORGANIZATION, ETC.—If by reason of boundary line changes, State statutory or constitutional changes, annexations or other governmental reorganizations, or other circumstances, the application of any provision of this section to a local government does not carry out the purposes of this Act, the application of such provision shall be made, under rules prescribed by the Secretary, in a manner which is consistent with such purposes.

USES OF PAYMENTS

SEC. 105. Each local government, territory, Indian tribe, and Alaskan Native village shall use payments made under this Act for basic services customarily provided to persons in the area under the jurisdiction of such government, including expenditures for capital outlay and basic governmental operations.

STATEMENT OF ASSURANCES

SEC. 106. Each eligible local government, territory, Indian tribe, or Alaskan Native village may receive payments under this Act only upon filing with the Secretary a statement of assurances, at such time and in such manner as the Secretary prescribes by rule. The Secretary may not require any such government to file more than one such statement during each fiscal year. Each such statement shall contain—

(a) an assurance that the requirements of section 105 will be complied with;

(b) an assurance that such government will—

(1) use fiscal, accounting, and audit procedures which conform to guidelines established therefor by the Secretary (after consultation with the Comptroller General of the United States), and

(2) provide to the Secretary (and to the Comptroller General of the United States), on reasonable notice, access to, and the right to examine, such books, documents, papers, or records as the Secretary may reasonably require for purposes of reviewing compliance with this Act;

(c) an assurance that reasonable reports will be furnished to the Secretary in such form and containing such information as the Secretary may reasonably require to carry out the purposes of this Act;

(d) an assurance that the requirements of section 107 will be complied with;

(e) an assurance that the requirements of section 108 will be complied with;

(f) an assurance that such government will spend amounts received under this Act only in accordance with the laws and procedures applicable to the expenditure of its own revenues.

NONDISCRIMINATION

SEC. 107. (a) (1) IN GENERAL.—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 of a local government, territory, Indian tribe, or Alaskan Native village which receives funds made available under this Act, or any program or activity of any State, local, or territorial government funded in whole or in part with funds received under title II of the Public Works Employment Act of 1976, as amended (42 U.S.C. 6721 et seq.). Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.) or with respect to an otherwise qualified handicapped individual as provided in section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794 et seq.) shall also apply to such programs or activities. Any prohibition against discrimination on the basis of religion, or any exemption, from such prohibition, as provided in the Civil Rights Act of 1964 (42 U.S.C. 2000e(2)) or title VIII of the Act of April 11, 1968 (42 U.S.C. 3601 et seq.), shall also apply to such programs or activities.

(2) EXCEPTIONS.—

(A) FUNDING.—The provisions of paragraph (1) of this subsection shall not apply where any State, local, or territorial government or Indian tribe or Alaskan Native village demonstrates, by clear and convincing evidence, that the program or activity with respect to which the allegation of discrimination has been made is not funded in whole or in part with funds made available under this Act or title II of the Public Works Employment Act of 1976, as amended (42 U.S.C. 6721 et seq.).

(B) CONSTRUCTION PROJECTS IN PROGRESS.—The provision of paragraph (1), relating to discrimination on the basis of handicapped status, shall not apply with respect to construction projects commenced prior to January 1, 1977.

(b) ENFORCEMENT AND REMEDIES.—The provision of subsection (a) of this section shall be enforced by the Secretary in the same manner and in accordance with the same procedures as are required by sections 122, 124, and 125 of the State and Local Fiscal Assistance Act of 1972, as amended (31 U.S.C. 1221 et seq.), to enforce compliance with section 122(a) of such Act. The Attorney General shall have the same authority, functions, and duties with respect to funds made available under this Act and under title II of the Public Works Employment Act of 1976, as amended (42 U.S.C. 6721 et seq.) as the Attorney General has under sections 122 (g) and (h) and 124

(c) of such first cited Act with respect to funds made available under that Act. Any person aggrieved by a violation of subsection (a) of this section shall have the same rights and remedies as a person aggrieved by a violation of subsection (a) of section 122 of such first cited Act, including the rights provided under section 124 (c) of such Act.

LABOR STANDARDS

SEC. 108. All laborers and mechanics employed by contractors on all construction projects funded in whole or in part by payments under this Act or title II of the Public Works Employment Act of 1976, as amended (42 U.S.C. 6721 et seq.) shall be paid wages at rates not less than those prevailing on similar projects in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act (40 U.S.C. 276a—276a-5). The Secretary of Labor shall have, with respect to the labor standards specified in this section, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 CFR 3176) and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

WITHHOLDING

SEC. 109. Except as otherwise provided by section 107 (b), whenever the Secretary, after affording reasonable notice and an opportunity for a hearing, finds that a State, local, or territorial government or any Indian tribe or Alaskan

Native village has failed to comply substantially with any assurance filed pursuant to section 106 of this Act or title II of the Public Works Employment Act of 1976, as amended (42 U.S.C. 6721 et seq.), the Secretary shall notify that government, tribe, or village that further payments will not be made under this Act until he is satisfied that there is no longer any such failure to comply. Until he is satisfied, no further payments shall be made to such government, tribe, or village under this Act.

DATA PROVISION RESPONSIBILITIES

SEC. 110. The Secretary of Labor and the Secretary of Commerce shall provide information and data necessary to the administration of this Act. Such information and data shall be provided for each local government, and shall be made available when necessary to the Secretary to assist him in carrying out the provisions of this Act. The Secretaries of Labor and Commerce shall also advise the Secretary as to the availability and reliability of relevant information and data.

RULEMAKING

SEC. 111. The Secretary is authorized to prescribe, after consultation with the Secretary of Labor and the Secretary of Commerce, such rules as may be necessary for the purpose of carrying out his functions under this Act. Such rules shall be prescribed by the Secretary not later than ninety days after the effective date of this Act.

REPORTS

SEC. 112. The Secretary shall report to Congress as soon as practical after the end of each calendar year during which payments are made under the provisions of this Act. Such reports shall include detailed information on the amounts paid to each local or territorial government, Indian tribe and Alaskan Native village under the provisions of this Act and any amounts withheld by the Secretary pursuant to sections 107 and 109.

ALLOCATION TO PUERTO RICO, GUAM, AMERICAN SAMOA, AND THE UNITED STATES VIRGIN ISLANDS

SEC. 113. (a) IN GENERAL.—There shall be allocated for each of the fiscal years 1979 and 1980 for the purpose of making payments under the Act to the Commonwealth of Puerto Rico, Guam, American Samoa, and the Virgin Islands, an amount equal to 1 per centum of the amount appropriated pursuant to section 103, multiplied by the applicable territorial percentage.

(b) ALLOCATIONS.—

(1) TERRITORIAL PERCENTAGE.—For purposes of this section, the territorial percentage is equal to the quotient resulting from the division of the territorial

population of a territory by the sum of the territorial populations for all territories.

(2) For purposes of this section—

(A) "territory" means the government of the Commonwealth of Puerto Rico, Guam, American Samoa, or the Virgin Islands;

(B) "territorial population" means the most recent population for each territory as determined by the Bureau of the Census for the Secretary of Commerce and reported to the Secretary.

(3) The provisions of sections 103, 104(d)(1), 105, 106, 107, 108, 109, 110, 111, and 112 shall apply to payments to the territories under this Act.

(c) PAYMENTS TO TERRITORIAL LOCAL GOVERNMENTS.—The governments of the territories are authorized to make payments to local governments within their jurisdiction from sums authorized by and received pursuant to this Act as they deem appropriate.

ALLOCATIONS TO INDIAN TRIBES AND ALASKAN NATIVE VILLAGES

SEC. 114. (a) IN GENERAL.—There shall be allocated for each of the fiscal years 1979 and 1980 for the purpose of making payments under the Act to Indian tribes and Alaskan Native villages, an amount equal to three-tenths of 1 per centum of the amount appropriated pursuant to section 103, multiplied by the applicable Indian tribe or Alaskan Native village percentage.

(b) ALLOCATIONS.—

(1) INDIAN TRIBE OR ALASKAN NATIVE VILLAGE PERCENTAGE.—For purposes of this section, the Indian tribe or Alaskan Native village percentage is equal to the quotient resulting from the division of the Indian tribe or Alaskan Native village population by the sum of the populations for all Indian tribes and Alaskan Native villages.

(2) For purposes of this section—

(A) "Indian tribe or Alaskan Native village" means an Indian tribe or Alaskan Native village which has a recognized governing body and performs substantial governmental functions.

(B) "Population" means the most recent population for each Indian tribe or Alaskan Native village as provided by the Bureau of Indian Affairs for the purposes of the State and Local Fiscal Assistance Act of 1972, as amended (31 U.S.C. 1221 et seq.).

(3) The provisions of section 103, 104(d)(1), 105, 106, 107, 108, 109, 111, and 112 shall apply to

payments to the Indian tribes and Alaskan Native villages under this Act.

APPLICABILITY TO ANTIRECESSION FISCAL ASSISTANCE

SEC. 115. Except for section 213 of title II of the Public Works Employment Act of 1976, as amended (42 U.S.C. 6721 et seq.), and except as otherwise provided herein, such title II is repealed and the provisions of this Act shall govern the expenditure by State, local, and territorial governments (as defined in title II) of funds made available under title II.

Senator HATHAWAY. The subcommittee will come to order.

Today, the Senate Finance Subcommittee on Unemployment Compensation, Revenue Sharing, and Economic Problems, begins hearings on the renewal of the countercyclical revenue sharing program and the administration's recommendations for a supplemental assistance program.

By request, I introduced the administration's legislative initiative on April 24 and it is numbered S. 2975.

In 1976, the Congress passed the Public Works Employment Act which provides for fiscal assistance to State and local governments who have experienced severe budgetary constraints during the economic downturn. State and local governments must use these funds to maintain basic services and levels of employment which have been provided during its current or previous fiscal year.

Payments may be used for normal supplies and repairs if they are necessary to maintain basic services, can help to defray operating or maintenance expenses, and any or all of the following governmental expenditure categories: Financial administration, libraries, health, hospitals, transportation, public welfare, general administration, sewage and sanitation, highways, natural resources, police and corrections, general public buildings, education, fire protection, housing and urban renewal, parks and recreation, interest and principal on general debt, and utilities.

Now, the administration proposes a modification of the countercyclical program for a 2-year period. The bill would set an appropriations level of $1.04 billion for fiscal year 1979; $1 billion for fiscal year 1980.

The program would provide a slightly different targeting formula than the original proposal enacted in 1976. Many local governments are financially hardpressed. Fiscal assistance is necessary in many areas, but it should be targeted relief.

I hope the testimony will address the issues of State and local fiscal needs, targeting formulas, the role of State and local governments.

I look forward to the hearing as developing a renewal program of fiscal relief to our non-Federal Government units, and I would ask unanimous consent that the balance of my opening statement be put into the record.

[The opening statement of Senator William D. Hathaway follows:]

OPENING STATEMENT OF SENATOR WILLIAM D. HATHAWAY

Today the Senate Finance Subcommittee on Unemployment Compensation, Revenue Sharing, and Economic Problems begins hearings on the renewal of the Countercyclical Revenue Sharing Program and the Administration's recommendations for a Supplemental Fiscal Assistance Program. By request I introduced the Administration's legislative initiative on April 24, 1978. It is S. 2975.

In 1976, the Congress passed the Public Works Employment Act, which provided for fiscal assistance to state and local governments which experienced severe budgetary strains during the economic downturn.

The original Act provided for fiscal assistance totaling $1.25 billion for five quarterly payments beginning July 1, 1976 through September 30, 1977. Congress extended the program last year through September 30, 1978, with a maximum of $2.25 billion authorized to be used for the five calendar quarters beginning July 1, 1977. The new ARFA legislation provided for payments of $125 million when national unemployment exceeds 6 percent, and $30 million for every full

1/10 of one percent over 6%. One third of this money was reserved for state governments, while the other 2/3 is allocated to local governments.

Counter-cyclical funds are allocated to eligible state and local governments using a formula which takes into account a jurisdiction's excess unemployment rate over 4.5 percent, and its final general revenue sharing allocation for the most recently completed entitlement period. The program is triggered when the average national unemployment rate exceeds 6 percent.

State and local governments *must* use the funds to maintain basic services and levels of employment which have been provided during its current or previous fiscal year. Payments may be used for normal supplies and repairs which are necessary to maintain basic services, and can help defray operating and maintenance expenses in any or all of the following governmental expenditure categories: Financial Administration, Libraries, Health and Hospitals, Transportation, Public Welfare, General Administration, Sewage and Sanitation, Highways, Natural Resources, Police and Corrections, General Public Buildings, Education, Fire Protection, Housing and Urban Renewal, Parks and Recreation, Interest and Principal on General Debt, and Utilities.

The Administration proposes a modification of the countercyclical program and a two year authorization. The bill would set an appropriation level of $1.040 billion for fiscal year 1979 and $1 billion for fiscal year 1980.

The program would provide a slightly different targeting formula than the original proposal enacted in 1976.

Payments are authorized only to local and territorial governments, Indian tribes and Alaskan native villages. State governments are excluded.

The existing program contains several variable factors which control the level of funding nationally, and to individual governments each quarter. These fluctuations in funding cause a considerable degree of uncertainty on the part of recipient governments in knowing the amount of funds they will receive.

The Administration's proposal also modifies the formula by which funds are allocated to government units.

Under the current legislation, the allocation is geared exclusively to unemployment, and multiplies a government's unemployment rate in excess of 4.5% by its local revenue sharing amount. The local government index used for the program in the new legislation utilizes several additional data factors in measuring fiscal need. The local revenue sharing amount data factor under the current legislation is retained because of its factor of tax effort, population and per capita income. Also, it was apparently incorporated so as to produce a result consistent with the distribution pattern of the current program.

A government will be eligible if it has an unemployment rate in excess of 4.5%, or if it satisfied two of the following three conditions: (1) its local rate of growth in employment is slow; (2) its local rate of growth in per capita income is low or; (3) its local rate of growth in population is low. Therefore, a government can qualify on the basis of its unemployment rate, or its slow growth in two of the three data factors: Employment, population or per capita income.

The Administration bill also provides that payments under the Act shall be used for basic services customarily provided to persons under the jurisdiction of the recipient local or territorial government, Indian tribe or Alaskan native village. The governments may use payments for the same governmental purposes for which as they use their own revenues, including capital expenditures for equipment and construction projects. This provision eliminates the restriction on capital expenditures applicable to payments under current law.

Many local governments are financially hardpressed. Fiscal assistance is necessary in many areas—but it should be targeted relief.

I hope this testimony will address the issues of:

State and local fiscal needs,

Targeting formulas,

Role of state and local governments.

I look forward to this hearing and developing a renewal program of fiscal relief to our non-Federal government units.

Senator HATHAWAY. Mr. Chairman, do you have anything that you would like to say at this time?

Senator LONG. I support your statement.

Senator HATHAWAY. Thank you. Thank you very much.

Well, the subcommittee is very pleased to have as our first witness my distinguished colleague and friend, Senator Muskie, who has been a leader with respect to general revenue sharing and the countercyclical program as well.

Senator, we are happy to have you with us.

STATEMENT OF HON. EDMUND S. MUSKIE, A U.S. SENATOR FROM THE STATE OF MAINE

Senator MUSKIE. Thank you, Mr. Chairman. It is a pleasure to be here and to share my thoughts about what is becoming the most recurrent of issues.

When I first introduced the countercyclical aid bill 3 years ago, I had no idea it would become an annual congressional event. Three years ago, most people could not even pronounce the name of the program. Today, it has become a household word to those who follow the intergovernmental scene.

The program has not been enacted and re-enacted without controversy and yet, in spite of the continuing debate which has surrounded it, I believe its justification remains fundamentally sound.

We first enacted countercyclical assistance at a time of very high unemployment. Our purpose was to provide emergency short-term aid to State and local governments whose budgets were squeezed by the costs of recession. With this Federal help, we hoped to enable these governments to avoid tax increases and job layoffs which could only make recession worse.

The countercyclical assistance program has been successful in meeting its general goal, far more than any other antirecession program. It has targeted aid where it was needed most.

Study after study has shown how well the targeting mechanism of this program works. Even today, with unemployment far below what it was, 93 percent of the money is going to jurisdictions with unemployment over 6 percent and over half of that money goes to jurisdictions with unemployment over 8 percent.

The targeting mechanism works well, whether a jurisdiction is large or small. Alaska, a small State in population, had the highest unemployment for any State for the last data quarter. It also received the highest per capita amount of any State under the program.

Of course, it is not so easy to measure what would have happened had the program not been in effect. Nevertheless, witness after witness will testify that many jobs have been saved and that basic services have been continued which might otherwise have been cut back.

Today, the program is winding down, as we intended it to do. Only two-thirds as many governments now participate in the program as when it hit its peak. As we approach the termination point written into the law, there are two points I believe we should keep in mind.

First, countercyclical assistance is, and has always been intended, as an antirecession tool. As the recession becomes a thing of the past, it is appropriate and fair that fewer governments receive countercyclical funds.

Second, even when national unemployment has bottomed out there will be some communities which are left behind, communities where economic problems remain because of long-term structural ills. Were countercyclical aid to these governments to terminate abruptly, the budget consequences could be severe.

Bearing these two facts in mind, I have several suggestions for this committee to consider as you debate the future of the countercyclical assistance program.

First, the current program ought to be extended as it is and allowed to terminate when national unemployment drops below 6 percent. Certain minor changes might be made to insure that the program does not shut on and off repeatedly as unemployment hovers around the 6-percent mark, but, in general, the idea of a program which terminates when no longer needed is very important and I believe it should be retained.

Second, the countercyclical mechanism ought to be enacted with long-term standby authority. Future recessions are, unfortunately, not out of the question, nor anticipatable, and when they come, we ought to be able to respond immediately, not after the worst has past.

Third, and finally, we should consider a separate programmatic response for those communities where the sudden termination of countercyclical assitance could cause serious budgetary distress. What form such a program ought to take is obviously open to debate. At the very least, it should be highly targeted, providing aid only to those communities which lag far behind the rest of the Nation in general economic recovery.

To sum up, Mr. Chairman, I believe that the self-termination provision of this program is one of its most important points. Whatever this committee decides to do, I hope that you retain this idea.

I also hope that we can resist the ever-present temptation to spread the Federal dollars around. In this program, we have a formula which targets aid according to need as well as any now on the books. That formula is tried and true, Mr. Chairman; we know what it will do. And while I respect the efforts of the administration, the same cannot be said of the formula that they have proposed.

As you know, a majority of the Congress has voted three times to enact and re-enact this program. Each time we have authorized the program to continue until unemployment dropped below 6 percent. Unemployment has not yet reached that point. Indeed, it is likely to remain above 6 percent for all the next fiscal year.

I see no compelling reason to change programs so near the end of the cycle, particularly when the alternatives are, as yet, untried.

I would like to make some observations here, Mr. Chairman, about the administration's proposal, because I think I have some responsibility to the committee to comment on it.

Now, as I understand it, in place of the countercyclical program, the administration has recommended that $1 billion be authorized for each of the next 2 years to provide supplemental budget assistance to local governments. That proposal will change the nature of the current program in several ways, and I would like to list them.

First: The national trigger would be eliminated, destroying the countercyclical nature of the program. One billion dollars would be authorized for each of the next 2 years, whatever the national unemployment rate may be.

Second: The State's share would be eliminated. All of the money would go to local governments. Now, in fairness to the administration, a good substantive case can be made for the proposal to eliminate the States given the large surpluses in several States. That case would be even stronger if eliminating the State share would result in more money going to the most hard-pressed cities, but that is not the case, under the administration proposal.

In a number of high unemployment States, New York and Connecticut, for example, the State's share of countercyclical was passed on to the cities. The administration bill freezes the amount any city gets to the amount it received in quarters four through seven of countercyclical.

Third: Under the administration proposal, the allocation formula would be changed, making it possible for low unemployment coverage to qualify for payments. Three indicators other than unemployment would be added to the formula. That, in itself, makes the administration bill much more complex than the current program.

Fourth: A set amount would be allocated to eligible governments each year rather than adjusting the amounts from quarter to quarter, depending on their unemployment rates.

Fifth: The program would become an entitlement.

Sixth: Two-thirds of the local governments in the country would get aid, anywhere from 4,000 to 10,000 more governments than under the current programs, including low unemployment, wealth areas. No longer can the program be defended as countercyclical, with the trigger eliminated and the proposed authorization for local governments higher than in either of the 2 fiscal years when unemployment was higher.

Neither can the program be defended as a highly targeted distressed cities bill when thousands of additional governments will receive funds, including those in such distress as Houston and Darien and Greenwich, Conn.

Mr. Chairman, that concludes my testimony and I appreciate the opportunity to come here to share my thoughts with you.

Senator HATHAWAY. Thank you very much, Senator Muskie, for a very good statement, partciularly your evaluation of the administration's proposal.

I understand that you have a bill in of your own, in regard to countercyclical.

Senator MUSKIE. We do not have it in, but we are developing it. It is still in the drafting stage and the concept is two titles: One, to continue countercyclical, and two, to implement one of the thoughts I expressed in my prepared statement of a program to assist those cities and those communities that would be left behind after national unemployment dropped below 6 percent.

Senator HATHAWAY. In other words, if the national unemployment rate dropped under 6 percent, then if the unemployment rate in a particular State was above it, they would still continue to get aid. That is the gist of what you are going to introduce?

Senator MUSKIE. Exactly.
Senator HATHAWAY. That is a good suggestion.
Senator MUSKIE. I might say that we shared this suggestion with the administration. We thought it was being received positively, but that is not the way it turned out—which is not unusual, I should say.
Senator HATHAWAY. I take it from your testimony, though, that you would like to have enacted either your bill or just continue with the present countercyclical program for at least another year?
Senator MUSKIE. That is right. What I would really like to see is the continuance, or the establishment of countercyclical as a permanent part of our national policy so that it is not lost. If my suggestion for title II, for example, of my bill is not followed, then, you know, you might just as well add more money, I suppose, to the general revenue sharing as to pass something in the name of countercyclical that is not countercyclical.

I think both ideas are valid parts of national policy, general revenue sharing and countercyclical, and I do not think that we ought to confuse the two.
Senator HATHAWAY. You mentioned, in the course of your objections to the administration's bill, the allocation formula, which has three indicators. I take it, from what you say, that you do not think that they are really related to the countercyclical problem?
Senator MUSKIE. I do not believe they are, Mr. Chairman, and we do not have—we have not yet gotten the computer printout of how the allocation formula would work. We will follow that, and as soon as we get one, we would be glad to work with your staff in analyzing it to see whether or not that criticism is a valid one, and to what extent it is.

But that is my question, that it would add 4,000 to 10,000 communities that were not eligible under the test of distress that we etablished in the countercyclical program.
Senator HATHAWAY. I tend to agree. The administration witness is next and we will have an opportunity to have them justify those factors or indicators, but it does not seem to me that they tie in. As you mention, some cities that we know are pretty well off are going to be able to receive money under this new formula.
Senator MUSKIE. I understand that one of the oldest political rationales for that kind of approach may be working; that is, you have to get enough votes to pass the bill. But I would not not want to see that dominate over the need, really, to get scarce national resources into places where they are really needed.
Senator HATHAWAY. Well, do you not run the risk, as we have seen in regard to impact aid, that once that aid is disturbed, you have a locked-in constituency and it is very difficult to change the formula later?
Senator MUSKIE. Yes.

As a further answer to your question, Mr. Chairman, my staff has given me this additional analysis which may be helpful. The administration bill includes population growth and per capita income increases relative to the national average, as well as indicators of distress. And yet, preliminary samplings, put together by the

Congressional Budget Office indicate that many of the Nation's wealthiest older suburbs have population and per capita income increases that are lower than the national average. And 25 such communities checked by CBO, only 2 had a population growth faster than the national average and 2 others had faster increases in per capita income than the national average.

Here you have mature communities that have already established their growth and their wealth patterns and further increases above that ought not to be taken as indications of distress. I doubt that they would want to grow any more, in most cases, and so on.

So I think those two indicators do not make sense in terms of what is the ostensible purpose of these programs.

Senator HATHAWAY. Can you suggest any indicators, other than unemployment, that we might use, or that might be helpful in determinnig what the actual distress is in these areas?

Senator MUSKIE. We would be glad to look at it, but I must say, in all candor, Mr. Chairman, that when we first developed countercyclical, unemployment was the only test that seemed to meet the requirements. Among other things, the unemployment statistics are the only statistics that we have with broad enough application in communities across the country and that give us a good measure of distress.

When we tried to figure out other indicators, we were not able to find any, but we would be glad to work on it.

Senator HATHAWAY. Fine. Thank you very much.

Senator Long.

Senator LONG. I have no questions.

Senator MUSKIE. Thank you very much.

Senator HATHAWAY. Thank you very much for your testimony.

We have Robert Carswell, Deputy Secretary of the Treasury, as our next witness.

Mr. Secretary, it is a pleasure to have you with us. As you can see, from the line of questioning that the first witness and his testimony received, you may be in for some trouble, but I am sure you can stand up to it.

Mr. CARSWELL. Well, I am delighted to be here.

STATEMENT OF HON. ROBERT CARSWELL, DEPUTY SECRETARY OF THE TREASURY

Mr. CARSWELL. I value the chance to present the administration's bill for the supplementary fiscal assistance program that you introduced at my request, S. 2975.

This program is an essential element of the President's recently announced policy for distressed areas, and is aimed at alleviating fiscal distress of local governments throughout the Nation. The program is the product of careful study by the administration over the course of the past year and it is intended to succeed the antirecession fical assistance program—often called countercyclical revenue sharing—which expires on September 30.

The administration recommends that the supplementary fiscal assistance—SFA—program be authorized for 2 years with approximately $1 billion of outlays in both fiscal 1979 and fiscal 1980. The $1.04

billion already included in the President's fiscal 1979 budget for countercyclical revenue sharing would be applied to this program.

The supplementary fiscal assistance program preserves the basic concept of targeting the distribution of funds which underlies countercyclical revenue sharing. Targeting means, of course, that a relatively higher proportion of total funds will be provided to those governments that suffer the greatest fiscal distress.

In addition, the eligibility test for SFA allocations would be based on broader measures of economic need than were employed in the countercyclical targeting formula.

We believe these measures will permit fairer treatment for a number of urban and rural governments for which unemployment is not an adequate measure of distress.

The program would also be funded at higher levels than would countercyclical revenue sharing, were that program continued under its present formula. It provides that no funds can be distributed following a quarter in which the national unemployment rate is at a 6-percent level or below.

Unemployment is already near 6 percent and we estimate that the national economic recovery will have proceeded to the point, during the first half of fiscal 1979, where the rate will fall to 6 percent or below. As a result, substantially less than $1.04 billion would be available under the countercyclical revenue sharing program during fiscal 1979 were it simply extended in its present form.

In addition, local governments would be uncertain of the amounts of funds they would receive were the countercyclical program so extended.

The supplementary fiscal assistance program—that is, the new program we are recommending—reflects months of intensive study by the administration, primarily at the Treasury, of the fiscal condition of State and local governments and the fiscal impact of certain Federal programs on those governments.

Treasury analyzed the effects of President Carter's 1977 economic stimulus program, including countercyclical, on various local fiscal conditions. That study was made available to the Congress in January.

The Treasury study devised a fiscal strain index which determined which of the 48 largest municipal governments in the United States, those governmments for which the Bureau of Census maintains the most complete statistical information, should be considered high, moderate, or low strain cities.

A number of these governments were found to be in a serious state of fiscal distress. Their local tax rates were at legal or economic limits, and thus, tax revenues could not be meaningfully increased in the immediate future. Moreover, despite efforts to cut their budgets, these governments experienced inflationary pressures which were driving local expenditures higher.

Subsequent research has demonstrated that the same combination of stagnant revenues and inflation driven expenditures is also pressuring many rural governments. The study showed that the more seriously strained local governments received a proportionately greater share of countercyclical payments and concluded that such governments could not easily offset the loss of such payments.

For example, the 10 most severely strained of our largest municipalities were obtaining countercyclical funds representing between approximately 2 percent and 7.5 percent of their so-called own source revenues. Loss of these funds would mean that these localities would have to find alternative revenue sources or cut back essential services.

Theoretically, if countercyclical funds were discontinued, governments could raise taxes or cut expenses to replace them. Unfortunately, neither of those alternatives is readily available to distressed local governments.

Accordingly, the administration decided to recommend continued fiscal assistance to distressed local governments which have not enjoyed the benefits of the Nation's improved economic conditions. The proportionately greater distribution of countercyclical funds to the most severely strained large urban governments indicated that countercyclical revenue sharing was well-targeted for relief of fiscal strain in urban areas.

Further examination of available data led us to conclude, however, that the allocation formula used in the countercyclical program did not fully measure economic distress in all areas. Hence, we modified the formula for the supplementary fiscal assistance program to include three additional measures of economic distress: Relative growth of employment, of per capita income, and of population. Let me briefly discuss these measures of distress.

Countercyclical revenue sharing distributed funds based on local unemployment rates exceeding 4.5 percent. A Treasury study indicated that this was a good measure of urban secular economic distress, reflecting declines in employment, lower accessible base growth and higher tax burdens.

Moreover, it was determined that the unemployment rate served as a proxy of the local government's social welfare burden. Unemployment rates are also readily available on a current basis.

For these reasons, the supplementary assistance program retains the use of local unemployment rates and measures them against a 4.5-percent rate to provide a link with the existing distribution pattern under the countercyclical program. The local rate of growth and employment has been included in the SFA formula because it is a good indicator, on the whole, of long term trends of a local economy.

As local economies expand, employment opportunities increase. Employment growth may give a better indication of economic conditions in certain urban and rural areas than unemployment rates, since these areas generally suffer more from underemployment than unemployment.

Also, employment growth appears to be a better indicator of potential growth of local government revenues.

We have also included the local rate of growth in per capita income in the SFA formula because it is a good measure of the growth and taxable wealth and the level of economic activity in a community. The local rate of growth in population is also considered a good indicator of a community's future economic health by measuring its ability to attract new taxpayers.

The Congressional Budget Office used similar criteria—that is, growth in population, per capita income and earnings, as a proxy for employment, to measure local economic distress in its report on troubled local economics. Similar indicators were also used in the Brookings Institution Hardship Index, which in now part of HUD's community block grant formula. The Urban Institute's Economic and Fiscal Indicators project addressed the question of how shifts in the city's economic base affect revenue expenditure balance by analyzing components of the base as measured through its population, employment and income.

We checked the results of our new targeting formula and found that the formula targets assistance to those governments which, in our view, are the most fiscally distressed.

Let me now describe briefly how the supplementary fiscal assistance program would work. The program would authorize the distribution of $1.04 billion in fiscal year 1979 and $1 billion in fiscal year 1980. Eligible local governments would receive 98.7 percent of the total funds. The share of each local government would be determined by a formula designed to reflect the level of its distress relative to other eligible local governments. The remainder of the funds would be distributed to the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, in aggregate they would receive 1 percent of the total SFA distributions, and the Indian tribes and Alaskan native villages would receive 0.3 percent.

State governments would not be eligible to receive SFA funds under the administration's proposal, because our studies indicate that, as a group, State governments are not fiscally strained at present. Most State governments are currently in good fiscal condition with many States planning tax decreases during the next fiscal year.

Moreover, the major State revenue sources, sales and income taxes, are more responsive to improvements in the national economy than the predominate local revenue source, property taxes. Accordingly, as the economy has improved, State revenues have increased at a faster rate than local revenues.

For the purpose of test determinations under SFA, local governments are divided into two categories: those wholly or partly within a Standard Metropolitan Statistical Area, SMSA, and those entirely outside an SMSA. Because of techniques used to gather and categorize general employment and unemployment data, separation into SMSA and non-SMSA groups minimizes measurement discrepancies among members of each group and permits governments within each group to be treated more fairly.

Only eligible local governments would receive SFA funds. The eligibility test is a statistical test based on the most recent data available to the Departments of Commerce and Labor prior to the beginning of each Federal fiscal year. For a local government to be eligible, it must have an unemployment rate in excess of 4.5 percent or exhibit slower than average growth in two of the following three categories: employment, per capita income, and population.

The local unemployment rate is to be determined on a four-calendar quarter basis while local growth rates for employment, per capita income and population are to be determined by comparing data for the present year with a base period of 5 or 6 years. However, shorter periods for the latter three measurements may be used if required data is available only for such shorter periods.

Let me skip part of my statement and come to a conclusion. The balance of the statement really goes through in more detail the way the program would work.

I would just like to say in conclusion that our general purpose in designing this program was to provide a bridge from what we see as an expiring countercyclical program to a situation where local governments that are not responding to the improved economic conditions of the country so that those local governments will get some assistance and avoid the structures that would come if the countercyclical program simply terminated.

I might say one other matter about the targeting that I think Senator Muskie rightly raised. I think it is fair to say that any targeting formula will produce aberrations. The present countercyclical targeting formula has produced aberrations. Even today there are high income cities which, under countercyclical, do receive significant amounts of money.

A list of those cities has been supplied by the staff to the committee. Under the administration's proposal, all of those cities would be capped—that is, they would not get any more under the new program than they got under the last one.

By adding three new possible indicators to the formula our program will introduce a few more aberrants, and I might just go through them with you now because I know everyone will want to ask a question about it.

We ran a computer run on how many cities or localities would come into the administration's program that did not receive countercyclical funds and that had more than twice the average per capita income in the United States. That produced a list of 61 localities that would be added to the program. Those cities would get an aggregate of $1 million. Two-thirds of that amount would go to Greenwich, Conn.

I think it is fair to say that we would be more than prepared to work with the staff of the committee to produce an amendment that would eliminate those 61 from the program if the committee thought that that were desirable. We could do that a number of different ways. The one that occurs most readily is that one could simply not allow the use of the population test for communities that have more than some multiple of the national per capita income. We would have to see what that did to others but I would suspect that it would not have any material impact and I am sure that we could get at that kind of problem.

But, as I say, the problem exists today in the countercyclical program and I think it is fair to say that the diversity of localities in the United States is so great that we will never develop a formula that will not have some aberrance in it.

Senator HATHAWAY. Well, I agree with you.

Let me ask you some questions with regard to the formula that are not quite clear to me. You have these three factors and they are—the amount of money that is going to go to any locality would depend upon its growth rate over national average, is that right?

Mr. CARSWELL. That is right, sir.

Senator HATHAWAY. Regardless of——

Mr. CARSWELL. Well, no. It eligibility will be determined in that way.

Senator HATHAWAY. Eligibility, right.

Yes, then you would multiply it out to get the amount of money that would go. But if you had an area where they had everybody in the area employed, they would have a zero growth rate and they would be under the national average in growth rate and therefore they would be eligible for some assistance. It does not seem to be——

Mr. CARSWELL. Well, they would have to meet one of the other two tests as well.

Senator HATHAWAY. They have to meet two out of the three.

Mr. CARSWELL. Two out of the three.

Senator HATHAWAY. If they had a zero population increase and a zero increase in employment, even though everybody was employed who could be employed, they would be eligible.

Obviously, that area would not be distressed if everybody was employed.

Mr. CARSWELL. Yes, but when you did, the measurement of what their level of distress was, the likelihood is that they would get very little, nothing. They would be under the $200——

Senator HATHAWAY. Well, what would be the measurement of their distress?

Mr. CARSWELL. Well, they would be eligible, but then, when the formula was applied to them, the likelihood is that they would not get anything, or they would get a nominal amount.

Senator HATHAWAY. How would that work out?

Mr. CARSWELL. Well, that is just the way the formula works. The formula is weighted so that the level of the distress for allocation purpose is fixed by the statistic which indicates the most distress. It gets somewhat complicated, but each one of these formulas, each one of these indexes after one goes through the initial run, then has to be adjusted. Some of the aberrant cases will arise because of the adjustment for standard deviations.

But I think what will really happen is that that kind of example occurs primarily in very small towns and so when you multiply it against the amount of money that is available, it will fall out because it will not get up to the $200 level.

As I say, we ran the test that I just described and found that there were 61 that fell into the kind of aberrant case that you described. I think it is fair to say that probably what happens in Greenwich is something like what you are saying, that is a city which has had no population growth and has had no growth in per capita income, probably, and so it fell in because of that, and then what do you do about it? The answer is we probably ought to knock it out, based on the level of per capita income.

On the other hand, if that situation existed in a town where the level of per capita income were low, I suppose you and I would agree that that is a place that probably, justifiably, could ask for some assistance.

Senator HATHAWAY. Well, it seems that we are departing from the countercyclical approach. Would you not agree? Countercyclical was originally enacted to help States and communities because they had suffered from an economic downswing and their tax base had been eroded. Now it seems to me that we are getting into giving assistance for other reasons where there are governmental programs existing, such as EDA and CETA to help out with what we used to call structural unemployment.

So you really cannot call this countercyclical any more, can you?

Mr. CARSWELL. No. We are frank to say that it is really an extrapolation from countercyclical. It is a successor. It is intended to recognize the fact that the other governmental programs have not in some areas picked up the slack for distressed areas, and hence, that distress will continue.

I do not think there is much doubt that if this program is allowed to expire or a program similar to the program proposed by the administration does not come in, that there will be significant problems in areas that have not responded to the more favorable economic activity that we now have.

Senator HATHAWAY. But can they not take into consideration these other Federal programs that are geared to help out these particular situations?

Mr. CARSWELL. Well, we have tried to look at that and, insofar as we can tell, this targeting will get to the places that we ought to get to. Obviously, the President has also proposed a number of other urban initiatives that will, hopefully in the long run, make this sort of program unnecessary because those programs will address the root cause.

This program obviously does not address any of the structural problems. What it does is provide moneys to those cities, localities, that are in distress. What they do with the moneys may address the structural cause, but the program itself does not.

Now, the other programs that the President has recommended will get at the structural causes of the problems in the distressed cities and, over time, it should be possible to do away with this kind of a program. That is why we are not recommending that it be a permanent program, that it simply be a 2-year program and we will see where we are then.

Senator HATHAWAY. My time is about up. Let me ask you one last question.

It seems to me that with all three of these factors—employment growth, capital income growth and population growth—a community could have no growth whatsoever, yet not have its tax base eroded, be able to provide these services, and yet we are going to give them additional money just because they have not grown.

Mr. CARSWELL. It is possible that it can work that way. On the other hand, we have had numerous complaints from various people around the country and various organizations around the country that there do exist, particularly in the rural or semirural areas, localities that are stagnant and that are as fiscally distressed as any central city except that the problem shows up in underemployment and in people moving out of the areas and with lingering decay.

That is the sort of situation that this program is designed, to get at, because the unemployment test does not get at it. Now, how do you find those communities?

Well, we tried to look among the various indicators. I tried to list some of the people who helped us in looking for those indicators, and these are the three that we came up with. We think it does serve to identify those towns which do have this sort of stagnant distress, and which I think the people who live in them rightly feel is a condition that should not be allowed to persist in this country.

Senator HATHAWAY. Well, my time is up. I will come back to that later.

Senator Long.

Senator LONG. When we passed the general revenue sharing bill, we did what I regard as a credible job. We adopted a formula, as far as all of the local communities were concerned, that had so much merit to recommend it that when we went to conference between the two Houses, the House, without any argument, bought the Senator's formula with regard to the distribution of funds in the State.

They wanted a choice between the House and Senate formulas for the States, so whichever one favors them the most could be used. We were able to show how each State and community would make out under that formula.

Do you have information available to show us how the money would be distributed, how communities would make out under your proposal, compared to how they would make out under the existing proposal?

Mr. CARSWELL. We have it as to how it would come out under our proposal. I think that information went up to the staff last night. As to how it would be distributed under the existing program, that is more difficult because you cannot tell whether countercyclical is going to be in or out, for each quarter next fiscal year, so it is a hard comparison to make.

You can make the comparison against what happened in countercyclical for some annual figure previously. Those figures are available. But that is not a proper comparison because, again, countercyclical would not be merely extended. It is likely to be triggered in and out.

Senator LONG. It seems to me that frankly, Mr. Carswell, most Senators will vote for or against a formula by just looking at how their State makes out, how much money they do get or do not get. We had a lot of votes on countercyclical revenue sharing and on general revenue sharing, but all you have to do is show a Senator a sheet of paper; here is how your State makes out under this formula, here is how your State makes out under this formula. That is what tended to determine the Senator's vote.

Now, does this bill that you are suggesting here shift money from one State to another State?

Mr. CARSWELL. If we assume that the alternative that we were discussing——

Senator LONG. I am saying, if you start out by assuming that we just extend the existing law, the second assumption, what happens if you do what you are recommending here, would you have the effect of shifting money from one State to another State?

Mr. CARSWELL. If you extend the existing law and take the 6-percent triggering formula off so that you put $1 billion in countercyclical—although you would not call it countercyclical—you extend it for a year and you take the 6-percent cap off, if you did that and compared it to where you are now there would be some slight shifts, but they would be relatively small in amount.

Senator LONG. You need to show us that between the States it does not shift much around. The Senators might vote for something like that. If they go much beyond that, it is asking a little bit too much.

Mr. CARSWELL. It is that kind of a shift; it is really not material. I have it for a few States.

Senator LONG. Give it to us. How about those represented on this committee. That is a good start. Those present right now. We can find out about the others later on.

Mr. CARSWELL. On the assumption that we would shift—let me be sure I have this number right. In Maine, for instance, under the administration bill it would be $8.5 million now.

Senator LONG. Would they get a little more or a little less?

Mr. CARSWELL. We estimate Maine would receive $9.2 million if the same amount of money were distributed under countercyclical, so it would be about a $700,000 shift in Maine, adverse.

Senator LONG. They would lose $700,000. How would Louisiana make out?

Mr. CARSWELL. Louisiana is about the same, to my recollection, about $300,000. I really ought to provide it for the record; there is no point in guessing about this. (The figure supplied for the record was $1.1 million decrease.) We did look at them.

Senator LONG. You do not know whether Louisiana gets more or less?

Mr. CARSWELL. No. I know what Louisiana gets against what it got last year. I do not know that we have the right figure, because we have not run a targeting formula on the $1.04 billion on countercyclical extended with the cap off.

Senator LONG. My impression is that you have been around awhile. Were you not around here before the Carter administration came in? Did you not serve under a previous administration?

Mr. CARSWELL. That is right.

Senator LONG. I would say you have had enough experience so you would know that when you come up here to appear before a committee you ought to know how your proposed changes would affect each of the States, particularly those represented by the Senators on the committee.

The chairman of the subcommittee would like to know how his State would make out and the chairman of the full committee would like to know how his State would make out, and I would think that you would be prepared to answer those $64,000 questions.

Mr. CARSWELL. It is a point well taken, Senator. I have other comparisions here that would show that, but the one you asked for, I do not.

Senator LONG. Is that not the bottom line? Look, if I try to explain to my folks back home, it is easy enough to explain why I am voting for it if they get more money. That is easy enough. If your State gets less money, you have more explaining to do.

It seems to me that you ought to be in a position to start out by saying your State would get more, but on the other hand, it would shift funds around in the State and here is how it would work.

Here is our situation. We are confronted with a formula that everybody seems to be reasonably happy with and it would leave me wondering, why would we want to junk a distribution formula that we struggled with and resolved a year or so ago? Why would we want to junk that formula in order to expand rather than narrow the units of government that are labeled distressed at a time when obviously there is less government distress now than then?

Why would we want to get involved in that, especially when it is not going to give us any more money?

Mr. CARSWELL. A comparison that I can give you—it is very simple, really. If you did what Senator Muskie suggested, extend countercyclical and rely on that, then it is very clear that you will come out better with this program because the amounts available under the extended countercyclical would be on any reasonable forecast of what unemployment rates are going to be, would be significantly less for all jurisdictions, Louisiana, Maine, and New York, among them.

What else would happen would depend on what other targeting you added to it. Senator Muskie's proposal has not been introduced yet, so I do not know what his targeting would be, or whether the shortfalls that he would try to make up on what he said would be a highly targeted approach to supplement countercyclical would be enough. So that alternative, we cannot compare because we do not know what it is.

My guess is that Louisiana would probably not come out as well as under the administration's program, depending on how highly targeted Senator Muskie's supplemental approach would be, because the targeting would be presumably directed at distressed urban areas, and Louisiana does not have that many distressed urban areas in it.

Senator LONG. I hope you know, Mr. Carswell, that after that vote on the Panama Canal some of us are not so prone to be statesmen. We have recall petitions circulating on some of us. We are very much attuned, these days, to what our people would like to have.

Mr. CARSWELL. I can give you what the order of magnitude is. Over 4,000 entrants would come into the program because of the Treasury's new formula, but the aggregate amount that they would get would be in the range of $33 million to $35 million, so not much would be taken from other recipients in the program.

You get some retargeting within the program, but the shifts are relatively small. It is a complex business and we simply have not had time to run all of the data runs.

Senator LONG. We would like to have the comparison when you get it, so you can get down to the bottom line, city by city. You say New Orleans would make out better. That would be good news down there. How about all the other cities in Louisiana? We would like to have that information.

Thank you.

[The following was subsequently supplied for the record:]

Supplementary fiscal assistance program trials: Trial name key:

1. Trial X1: The proposed program; qualification on unemployment rate greater than a 4.5 percent or on two out of the following three criteria: percent change in per capita income less than group average, percent change in population less than group average, percent change in employment less than group average; states excluded;

2. Trial X2: Trial X1 with states eligible to compete for ⅛ of the total fund;

3. Trial X3: Qualification on unemployment rate greater than 4.5 percent only; states excluded;

4. Trial X4: Trial X3 with states eligible to compete for ⅛ of the total fund.

(Group: SMSA vs. non-SMSA)

TABLE 5A.—U.S. DEPARTMENT OF TREASURY—SUPPLEMENTARY FISCAL ASSISTANCE PROGRAM TRIALS—DETAILED DATA LISTING

Government code	SMSA	Title	X1	PCX1	PCX2	Pct. dif.	PCX3	Pct. dif.	PCX4	Pct. dif.	Pop. 1975	PC174	Elig. factor	Rou. pct.	Pch. pct.	Pch. pop.	Pch. emp.
181117117		Webster County	0	0	0	0	0	0	0	0	14,239	3,485		4.1	68.4	7.2	41.6
182117001		Clay City	0	0	0	0	0	0	0	0	1,424	4,217	3	4.1	75.1	—.1	41.6
182117002		Dixon City	492	.87	.58	—33.3	0	—100.0	0	—100.0	566	5,421	B3	4.1	49.2	—1.0	41.6
182117003		Providence City	0	0	0	0	0	0	0	0	4,311	3,169	3	4.1	58.0	1.0	41.6
182117004		Sebree City	0	0	0	0	0	0	0	0	1,332	2,933	2	4.1	52.9	22.0	41.6
182117005		Slaughterville City	0	0	0	0	0	0	0	0	278	3,064	3	4.1	75.4	.7	41.6
182117006		Wheatcroft City	0	0	0	0	0	0	0	0	273	3,086		4.1	65.8	19.2	41.6
County total			492														
181118118		Whitley County	66,011	2.35	1.28	—45.4	2.58	9.8	1.63	—30.7	28,059	2,569	A	6.2	63.0	16.2	52.0
182118001P		Corbin City	31,350	3.70	2.02	—45.4	4.57	23.5	2.56	—30.7	8,475	4,277	(*)				
182118001061		Corbin City, Knox	0	0	0	0	0	0	0	0	1,300	5,038	A	6.1	72.7	10.3	86.1
182118001118		Corbin City, Whitley	0	0	0	0	0	0	0	0	7,175	4,139	A	6.2	71.7	14.0	52.0
182118002		Williamsburg City	9,673	2.43	1.33	—45.4	3.00	23.5	1.68	—30.7	3,982	2,881	A2	6.2	54.7	8.0	52.0
County total			107,034														
18118118		Wolfe County	26,611	4.33	2.36	—45.4	5.34	23.5	3.00	—30.7	6,148	1,799	A	6.7	66.1	8.4	87.3
182119501		Campton City	1,175	2.76	2.61	—5.4	2.76	0	2.76	0	426	4,112	A3	6.7	66.3	1.7	87.3
County total			27,786														
181120120	*	Woodforn County	0	0	0	0	0	0	0	0	16,367	4,280		2.2	51.8	13.4	51.2
182120001	*	Midway City	0	0	0	0	0	0	0	0	1,549	3,208	3	2.2	47.4	—8.0	51.2
182120002	*	Versailles City	0	0	0	0	0	0	0	0	7,040	4,636	2	2.2	43.8	24.0	51.2
State total			5,786,838														
19		State of Louisiana	0	0	1.76	0	0	0	1.77	0	3,803,937	3,548	A3	7.0	52.3	4.4	26.0
191001001		Acadia Parish	14,584	.27	.27	0	.08	—70.3	.05	—83.3	53,056	2,981	1C	4.6	66.4	1.8	35.0
192001001		Church Point Town	11,853	3.03	1.65	—45.4	.36	—88.2	.20	—93.4	3,913	2,577	1C	4.6	63.8	1.2	35.0
192001002		Crowley City	10,449	.65	.65	0	.26	—60.2	.15	—77.7	16,017	3,196	1C	4.6	62.5	—.5	35.0
192001003		Estherwood Village	365	.58	.58	0	.19	—67.4	.10	—81.9	629	2,842	1C	4.6	80.1	—4.8	35.0
192001004		Iota Town	137	.10	.05	—46.0	.12	23.3	.07	—30.7	1,429	3,372	A	4.6	62.5	12.4	35.0
192001005		Mermentau Village	112	.13	.07	—45.7	.16	23.7	.09	—30.6	864	2,279	A	4.6	61.4	14.3	35.0
192001006		Morse Village	217	.29	.29	0	.10	—63.6	.06	—79.7	759	2,914	1C	4.6	87.2	0	35.0
192001007		Rayne City	5,647	.59	.59	0	.22	—62.1	.13	—78.7	9,583	2,780	1C	4.6	56.0	.8	35.0

TABLE 5A.—U.S. DEPARTMENT OF TREASURY—SUPPLEMENTARY FISCAL ASSISTANCE PROGRAM TRIALS—DETAILED DATA LISTING—Continued

Government code	SMSA	Title	X1	PCX1	PCX2	Pct. dif.	PCX3	Pct. dif.	PCX4	Pct. dif.	Pop. 1975	PC174	Elig. factor	Rou. pct.	Pch. pct.	Pch. pop.	Pch. emp.
County total			43,365														
191002002		Allen Parish	190,226	9.34	5.10	−45.4	11.54	23.5	6.48	−30.7	20,356	2,754	A234	13.7	52.2	−2.1	−4.5
192002001		Kinder Town	9,420	4.12	2.25	−45.4	5.08	23.5	2.85	−30.7	2,288	3,401	A34	13.7	72.1	−.8	−4.5
192002002		Oakdale City	120,390	17.84	9.74	−45.4	22.03	23.5	12.37	−30.7	6,747	2,491	A234	13.7	39.0	−7.6	−4.5
192002803		Oberlin City	10,386	5.55	3.03	−45.4	6.85	23.5	3.85	−30.7	1,871	2,654	A34	13.7	60.2	.8	−4.5
192002501		Reeves Village	787	3.66	2.00	−45.4	4.18	14.0	2.54	−30.7	215	4,118	A34	13.7	65.7	.5	−4.5
192002701		Elizabeth Town	1,882	3.66	2.0u	−45.4	4.52	23.5	2.54	−30.7	514	3,070	A234	13.7	54.3	2.0	−4.5
County total			333,091														
191003003	•	Ascension Parish	246,498	6.06	3.49	−42.4	6.06	0	4.19	−30.8	40,691	3,249	A	9.0	54.9	9.7	66.8
192003001	•	Donaldsonville City	69,323	9.15	4.99	−45.4	9.77	6.8	6.00	−34.4	7,580	3,018	A3	9.0	58.5	2.9	66.8
192003002	•	Gonzales Town	59,565	11.37	7.45	−34.4	11.37	0	8.95	−21.2	5,240	4,072	A	9.0	53.1	16.1	66.8
192003501	•	Sorento Village	7,537	6.20	3.88	−37.4	6.20	0	4.66	−24.8	1,216	2,750	A3	9.0	52.5	2.9	66.8
County total			382,923														
191004004		Assumption Parish	51,040	2.50	1.36	−45.4	3.09	23.5	1.73	−30.7	20,419	2,915	A3	6.1	80.3	3.9	82.5
192004001		Napoleonville Township	4,266	4.17	2.27	−45.4	5.14	23.5	2.89	−30.7	1,024	4,733	A3	6.1	87.6	1.6	82.5
County total			55,306														
191005005		Avoyelles Parish	118,861	3.11	1.70	−45.4	3.85	23.5	2.16	−30.7	38,171	2,358	A3	10.1	59.1	1.1	35.6
192005001		Bunkie Town	82,877	16.16	8.82	−45.4	19.95	23.5	11.20	−30.7	5,129	2,649	A23	10.1	49.5	−4.9	35.6
192005002		Cottonport Town	15,648	8.68	4.75	−45.4	10.73	23.5	6.03	−30.7	1,800	3,471	A3	10.1	72.1	−3.3	35.6
192005003		Evergreen Town	707	2.23	1.22	−45.4	2.75	23.5	1.55	−30.7	317	4,483	A3	10.1	63.4	3.3	35.6
192005004		Hessmer Village	4,039	9.20	5.02	−45.4	11.36	23.5	6.38	−30.7	439	2,401	A3	10.1	63.4	−3.3	35.6
192005005		Mansura Town	16,412	9.02	4.92	−45.4	11.14	23.5	6.26	−30.7	1,819	1,869	A2	10.1	47.5	7.1	35.6
192005006		Marksville Town	30,663	7.47	4.08	−45.4	9.22	23.5	5.18	−30.7	4,107	2,544	A3	10.1	55.5	−9.1	35.5
192005007		Moreauvile Village	3,776	5.05	2.85	−43.5	5.05	0	3.62	−28.2	748	3,098	A3	10.1	65.1	−7.3	35.6
192005008		Plaucheville Village	2,270	10.71	8.82	−17.7	10.71	0	10.71	0	212	2,315	A3	10.1	63.4	−5.4	35.6
192005009		Simmesport Town	17,728	9.41	5.14	−45.4	11.62	23.5	6.52	−30.7	1,884	1,839	A23	10.1	54.9	−7.1	35.6
County total			292,982														
191006006		Beauregard Parish	39,256	1.53	1.41	−7.9	1.37	−10.7	.77	−49.9	25,627	3,230	1B	5.9	46.0	12.0	25.3
192006001		De Ridder City	32,054	3.08	3.08	0	2.87	−6.6	1.61	−47.6	10,422	3,440	1B3	5.9	45.5	3.4	25.3
192006002		Merryville Town	2,474	1.92	1.05	−45.4	1.37	−28.6	.77	−59.9	1,290	3,058	1B3	5.9	48.3	.3	25.3
County total			73,784														

191007007		Bienville Parish	71,254	4.32	2.36	−45.4	4.45	3.0	2.50	−42.2	16,478	2,444	123D	7.0	47.8	2.8	13.8
192007001		Arcadia Town	16,126	4.91	3.67	−25.4	3.93	−20.1	2.20	−55.1	3,281	2,886	1B4	7.0	40.4	10.5	13.8
192007002		Bienvile Village	139	.47	.47	0	.47	0	.47	0	297	[illegible]	123D	7.0	54.0	3.5	13.8
192007003		Gibsland Town	2,545	1.90	1.12	−40.9	1.90	0	1.19	−37.4	1,342	2,474	123D	7.0	51.9	−2.8	13.8
192007004		Ringgold Town	14,442	8.65	4.72	−45.4	8.91	3.0	5.00	−42.2	1,670	2,672	123D	7.0	49.9	−3.5	13.8
192007005		Saline Village	934	2.95	1.61	−45.4	3.00	1.7	1.71	−42.1	317	1,981	123D	7.0	54.0	3.3	13.8
192007501		Bryceland Village	55	.89	.60	−33.2	1.02	13.7	.68	−24.2	62	2,946	123D	7.0	54.0	−4.6	13.8
192007502		Castor Village	320	1.74	1.04	−40.0	1.74	0	1.11	−36.2	184	3,389	123D	7.0	54.0	.5	13.8
192007701		Mount Lebanon Town	84	.89	.60	−33.4	1.01	13.0	.67	−25.0	94	3,226	123D	7.0	54.0	−7.8	13.8
192007801		Jamestown Village	129	.89	.60	−33.1	1.01	13.5	.67	−24.6	144	2,591	123D	7.0	54.0	−5.9	13.8
192007901		Lucky Village	71	.23	.15	−33.4	.26	13.4	.17	−24.9	310	2,446	13D	7.0	64.3	4.4	13.8
County total			106,099														
191008008	*	Bossier Parish	26,504	.38	.21	−45.4	.44	16.8	.25	−34.4	69,870	3,504	A	5.6	53.4	6.1	53.6
192008001	*	Benton Village	1,757	1.14	.62	−45.4	1.33	16.8	.75	−34.4	1,545	3,007	A3	5.7	52.6	3.5	53.8
192008002	*	Bossier City	92,341	1.98	1.08	−45.4	2.32	16.8	1.30	−34.4	46,565	3,798	A	5.5	53.2	6.4	53.5
192008003	*	Haughton Village	453	.51	.28	−45.3	.59	16.8	.33	−34.4	897	3,876	A3	5.7	51.2	1.4	53.8
192008004	*	Paindealing Town	4,033	3.17	1.77	−43.9	2.81	−11.1	1.58	−50.1	1,274	3,541	1C	5.7	53.4	−2.0	53.8
County total			125,088														
191009009	*	Caddo Parish	117,003	.49	.27	−45.4	.57	16.8	.32	−34.4	239,078	3,920	A34	5.9	50.3	3.9	14.1
192009001	*	Mooringsport Town	1,232	1.47	.80	−45.4	1.66	13.2	.96	−34.4	839	3,314	A34	7.0	55.4	1.1	14.1
192009002	*	Oil City Town	4,497	5.04	2.75	−45.4	5.89	16.8	3.31	−34.4	892	3,251	A34	7.0	56.8	−1.7	14.1
192009003P	*	Shreveport City	496,895	2.68	1.46	−45.4	3.12	16.8	1.75	−34.4	185,711	4,206	A34	5.7	51.1	2.0	14.1
192009004	*	Vivian Town	13,562	3.30	1.80	−45.4	3.85	16.8	2.16	−34.4	4,114	3,385	A34	7.0	48.1	1.7	14.1
192009701	*	Blanchard Village	1,759	2.23	1.22	−45.4	2.60	16.8	1.46	−34.4	789	3,343	A34	7.0	46.2	−2.1	14.1
192009801	*	Belcher Village	722	1.68	.92	−45.4	1.23	−27.0	.69	−59.0	429	4,198	12C4	7.0	39.4	−11.0	14.1
192009802	*	Gilliam Town	647	3.92	2.14	−45.5	1.67	−57.5	.93	−76.2	165	3,190	1C4	7.0	50.6	−21.8	14.1
192009803	*	Greenwood Town	474	2.26	1.23	−45.4	2.64	16.9	1.48	−34.4	210	4,982	A34	7.0	50.6	−.9	14.1
192009804	*	Hosston Town	436	1.05	.58	−45.1	1.23	16.6	.69	−34.6	414	3,381	A34	7.0	52.4	−3.3	14.1
192009805	*	Ida Town	612	1.62	.89	−45.3	1.23	−24.2	.69	−57.5	377	2,834	1B34	7.0	34.3	1.9	14.1
192009805	*	Rodessa Town	586	2.64	1.49	−43.5	1.41	−46.5	.79	−70.0	226	3,351	1C4	7.0	50.6	−17.2	14.1
County total			638,434														
191010010	*	Calcasieu Parish	421,930	2.79	1.52	−45.4	3.26	16.8	1.83	−34.4	151,334	3,770	A3	7.8	52.8	4.1	26.5
192010001	*	De Quincy City	14,481	4.11	2.25	−45.4	4.80	16.8	2.70	−34.4	3,520	3,322	A3	7.1	50.9	2.1	26.5
192010002	*	Iowa Town	3,923	1.91	1.04	−45.4	2.24	16.8	1.26	−34.4	2,050	3,566	A	7.1	70.9	5.5	26.5
192010003	*	Lake Charles City	635,112	8.35	4.56	−45.4	9.75	16.8	5.47	−34.4	76,037	3,979	A3	8.4	53.2	−2.5	26.5
192010004	*	Sulphur City	46,038	2.63	1.43	−45.4	3.07	16.8	1.72	−34.4	17,527	4,121	A	7.1	52.8	4.2	26.5
192010005	*	Vinton Town	6,210	1.76	.96	−45.4	2.05	16.8	1.15	−34.4	3,538	3,040	A3	7.1	56.9	2.4	26.5
192010006	*	Westlake Town	10,421	2.48	1.35	−45.4	2.90	16.8	1.63	−34.4	4,199	3,549	A3	7.1	52.8	2.9	26.5
County total			1,138,116														
191011011		Caldwel Parish	57,891	5.70	3.11	−45.4	7.04	23.5	3.95	−30.7	10,156	2,739	A2	7.6	54.8	8.6	39.1
192011001		Clarks Village	1,108	1.23	.67	−45.5	1.52	23.5	.86	−30.7	898	1,906	A3	7.6	60.4	1.0	39.1

TABLE 5A.—U.S. DEPARTMENT OF TREASURY—SUPPLEMENTARY FISCAL ASSISTANCE PROGRAM TRIALS—DETAILED DATA LISTING—Continued

Government code	SMSA	Title	X1	PCX1	PCX2	Pct. dif.	PCX3	Pct. dif.	PCX4	Pct. dif.	Pop. 1975	PC174	Elig. factor	Rou. pct.	Pch. pct.	Pch. pop.	Pch. emp.
192011002		Columbia Town	4,952	4.11	2.37	−42.3	4.11	0	2.99	−27.1	1,206	4,034	1B	7.6	46.4	20.6	39.1
192011003		Grayson Village	973	1.62	.88	−45.4	2.00	23.4	1.12	−30.7	601	4,406	A	7.6	82.5	16.5	39.1
County total			64,923														
191012012		Camaron Parish, total	38,802	4.27	2.33	−45.4	5.27	23.5	2.96	−30.7	9,086	3,395	A	6.1	57.1	10.9	33.9
191013013		Catahoula Parish	71,633	6.29	3.43	−45.4	7.76	23.5	4.36	−30.7	11,397	2,621	A34	9.4	68.9	−3.2	24.9
192013001		Harrisonburg Village	1,261	2.17	1.19	−45.4	2.68	23.5	1.51	−30.7	580	3,360	A34	9.4	62.2	−7.3	24.9
192013002		Jonesville Town	27,098	9.55	5.21	−45.4	11.79	23.5	6.62	−30.7	2,837	2,420	A234	9.4	47.1	2.8	24.9
192013501		Sicily Island Village	1,262	1.95	1.06	−45.4	2.38	22.1	1.35	−30.7	647	3,045	A34	9.4	63.5	2.7	24.9
County total			101,254														
191014014		Claiborne Parish	35,368	2.17	2.17	0	2.17	0	1.24	−42.9	16,282	2,630	123D	6.3	49.1	−4.4	5.7
192014001		Athens Village	593	1.52	1.13	−25.6	.88	−41.7	.50	−67.3	391	3,667	123D	6.3	51.8	1.0	5.7
192014002		Haynesville Town	27,378	9.34	6.54	−30.0	5.13	−45.1	2.88	−69.2	2,930	3,243	123D	6.3	54.3	−4.1	5.7
192014003		Homer Town	15,879	3.56	3.56	0	3.56	0	2.86	−19.7	4,458	3,096	1B34	6.3	39.9	−.6	5.7
192014501		Lisbon Village	283	2.07	1.12	−45.6	.89	−56.9	.50	−75.6	137	3,323	123D	6.3	51.8	−9.3	5.7
County total			79,501														
191015015		Concordia Parish	61,351	2.84	1.55	−45.4	3.50	23.5	1.97	−30.7	21,628	2,918	A234	8.3	54.3	−4.2	13.0
192015001		Clayton Village	4,717	4.80	2.62	−45.4	5.93	23.5	3.33	−30.7	982	2,279	A34	8.3	55.6	−11.0	13.0
192015002		Ferriday Town	49,846	10.96	5.99	−45.4	13.54	23.5	7.60	−30.7	4,546	2,846	A34	8.3	55.4	−13.2	13.0
192015003		Vidalia Town	31,050	5.79	3.16	−45.4	6.07	4.8	4.02	−30.7	5,[illegible]1	3,719	A234	8.3	54.6	−3.2	13.0
192015801		Ridgecrest Town	2,195	1.97	1.12	−43.4	1.97	0	1.37	−30.7	1,113	3,543	1B34	8.3	44.1	3.4	13.0
County total			149,159														
191016016		De Soto Parish	23,446	1.02	1.02	0	.88	−14.2	.49	−51.8	22,903	2,667	123D	6.0	50.1	0.6	8.7
192016001		Grand Cane Village	496	2.00	1.10	−45.2	.85	−57.7	.48	−76.0	248	4,554	13D	6.0	58.1	−12.7	8.7
192016002		Logansport Town	4,170	3.24	3.24	0	3.06	−5.5	1.72	−47.0	1,289	3,516	13D	6.0	60.0	−3.1	8.7
192016003		Longstreet Village	118	.51	.51	0	.51	0	.41	−18.6	232	3,066	1D	6.0	58.0	27.5	8.7
192016004		Mansfield City	12,772	1.87	1.87	0	1.77	−5.0	1.00	−46.7	6,843	3,281	1B34	6.0	42.3	6.4	8.7
192016005		South Mansfield Village	1,577	3.65	3.65	0	3.65	0	2.38	−34.9	432	2,250	13D	6.0	58.0	−1.6	8.7
192016006		Stanley Village	201	1.30	.87	−33.2	.60	−53.6	.40	−69.1	154	2,850	13D	6.0	58.1	6.2	8.7
192016501		Keatchie Village	251	.69	.69	0	.69	0	.41	−40.2	362	3,110	1D	6.0	58.1	10.4	8.7
192016901		Stonewall Village	290	.54	.54	0	.54	0	.41	−22.8	540	3,127	13D	6.0	57.1	−2.0	8.7
County total			43,321														

192017001	•	Baker Town	20,796	1.76	.96	−45.4	2.06	16.8	1.16	−34.4	11,801	3,929	A	6.3	63.8	29.1	35.2
192017002	•	Baton Rouge City	1,274,218	4.34	2.37	−45.4	5.07	16.8	2.85	−34.4	293,286	4,211	A	6.3	47.5	8.2	35.2
192017003	•	Zzchary Town	7,613	1.30	.71	−45.4	1.52	16.8	.86	−34.4	5,835	4,348	A	6.3	55.5	17.5	35.2
County total			1,302,627														
191018017		East Carroll Parish	92,631	7.73	4.22	−45.4	9.55	23.5	5.36	−30.7	11,976	2,050	A3	9.3	58.7	−7.0	31.3
192018001		Lake Providence Town	65,729	11.46	6.25	−45.4	14.15	23.5	7.94	−30.7	5,737	2,211	A23	9.3	53.2	−7.2	31.3
County total			158,360														
191019018		East Feliciana Parish	26,530	1.62	1.62	0	1.62	0	1.14	−29.4	16,414	2,100	12C4	8.8	51.5	−7.0	20.9
192019001		Clinton Town	5,013	2.70	2.36	−12.3	2.15	−20.3	1.21	−55.3	1,860	3,150	1B34	5.8	46.0	−1.3	20.9
192019002		Jackson Town	3,679	1.12	1.12	0	1.12	0	.87	−22.8	3,283	2,237	12C4	5.8	53.5	−30.1	20.9
192019003		Norwood Village	859	2.39	1.31	−45.4	2.22	−7.4	1.25	−48.0	359	3,195	1B34	5.8	50.2	3.2	20.9
192019004		Slaughter Town	637	.96	.96	0	.96	0	.96	0	662	2,499	1B4	5.8	48.4	14.1	20.9
192019501		Wilson Village	2,112	3.88	2.12	−45.4	1.97	−49.1	1.11	−71.5	545	2,511	12C4	5.8	51.8	−10.1	20.9
County total			38,830														
191020019		Evangeline Parish	147,239	4.55	2.48	−45.4	5.62	23.5	3.15	−30.7	32,365	2,392	A34	8.8	57.3	1.4	13.2
192020001		Basile Town	9,989	5.97	5.97	0	5.97	0	5.97	0	1,672	2,047	A234	8.8	50.3	−6.0	13.2
192020002		Mamou Town	13,107	3.98	2.17	−45.4	4.91	23.5	2.76	−30.7	3,297	2,753	A34	8.8	72.0	0.7	13.2
192020003		Ville Platte Town	65,106	6.89	6.60	−4.3	6.89	0	6.89	0	9,447	2,504	A23A	8.8	54.3	−2.5	13.2
192020501		Turkey Creek Village	692	3.19	1.74	−45.4	3.10	−2.9	1.74	−45.5	217	3,157	12C4	8.8	46.2	−22.5	13.2
192020502		Pine Prairie Village	4,096	5.53	3.02	−45.4	4.40	−20.3	2.47	−55.2	741	2,295	1B4	8.8	36.5	43.9	13.2
192020901		Chataignier Village	805	2.21	1.48	−32.7	2.21	0	1.88	−14.5	365	1,860	A234	8.8	46.2	0.0	13.2
County total			241,033														
191021020		Franklin Parish	145,017	6.16	3.37	−45.4	7.61	23.5	4.27	−30.7	23,523	2,301	A34	8.6	58.1	−1.8	14.5
192021001		Gilbert Village	1,996	3.00	1.64	−45.4	3.70	23.5	2.08	−30.7	666	2,727	A34	8.6	71.1	−10.7	14.5
192021002		Winnsboro Town	63,671	11.83	6.46	−45.4	14.61	23.5	8.20	−30.7	5,382	2,813	A34	8.6	56.3	.6	14.5
192021003		Wisner Town	7,827	5.98	3.27	−45.4	6.12	2.3	4.15	−30.7	1,308	2,641	A234	8.6	45.7	−2.3	14.5
192021901		Baskin Village	344	1.90	1.13	−40.4	1.90	0	1.44	−24.1	181	2,832	A234	8.6	54.1	2.3	14.5
County total			218,855														
191022021	•	Grant Parish Polt	46,093	3.22	1.76	−45.4	3.76	16.8	2.11	−34.4	14,330	2,701	A	7.9	55.6	4.8	43.4
192022001	•	Colfax Town	4,761	2.48	1.36	−45.4	2.74	10.4	1.63	−34.4	1,916	2,502	A3	7.9	44.5	1.3	43.4
192022002	•	Dry Prong Village	604	1.78	.97	−45.5	2.08	16.8	1.17	−34.4	339	3,793	A3	7.9	53.7	−3.7	43.4
192022003	•	Georgetown Village	1,260	4.13	2.49	−39.7	4.13	0	2.99	−27.5	305	2,828	A3	7.9	53.7	−.3	43.4
192022004	•	Montgomery Town	3,882	4.20	2.29	−45.4	4.90	16.8	2.75	−34.4	925	2,752	A3	7.9	63.9	.2	43.4
192022005	•	Pollock Town	502	1.43	.78	−45.2	1.67	16.9	.94	−34.5	351	3,589	A3	7.9	52.2	2.9	43.4
County total			57,101														
191023022		Iberia Parish	4,518	.07	.04	−45.4	.09	23.5	.05	−30.7	61,096	3,243	A3	4.6	61.9	6.4	38.6
192023001		Jeanerette Town	9,822	1.51	.82	−45.4	.25	−82.3	.14	−90.6	6,506	3,024	1C	4.6	75.3	2.9	38.6

TABLE 5A.—U.S. DEPARTMENT OF TREASURY—SUPPLEMENTARY FISCAL ASSISTANCE PROGRAM TRIALS—DETAILED DATA LISTING—Continued

Government code	SMSA	Title	X1	PCX1	PCX2	Pct. dif.	PCX3	Pct. dif.	PCX4	Pct. dif.	Pop. 1975	PC174	Elig. factor	Rou. pct.	Pch. pct.	Pch. pop.	Pch. emp
192023002		Loreauville Village	429	.56	.38	−33.	.17	−70.7	.11	−80.4	760	3,704	1C	4.6	72.7	4.4	38.6
192023003		New Iberia City	7,762	.24	.13	−45.4	.29	23.5	.16	−30.7	32,622	3,385	A2	4.6	54.8	8.2	38.6
County total			22,531														
191024023		Iberville Parish	189,579	6.20	3.38	−45.4	7.65	23.5	4.30	−30.7	30,601	2,841	A3	8.0	58.3	−.5	58.9
192024001		Crosse Tete Village	7,009	10.10	5.51	−45.4	12.47	23.5	7.00	−30.7	694	3,212	A3	8.0	71.9	−2.3	58.9
192024002		Maringouin Town	13,139	10.10	5.51	−45.4	11.69	15.7	7.00	−30.7	1,301	3,005	A3	8.0	73.5	−4.7	58.9
192024004		Plaquemine Town	56,235	7.29	3.98	−45.4	8.50	16.5	5.06	−30.7	7,711	3,555	A23	8.0	48.8	−.4	58.9
192024005		Rosedale Village	6,827	10.10	5.51	−45.4	12.47	23.5	7.00	−30.7	676	2,685	A2	8.0	54.8	8.9	58.9
192024006		White Castle Town	18,951	8.71	4.76	−45.4	10.76	23.5	6.04	−30.7	2,175	3,619	A3	8.0	103.8	−1.4	58.9
County total			291,739														
191025024		Jackson Parish Po	15,975	.99	.99	0	.91	−8.5	.51	−48.6	16,094	3,084	123D	5.2	45.0	.8	−2.7
192025001		Chathman Town	1,411	1.86	1.86	0	1.11	−40.3	.62	−66.5	757	2,267	113D	5.2	51.7	−8.5	−2.7
192025002		Eros Town	483	2.21	1.48	−33.3	.28	−87.2	.19	−91.5	218	2,881	12D	5.2	47.0	32.9	−2.7
192025003		Hodge Village	1,945	2.30	2.30	0	1.87	−18.7	1.05	−54.3	844	3,405	123D	5.2	45.3	3.2	−2.7
192025004		Jonesboro Town	3,792	.77	.77	0	.59	−23.3	.33	−56.9	4,914	3,658	123D	5.2	40.5	−3.1	−2.7
192025005		North Hodge Village	245	.40	0	0	.35	−11.8	.20	−50.6	613	3,433	123D	5.3	45.3	−4.2	−2.7
192025006		Quitman Village	254	1.56	1.56	0	.36	−76.8	.20	−87.0	163	4,272	123D	5.2	47.0	−3.6	−2.7
192025801		East Hodge Town	817	2.21	1.48	−33.3	.28	−87.1	.19	−91.4	369	2,773	123D	5.2	47.0	1.7	−2.7
County total			24,922														
191026025	•	Jefferson Parish	1,071,234	[illegible]	1.66	−38.1	2.68	0	2.00	−25.7	388,016	4,526	A	6.8	49.6	18.0	27.6
192026001	•	Gretna City	152,171	[illegible]	2.87	−43.6	5.09	0	3.45	−32.1	29,922	3,901	A	9.2	51.9	20.3	27.6
192026002	•	Harahan City	5,578	.38	.38	0	.38	0	.38	0	14,498	4,443	A	6.3	52.2	11.2	27.7
192026003	•	Kenner City	226,758	5.18	3.25	−37.2	5.18	0	3.90	−24.6	43,781	3,705	A	9.3	54.9	46.6	27.6
192026004	•	Westwego City	25,873	1.90	1.04	−45.4	2.21	16.8	1.24	−34.4	13,643	3,447	A	6.3	52.3	19.7	27.7
192026501	•	Grand Isle Town	[illegible]	1.40	1.40	0	1.40	0	1.40	0	8,944	4,158	1C	6.3	54.7	−13.1	27.7
192026901	•	Jean Lafitte Village	2,962	[illegible]	2.50	−45.4	5.35	16.8	3.01	−34.4	646	2,910	A	6.3	54.2	19.9	27.7
County total			1,487,304														
191027026		Jefferson Davis Parish	69,089	2.28	1.25	−45.4	2.59	13.2	1.45	−36.4	30,250	3,089	13D	7.5	63.5	2.4	12.8
192027001		Elton Town	7,902	5.49	3.00	−45.4	6.21	13.2	3.49	−36.4	1,440	2,528	13D	7.5	63.5	−9.9	12.8
192027002		Fenton Village	1,294	3.12	1.70	−45.4	3.13	.3	1.98	−36.5	415	2,029	13D	7.5	67.1	2.7	12.8
192027003		Jennings City	50,557	4.24	2.31	−45.4	4.80	13.2	2.69	−36.4	11,930	3,113	123D	7.5	49.0	1.3	12.8

192027004		Lake Arthur Town	13,013	3.72	2.03	−45.4	4.22	13.2	2.37	−36.4	3,495	3,017	130	7.5	61.0	−1.6	12.8
192027004		Welsh Town	18,039	5.76	3.14	−45.4	6.52	13.2	3.66	−36.4	3,134	3,103	130	7.5	71.4	−2.2	12.8
County total			159,904														
191028027	*	Lafayette Parish	0	0	0	0	0	0	0	0	125,233	3,813	----	4.3	55.4	12.2	52.7
192028001	*	Broussard Village	0	0	0	0	0	0	0	0	2,256	3,200	----	3.7	69.0	32.2	52.7
192028002	*	Carencro Town	0	0	0	0	0	0	0	0	2,668	3,089	----	3.7	51.6	15.9	52.7
192028003	*	Duson Village	0	0	0	0	0	0	0	0	1,257	2,288	----	3.7	58.6	4.8	52.7
192028004	*	Lafayettee City	13,712	.18	.10	−45.4	.21	16.8	.12	−34.4	75,430	4,000	A	4.6	54.4	9.5	52.7
192928005	*	Scott Village	0	0	0	0	0	0	0	0	1,667	3,323	----	3.7	61.5	25.0	52.7
192028006	*	Youngsville Village	0	0	0	0	0	0	0	0	1,110	2,909	----	3.7	73.3	10.8	52.7
County total			13,712														
191029028		Lafourche Parish	0	0	0	0	0	0	0	0	72,445	3,390	3	4.4	56.7	5.1	42.5
192029001		Golden Meadow Town	483	.20	.20	0	0	−100.0	0	−100.0	2,365	3,694	B3	4.4	43.9	−11.8	42.5
192029002		Lockport Town	0	0	0	0	0	0	0	0	2,371	3,950	3	4.4	56.4	−1.1	42.5
192029003		Thibodaux	0	0	0	0	0	0	0	0	16,182	3,558	2	4.4	54.6	7.7	42.5
County total			483														
191030029		La Salle Parish	21,830	1.49	.82	−45.4	1.84	23.5	1.04	−30.7	14,619	3,079	A	5.6	59.3	10.0	32.2
192030001		Jena Town	2,424	.88	.48	−45.4	1.09	23.5	.61	−30.7	2,746	4,461	A	5.6	67.8	13.0	32.2
192030002		Olla Town	3,516	2.78	1.66	−30.5	2.11	−11.5	1.18	−50.3	1,476	3,013	1B3	5.6	49.6	6.4	32.2
192030003		Tullos Town	833	1.22	.67	−45.4	1.51	23.6	.85	−30.6	681	3,880	A	5.6	56.1	13.5	32.2
192030801		Urania Village	484	.55	.41	−25.4	.54	−1.0	.30	−44.4	885	2,794	1B3	5.6	49.8	1.3	32.2
County total			29,088														
191031030		Lincoln Parish	63,717	1.79	1.19	−33.3	0	−100.0	0	−100.0	35,682	3,107	B3	4.0	47.4	5.6	31.7
192031001		Choudrant Village	0	0	0	0	0	0	0	0	573	3,610	3	4.0	68.2	3.2	31.7
192031002		Dubach Town	0	0	0	0	0	0	0	0	951	3,869	3	4.0	75.5	−13.2	31.7
192031003		Grambling Village	10,236	2.43	1.62	−33.3	0	−100.0	0	−100.0	4,205	2,275	B3	4.0	45.7	−4.6	31.7
192031004		Ruston City	76,343	4.19	2.79	−33.3	0	−100.0	0	−100.0	18,235	3,567	B3	4.0	44.6	5.0	31.7
19203[illegible]		Simsboro Village	0	0	0	0	0	0	0	0	392	4,352	3	4.0	71.5	−4.9	31.7
92031901		Vienna Town	0	0	0	0	0	0	0	0	72	3,307	----	4.0	71.6	22.0	31.7
County Village			150,297														
191032031	*	Livingston Parish	84,002	1.97	1.09	−45.4	2.30	16.8	1.29	−34.4	42,590	3,245	A	9.4	53.4	16.6	77.5
192032001	*	Albany Village	2,518	3.39	1.85	−45.4	3.96	16.8	2.23	−34.4	742	3,147	A	9.4	48.6	6.0	77.5
192032002	*	Denham Springs City	67,533	8.36	4.56	−45.4	9.04	8.2	5.48	−34.4	8,080	3,687	A	9.4	51.5	19.7	77.5
192032003	*	Livingston Village	10,549	7.92	4.32	−45.4	9.25	16.8	5.19	−34.4	1,332	2,902	A3	9.4	55.5	−4.7	77.5
192032004	*	Port Vincent Village	926	2.06	1.12	−45.5	2.34	13.4	1.35	−34.4	449	3,695	A	9.4	51.9	16.0	77.5
192032005	*	Walker Town	8,306	5.22	2.85	−45.4	5.96	14.2	3.42	−34.4	1,591	2,757	A3	9.4	47.4	2.5	77.5
192032702	*	Springfield Town	984	2.06	1.13	−45.4	2.41	16.8	1.35	−34.4	477	3,061	A	9.4	52.0	12.8	77.5

TABLE 5A.—U.S. DEPARTMENT OF TREASURY—SUPPLEMENTARY FISCAL ASSISTANCE PROGRAM TRIALS—DETAILED DATA LISTING—Continued

Government code	SMSA	Title	X1	PCX1	PCX2	Pct. dif.	PCX3	Pct. dif.	PCX4	Pct. dif.	Pop. 1975	PC174	Elig. factor	Rou. pct.	Pch. pct.	Pch. pop.	Pch. emp.
192032801	*	Killian Village	635	2.06	1.13	−45.4	2.41	16.7	1.35	−34.5	308	2,641	A	9.4	52.0	5.1	77.5
192032901	*	French Settlemtnt	1,386	2.06	1.13	−45.4	2.41	16.8	1.35	−34.4	672	3,175	A3	9.4	52.9	0.3	77.5
County total			176,838														
191033032		Madison Parish Po	146,083	10.08	5.50	−45.4	10.92	8.3	6.99	−30.7	14,486	2,647	A34	10.6	74.1	−3.8	10.1
19203301		Delta Village	1,154	7.64	4.17	−45.5	9.43	23.4	5.30	−30.7	151	3,425	A34	10.6	80.6	−1.3	10.1
19203302		Mound Village	0	0	0	0	0	0	0	0	46	3,816	1C4	10.6	80.6	−41.0	10.1
192033003		Tallulah Village	93,401	9.95	5.43	−45.4	12.29	23.5	6.90	−30.7	9,388	2,668	A34	10.6	72.5	−2.6	10.1
192033901		Richmond Village	659	13.18	8.78	−33.4	17.90	35.8	11.94	− 9.4	50	3,378	A34	10.6	80.6	−10.7	10.1
County total			241,297														
191034033		Morehouse Parish	150,595	4.65	3.97	−14.7	4.33	−6.9	2.43	−47.7	32,360	2,711	123D	8.1	54.2	−.3	−2.8
192034001		Bastrop City	224,506	15.74	11.75	−25.4	12.83	−18.5	7.20	−54.2	14,266	3,010	13D	8.1	55.1	−3.0	−2.8
192034002		Bonita Village	1,195	3.65	3.65	0	3.65	0	2.74	−24.9	327	2,039	12C4	8.1	46.4	−38.6	−2.8
192034003		Collinston Village	1,002	2.34	2.34	0	2.34	0	1.84	−21.5	428	2,305	1D	8.1	60.4	7.8	−2.8
192034004		Mer Rouge Village	5,041	8.20	8.20	0	8.20	0	7.01	−14.5	615	3,708	123D	8.1	52.3	−24.9	−2.8
192034005		Oak Ridge Village	2,112	8.35	5.08	−39.1	5.55	−33.5	3.11	−62.7	253	3,586	123D	8.1	46.4	−8.3	−2.8
County total			384,451														
191035034		Natchitoches Parish	168,354	4.67	2.55	−45.4	5.10	9.2	2.86	−38.7	36,051	2,417	123D	8.0	46.1	2.4	10.2
192035001		Campti Village	8,898	8.76	4.78	−45.4	9.56	9.2	5.37	−38.7	1,016	2,237	123D	8.0	52.2	−5.8	10.2
192035002		Clarence Village	2,209	4.63	2.53	−45.4	5.05	9.2	2.84	−38.7	477	2,034	123D	8.0	51.7	6.5	10.2
192035003		Goldonna Village	468	1.58	.86	−45.3	1.72	9.2	.96	−38.9	297	3,015	123D	8.0	50.9	−11.9	10.2
192035004		Natchitoches City	133,809	8.15	4.45	−45.4	8.89	9.2	4.99	−38.7	16,427	2,850	123D	8.0	44.8	2.8	10.2
192035005		Provenical Village	972	1.41	.86	−38.9	1.41	0	.97	−31.3	691	2,324	12D	8.0	49.5	30.4	10.2
192035006		Robeline Village	778	2.79	1.52	−45.4	2.91	4.2	1.71	−38.6	279	2,691	123D	8.0	50.9	1.8	10.2
192035701		Ashland Town	334	1.58	.86	−45.5	1.72	9	.97	−38.6	212	3,527	123D	8.0	50.9	.5	10.2
192035702		Powhatan Town	1,382	5.10	3.24	−36.5	5.10	0	3.63	−28.7	271	1,994	123D	8.0	50.9	−2.2	10.2
192035901		Natchez Village	565	1.51	1.51	0	1.51	0	1.51	0	375	1,032	123D	8.0	51.3	5.9	10.2
County total			317,768														
192036001	*	New Orleans City, total	6,391,698	11.42	6.23	−45.4	10.99	−3.8	6.17	−46.0	559,770	3,986	13D	7.7	47.4	−5.7	3.3
191037035	*	Quachita Parish	134,953	1.08	.59	−45.4	1.26	16.8	.71	−34.4	125,447	3,425	A	7.4	47.8	8.7	21.7
192037001	*	Monroe City	337,541	5.53	3.03	−45.3	5.53	0	3.64	−34.2	61,016	3,437	A	6.4	47.3	8.2	21.7
192037002	*	West Monroe City	72,561	4.63	2.53	−45.4	5.41	16.8	3.04	−34.4	15,678	4,007	A	8.3	52.8	5.4	21.7

192037701	•	Sterlington Town	1,668	1.60	.87	−45.4	1.87	16.7	1.05	−34.4	1,043	4,347	A3	8.3	66.7	−6.7	21.7
192037901	•	Richwood Town	3,919	2.40	1.41	−41.2	2.40	0	1.70	−29.4	1,630	1,576	A	8.3	47.4	11.2	21.7
County total			550,643														
191038036		Plaquemines Parish, total	11,866	.46	.46	0	.29	−37.1	.16	−64.7	26,071	3,754	1C	4.6	60.6	3.4	28.9
191039037		Pointe Coupee Parish	129,772	5.94	3.24	−45.4	7.33	23.5	4.12	−30.7	21,855	2,466	A3	8.4	60.9	.7	41.9
192039001		Morganza Village	1,637	2.22	1.21	−45.4	2.75	23.5	1.54	−30.7	736	3,143	A3	8.4	79.4	−12.0	41.9
192039002		New Roads Town	40,706	9.82	5.36	−45.4	12.13	23.5	6.81	−30.7	4,145	2,483	A23	8.4	45.5	5.1	41.9
192039501		Livonia Village	2,027	3.10	1.69	−45.4	3.83	23.5	2.15	−30.7	653	3,265	A3	8.4	77.1	6.9	41.9
192039701		Fordoche Village	711	1.47	.85	−42.5	1.47	0	1.08	−26.9	483	3,047	A23	8.4	52.5	−1.0	41.9
County total			174,854														
191040038	•	Rapides Parish	294,808	2.43	1.33	−45.4	2.48	2.0	1.60	−34.4	121,088	3,165	A3	7.9	50.1	2.5	21.9
192040001	•	Alexandria City	303,512	6.13	3.34	−45.4	6.76	10.4	4.02	−34.4	49,546	3,391	A3	8.0	48.5	−.2	21.9
192040002	•	Boyce Town	7,348	5.82	3.18	−45.4	6.79	16.8	3.82	−34.4	1,263	3,210	A3	7.8	56.8	1.9	21.9
192040003	•	Cheneyville Town	5,109	4.74	2.59	−45.4	5.53	16.8	3.11	−34.4	1,078	2,182	A3	7.8	75.8	−.4	21.9
192040004	•	Forest Hill Village	1,350	3.51	1.92	−45.4	4.10	16.8	2.30	−34.4	384	3,460	A3	7.8	54.3	3.8	21.9
192040005	•	Glenmora Town	11,215	7.28	4.29	−41.0	7.28	0	5.16	−29.2	1,541	2,282	A3	7.8	50.5	−6.7	21 9
192040006	•	Leco pte Town	12,880	8.50	4.64	−45.4	9.52	16.8	5.57	−34.4	1,516	2,454	A3	7.8	50.0	−.1	21.9
192040007	•	Pineville City	47,858	4.22	2.30	−45.4	4.93	16.8	2.77	−34.4	11,337	3,444	A	7.8	52.3	14.9	21.9
192040008	•	Woodworth Village	1,891	4.72	2.57	−45.4	5.51	16.8	3.09	−34.5	401	2,394	A3	7.8	54.3	−2.0	21.9
192040701	•	Monary Village	812	3.19	1.74	−45.3	3.72	16.7	2.09	−34.4	255	4,944	A	7.8	54.3	15.9	51.9
192040902	•	Ball Town	2,264	1.29	.76	−41.4	1.29	0	.91	−29.6	1,751	3,213	A	7.8	52.9	6.6	21.9
County total			689,047														
191041039		Red River Parish	16,078	1.72	.94	−45.4	1.41	−18.1	.79	−54.0	9,368	2,327	1B34	5.6	50.4	1.5	22.7
192041001		Coushatta Town	8,185	5.66	4.23	−25.4	3.92	−30.8	2.20	−61.1	1,445	3,198	1B34	5.6	47.6	−3.2	22.7
192041501		Hall Summit Village	338	1.62	1.06	−34.3	1.35	−16.3	.77	−52.7	209	2,532	1B4	5.6	49.6	10.0	22.7
192041701		Edgefield Village	122	.58	.39	−33.0	.45	−23.2	.30	−49.3	210	3,354	1B34	5.6	49.6	4.5	22.7
192041801		Martin Village	249	.58	.39	−33.2	.45	−23.2	.30	−48.9	428	2,922	1B34	5.6	49.6	2.9	22.7
County total			24,972														
191042040		Richland Parish	162,619	7.50	4.09	−45.4	8.74	16.6	4.91	−34.5	21,683	2,551	13D	9.3	58.7	−.4	6.1
192042001		Delhi Town	16,701	5.89	3.21	−45.4	6.87	16.6	3.86	−34.5	2,836	3,565	13D	9.3	61.2	−1.8	6.1
192042002		Mangham Town	2,657	3.59	2.18	−39.4	3.59	0	2.61	−27.3	740	3,210	12D	9.3	41.0	36.0	6.1
192042003		Rayville Town	58,563	14.67	8.01	−45.4	17.10	16.6	9.60	−34.5	3,992	2,689	123D	9.3	53.6	.8	6.1
County total			240,540														
191043041		Sabine Parish	53,154	2.72	1.48	−45.4	3.36	23.5	1.88	−30.7	19,558	2,536	A23	6.6	53.7	4.9	29.9
192043001		Converse Village	594	1.48	.81	−45.3	1.82	23.3	1.02	−30.7	402	3,095	A2	6.6	52.6	7.2	29.9
192043002		Many Town	7,138	2.22	1.40	−37.0	2.22	0	1.77	−20.0	3,217	3,400	A23	6.6	53.9	3.4	29.9
192043003		Noble Village	236	1.25	.69	−45.3	1.03	−17.7	.58	−53.8	188	2,958	12C	6.6	52.7	−10.0	29.9
192043004		Pleasant Hill Town	1,427	1.79	1.10	−38.2	1.79	0	1.40	−21.5	799	2,583	A23	6.6	53.5	−3.3	29.9
192043005		Zwolfe Town	6,812	3.31	1.71	−45.4	3.86	23.5	2.17	−30.7	2,178	2,018	A23	6.6	52.3	.4	29.9

TABLE 5A.—U.S. DEPARTMENT OF TREASURY—SUPPLEMENTARY FISCAL ASSISTANCE PROGRAM TRIALS—DETAILED DATA LISTING—Continued

Government code	SMSA	Title	X1	PCX1	PCX2	Pct. dif.	PCX3	Pct. dif.	PCX4	Pct. dif.	Pop. 1975	PC174	Elig. factor	Rou. pct.	Pch. pct.	Pch. Pop	Pch. emp.
192043501		Florien Village	512	.84	.46	−45.5	.86	3.2	.58	−30.6	612	3,072	A23	6.6	52.3	−4.2	29.9
192043901		Fisher Village	128	.63	.42	−33.4	.85	35.5	.57	−9.2	204	2,737	A23	6.6	52.6	6.8	29.9
County total	•		69,999														
191044042		St. Bernard Parish, total	316,716	5.44	3.14	−42.2	5.44	0	3.78	−30.6	58,188	4,021	A	9.1	53.1	13.7	29.8
191045043		St. Charles Parish, total	40,078	1.24	.68	−45.4	1.53	23.5	.86	−30.7	32,312	3,717	A	5.4	60.7	9.3	81.9
191046044		St. Helena Parish	54,538	5.73	3.13	−45.4	7.08	23.5	3.98	−30.7	9,510	2,033	A23	6.8	53.0	−4.3	43.0
192046001		Greensburg Town	2,733	4.28	3.36	−21.4	4.28	0	4.27	−.2	639	2,477	A23	6.8	54.9	−2.0	43.0
192046501		Montpelier Village	449	2.61	1.42	−45.5	1.58	−39.7	.88	−66.4	172	4,239	1C	6.8	57.2	−18.5	43.0
County total			57,720														
191047045		St. James Parish	95,781	4.91	2.68	−45.4	6.06	23.5	3.40	−30.7	19,507	2,981	A3	8.0	68.6	−1.1	38.4
192047001		Gramercy Town	5,594	2.16	1.18	−45.4	2.66	23.5	1.49	−30.7	2,594	3,690	A23	8.0	48.7	1.1	38.4
192047002		Lutcher Town	10,299	2.65	1.44	−45.4	3.27	23.5	1.83	−30.7	3,893	2,818	A23	8.0	50.1	−.5	38.4
County total			111,674														
191048046		St. John the Baptist, total	29,827	1.19	.65	−45.4	1.47	23.5	.83	−30.7	24,980	3,121	A3	5.9	65.7	4.9	89.3
191049047		St. Landry Parish	270,639	3.36	1.83	−45.4	4.15	23.5	2.33	−30.7	80,553	2,472	A34	10.3	59.7	.2	12.7
192049001p		Arnaudville Town	17,853	11.00	6.00	−45.4	11.95	8.6	7.63	−30.7	1,623	2,999	(*)				
192049001049		Arnaudville Twns	0	0	0	0	0	0	0	0	1,492	3,008	A34	10.3	77.6	−3.7	12.7
192049001050		Arnaudville Twns	0	0	0	0	0	0	0	0	131	2,902	A3	6.0	69.6	6.5	75.7
192049002p		Eunice City	192,855	16.55	9.03	−45.4	20.43	23.5	11.47	−30.7	11,656	3,059	(*)				
192049002001		Eunice City, Acadia	0	0	0	0	0	0	0	0	134	3,545	A	4.6	76.4	19.6	35.0
192049002049		Eunice City, St. Landry	0	0	0	0	0	0	0	0	11,522	3,053	A34	10.3	56.6	2.2	12.7
192049003		Grand Coteau Town	6,469	5.77	3.91	−32.3	5.77	0	4.97	−14.0	1,121	2,666	A34	10.3	63.5	−13.8	12.7
192049004		Krotz Springs Village	12,531	9.15	4.99	−45.4	11.29	23.5	6.34	−30.7	1,370	3,302	A34	10.3	55.8	−4.5	12.7
192049005		Leonville Village	2,900	4.55	2.48	−45.4	4.68	2.9	3.15	−30.7	638	2,410	A4	10.3	64.7	24.6	12.7
192049006		Melville Town	5,672	3.17	1.73	−45.4	3.92	23.5	2.20	−30.7	1,787	2,492	A34	10.3	61.2	−10.1	12.7
192049007		Opelousas City	332,154	16.74	9.14	−45.4	18.34	9.6	11.60	−30.7	19,847	2,840	A34	10.3	57.6	−2.6	12.7
192049008		Palmetto Village	1,919	6.69	3.65	−45.4	8.26	23.5	4.63	−30.7	287	2,937	A34	10.3	65.3	−8.0	12.7
192049009		Port Barre Town	34,976	16.42	8.96	−45.4	20.28	23.5	11.39	−30.7	2,130	2,529	A34	10.3	65.3	−.1	12.7
192049010		Sunset Town	19,559	11.10	8.01	−27.9	11.10	0	10.17	−8.4	1,762	2,429	A34	10.3	64.5	5.2	12.7
192049011		Washington Town	11,018	7.61	4.15	−45.4	9.40	23.5	5.28	−30.7	1,448	2,088	A34	10.3	63.3	−1.7	12.7
192049701		Cankton Village	2,602	10.24	7.54	−26.4	10.24	0	9.58	−6.5	254	1,945	A34	10.3	65.3	−2.3	12.7
County total			911 147														

192050048		St. Martin Parish	71,766	2.08	1.14	−45.4	2.57	23.5	1.45	−30.7	34,436	2,525	A3	6.0	69.2	6.1	75.7
192050001		Beaux Bridge Town	17,964	3.67	2.00	−45.4	4.53	23.5	2.54	−30.7	4,900	2,984	A23	6.0	54.7	−0.8	75.7
192050002		Parks Village	816	1.74	.95	−45.5	1.50	−14.1	.84	−51.7	468	2,267	1C	6.0	70.7	−4.7	75.7
192050003		St. Martinville Town	15,932	2.17	1.76	−19.0	2.17	0	2.17	0	7,349	2,431	A3	6.0	67.9	2.7	75.7
192050801		Henderson Town	3,853	3.17	1.73	−45.4	3.91	23.5	2.19	−30.7	1,217	2,500	A	6.0	65.5	9.9	75.7
County total			110,331														
191051049		St. Mary Parish	37,663	.62	.62	0	.29	−53.9	.16	−74.1	60,680	3,339	12C	4.7	54.1	−0.1	45.3
192051001		Baldwin Town	1,213	.50	.27	−45.5	.62	23.4	.35	−30.6	2,424	3,160	A	4.7	55.4	14.5	45.3
192051002		Berwick Town	11,061	2.77	2.77	0	.71	−74.3	.40	−85.5	3,996	3,464	1B3	4.7	47.7	−4.1	45.3
192051003		Franklin Town	37,105	4.15	2.26	−45.4	.50	−87.9	.28	−93.2	8,944	3,288	1C	4.7	58.5	−4.1	45.3
192051004		Morgan City	13,344	.82	.82	0	.64	−21.2	.36	−55.7	16,359	3,778	12C	4.7	53.8	−1.4	45.3
192051005		Patterson Town	4,601	1.01	1.01	0	.65	−36	.36	−64.1	4,540	3,361	12C	4.7	54.5	3.0	45.3
County total			104,987														
191052050	•	St. Tammany Parish	130,759	1.69	.92	−45.4	1.97	16.8	1.11	−34.4	77,449	3,864	A	8.8	50.1	21.8	5.19
192052001	•	Abita Springs Town	3,110	3.28	1.79	−45.4	3.83	16.8	2.15	−34.4	949	3,816	A	8.8	67.6	13.1	59.1
192052002	•	Covington City	63,482	7.75	4.23	−45.4	8.68	11.9	5.09	−34.4	8,187	3,857	A	8.8	57.4	14.2	59.1
192052003	•	Madisonville Town	3,538	4.57	2.49	−45.4	5.33	16.8	2.99	−34.4	775	3,881	A23	8.8	42.8	−3.2	59.1
192052004	•	Mandeville Town	23,351	6.47	3.53	−45.4	7.11	9.8	4.24	−34.4	3,608	4,268	A	8.8	57.1	40.3	59.1
192052005	•	Pearl River Town	7,001	4.31	2.35	−45.4	5.03	16.8	2.83	−34.4	1,624	3,295	A2	8.8	43.0	19.3	59.1
192052006	•	Slidell City	136,234	6.48	3.54	−45.4	7.57	16.8	4.25	−34.4	21,014	4,274	A	8.8	50.5	30.5	59.1
192052501	•	Folsom Village	2,303	8.59	7.16	−16.7	8.59	0	8.59	0	268	3,242	A	8.8	49.3	7.6	59.1
192052502	•	Sun Village	1,440	5.88	4.55	−22.6	5.88	0	4.66	−20.8	245	2,571	1C	8.8	49.3	−14.9	59.1
County total			371,217														
191053051		Tangipahoa Parish	290,193	4.09	2.23	−45.4	5.05	23.5	2.84	−30.7	70,922	2,588	A24	9.2	51.6	7.7	22.6
192053001		Amite City Town	49,595	13.56	7.40	−45.4	14.10	3.9	9.40	−30.7	3,657	2,653	A234	9.2	46.4	1.8	22.6
192053002		Hammond City	173,167	12.51	8.46	−32.4	12.51	0	9.40	−24.9	13,838	2,864	1B4	9.2	40.1	10.8	22.6
192053003		Independence Town	16,420	8.31	4.54	−45.4	9.87	18.7	5.75	−30.8	1,975	2,575	1B4	9.2	42.0	11.6	22.6
192053004		Kentwood Town	36,413	13.56	7.40	−45.4	16.75	23.5	9.40	−30.7	2,685	2,328	A234	9.2	48.8	−1.9	22.6
192053005		Ponchatoula Town	56,531	12.14	6.63	−45.4	14.99	23.5	8.42	−30.7	4,656	2,840	A234	9.2	49.1	2.4	22.6
192053006		Roseland Town	7,434	6.49	3.54	−45.4	7.03	8.2	4.50	−30.7	1,145	2,122	A234	9.2	47.1	−10.1	22.6
192053501		Tickfaw Village	1,541	4.06	2.21	−45.4	4.25	4.7	2.81	−30.6	380	2,057	A234	9.2	45.2	2.7	22.6
192053502		Tangipahoa Village	4,690	11.04	6.03	−45.4	13.63	23.5	7.65	−30.7	425	2,129	A234	9.2	45.3	−9.4	22.6
192053901		Woodhaven Village	0	0	0	0	0	0	0	0	313	2,749	A24	9.2	45.2	7.6	22.6
County total			635,984														
191054052		Tensas Parish	40,838	4.68	2.56	−45.4	3.96	−15.4	2.22	−52.5	8,723	2,268	1C4	6.7	81.9	−10.4	17.0
192054001		Newellton Town	6,801	5.54	4.98	−10.0	5.54	0	3.86	−30.2	1,228	2,551	1C4	6.7	78.1	−12.5	17.0

TABLE 5A.—U.S. DEPARTMENT OF TREASURY—SUPPLEMENTARY FISCAL ASSISTANCE PROGRAM TRIALS—DETAILED DATA LISTING—Continued

Governmen. code	SMSA	Title	X1	PCX1	PCX2	Pct. dif.	PCX3	Pct. dif.	PCX4	Pct. dif.	Pop. 1975	PC174	Elig. factor	Rou. pct.	Pch. pct.	Pch. pop.	Pch. emp.
192054002		St. Joseph Town	6,108	3.47	1.90	−45.4	4.05	16.6	2.27	−34.5	1,759	2,502	1C4	6.7	78.5	−5.6	17.0
192054003		Waterproof Town	4,017	3.79	3.79	0	3.79	0	2.60	−31.5	1,060	2,160	1C4	6.7	94.8	−26.3	17.0
County total			57,764														
191055053		Terrebonne Parish	0	0	0	0	0	0	0	0	81,791	3,410		3.9	56.2	7.6	43.5
192055001		Houma City	0	0	0	0	0	C	0	0	30,588	4,001	3	3.5	58.2	−1.1	43.5
191056054		Union Parish	32,757	1.68	.92	−45.4	2.08	23.5	1.17	−30.7	19,442	2,755	A23	6.3	50.1	5.4	38.1
192056001		Bernice Town	2,896	1.59	.87	−45.4	1.73	9.2	.97	−38.7	1,825	2,986	1B3	6.3	49.4	1.7	38.1
192056002		Farmerville Town	9,121	2.44	2.44	0	2.44	0	2.11	−13.8	3,732	2,651	1B	6.3	42.8	9.3	38.1
192056003p		Junction City	834	1.08	.59	−45.3	.91	−15.8	.51	−52.6	770	3,469	(*)				
192056003014		Junction City, Claiborne	0	0	0	0	0	0	0	0	172	3,733	12D	6.3	51.8	8.2	5.7
192056003056		Junction City, Union	0	0	0	0	0	0	0	0	598	3,394	A23	6.3	51.0	4.2	38.1
192056004		Marion Village	2,517	3.57	1.95	−45.4	2.34	−34.3	1.31	−63.1	706	3,122	1C	6.3	63.0	−11.3	38.1
192056501		Spearsville Village	129	.69	.46	−33.1	.73	5.0	.48	−30.0	186	2,592	12C	6.3	51.4	−5.6	38.1
192056701		Lillie Village	150	1.07	.71	−33.5	.73	−32.2	.49	−54.8	140	2,460	12C	6.3	51.4	−12.5	38.1
192056901p		Downsville Village	76	.41	.28	−33.0	.52	24.7	.84	−17.3	184	2,740	(*)				
192056901031		Downsville Village, Lincoln	0	0	0	0	0	0	0	0	42	3,225		4.0	71.5	10.5	31.7
192056901056		Downsville Village, Union	0	0	0	0	0	0	0	0	142	2,596	A2	6.3	51.4	16.4	38.1
County total			48,481														
191057055		Vermillion Parish	40,035	.09	.49	−45.4	1.11	23.5	.62	−30.7	44,596	3,347	A3	5.4	69.5	3.5	40.9
192057001		Abbeville Town	19,484	1.55	.85	−45.4	1.72	10.9	.97	−37.7	12,549	3,092	12C	5.4	53.8	1.5	40.9
192057002p		Delcambre Town	6,560	3.02	3.02	0	1.50	−50.3	.84	−72.1	2,169	2,422	(*)				
192057002023		Delcambre Twn., Iberia	0	0	0	0	0	0	0	0	865	2,725	A	4.6	55.1	11.6	38.6
192057002057		Delcambre Twn., Vermilion	0	0	0	0	0	0	0	0	1,304	2,222	1B	5.4	38.6	8.7	40.9
192057003		Erath Town	1,487	.70	.70	0	.70	0	.64	−9.4	2,112	2,931	1B3	5.4	46.9	4.3	40.9
192057004		Gueydan Town	725	.38	.38	0	.38	0	.25	−35.3	1,888	3,769	1C	5.4	71.5	−4.8	
192057005		Kaplan City	3,826	.72	.72	0	.72	0	.72	0	5,326	3,245	1C	5.4	59.9	−3.9	40.9
192057006		Maurice Village	343	.68	.37	−45.5	.84	23.7	.47	−30.9	502	3,127	A3	5.4	56.9	5.5	40.9
County total			72,460														
191058056		Vernon Parish	71,674	1.41	.77	−45.4	1.67	18.1	.98	−30.7	50,781	3,633	A234	10.1	50.1	−5.6	11.8
192058001		Hornbeck Town	1,062	2.24	1.22	−45.5	2.77	23.4	1.55	−30.7	474	2,538	A234	10.1	49.5	−9.7	11.8
192058002		Leesville Town	83,570	9.86	5.38	−45.4	10.83	9.8	6.84	−30.7	8,473	3,207	A234	10.1	51.7	−5.1	11.8
192058003		Newlland Village	4,627	2.23	1.22	−45.4	2.53	13.6	1.55	−30.7	2,076	3,545	A4	10.1	59.5	15.3	11.8
192058004		Rosepine Village	1,938	2.84	1.55	−45.4	3.47	22.1	1.97	−30.7	682	3,509	A24	10.1	51.3	16.2	11.8
192058801		Simpson Village	800	1.63	.89	−45.4	2.02	23.5	1.13	−30.6	490	3,564	A234	10.1	52.0	−.2	11.8
County total			163,671														

191059057		Washington Parish	136,659	3.21	2.91	−9.3	2.97	−7.	1.67	−48.1	42,552	2,932	123D	8.4	46.4	1.3	−7.3
192059001		Angie Village	2,729	8.66	4.73	−45.4	4.82	−44.4	2.70	−68.9	315	2,795	123D	8.4	47.8	−.6	−7.3
192059002		Bogalusa City	341,274	18.90	13.64	−27.8	13.90	−26.5	7.90	−58.7	18,058	3,335	123D	8.4	53.1	−1.9	−7.3
192059003		Franklinton Town	39,059	11.45	11.45	0	11.45	0	7.80	−31.9	3,411	2,598	123D	8.4	40.7	−4.2	−7.3
192059004		Varnado Village	795	2.45	1.88	−23.1	1.92	−21.6	1.08	−56.0	325	2,560	123D	8.4	47.8	1.6	−7.3
County total			520,516														
191060058	*	Webster Parish	61,723	1.54	.84	−45.4	1.66	7.8	1.01	−34.4	39,988	3,209	A3	7.6	45.8	.1	18.4
192060001	*	Cotton Valley Town	4,248	3.90	3.25	−16.7	3.90	0	2.57	−34.2	1,088	3,069	1C	7.6	51.2	−13.7	18.4
192060002	*	Cullen Town	8,644	4.52	2.61	−42.2	4.52	0	3.13	−30.6	1,914	2,546	A23	7.6	41.7	−2.1	18.4
192060003	*	Doyline Village	865	1.11	.71	−35.7	1.11	0	.86	−22.8	781	3,179	A	7.6	46.8	9.1	18.4
192060004	*	Heflin Village	537	2.00	1.12	−43.8	1.52	−23.6	.86	−57.2	269	2,725	1C	7.6	47.5	−14.3	18.4
192060005	*	Minden City	70,946	5.14	3.00	−41.6	5.14	0	3.60	−29.9	13,813	3,320	A23	7.6	42.8	−1.3	18.4
192060006	*	Sarepta Village	2,502	2.91	1.85	−36.4	2.91	0	2.22	−23.6	861	3,850	A3	7.6	47.5	−2.4	18.4
192060007	*	Sibley Town	2,424	2.55	1.39	−45.4	2.98	16.8	1.67	−34.4	951	2,468	A	7.6	44.8	9.4	18.4
192060008	*	Springhill City	33,783	5.50	3.00	−45.4	5.56	1.1	3.61	−34.4	6,138	3,961	A3	7.6	44.7	−5.5	18.4
192060502	*	Dubberly Village	218	.92	.71	−22.9	.92	0	.85	−7.8	236	3,079	A	7.6	47.5	11.3	18.4
192060801	*	Dixie Inn Village	536	1.14	.71	−37.5	1.14	0	.86	−25.0	470	3,307	A3	7.6	45.7	3.1	18.4
192060802	*	Shongaloo Village	166	.98	.65	−33.1	1.25	28.3	.84	−14.5	170	3,424	A3	7.6	47.5	−1.7	18.4
County total			186,592														
191061059	*	West Baton Rouge	44,614	2.55	1.39	−45.4	2.97	16.8	1.67	−34.4	17,522	2,957	A3	6.1	59.4	3.9	72.2
192061001	*	Addis Village	1,741	2.46	1.34	−45.4	2.80	14.1	1.57	−35.9	709	3,043	1C	6.1	64.8	−2.1	72.2
192061002	*	Brusly Landing Village	2,936	2.10	1.15	−45.5	2.45	16.8	1.38	−34.4	1,398	2,990	A	6.1	62.5	9.0	72.2
192061003	*	Port Allen Town	23,695	4.08	2.23	−45.4	4.77	16.8	2.68	−34.4	5,804	3,338	A3	6.1	53.7	1.3	72.2
County total			72,987														
191062060		West Carroll Parish	172,546	13.37	7.30	−45.4	16.51	23.5	9.27	−30.7	12,906	2,601	A34	14.8	56.5	−.9	9.6
192062001		Epps Village	6,204	13.58	7.41	−45.4	16.77	23.5	9.41	−30.7	457	3,057	A34	14.8	55.9	2.0	9.6
192062002		Kilbourne Village	1,673	4.10	2.24	−45.4	5.06	23.5	2.84	−30.6	408	2,573	A4	14.8	55.1	10.3	9.6
192062003		Oak Grove Town	32,135	16.33	8.91	−45.4	20.16	23.5	11.32	−30.7	1,968	3,440	A234	14.8	50.3	−.6	9.6
196062004		Pioneer Village	975	5.13	2.80	−45.4	6.34	23.5	3.56	−30.7	190	2,075	A34	14.8	56.3	1.1	9.6
192062801		Forest Village	910	4.10	2.23	−45.5	4.57	11.5	2.84	−30.7	222	3,416	A34	14.8	56.3	.5	9.6
County total			214,443														
191063061		West Feliciana Parish	98,886	10.41	5.68	−45.4	12.85	23.5	7.22	−30.7	9,503	1,641	A3	9.7	60.6	−11.7	47.7
192063001		St. Francisville Town	20,316	15.00	8.19	−45.4	18.53	23.5	10.40	−30.7	1,354	3,534	A3	9.7	56.6	−15.5	47.7
County total			119,202														
191064062		Winn Parish	17,613	1.09	1.09	0	1.07	−1.9	.60	−44.9	16,168	2,977	123D	5.8	47.3	−1.2	2.0
192064001		Calvin Village	777	2.46	1.34	−45.4	.64	−74.0	.36	−85.3	316	2,517	12D	5.8	47.0	10.5	2.0
192064002		Dodson Village	736	1.58	1.58	0	1.01	−36.4	.57	−64.3	465	2,302	123D	5.8	46.5	1.8	2.0

TABLE 5A.—U.S. DEPARTMENT OF TREASURY—SUPPLEMENTARY FISCAL ASSISTANCE PROGRAM TRIALS—DETAILED DATA LISTING—Continued

Government code	SMSA	Title	X1	PCX1	PCX2	Pct. dif.	PCX3	Pct. dif.	PCX4	Pct. dif.	Pop. 1975	PC174	Elig. factor	Rou. pct.	Pch. pct.	Pch. pop.	Pch. emp.
192064003		Sikes Village	464	1.84	1.23	−33.2	.53	−71.4	.35	−81.0	252	2,772	123D	5.8	47.1	6.3	2.0
192064004		Winnfield City	7,709	1.18	1.18	0	1.18	0	.67	−43.0	6,549	2,808	123D	5.8	48.0	−8.3	2.0
County total			27,299														
State total			21,310,004														
20		State of Maine	0	0	2.86	0	0	0	2.89	0	1,063,894	3,644	A24	8.4	43.0	7.1	17.5
201001001	•	Androscoggin County	48,974	.52	.28	−45.4	.16	16.8	.34	−34.4	94,094	3,600	A234	7.9	40.8	3.1	11.4
202001001	•	Auburn City	223,511	9.59	5.24	−45.4	11.20	16.8	6.29	−34.4	23,304	3,974	A234	8.5	40.6	−3.5	13.2
202001002	•	Lewiston City	314,932	7.67	4.19	−45.4	8.96	16.8	5.03	−34.4	41,045	3,630	A234	7.4	42.8	−1.8	13.2
203001002	•	Durham Town	3,994	2.43	1.33	−45.4	2.84	16.8	1.59	−34.4	1,643	3,329	A24	7.4	39.4	30.0	12.3
203001003	•	Greene Town	14,949	5.75	4.65	−19.1	5.75	0	4.57	−20.5	2,600	2,974	1D	10.6	51.1	46.7	−8.9
203001004	•	Leeds Town	6,715	5.49	3.00	−45.4	5.24	−4.5	2.94	−46.3	1,224	3,330	1D	10.6	44.9	18.7	−8.9
203001006	•	Lisbon Town	43,642	5.62	3.07	−45.4	6.56	16.8	3.69	−34.4	7,765	3,154	A24	8.5	37.0	18.7	13.2
203001007	•	Livermore Town	5,832	3.57	2.26	−36.6	3.57	0	2.23	−37.7	1,633	3,476	123D	10.6	39.2	1.4	−8.9
203001008	•	Livermore Falls Town	22,433	7.28	5.04	−30.7	7.28	0	4.95	−31.9	3,083	3,735	123D	10.6	40.3	−10.6	−8.9
203001009	•	Mechanic Falls Town	4,912	1.88	1.02	−45.4	2.03	8.1	1.14	−39.3	2,618	3,356	1B	6.0	40.2	19.4	30.2
203001010	•	Minot Town	1,676	1.79	.97	−45.4	2.08	16.8	1.17	−34.4	943	3,450	A3	6.0	55.6	2.6	30.2
203001011	•	Poland Town	4,239	1.61	.88	−45.4	1.88	16.8	1.06	−34.4	2,634	3,519	A	6.0	44.6	30.7	30.2
203001012	•	Turner Township	15,564	5.76	5.76	0	5.76	0	5.76	0	2,701	2,910	1D	10.6	48.8	20.3	−8.9
203001013	•	Wales Town	2,501	3.69	2.81	−23.8	3.69	0	2.77	−25.1	677	3,217	12D	10.6	39.6	8.5	−8.9
203001014	•	Sabattus Town	10,537	4.74	4.74	0	4.74	0	47.4	0	2,223	3,012	12D	10.6	37.2	32.2	−8.9

Senator HATHAWAY. Senator Moynihan.

Senator MOYNIHAN. A question to the Secretary. We are very grateful to you to come up here with the administration's urban program. You have worked hard on it. It has a great many supporters in this body. If the program had been larger, it might have been greater.

I would like to ask you one question first. In trying to measure need under this program, you have taken a measure of what you might call economic need of a particular governmental unit, a particular area, but not of the fiscal distress of the governmental unit as such.

You could have a city with a completely balanced budget and no debts and a contended taxpayer electorate which would still qualify under this because of the levels of unemployment. And you could have a city that would not qualify owing to the fact that the economy was not in bad shape, but the fiscal structure none the less, may be in ruin and the city may be in distress, and on the edge of bankruptcy.

That is correct, is it not, Mr. Carswell?

Mr. CARSWELL. Yes. That was true under the old countercyclical approach, too. The present countercyclical——

Senator MOYNIHAN. I would like to make a point. We do read up here. The old countercyclical was just that. It was countercyclical. This was an urban program. This partciular program does not address itself to the question as to the high correlation between economic well-being and the fiscal condition of city government, but not a total correlation, by any means. The correlation might be 0.4. It is not very high.

For example, you might find that a city very dear to me, the city of New York, that lost 400,000 jobs—we are just beginning to gain a little bit—would turn out to be pretty well off under this formula in spite of the fact of a debt service that is almost equal now to our educational costs. This does not go to the condition of city government. Point 1.

Point 2: I know it is hard working on the task force. As a result of 1 year's effort to target urban problems, you have increased the number of units of government that will receive this aid from 24,000 to 26,000. You are now targeting this aid on the majority.

Mr. CARSWELL. That is the eligibility level. The targeting within the eligibility is considerably steeper, 23 percent of the funds under the administration program would go to 10 most distressed large cities, 33 percent goes to the 48 largest cities.

Senator MOYNIHAN. 26,000 units of government for an urban program. Sir, that 20 percent, would you give us a comparison with that ratio under what AFRA would be?

Mr. CARSWELL. About the same.

Senator MOYNIHAN. No difference.

Mr. CARSWELL. The distressed cities are capped. They are going to come about out the same in aggregate.

New York, for instance, would get the same, because, if you took off the cap——

Senator MOYNIHAN. Why the cap?

Mr. CARSWELL. The cap is partly because we do not have unlimited funds available.

Senator MOYNIHAN. Why not let the formula work its will with the funds you do have available?

Mr. CARSWELL. Then you would see, I take it, various dropouts at the bottom and you would have Senator Long's question in spades, and you would have an argument, the kind of argument that you are making, as to whether the unemployment test really is not the only test of whether a community ought to get some aid.

It is rough justice, is the best I can say.

Senator MOYNIHAN. My time has run out. Could you give this committee a table showing what would be the allocation without the cap?

Mr. CARSWELL. Certainly.

[The following was subsequently supplied for the record:]

THE DEPUTY SECRETARY OF THE TREASURY,
Washington, D.C., June 22, 1978.

Hon. WILLIAM D. HATHAWAY,
Chairman, Subcommittee on Unemployment Compensation, Revenue Sharing and Economic Problems, Committee on Finance, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: For your information, I am enclosing copies of my correspondence with Chairman Long and Senator Moynihan concerning the administration's supplementary fiscal assistance program.

If I can be of any further assistance, please do not hesitate to call upon me.

Sincerely,

ROBERT CARSWELL.

Enclosures.

THE DEPUTY SECRETARY OF THE TREASURY,
Washington, D.C., June 22, 1978.

Hon. DANIEL P. MOYNIHAN,
U.S. Senate, Washington, D.C.

DEAR SENATOR MOYNIHAN: During hearings last month on the Administration's Supplementary Fiscal Assistance (SFA) program, before the Subcommittee on Unemployment Compensation, Revenue Sharing & Economic Problems of the Committee on Finance, you asked me to provide information concerning the effects of the SFA cap on allocations under the program to distressed cities. Our staff has just completed an analysis of the SFA program for the Subcommittee based on recently revised and rebenchmarked unemployment figures for 1977, the most recent data available, and revised population and per capita income data which were not previously available to us. I had awaited completion of this analysis before responding to your request so that our response would be based on the best data available.

As you know, the SFA formula caps allocations to each local government so that the annual allocation to a government cannot exceed its allocation under the countercyclical revenue sharing program during the period from July 1977 through April 1978. We have proposed this cap to avoid increasing the dependence of local governments on supplementary fiscal assistance from the Federal Government.

Annex A to this letter lists estimated allocations to the 48 largest municipal governments under (i) the SFA formula with the cap and (ii) the SFA formula uncapped. The municipal governments are listed according to the fiscal strain index developed by the Treasury in our study of local fiscal conditions which was made available to the Congress in January. Annexes B and C list the same information with respect to all cities with populations in excess of 100,000 with the cities listed according to their classification under HUD's Urban Development Action Grant (UDAG) program where cities in Class 6 are the most strained and those in Class 1 are the least strained. Annex B lists estimated allocations under SFA with a cap and Annex C lists uncapped SFA allocations. These latter Annexes provide additional information in computer output form which may be useful in your analysis.

I believe that an analysis of this information clearly demonstrates that the cap effectively achieves the results we intended while preserving the targeting of assistance to distressed governments. You will note, for example, that although removing the cap would increase total allocations to the ten high strain cities in the Treasury study by approximately $2.5 million, only 2 of the 10 high strain cities would receive a greater distribution using an uncapped formula. Buffalo, Detroit, New Orleans, Newark and Philadelphia would all receive substantially less funds. Of the 48 municipal governments in the study, 37 would lose funds if the SFA cap were eliminated.

The evidence is equally compelling in the case of UDAG Class 6 cities, those most strained. Total allocations to Class 6 cities would be reduced by approximately $3.5 million if the cap were eliminated and 30 of the 36 Class 6 cities would receive less money.

We would be pleased to answer any further questions you might have with respect to this or any other aspect of the Administration's SFA program. I look forward to working with you toward enactment of this important program.

Sincerely,

ROBERT CARSWELL.

Enclosures.

ANNEX A

SUPPLEMENTARY FISCAL ASSISTANCE—COMPARATIVE ALLOCATIONS TO 48 LCG'S

[Dollar amounts in thousands]

Cities by strain category	SFA	SFA (uncapped)
High:		
Boston	$6,574.9	$6,957.2
Buffalo	4,210.6	3,153.4
Chicago	17,544.0	16,617.5
Cleveland	5,067.9	4,540.6
Detroit	16,661.3	12,478.1
New Orleans	6,391.7	4,786.9
New York	140,372.5	160,390.1
Newark	8,501.2	6,366.8
Philadelphia	23,263.6	17,422.9
St. Louis	6,651.7	4,981.6
Subtotal	235,239.4	237,695.1
Moderate:		
Atlanta	2,253.1	2,223.9
Baltimore	8,839.2	6,620.0
Birmingham	1,962.6	1,730.0
Cincinnati	2,746.6	2,057.0
Dallas	1,572.5	1,572.5
El Paso	4,219.5	3,160.1
Fort Worth	123.3	1,390.8
Honolulu	3,590.6	2,689.1
Indianapolis	2,061.0	1,576.1
Jacksonville	1,179.4	1,111.8
Kansas City	2,197.7	2,078.2
Long Beach	1,100.0	823.9
Los Angeles	15,606.2	12,386.0
Louisville	865.2	1,879.9
Miami	3,509.7	2,658.6
Milwaukee	3,068.2	2,297.9
Minneapolis	923.9	2,137.1
Nashville-Davidson	0	0
Oakland	2,509.9	1,897.7
Omaha	54.4	260.0
Pittsburgh	4,702.7	3,522.0
St. Paul	552.6	1,375.5
San Antonio	2,291.0	1,715.8
San Francisco	6,411.8	4,802.0
Seattle	2,511.7	2,313.1
Toledo	1,348.5	1,103.1
Tulsa	105.1	379.9
Washington, D.C	10,164.5	15,224.8
Subtotal	86,740.9	80,968.5
Low:		
Columbus	1,335.5	1,082.1
Denver	2,454.4	1,838.2
Houston	329.8	247.0
Memphis	886.4	1,121.1
Norfolk	1,398.7	1,313.2
Oklahoma City	181.8	530.5
Phoenix	1,858.0	1,595.8
Portland	2,270.9	1,700.8
San Diego	3,264.5	2,444.9
San Jose	1,364.9	1,131.3
Subtotal	15,344.8	13,004.9
Total all 48	337,325.1	331,668.5

ANNEX B

U.S. DEPARTMENT OF THE TREASURY—SUPPLEMENTARY FISCAL ASSISTANCE PROGRAM, TRIAL 1

Government code and title (city)		Capped SFA trial 1 allocation	Per capita allocation	Unemployment percent RU 1977	Population 1975	Per capita income 1974	Percent change in population (1970–75)	Percent change in per capita income (1969–74)	Percent change in employment (1970–75)
	UDAG LISTING—TYPE 6								
332031001	New York City	$140,372,504	18.76	10.0	7,401,613	$4,907	−5.2	32.7	−14.0
142016016	Chicago	17,544,007	5.66	7.4	3,099,391	4,650	−8.0	36.6	4.5
392051001	Philadelphia	25,265,647	12.81	9.7	1,815,008	4,325	−6.9	43.3	−3.5
232082004	Detroit	16,661,272	12.48	9.9	1,335,005	4,423	−11.8	38.3	2.8
362018015	Cleveland	5,067,883	7.93	8.7	638,795	3,871	−14.9	37.1	9.8
222013001	Boston	6,574,944	10.33	9.6	636,725	4,267	−.7	37.9	2.0
192036001	New Orleans	6,391,698	11.42	7.7	559,770	3,986	−5.7	47.4	3.7
262096001	St. Louis	6,651,670	12.67	7.8	524,964	3,923	−15.6	43.9	−4.7
392002056	Pittsburgh	4,702,687	10.25	8.2	458,651	4,502	−11.6	46.5	−.6
362031006	Cincinnati	2,746,627	6.66	7.3	412,564	4,453	−9.0	42.0	11.6
332015005	Buffalo	4,210,587	10.34	12.0	407,160	3,984	−12.0	38.5	−.4
312007009	Newark	8,501,234	25.04	15.9	339,568	3,319	−11.1	33.2	.8
052001009	Oakland	2,509,865	7.59	10.1	330,651	5,040	−0.5	39.4	10.5
332028008	Rochester	1,264,409	4.73	8.7	267,173	4,525	−9.4	39.7	5.3
362077001	Akron	1,185,293	4.71	7.4	251,747	4,575	−8.6	39.8	4.5
312009006	Jersey City	3,275,597	13.44	12.0	243,756	4,291	−6.4	40.4	−11.0
362057004	Dayton	1,147,197	5.57	7.4	205,986	4,069	−15.8	32.3	4.5
232041004	Grand Rapids	501,962	2.67	7.0	187,946	4,426	−4.9	39.5	29.1
332034015	Syracuse	652,211	3.57	8.8	182,543	4,287	−7.5	35.8	4.3
232025004	Flint	1,319,478	7.57	9.6	174,218	4,428	−9.9	38.3	8.0
482032010	Spokane	916,199	5.27	8.5	173,698	4,552	1.9	46.9	20.8
222007003	Springfield	802,137	4.70	8.2	170,790	4,094	4.2	38.0	12.3
402004004	Providence	1,476,792	8.80	9.6	167,724	4,259	−6.4	38.5	6.7
152045005	Gary	1,118,714	6.68	8.7	167,546	4,087	−11.1	44.9	10.5
312016007	Paterson	2,260,649	14.82	15.3	152,560	3,704	5.3	30.5	−1.5
072001001	Bridgeport	1,645,913	11.51	9.0	142,960	4,334	−8.7	35.4	−2.6
072002002	Hartford	1,594,381	11.54	8.6	138,152	3,964	−12.6	27.6	2.3
362050010	Youngstown	990,403	7.49	9.7	132,203	4,147	−6.2	48.8	7.9
072005006	New Haven	1,195,263	9.42	9.1	126,845	4,215	−7.9	33.0	2.6
332001001	Albany	480,731	4.36	8.2	110,311	4,037	−4.7	39.3	.2
312020001	Elizabeth	603,565	5.78	10.0	104,405	4,776	−7.3	37.8	.8
222009001	Cambridge	699,619	6.83	8.8	102,420	5,323	2.1	36.6	3.7
362078005	Canton	577,410	5.67	8.3	101,852	4,516	−7.5	44.8	8.7
312011005	Trenton	687,055	6.78	9.6	101,365	5,036	−3.3	40.9	14.6

29-418 O - 78 - 5

222003002	Fall River	754, 369	7.51	9.7	100, 430	5, 685	3.6	38.0	6.6
222003003	New Befford	940, 608	9.39	11.2	100, 133	3, 790	−1.6	40.9	11.6

Final totals: 36, records, trial 1 equals 271,288,579.523.

UDAG LISTING—TYPE 5

052019027	Los Angeles	15, 606, 179	5.72	9.0	2, 727, 399	5, 268	−3.0	33.3	9.2
212004001	Baltimore	8, 839, 165	10.38	8.7	851, 698	4, 205	−6.0	46.2	11.3
092001001	Washington	10, 164, 482	14.29	9.7	711, 518	5, 566	−6.0	44.9	−14.5
502041009	Milwaukee	3, 068, 210	4.61	5.1	665, 796	4, 646	−7.2	46.0	11.0
052058001	San Francisco	6, 411, 818	9.65	8.5	664, 520	5, 937	−7.1	40.3	10.5
362025005	Columbus	1, 335, 521	2.49	6.4	535, 610	4, 294	−.8	42.0	19.0
262048006	Kansas City	2, 197, 677	4.65	6.9	472, 529	4, 795	−6.9	44.1	13.6
112060002	Atlanta	2, 523, 140	5.79	9.6	436, 057	4, 547	−11.9	44.1	20.3
382026003	Portland	2, 270, 904	6.37	7.2	356, 732	5, 267	−6.7	49.1	26.2
182058014	Louisville	665, 249	2.58	5.5	335, 954	4, 490	−7.1	51.9	8.5
222014004	Worcester	628, 788	3.66	7.1	171, 566	4, 444	−2.8	37.2	17.2
482027016	Tacoma	1, 541, 417	10.19	10.5	151, 267	4, 590	−2.0	44.8	13.3
152082001	Evansville	82, 982	.62	5.5	133, 566	4, 306	−3.7	48.8	17.9
392025007	Erie	522, 150	4.08	7.6	127, 895	4, 106	−1.1	48.5	12.2
052001003	Berkeley	641, 494	5.81	10.7	110, 465	5, 566	−3.2	41.1	10.5
112025003	Savannah	559, 198	5.07	7.9	110, 348	3, 875	−6.8	55.1	11.8
072005008	Waterbury	906, 022	8.46	9.1	107, 065	4, 445	−.9	35.4	8.0
362048007	Toledo	1, 348, 496	3.67	7.6	367, 650	4, 529	−4.0	39.3	12.9

Final totals: 18 record, trial 1 equals 58,328,928.218.

UDAG LISTING—TYPE 4

062016001	Denver	2, 454, 427	5.03	7.0	488, 434	5, 667	−5.1	60.4	16.3
482017021	Seattle	2, 511, 740	5.16	8.4	487, 091	5, 713	−8.2	41.0	15.3
242027020	Minneapolis	923, 939	2.44	4.9	378, 112	5, 121	−13.0	47.1	20.8
442220011	Fort Worth	123, 292	.34	6.2	358, 364	4, 598	−8.9	42.2	24.4
052013026	Long Beach	1, 100, 035	3.28	8.0	335, 602	5, 645	−7.1	42.7	9.2
012037003	Birmingham	1, 962, 567	7.10	7.9	276, 273	4, 056	−9.7	58.4	20.3
052034005	Sacramento	1, 339, 343	5.14	9.3	260, 822	4, 822	1.4	42.5	34.2
472127001	Richmond	562, 313	2.42	5.1	232, 652	4, 926	−6.7	56.6	29.9
332060028	Yonkers	457, 677	2.38	8.1	192, 509	5, 758	−5.8	35.7	5.0
172105005	Kansas City	577, 530	3.43	6.3	168, 149	4, 220	−6.0	48.9	8.9
432033001	Chattanooga	353, 911	2.17	6.7	162, 842	3, 939	−3.0	50.3	16.2
142101006	Rockford	406, 547	2.79	6.5	145, 459	5, 023	−1.3	42.5	8.1
232031003	Lansing	574, 850	4.53	7.9	126, 805	4, 571	−3.5	35.8	23.8
112011001	Macon	713, 609	5.89	8.6	121, 157	4, 106	−1.0	51.8	14.9
052035004	Stockton	1, 142, 240	9.71	11.2	117, 600	4, 660	6.9	49.4	35.3
052013035	Pasadena	167, 225	1.55	6.3	108, 220	6, 201	−4.2	35.2	9.2
352039002	Allentown	331, 879	3.11	7.4	106, 624	4, 816	−3.0	47.8	9.2
052036010	San Bernardino	805, 295	7.89	9.1	102, 076	4, 185	−6.5	44.2	24.7

Final totals: 18 records, trial 1 equals 16,508,417.7406.

ANNEX B

U.S. DEPARTMENT OF THE TREASURY—SUPPLEMENTARY FISCAL ASSISTANCE PROGRAM, TRIAL 1—Continued

Government code and title (city)	Capped SFA trial 1 allocation	Per capita allocation	Unemployment percent RU 1977	Population 1975	Per capita income 1974	Percent change in population (1970–75)	Percent change in per capita income (1969–74)	Percent change in employment (1970–75)
UDAG LISTING—TYPE 3								
442015010 San Antonio	$2,290,969	2.96	7.2	773,248	$3,668	9.1	51.2	28.3
442071002 El Paso	4,219,544	10.94	11.7	385,691	3,514	19.7	47.0	34.8
472122001 Norfolk	1,398,650	4.88	6.1	286,694	4,186	−6.9	49.9	29.7
102025003 Tampa	1,507,758	5.38	8.4	280,340	4,335	.9	56.0	34.6
242062009 St. Paul	552,626	1.98	4.6	279,535	4,936	−9.8	45.3	20.4
172089014 Wichita	100,111	.38	5.0	264,901	4,935	−4.2	51.6	31.2
012045004 Mobile	1,234,009	6.28	8.6	196,441	4,213	3.4	60.3	25.5
192009003 Shreveport	496,895	2.68	5.7	185,711	4,206	2.0	51.1	14.1
152002001 Fort Wayne	90,256	.49	5.7	185,200	4,720	.2	44.1	13.6
432049001 Knoxville	39,844	.22	5.3	183,383	4,195	5.0	53.0	61.5
052010005 Fresno	1,016,017	5.76	8.4	176,528	4,307	5.4	50.9	26.5
452016005 Salt Lake City	316,889	1.86	5.9	169,917	5,007	−3.4	53.4	26.8
502011011 Madison	305,332	1.82	3.5	168,196	4,950	−2.1	42.7	34.8
052053012 Riverside	423,881	2.81	7.4	150,612	4,709	7.5	39.6	24.7
052019017 Glendale	67,837	.51	5.8	132,360	6,314	−.2	38.3	9.2
262036003 Springfield	10,830	.08	4.9	131,557	4,182	9.5	46.9	38.4
142072011 Peoria	272,338	2.16	6.2	125,983	5,416	−.8	53.0	15.7
152071008 South Bend	96,728	.82	5.8	117,478	4,756	−7.7	44.4	11.7
412040001 Columbia	309,663	2.77	6.8	111,616	4,110	−1.7	58.0	33.1
472125001 Portsmouth	478,826	4.41	6.6	108,674	4,276	−2.1	62.2	29.7
062051001 Pueblo	725,163	6.89	9.3	105,312	4,284	5.3	65.3	14.8
172001006 Stamford	314,533	2.99	6.6	105,151	6,539	−3.4	37.7	12.5
152045007 Hammond	112,858	1.08	6.2	104,892	4,939	−2.9	48.5	10.5
472126001 Roanoke	453,202	4.51	6.0	100,585	5,401	−4.8	56.6	23.7
Final totals: 24 records, trial 1=16,834,758.8923.								
UDAG LISTING—TYPE 2								
102011013 Miami	3,509,697	9.61	10.2	365,082	4,319	9.0	52.8	21.0
442178003 Corpus Christi	758,691	3.53	7.1	214,858	4,040	5.0	25.8	19.9
252025004 Jackson	202,899	1.09	6.0	185,415	4,497	2.5	75.9	32.9
112106002 Columbus	691,848	4.34	7.0	159,352	4,153	−4.3	55.8	12.4

012051001	Montgomery	257,034	1.68	6.3	153,543	4,297	9.5	55.0	24.1
442121001	Beaumont	347,581	3.06	7.3	113,696	4,671	−3.3	56.6	17.4
342032001	Durham	60,500	.60	5.2	101,224	4,444	6.1	55.4	31.9

Final totals, 7 records, trial 1 equals 5,328,250.6484.

UDAG LISTINGS—CLASS 1

012045001	Huntsville	325,290	2.38	7.5	136,419	5,039	−2.1	44.4	15.7
032010002	Tucson	1,229,016	4.05	7.8	303,137	4,374	13.3	51.4	44.3
042060004	Little Rock	63,509	.45	4.8	141,143	4,883	6.5	54.2	35.0
052001005	Fremont	128,815	1.09	6.3	117,862	5,123	16.8	49.4	10.5
052015046	Torrance	127,923	.92	6.0	139,776	5,925	3.6	38.3	9.2
052030001	Anaheim	86,993	.45	6.3	193,616	5,210	16.4	37.6	58.1
052030008	Garden Grove	40,004	.34	6.4	118,454	4,776	−2.2	39.2	58.1
052030009	Huntington Beach	11,733	.08	5.8	149,706	5,658	29.1	46.0	58.1
052030016	Santa Ana	163,134	.92	6.8	177,304	4,170	13.9	35.2	58.1
052037010	San Diego	3,264,517	4.22	9.1	774,489	5,038	11.0	43.3	36.6
052032012	San Jose	1,364,883	2.46	7.7	555,707	4,988	20.5	46.8	39.1
062003501	Aurora	151,961	1.29	6.0	118,060	5,213	54.4	57.4	56.3
062021002	Colorado Springs	545,616	3.02	7.4	180,472	4,515	27.8	51.6	50.4
062030801	Lakewood	16,134	.13	4.7	120,350	5,984	29.3	56.6	52.6
102006004	Fort Lauderdale	565,945	3.70	8.6	152,959	6,818	9.6	53.7	40.1
102006007	Hollywood	583,046	4.90	9.9	119,002	6,015	11.3	60.0	40.1
102011008	Hialeah	335,429	2.83	8.3	117,682	4,491	14.9	51.0	21.0
102018003	Jacksonville	1,179,419	2.20	6.8	535,030	4,534	6.1	58.8	14.7
102052020	St. Petersburg	667,827	2.85	7.8	234,389	4,836	8.4	52.1	26.3
122002001	Honolulu	3,590,580	5.09	7.3	705,381	4,997	11.9	43.6	28.9
152045008	Indianapolis	2,061,014	2.88	6.1	714,790	4,860	−2.1	41.0	9.9
162077005	Des Moines	0	0	4.4	194,168	5,056	−3.6	48.5	21.4
172085003	Topeka	0	0	4.5	119,203	4,876	−4.6	51.6	25.9
182034001	Lexington-Fayette urban county government	0	0	3.0	186,048	−4,692	6.7	48.9	36.4
192017002	Baton Rouge	1,274,218	4.34	6.3	293,286	4,211	8.2	47.5	35.2
232050014	Warren	200,784	1.16	6.1	172,755	5,133	−3.6	40.2	9.8
232082019	Livunia	113,818	.99	4.3	114,861	5,658	4.3	42.7	9.8
282028004	Ohaha	54,425	.15	5.3	371,455	4,823	3.6	47.4	25.9
282055007	Lincoln	0	0	2.9	163,112	−4,838	6.9	50.9	35.7
292002002	Las Vegas	518,217	3.55	8.7	146,030	5,052	16.1	39.8	48.6
322001001	Albuquerque	2,152,526	7.70	7.9	279,401	4,664	14.6	50.9	46.2
342054002	Winston Salem	229,326	1.63	6.0	141,012	4,851	5.5	56.1	27.3
342041002	Greensboro	215,151	1.38	5.7	155,848	5,017	5.3	49.2	17.9
342060001	Charlotte	65,175	.23	5.0	281,417	4,909	2.5	49.1	24.7
342092008	Raleigh	0	0	3.6	134,231	−4,933	9.3	52.4	45.7
372055015	Oklahoma	181,793	.50	5.0	365,916	4,922	−.6	52.2	13.7
372072010	Tulsa	105,121	.32	5.0	331,726	5,354	.4	53.3	22.1
432019003	Metro Nashville-Davidsun	0	0	4.3	423,426	−4,589	−.6	52.6	18.5
432073005	Memphis	886,325	1.34	6.2	661,319	4,377	.7	57.5	19.0
442057007	Dallas	1,572,509	1.91	4.7	822,745	5,392	−2.6	45.9	20.1

ANNEX B

U.S. DEPARTMENT OF THE TREASURY—SUPPLEMENTARY FISCAL ASSISTANCE PROGRAM, TRIAL 1—Continued

Government code and title (city)		Capped SFA trial 1 allocation	Per capita allocation	Unemployment percent RU 1977	Population 1975	Per capita income 1974	Percent change in population (1970–75)	Percent change in per capita income (1969–74)	Percent change in employment (1970–75)
UDAG LISTINGS—CLASS 1—Continued									
442101008	Houston	$329,757	0.24	4.7	1,397,562	$5,196	9.0	57.6	46.1
442152002	Lubbuck	0	0	3.8	165,525	—4,383	9.7	55.7	39.5
442188001	Amarillo	0	0	3.8	138,743	4,825	9.2	60.2	35.4
442227001	Austin	23,730	.08	4.7	301,147	4,479	17.7	49.3	47.5
472115001	Hampton	367,211	2.94	5.9	125,013	4,403	3.5	50.6	37.1
472121001	Newport News	582,274	4.20	6.5	138,760	4,647	.4	55.1	37.1
022027001	Anchorage	793,963							
032007010	Phoenix	1,852,963							
052043014	Sunnyvale	70,602	.69	6.3	102,462	6,077	6.8	49.5	39.1
102046009	Orlando	533,357	4.71	7.5	113,179	4,502	13.1	51.0	39.6
162057003	Cedar Rapids	0	0	4.0	108,998	4,957	—1.5	48.1	20.0
232081001	Ann Arbor	329,629	3.18	4.3	103,542	5,544	3.5	34.9	25.5
262048005	Independence	96,038	.85	4.9	112,615	4,911	—.1	46.6	11.2
442057012	Garland	17,686	.16	4.8	111,322	4,841	36.7	46.7	20.1
442057016	Irving	0	0	3.4	103,703	5,138	4.8	46.5	20.1
442220001	Arlington	14,802	.13	5.7	110,543	5,090	22.5	39.5	24.4
472101001	Alexandria	0	0	3.9	105,220	7,312	—5.1	57.9	37.7
472105701	Chesapeake	0	0	4.3	104,459	4,024	16.6	56.0	29.7
Final totals: 58 records, trial 1 equals 1,062,114.5281.									
472132001	Virginia Beach	201,131	.94	5.0	213,954	4,826	24.3	56.3	29.7
Final totals: 47 records, trial 1 equals 25,374,278.905.									

U.S. DEPARTMENT OF TREASURY, TRIAL X5—SUPPLEMENTARY FISCAL ASSISTANCE PROGRAM—Continued

[Trial X5 equals trial 1 uncapped]

Government code and Title (city)		Population 1975	Uncapped SFA allocation	Unemployment percent RU	Per capita allocation
	UDAG LISTING—CLASS 6				
332031001	New York City	7,481,613	$160,390,085	10.0	$21.44
142016016	Chicago	3,099,391	16,617,491	7.4	5.36
392051001	Philadelphia	1,815,808	17,422,869	9.7	9.60
232082004	Detroit	1,335,085	12,478,145	9.9	9.35
362018014	Cleveland	638,793	4,540,572	8.7	7.11
222013001	Boston	636,725	6,957,164	9.6	10.93
192036001	New Orleans	559,770	4,786,941	7.7	8.55
262096001	St. Louis	524,964	4,981,643	7.8	9.49
392002056	Pittsburgh	458,651	3,521,988	8.2	7.68
362031006	Cincinnati	412,564	2,057,034	7.3	4.99
332015005	Buffalo	407,160	3,153,440	12.0	7.74
312007009	Newark	339,568	6,366,838	15.9	18.75
052001009	Oakland	330,651	1,879,716	10.0	5.68
332028003	Rochester	267,173	946,955	8.7	3.54
362077001	Akron	251,747	910,743	7.4	3.62
312009006	Jersey City	243,756	2,539,767	12.0	10.42
362057004	Dayton	205,986	1,553,822	7.4	7.54
232041004	Grand Rapids	187,946	483,458	7.0	2.57
332034015	Syracuse	182,543	509,263	8.8	2.79
232025004	Flint	174,218	1,282,112	9.6	7.36
482032010	Spokane	173,698	808,154	8.5	4.65
222007003	Springfield	170,790	806,751	8.2	4.72
402004004	Providence	167,724	1,477,331	9.6	8.81
152045005	Gary	167,546	896,100	8.7	5.35
312016007	Paterson	152,568	1,693,071	15.3	11.10
072001001	Bridgeport	142,960	1,232,676	9.0	8.62
072002002	Hartford	138,152	1,361,348	8.6	9.85
362050010	Youngstown	132,203	741,744	9.7	5.61
072005006	New Haven	126,845	895,170	9.1	7.06
332001001	Albany	110,311	423,228	8.2	3.84
312020001	Elizabeth	104,405	452,029	10.0	4.33
222009001	Cambridge	102,420	691,117	8.8	6.75
362076005	Canton	101,852	432,440	8.3	4.25
312011005	Trenton	101,365	514,557	9.6	5.08
222003002	Fall River	100,430	731,748	9.7	7.29
222003003	New Bedford	100,133	1,194,261	11.2	11.93
Final totals: 36 records, trial X5 equals 267,731,770.547.					
	UDAG LISTING—CLASS 5				
052019027	Los Angeles	2,727,399	12,386,010	9.0	4.54
212004001	Baltimore	851,698	6,619,926	8.7	7.77
092001001	Washington	711,518	15,224,816	9.7	21.40
502041009	Milwaukee	665,796	2,297,878	5.1	3.45
052038001	San Francisco	664,520	4,802,010	8.3	7.23
362025003	Columbus	535,610	1,082,094	6.4	2.02
262048006	Kansas City	472,529	2,078,184	6.9	4.40
112060002	Atlanta	436,057	2,223,925	9.6	5.10
382026003	Portland	356,732	1,700,751	7.2	4.77
182056014	Louisville	335,954	1,879,609	5.5	5.59
222014004	Worcester	171,566	808,509	7.1	4.71
482027016	Tacoma	151,267	1,439,972	10.5	9.52
152082001	Evansville	133,566	268,776	5.5	2.01
392025007	Erie	127,895	446,166	7.6	3.49
052001003	Berekeley	110,465	480,435	10.7	4.35
112025003	Savannah	110,348	418,801	7.9	3.80
072005008	Waterbury	107,065	678,548	9.1	6.34
362048007	Toledo		1,103,.1		
	UDAG LISTING—CLASS 4				
062016001	Denver	488,434	1,838,196	7.0	3.76
482017021	Seattle	487,091	2,313,110	8.4	4.75
242027020	Minneapolis	378,112	2,137,052	4.9	5.65
442220011	Fort Worth	358,364	1,390,788	6.2	3.88
052019026	Long Beach	335,602	823,850	8.0	2.45
012037003	Birmingham	276,273	1,729,970	7.9	6.26
052034005	Sacramento	260,822	1,176,756	9.3	4.51
472127001	Richmond	232,652	1,048,627	5.1	4.51
332060028	Yonkers	192,509	342,769	8.1	1.78
172105003	Kansas City	168,149	531,060	6.3	3.16
432033001	Chattanooga	162,842	529,490	6.7	3.25
142101006	Rockford	145,459	342,689	6.5	2.36
232033003	Lansing	126,805	560,882	7.9	4.42

U.S. DEPARTMENT OF TREASURY, TRIAL X5—SUPPLEMENTARY FISCAL ASSISTANCE PROGRAM—Continued

[Trial X5 equals trial 1 uncapped]

Government code and Title (city)		Population 1975	Uncapped SFA allocation	Unemployment percent RU	Per capita allocation
UDAG LISTING—CLASS 4—Continued					
112011001	Macon	121, 157	$534, 444	8.6	$4.41
052059004	Stockton	117, 600	902, 022	11.2	7.67
052019035	Pasadena	108, 220	280, 521	6.3	2.59
392039002	Allentown	106, 624	351, 176	7.4	3.29
052036010	San Bernardino	102, 076	603, 110	9.1	5.91
Final totals: 18 records, trial X5 equals 17,436,461.0942.					
UDAG LISTING—CLASS 3					
442015010	San Antonio	773, 248	1, 715, 778	7.2	2.22
442071002	El Paso	385, 691	3, 160, 148	11.7	8.19
472122001	Norfolk	286, 694	1, 313, 153	6.1	4.58
102029003	Tampa	280, 340	1, 202, 165	8.4	4.29
242062009	St. Paul	279, 535	1, 375, 536	4.6	4.92
172087014	Wichita	264, 901	411, 266	5.0	1.55
012049004	Mobile	196, 441	1, 158, 404	8.6	5.90
192009003	Shreveport	185, 711	372, 140	5.7	2.00
152002001	Fort Wayne	185, 200	164, 437	5.7	.89
432047001	Knoxville	183, 383	158, 278	5.3	.86
052010005	Fresno	176, 528	901, 410	8.4	5.11
452018005	Salt Lake City	169, 917	462, 339	5.9	2.72
502013011	Madison	168, 196	305, 332	3.5	1.82
052033012	Riverside	150, 612	317, 458	7.4	2.11
052019017	Glendale	132, 360	120, 244	5.8	.91
262039003	Springfield	131, 557	44, 307	4.9	.34
142072011	Peoria	125, 983	203, 962	6.2	1.62
152071008	South Bend	117, 478	417, 790	5.8	3.56
412040001	Columbia	111, 616	419, 173	6.8	3.76
472125001	Portsmouth	108, 674	358, 608	6.6	3.30
062051001	Pueblo	105, 312	555, 853	9.3	5.28
072001006	Stamford	105, 151	235, 564	5.6	2.24
152045007	Hammond	104, 892	164, 381	6.2	1.57
472128001	Roanoke	100, 585	342, 608	6.0	3.41
Final totals: 24 records, trial X5 equals 15,880,332.5023.					
UDAG LISTING—CLASS 2					
102013013	Miami	365, 082	2, 658, 630	10.2	7.28
442178003	Corpus Christi	214, 838	568, 207	7.1	2.64
252025004	Jackson	185, 415	358, 824	6.0	1.94
112106002	Columbus	159, 352	518, 147	7.0	3.25
012051001	Montgomery	153, 343	386, 228	6.3	2.52
442123001	Beaumont	113, 696	260, 314	7.3	2.29
342032001	Durham	110, 224	82, 360	5.2	.81
Final totals: 7 records, trial X5 equals 4,832,71[illegible]4111.					
UDAG LISTINGS—CLASS 1					
012045001	Huntsville	136, 419	388, 953	7.5	2.85
022027001	Anchorage Municipality Division	161, 018	594, 623	6.5	3.69
032007010	Phoenix	664, 721	1, 595, 791	7.4	2.40
032010002	Tucson	303, 137	1, 078, 835	7.8	3.56
042060004	Little Rock	141, 143	63, 509	4.8	.45
052001005	Fremont	117, 862	96, 474	6.3	.82
052019046	Torrance	139, 776	179, 133	6.0	1.28
052030001	Anaheim	193, 616	334, 166	6.3	1.73
052030008	Garden Grove	118, 454	118, 611	6.4	1.00
052030009	Huntington Beach	149, 706	102, 292	5.8	.68
052030016	Santa Ana	177, 304	549, 049	6.8	3.10
052037010	San Diego	774, 489	2, 444, 898	9.1	3.16
052043012	San Jose	555, 707	1, 131, 259	7.7	2.04
062003501	Aurora	118, 060	133, 332	6.0	1.13
062021002	Colorado Springs	180, 472	494, 854	7.4	2.74
062030801	Lakewood	120, 350	12, 083	4.7	.10
102006004	Fort Lauderdale	152, 959	423, 854	8.6	2.77
102006007	Hollywood	119, 002	436, 661	9.9	3.67
102013008	Hialeah	117, 682	294, 828	8.3	2.51
102016003	Jacksonville	535, 030	1, 111, 848	6.8	2.08
102052020	St. Petersburg	234, 389	500, 156	7.8	2.13
122002001	Honolulu	705, 381	2, 689, 079	7.3	3.81
152049008	Indianapolis	714, 790	1, 576, 138	6.1	2.21
162077005	Des Moines	194, 168	0	4.4	0
172089003	Topeka	119, 203	0	4.5	0
182034001	Lexington-Fayette Urban County Government	186, 048	0	3.8	0
192017002	Baton Rouge	293, 286	954, 302	6.3	3.25

U.S. DEPARTMENT OF TREASURY, TRIAL X5—SUPPLEMENTARY FISCAL ASSISTANCE PROGRAM—Continued

[Trial X5 equals trial 1 uncapped]

Government code and Title (city)		Population 1975	Uncapped SFA allocation	Unemployment percent RU	Per capita allocation
UDAG LISTING—CLASS 1—Continued					
232050014	Warren	172,755	$338,513	6.1	$1.96
232082019	Livonia	114,881	113,818	4.3	.99
282028004	Omaha	371,455	260,025	5.3	.70
282055007	Lincoln	163,112	0	2.9	0
292002002	Las Vegas	146,030	388,109	8.7	2.66
322001001	Albuquerque	279,401	1,612,094	7.9	5.77
342034002	Winston-Salem	141,018	229,472	6.0	1.63
542041002	Greensboro	155,848	197,718	5.7	1.27
342060001	Charlotte	281,417	166,603	5.0	.59
342092008	Raleigh	134,231	0	3.6	0
372055015	Oklahoma City	365,916	530,541	5.0	1.45
372072010	Tulsa	331,726	379,865	5.0	1.15
432019003	Metro Nashville-Davidson	423,426	0	4.3	0
432079005	Memphis	661,319	1,121,067	6.2	1.70
442057007	Dallas	822,745	1,572,509	4.7	1.91
442101008	Houston	1,397,562	246,965	4.7	.18
442152002	Lubbock	163,525	0	3.8	0
442188001	Amarillo	138,745	0	3.8	0
442227001	Austin	301,147	53,381	4.7	.18
472115001	Hampton	125,013	275,016	5.9	2.20
472121001	Newport News	138,760	436,083	6.5	3.14
472132001	Virginia Beach	213,954	150,633	5.0	.70
Final totals: 49 records, trial X5 equals 25,377,158.6919.					
052043014	Sunnyvale	102,462	74,429	6.3	.73
102048009	Orlando	113,179	462,935	7.5	4.09
162057003	Cedar Rapids	108,998	0	4.0	0
232081001	Ann Arbor	103,542	329,629	4.3	3.18
262048005	Independence	112,615	96,038	4.9	.85
442057012	Garland	111,322	17,686	4.8	.16
442057016	Irving	103,703	0	3.4	0
442220001	Arlington	110,543	101,765	5.7	.92
472101001	Alexandria	105,220	0	3.9	0
472105701	Chesapeake	104,459	0	4.3	0
Final totals: 10 records, trial X5 equals 1,082,482.94617.					

THE DEPUTY SECRETARY OF THE TREASURY,
Washington, D.C., June 22, 1978.

Hon. RUSSELL B. LONG,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: During hearings last month on the Administration's Supplementary Fiscal Assistance (SFA) program before the Subcommittee on Unemployment Compensation, Revenue Sharing & Economic Problems of the Committee on Finance, you asked me to provide estimated allocations to local governments in the States of each Committee member under (i) the SFA program and (ii) the countercyclical revenue sharing program, if it were continued. Our staff has just completed an analysis of the SFA program for the Subcommittee based on recently revised and rebenchmarked unemployment figures for 1977, the most recent data available, and revised population and per capita income data which were not previously available to us. I had awaited completion of this analysis before responding to your request so that our response would be based on the best data available.

I am enclosing a table that compares estimated SFA allocations with estimated allocations that would be received (i) if the same amount of money ($1.04 billion) as SFA will distribute were distributed by the present countercyclical revenue sharing (ARFA) allocation formula, and (ii) if ARFA, were simply extended. Since the total allocations under ARFA, were it extended, would be less than $1.04 billion with actual allocations dependent on national unemployment rates, we have used various unemployment rate assumptions to demonstrate the range of distributions that might occur. The estimates are more fully described in the description of the enclosed table.

I am also enclosing for your information a copy of my letter of today to Senator Moynihan which discusses the effect of the SFA cap on allocations under the program to distressed cities.

If I can be of any further assistance, please do not hesitate to call upon me.

Sincerely,

ROBERT CARSWELL.

Enclosures.

DESCRIPTION OF ACCOMPANYING TABLE

The attached table presents estimates, under five alternative program assumptions, detailing for each Senate Finance Committee member, the total amount of money that would be allocated to the local governments in his State, as well as the allocations to the State's two largest cities. In the case of Hawaii, Hawaii County was included, since the only City which is a general purpose local government recipient of general revenue sharing is Honolulu.

Column headings are as follows:

"SFA"

The estimated annual allocations are based upon the $1.04 billion national allocation provided for in the Administration's Supplementary Fiscal Assistance program. The estimates are based on the most recent data available.

"4.5 RU AVG"

These estimates assume that $1.04 billion were allocated to local governments according to the difference between their annual average unemployment and 4.5 percent. This approximates the allocation formula under countercyclical revenue sharing or ARFA, but uses annual not quarterly figures. For purposes of making the estimate, unemployment rates were averaged for calendar 1977. If a fixed amount were to be distributed as of October 1978 unemployment rates for the period July 1, 1977 through June 30, 1978 would be used.

We have assumed an allocation of $1.04 billion under ARFA simply for comparative purposes. In fact, under ARFA the national allocation would be less than $1.04 billion with the actual amount dependent on national unemployment rates. Accordingly, we are also providing the estimates listed below.

"ARFA continued"

Based upon projected quarterly unemployment rates that would be used for Federal fiscal year 1979 payments if ARFA were extended. These unemployment rates cover the following periods.

Payment date	Period covered by unemployment rate	Estimated unemployment rates (percent)		
		Winter 1978 by OMB	Spring 1978 by DRI	Winter 1978 by CBO
October 1978	April, May, June 1978	6.3	6.1	6.3
January 1979	July, August, September 1978	6.3	6.0	6.2
April 1979	October, November, December 1978	6.2	6.0	6.2
July 1979	January, February, March 1979	6.0	6.1	6.1
And result in a national allocation of (millions).		$615	$310	$740

Each government's share of the projected national allocation is based upon the assumption that governments would receive the same relative proportion of the FY 1979 amounts as they received during the four quarters covering payments for January and April 1978 and July and October 1977. (These quarterly periods represent ARFA Quarters 5–8 payments. Unemployment rates for ARFA Q5–8 covered the period January through December 1977.

SUPPLEMENTARY FISCAL ASSISTANCE—ESTIMATES OF ALLOCATION TO ALL LOCAL GOVERNMENTS WITHIN STATES OF SFC MEMBERS

[Showing amounts for 2 largest cities]

[Figures in thousands]

Majority	1975 in population	SFA (no States)	4.51 average (no States)	ARFA continued (States included) At $615	At $310	At $740
Russell Long, total		$21,308	$22,404	$11,788	$5,942	$14,184
Local governments		21,308	22,404	7,805	3,936	9,395
New Orleans	560	6,392	6,151	2,043	1,030	2,458
Baton Rouge	249	1,274	1,488	494	249	595
State government		0	0	3,980	2,006	4,789
Herman Talmadge, total		18,499	19,470	11,551	5,822	23,898
Local governments		18,499	19,470	7,593	3,828	9,137
Atlanta	436	2,523	2,523	1,151	580	1,385
Columbus	159	692	808	268	135	323
State government		0	0	3,957	1,995	4,762
Abraham A. Ribicoff, total		14,981	13,657	7,058	3,448	8,492
Local governments		14,981	13,657	4,663	2,351	5,611
Bridgeport	143	1,646	1,539	511	258	615
Hartford	138	1,594	1,355	450	227	541
State government		0	0	2,400	1,210	2,888
Harry F. Byrd, total		9,488	9,568	4,503	2,270	5,418
Local governments		9,488	9,568	3,239	1,633	3,897
Norfolk	287	1,399	1,124	373	188	449
Richmond	233	562	342	114	57	137
State government		0	0	1,264	637	1,521
Gaylord Nelson, total		10,908	6,164	3,241	1,634	3,900
Local governments		10,908	6,164	2,524	1,272	3,037
Milwaukee	666	3,068	719	239	120	287
Madison	168	305	0	0	0	0
State government		0	0	717	362	363
Mike Gravel, total		3,794	4,370	2,615	1,318	4,146
Local governments		3,794	4,370	1,616	814	1,944
Anchorage	161	794	927	308	155	371
Fairbanks	30	821	1,014	336	170	405
State government		0	0	1,000	504	1,203
Lloyd Bentsen, total		31,050	28,722	34,461	6,785	36,197
Local governments		31,050	28,722	10,362	5,223	12,468
Houston	1,357	330	385	128	64	154
Dallas	822	1,573	228	90	45	108
State government		0	0	3,099	1,562	3,729
William D. Hathaway, total		8,521	9,218	5,113	2,577	6,153
Local governments		8,521	9,218	3,297	1,662	3,967
Portland	60	802	936	311	157	374
Lewiston	41	315	368	125	63	150
State government		0	0	1,816	915	2,178
Floyd K. Haskell, total		7,463	7,868	4,576	2,307	5,507
Local governments		7,463	7,858	3,129	1,577	3,765
Denver	485	2,454	2,166	952	480	1,146
Colorado Springs	180	546	546	256	129	308
State government		0	0	1,447	729	1,741
Spark M. Matsunaga, total		5,172	6,146	3,115	1,570	3,748
Local governments		5,172	6,146	2,041	1,029	2,466
Honolulu	705	3,591	4,193	1,393	702	1,676
Hawaii County	75	978	1,208	401	202	482
State government		0	0	1,874	541	1,292
Daniel P. Moynihan, total		209,064	214,695	118,011	59,485	141,997
Local governments		209,064	214,695	77,895	39,264	83,727
New York City	7,482	140,372	140,373	50,920	25,667	61,270
Buffalo	407	4,211	4,871	1,633	823	1,965
State government		0	0	40,116	20,221	48,270
Carl T. Curtis, total		1,528	107	60	30	72
Local governments		1,528	107	60	30	72
Omaha	371	54	54	32	16	38
Lincoln	163	0	0	0	0	0
State government		0	0	0	0	0
Clifford P. Hensen, total		140	96	37	18	44
Local governments		140	96	37	18	44
Cheyenne	47	0	0	0	0	0
Casper	41	0	0	0	0	0
State government		0	0	0	0	0
Robert Dole, total		2,360	1,208	454	229	546
Local governments		2,360	1,208	454	229	546
Wichita	265	100	100	48	24	58
Kansas City	168	578	557	185	93	223
State government		0	0	0	0	0

SUPPLEMENTARY FISCAL ASSISTANCE—ESTIMATES OF ALLOCATION TO ALL LOCAL GOVERNMENTS WITHIN STATES OF SFC MEMBERS—Continued

[Showing amounts for 2 largest cities]

[Figures in thousands]

Majority	1975 in population	SFA (no States)	4.51 average (no States)	ARFA continued (States included)		
				At $615	At $310	At $740
Bob Packwood, total		10,908	12,632	6,691	3,373	8,051
Local governments		10,908	12,632	4,251	2,143	5,115
Portland	357	2,271	2,502	831	419	1,000
Eugene	92	495	578	192	97	231
State government		0	0	2,440	1,230	2,936
William V. Roth, Jr., total		5,129	5,647	2,954	1,489	3,555
Local governments		5,129	5,647	2,016	1,016	2,426
Wilmington	76	1,651	1,823	640	323	771
Newark	27	154	162	60	30	72
State government		0	0	937	472	1,128
Paul Laxalt, total		2,404	2,702	1,413	712	1,700
Local governments		2,404	2,702	930	469	1,119
Las Vegas	146	518	581	201	101	242
Reno	78	39	46	15	8	19
State government		0	0	483	244	581
John C. Danforth, total		14,493	10,289	6,067	3,058	7,300
Local governments		14,493	10,289	4,018	2,025	4,834
St. Louis	525	6,652	4,107	1,364	687	1,641
Kansas City	473	2,198	2,198	889	448	1,070
State government		0	0	2,050	1,033	2,466

Mr. CARSWELL. I would rather do it for a limited number. The data runs on this would slow us down, if I could do it for the 48 largest cities.

Senator MOYNIHAN. I was hoping for the 26,000.

Mr. CARSWELL. That telephone book would not do you as much good as the list of 148 would be. If you want us to do a sampling, we could do that.

Senator MOYNIHAN. Thank you.

Senator HATHAWAY. Senator Dole?

Senator DOLE. I only have a couple of questions. I have tried to look at the statements that will be made by subsequent witnesses. One thing that concerns many witnesses is the statement that the States have a collective budget surplus of $30 billion.

Is that the basis upon which the administration promotes this program?

Mr. CARSWELL. I do not know where the $30 billion came from. The State Governors' figure is $5.4 billion, I think, as to what the State surplus is.

Senator DOLE. And you accept that figure, then?

Mr. CARSWELL. No, I think it depends no what test you use. The administration's macroforecasts had a figure of around $15 billion, but it depends on what you add in whether the pension funds and so on are added in. It is hard to get that figure, but I think in gross all of our figures indicate that, because of improved economic conditions, there is a significant State surplus, compared to other governments.

Senator DOLE. The $30 billion figure came from a report issued by the President.

As Senator Long pointed out, there are some of us who, unless we know that you have a better program, fail to see much reason for change. I am not just talking about the dollar amount, but the entire program. I am familiar with Senator Muskie's original approach. As a member of the Budget Committee, we hear a lot about countercyclical.

Could you give us a reason why we need to change the program? Why not make the current program permanent? You have a 2-year program. It will phase out with the general revenue sharing. It seems that we are not really addressing the problems of urban areas with just some minor changes in the program.

Why should we change and why should we not make the other program a permanent program?

Mr. CARSWELL. Well, again, there is some confusion here. If countercyclical were extended and the trigger were taken off—that is, you no longer worried about the 6 percent—and hence the test would be on unemployment in relation to a 4.5 base. That is what basically it is today.

If you did that, you would have something very close to what the administration's proposal is. The only difference would be that we have added some elements to try to get at some areas which people over the last few years have complained were not in countercyclical, and they are mainly small, stagnant rural areas where people, rightly I think, point out that there is economic distress. It is largely in the form of underemployment and outmigration rather than central city distress of unemployment and so on.

So that is the basic difference between the two approaches that you are suggesting. And either one believes that the other elements ought to be added or one does not. The administration concluded that they probably should be. It obviously does call for some statesmanship by some Senators, as Senator Long rightly pointed out, because if you add some new entrants you are going to get some shifts in funds and hence some people will do a little bit worse at the expense of some others, and those who would do better are those who would have these stagnant rural areas in their States.

In any event, the shift is not that great. It could be a shift of something like $33 million to new entrants, plus some reallocation in present entrants. I do not know what the aggregate of that is; we have not worked it out. But we will get that figure, and it will show some shift.

Now, the third program, the kind of program which Senator Muskie was proposing, I believe—I heard his statement, unfortunately, at the same time you did, but I believe what he was saying was that he would allow countercyclical to continue with the cap on and then would have a highly targeted program running in tandem with that. Now, until we know what that targeting is, I just cannot evaluate it against the administration program.

Senator DOLE. That is all I have.

Senator LONG. Senator Roth?

Senator ROTH. Mr. Secretary, I will be brief too. I wonder what effect, what impact, you think inflation has on our State and local governments? Do you see inflation as being a serious problem in the months ahead?

Mr. CARSWELL. I guess we would all agree that it is a serious problem in all sectors, yes, including State and local governments.

Senator ROTH. The one question I have is this: We are talking about a deficit, by the time Congress gets through working its will on the President's budget, of substantially more than $60 billion. Does it make good sense at this time to propose a program of $1 billion for this year and next year which can only increase the inflationary impact? Would we be better off moving in that direction or better off trying to do something about holding the deficit down?

Mr. CARSWELL. I think clearly that that is a legitimate point. This $1 billion is in the $60 billion. It is in the President's program now. But I guess one could say that about any expenditure program and I guess one has to set one's priorities on what one would cut. We felt that we had cut the ones that ought to be cut and that this one is of importance because, if we do not do this, we will have strictures in cities and communities across the country because they simply have not come back on an even level as economic conditions improve.

Senator ROTH. Well, I wonder if the local communities and local governments in the long run would not find it far more valuable if we were somehow able to avoid this inflationary impact. What bothers me is that we talk about a tight budget, talk about zero-based budgeting, but I do not see any evidence of it.

I think we are all anxious to help big cities and local governments but it seems to me that one of the most serious local problems that they have faced in the past and continue to face is the problem of inflation. It raises a serious question as to whether this program is in their best interests.

Thank you, Mr. Chairman.

Senator HATHAWAY. Mr. Secretary, getting back to the formula again, I understand you are going to use a kind of a statistical index so that if the increase, say, in population—we will take just that one factor—averages 105 percent, or it is 5 percent, rather, then the deviation from that 5 percent would determine how much that particular community would get, is that right?

Mr. CARSWELL. Well, you have to go through it in two steps, the eligibility step and then the allocation step. But yes, you would adjust the index. You would adjust where it all came out for the standard deviation and so on, and statistically we have tried to weight the different elements that would be in the formula and that weighting would then determine where one, in effect—it is not done exactly this way, but in effect—each community would be ranked as to where it was in each of the four indices and then the one that it got the worse grade in, because we are looking for distress, that is the one that would be used to multiply times its general revenue formula allocation.

So, for example, the unemployment grade would still remain much the most popular because that is still——

Senator HATHAWAY. That is going to be weighted more?

Mr. CARSWELL. Not weighted more. That is just the way it turns out, that that is the one that hits more. It is the critical test for most.

Senator HATHAWAY. But it seems to me that it would be better to have the three factors that you have listed be employed only if they were minus factors. In other words, if the employment had actually gone down, or the population had actually gone down, or the per capita income had actually gone down, and not that it has not grown as much as other areas, because it does not seem to me that that reflects real economic distress.

Now, to be sure, I suppose under your formula, naturally the ones that have not only not grown but have grown down will be entitled to get more money. It seems to me that it would be wiser to limit those, the part of the factor of not growing.

Mr. CARSWELL. We will be glad to look at that.

Senator HATHAWAY. Even then, that is not necessarily an indication of distress because I suppose that if the number of people in the community went down, then the number of services that would have to be provided would go down also, depending on who moved out.

If you are left with a lot of older people there, then, of course, you would have to provide more services, but if the older people who moved out or the recipients of benefits from the community moved out it might even have a positive effect on the community.

Mr. CARSWELL. I cannot disagree. We will look at that. I do not know how much difference it will make because, as you rightly point out, the amounts you get will depend on whether you really are negative.

You throw out half the people right away because this test will only hit a locality that is below the average, so half of them are out right away. Then, what you are suggesting is, well, if you went to a slightly stricter measure, maybe you would throw out another maybe 25 percent and then, yes, I think that is right. One could do that. That would refine the test and then we can look at that and see where it goes.

I think that we would get somewhere close to the same result because the amount that they get on the second step will throw out a lot of them, because we have a cutoff level of $200 and that throws out a lot of the people who are on the borderline. Even though they qualify, they do not get any money.

But we can certainly look at that.

Senator HATHAWAY. Thank you very much, Mr. Carswell.

[The prepared statement of Hon. Carswell follows:]

STATEMENT OF THE HON. ROBERT CARSWELL, DEPUTY SECRETARY OF THE TREASURY

Mr. Chairman and members of this distinguished Committee:

I welcome this opportunity to present the Administration's bill for a Supplementary Fiscal Assistance program, S. 2975. This program is an essential element of the President's recently announced policy for distressed areas and is aimed at alleviating fiscal distress of local governments throughout the Nation.

The program is the product of careful study by the Administration over the course of the past year. It is intended to succeed the Anti-Recession Fiscal Assistance program (often called countercyclical revenue sharing or ARFA), which expires on September 30.

The Administration recommends that Supplementary Fiscal Assistance (SFA) be authorized for two years, with approximately $1 billion of outlays in both fiscal 1979 and fiscal 1980. The $1.04 billion already included in the President's fiscal 1979 budget for countercyclical revenue sharing, would be applied to this program.

The Supplementary Fiscal Assistance program preserves the basic concept of targeting the distribution of funds which underlies countercyclical revenue sharing. Targeting means, of course, that a relatively higher proportion of total funds would be provided to those governments which suffer the greatest distress. In addition, the eligibility test for SFA allocations would be based on broader measures of economic need than were employed in the ARFA targeting formula. We believe these measures will permit fairer treatment for a number of urban and rural governments for which unemployment is not an adequate measure of distress.

The program would also be funded at higher levels than would countercyclical revenue sharing were it continued under its present formula which provides that no funds can be distributed following a quarter in which the national unemployment rate is at 6 percent or below. Unemployment is already near 6 percent and we estimate that the national economic recovery will have proceeded to the point during the first half of fiscal 1979, where the rate will fall to 6 percent. As a result, substantially less than $1.04 billion would be available under the countercyclical revenue sharing program during fiscal 1979, were it simply extended in its present form. In addition, local governments would be uncertain of the amount of funds they would receive were the countercyclical program so extended.

ORIGIN OF THE PROGRAM

The Supplementary Fiscal Assistance program reflects months of intensive study by the Administration, primarily at the Treasury, of the fiscal condition of State and local governments and the fiscal impact of certain Federal programs on those governments. The Treasury analyzed the effects of President Carter's 1977 Economic Stimulus Program, including Anti-Recession Fiscal Assistance, on local fiscal conditions. That study was made available to the Congress in January.

Fiscal Distress, Need for Supplementary Assistance and Targeting

The Treasury study devised a fiscal strain index which determined which of the 48 largest municipal governments in the United States—those governments for which the Bureau of the Census maintains the most complete statistical information—should be considered high, moderate or low strained cities. A number of these governments were found to be in a serious state of fiscal distress. Their local tax rates were at legal or economic limits, and thus tax revenues could not be meaningfully increased in the immediate future. Moreover, despite efforts to cut their budgets, these governments experienced inflationary pressures which were driving local expenditures higher. Subsequent research has demonstrated that the same combination of stagnant revenues and inflation-driven expenditures is also pressuring many rural governments.

The study showed that the more seriously strained local governments received a proportionately greater share of countercyclical payments and concluded that such governments could not easily offset the loss of such payments. For example, the ten most severely strained of our largest municipalities were obtaining ARFA funds representing between approximately 2 percent and 7.5 percent of their so-called "own-source" revenues. Loss of these funds would mean that these localities would have to find alternative revenue sources or cut back essential services. Theoretically, if ARFA funds were discontinued, governments could raise taxes or cut expenses to replace them. Unfortunately, neither of these alternatives is readily available to distressed local governments. Accordingly, the Administration decided to recommend continued fiscal assistance to distressed local governments which have not enjoyed the benefits of the Nation's improved general economic condition.

The proportionately greater distribution of ARFA funds to the most severly strained large urban governments, indicated that countercyclical revenue sharing was well trageted for relief of fiscal strain in urban areas. Further examination of available data led us to conclude, however, that the allocation formula used in the countercyclical program did not fully measure economic distress in all areas. Hence we modified the formula for the Supplementary Fiscal Assistance program to include three additional measures of economic distress—relative growth of employment, of per capita income and of population. Let me discuss briefly these measures of distress.

The Selection of Eligiblity Criteria as Measures of Distress

Countercyclical revenue sharing distributed funds based on *local unemployment rates exceeding 4.5 percent*. The Treasury study indicated this was a good measure of urban secular economic distress, reflecting declines in employment, lower assessable base growth, and higher tax burdens. Moreover, it was determined that the unemployment rate served as a proxy of a local government's social welfare burden. Unemployment rates are also readily available on a current bases. For these reasons, the Supplementary Fiscal Assistance program retains the use of local unemployment rates and measures them against a 4.5 percent base to provide a link with the existing distribution pattern under ARFA.

The *local rate of growth in employment* has been included in the SFA formula because it is a good indicator of the long term trend of the local economy. As local economies expand, employment opportunities increase. Employment growth may give a better indication of economic conditions in certain urban and rural areas than unemployment rates since these areas generally suffer more from underemployment than unemployment. Also, employment growth appears to be a better indicator of the potential growth of local government revenues.

We have also included the *local rate of growth in per capita income* in the SFA formula because it is a good measure of the growth in taxable wealth and the level of economic activity.

The *local rate of growth in population* is also considered a good indicator of a community's future economic health by measuring its ability to attract new taxpayers.

The Congressional Budget Office used similar criteria—growth in population, per capita income and earnings which is a proxy for employment—to measure local economic distress in its report, Troubled Local Economies. Similar indicators were also used in the Brookings Institution's "Hardship Index" which is now part of HUD's Community Development Block Grant formula. The Urban Institute's "Economic and Fiscal Indicators Project" addressed the question of how shifts in a city's economic base effect the revenue-expenditure balance by analyzing components of such base as measured through its population, employment and income.

We checked the results of our new targeting formula and found that the formula targets assistance to those governments which are the most fiscally distressed.

THE PROGRAM

Let me now describe how the Supplementary Fiscal Assistance program would work. The program would authorize the distribution of $1.04 billion in fiscal year 1979 and $1.00 billion in fiscal year 1980. Eligible local governments would receive 98.7 percent of the total funds. The share of each local government would be determined by a formula designed to reflect the level of its distress relative to the other eligible local governments. The remainder of the funds would be distributed to the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, which in aggregate would receive one percent of total SFA distributions, and the Indian Tribes and Alaskan native villages.

State governments would not be eligible to receive SFA funds under the Administration's proposal because our studies indicate that, as a group, State governments are not fiscally strained at present. Most State governments are currently in good fiscal condition with many states planning tax decreases during the next fiscal year. Moreover, the major State revenue sources, sales and income taxes, are more responsive to improvements in the national economy than the predominant local revenue source, property taxes. Accordingly, as the economy has improved, State revenues have increased at a faster rate than local revenues.

For the purpose of test determinations under SFA, local governments are divided into two categories—those wholly or partly within a Standard Metropolitan Statistical Area (SMSA) and those entirely outside a SMSA. Because of techniques used to gather and categorize general employment and unemployment data, separation into SMSA and non-SMSA groups minimizes measurement discrepancies among members of each group and permits governments within each group to be treated more fairly.

Only *eligible* local governments would receive SFA funds. The eligibility test is a statistical test based on the most recent data available to the Departments of Commerce and Labor prior to the beginning of each Federal fiscal year. For a local government to be eligible, it must have an unemployment rate in excess of 4.5 percent or exhibit slower than average growth in two of the three following categories: employment, per capita income and population. The local unemployment rate is to be determined on a four calendar quarter basis while local growth rates for employment, per capita income and population are to be determined by comparing data for the present year with a base period five or six year. However, shorter periods for the latter three measurements may be used if the required data is available only for such shorter periods. The local growth rates for employment are likely to be determined initially with a four year base period. The Bureau of Labor Statistics has announced that improved unemployment and employment data will be available in June. We would, of course, use this data for SFA purposes and, accordingly, any current estimates should be viewed as preliminary.

Once a local government is determined to be eligible, its allocation is determined by a formula which is designed to reflect the relative fiscal distress of the local government. The formula is detailed in Exhibit 1 to my testimony. As you can see, it is complex and merits your careful review. I would like to describe briefly the general way in which it works.

The factor in the formula which reflects the relative fiscal strain of a particular government is determined by that economic indicator—rate of unemployment, growth in employment, growth in per capita income or growth in population—which shows the greatest relative severity of distress. This factor is then adjusted to reflect the population and per capita income of, and tax effort being made by, each eligible government based on figures developed under the General Revenue Sharing program.

The distribution formula constructed in this manner would determine each government's share of total funds. To avoid excessive administrative burdens, no distributions will be made to governments which would receive less than $200 annually.

No local government could receive more money under the Supplementary Fiscal Assistance program than the amount it received under countercyclical revenue sharing during the twelve months through April, 1978. This cap was established to avoid increasing the dependence of local governments on supplementary Federal fiscal assistance. There is no limit on the amount of funds allocated to local governments which did not receive ARFA funds during the most recent twelve months. Limiting these funds would preclude the advantages of more equitable distributions particularly to those areas whose level of fiscal distress was not accurately reflected under the countercyclical targeting formula.

Both the eligibility of, and allocation of funds to, each local government is to be determined during the September preceeding each Federal fiscal year. This will eliminate the uncertainty governments now face under the countercyclical program which makes these determinations quarterly and leaves goverments uncertain of the amounts they will receive during the full year. SFA payments, however, will be made quarterly to permit more efficient cash management.

Recipient governments may use SFA funds as part of their general revenue. We have eliminated certain restrictions on the use and timing of expenditures to permit more efficient use of funds at the discretion of recipients. S. 2975 also contains nondiscrimination, auditing, labor, and reporting requirements and provides withholding and rulemaking powers similar to those in the Anti-Recession Fiscal Assistance legislation. The general enforcement rights under ARFA have also been retained.

Estimated Allocation of Supplementary Fiscal Assistance

As I stated earlier, we checked our modified distribution formula to make certain that it targeted distributions to distressed local governments at least as well as the countercyclical formula. We have also compared the Supplementary Fiscal Assistance formula with other alternative formulas. Our preliminary estimates show that during fiscal 1979 approximately twenty-six thousand (26,000) governments would receive funds under SFA. During the most recent four quarters of ARFA, twenty-four thousand (24,000) local governments were eligible recipients. This increase in the number of eligible recipients is the intended result of adding new eligibility criteria to our formula to include local governments, both in urban and rural areas, whose long term economic problems were not adequately measured under countercyclical revenue sharing.

Of the 26,000 eligible recipients under SFA, about 5,000 did not receive money under the countercyclical program during the most recent twelve months.

Despite the addition of new recipients, the allocation of SFA funds will be targeted to the most distressed governments. A number of governments which receive ARFA funds have become healthier and have falling unemployment rates. In effect, because they now will receive less or even nothing, funds are freed up for new entrants into the program. In addition, the new entrants generally have small budgets. Although the amount of funds received will be important to them, the funds will be a small part of total distributions.

The most distressed receipients of countercyclical revenue sharing will still receive proportionately greater funds under SFA. We estimate that approximately 23 percent of SFA 1979 disbursements would be received by the ten cities which ranked highest—meaning most distressed—on the fiscal strain index contained in our January report. Only 11 percent of the disbursements would be received by the other 38 large municipal governments included in our study. In short, the Administration's program would be well targeted because those who are neediest would receive the largest amounts. Exhibit 2 to my testimony illustrates this conclusion.

CONCLUSION

As you know, this fiscal assistance program constitutes a very important part of the President's program for distressed areas. The financial health of local governments depends primarily on their economies. The Carter Administration has recommended several proposals to assist distressed areas and will be working with the Congress to implement a program that will foster the development of these economies across the Nation. We believe local governments in distressed areas will need Supplementary Fiscal Assistance until a broader economic redevelopment program is fully established. It is our hope that this effort will reduce the need for Supplementary Fiscal Assistance in future.

Obviously, this process will take time. In the meanwhile, the Administration's Supplementary Fiscal Assistance program is a necessary and critical part of our efforts to strengthen and assist local areas which have not shared fully in the Nation's general economic recovery.

We have purposefully designed this program to bridge the two years remaining until the expiration of General Revenue Sharing in 1980, when the results of a zero based review of general Federal assistance will have been completed by the Administration. On the basis of that review and an evaluation of the effects of other aspects of the President's fiscal and economic programs, we expect to present recommendations to the Congress in 1980 on the future of both SFA and GRS.

I appreciate this opportunity to present the Administration's Supplementary Fiscal Assistance program. I look forward to working with you and the other members of Congress to implement the program.

EXHIBIT 1

SUPPLEMENTARY FISCAL ASSISTANCE ELIGIBILITY AND DISTRIBUTION

Eligibility:

An SMSA government is eligible if:

(A) its unemployment rate for a 12 month period averages over 4.5%

or

(B) its rates of growth in at least 2 of the following 3 indicators are lower than the average rates of growth for SMSA areas:

(1) employment

(2) per capita income

(3) population

A non-SMSA government is eligible if it meets the same criteria above, when "non-SMSA" is substituted for "SMSA."

Distribution:

For all eligible SMSA and non-SMSA jurisdictions, distribution is determined by the product of its latest completed entitlement period general revenue sharing allocation and its local distribution index, divided by the sum of all such products. The resulting fraction multiplied times the national allocation determines the local annual allocation, to be paid quarterly:

$$\text{National Allocation} \times \frac{\text{local GRS amount} \times \text{local distribution index}}{\text{Sum of all numerators}}$$

SUPPLEMENTARY FISCAL ASSISTANCE INDEXES

The local distribution index for SMSA jurisdictions is the largest of the following four quotients:

$$(1)\quad \frac{\text{local unemployment rate} - 4.5\%}{\text{SMSA unemployment rate weighted standard deviation}}$$

$$(2)\quad \frac{\text{SMSA group pci growth} - \text{local pci growth}}{\text{SMSA pci growth rate weighted standard deviation}}$$

$$(3)\quad \frac{\text{SMSA group pop growth} - \text{local pop growth}}{\text{SMSA pop growth rate weighted standard deviation}}$$

$$(4)\quad \frac{\text{SMSA group emp growth} - \text{local emp growth}}{\text{SMSA emp growth rate weighted standard deviation}}$$

The local distribution index for non-SMSA jurisdictions is determined as above, substituting "non-SMSA" for "SMSA."

Exhibit 2

Estimated Targeting of Supplemental Fiscal Assistance in Fiscal 1979
(to the 48 Largest Cities)

	SFA Allocation ($ in millions)	% of SFA Allocation to 48 Largest Cities as as a group	% of total SFA Allocation	Per Capita SFA Allocation
High Strain Cities (10)[1]	$236.8	67%	23%	$14.06
Moderate Strain Cities (28)[2]	98.1	28	9	6.14
Low Strain Cities (10)[3]	18.6	5	2	3.09

Ratio of <u>High</u> Strain to <u>Low</u> Strain Per Capita Allocations: 4.55 to 1

Ratio of <u>High</u> Strain to <u>Moderate</u> Strain Per Capita Allocations: 2.29 to 1

[1] The ten high strain cities are: Boston, Buffalo, Chicago, Cleveland, Detroit, New Orleans New York, Newark, Philadelphia, St. Louis

[2] The twenty-eight moderate strain cities are: Atlanta, Baltimore, Birmingham, Cincinnati, Dallas, El Paso, Fort Worth, Honolulu, Indianapolis, Jacksonville, Kansas City, Long Beach, Los Angeles, Louisville, Miami, Milwaukee, Minneapolis, Nashville-Davidson, Oakland, Omaha, Pittsburgh, St. Paul, San Antonio, San Francisco, Seattle, Toledo, Tulsa, Washington, D.C.

[3] The ten low strain cities are: Columbus, Denver, Houston, Memphis, Norfolk, Oklahoma City, Phoenix, Portland, San Diego, San Jose

Source: Office of the Secretary of the Treasury, Office of State and Local Finance

Senator HATHAWAY. Our next witness is Governor Milton Shapp of the State of Pennsylvania, on behalf of the National Governors' Association.

Governor, we are very happy to have you with us. Your entire statement will be put into the record. If you could summarize it for us, we would appreciate it.

STATEMENT OF HON. MILTON J. SHAPP, GOVERNOR OF THE STATE OF PENNSYLVANIA ON BEHALF OF THE NATIONAL GOVERNORS' ASSOCIATION

Governor SHAPP. Mr. Chairman, thank you for this opportunity for appearing here. I think my whole statement would only take about 10 minutes, so I would like to put it into the record.

As you indicated, in my testimony here today, I represent not only the Commonwealth of Pennsylvania but the National Governors' Association. I serve as chairman of the NGA Committee on Executive Management and Fiscal Affairs and I agree, I might say, Senator Long, that you just do not junk the present system unless something obviously better is being offered.

My arguments here today favor retaining the present program and that should not be viewed as just another visit by another Governor asking Washington for more money, nor a request by a Governor to keep a program under State control rather than see the States bypassed by having Washington deal directly with local governments.

What the Governors want, and need, is assurance that the program already in place is continued. Congress may wish to make improvement and changes in the program, but for efficiency and better understanding of the needs of our pople, it is absolutely essential that the States' role be continued in the countercyclical assistance program.

The main purpose of Government is to take care of the legitimate needs of people and the average citizen does not know or care where a particular program or service he needs is funded from, whether it be from Washington, State or local revenues. He knows only whether or not he is receiving the assistance or service that he needs. The money provided by the countercyclical program has been used most effectively by the States to maintain services to their citizens during hard, economic times.

Because of State constitutional restrictions requiring balanced budgets, often the States have to cut programs and services at precisely the wrong times. When income is declining or failing to grow at a fast enough rate, it may cause a recession, and this generally coincides with the period when legitimate needs of people are increasing.

In Pennsylvania this March, one out of 14 persons in the State was receiving public assistance. Many of these people are in families where the breadwinner has exhausted his unemployment compensation while searching for a job during the recession.

The unemployment rate in Pennsylvania, during the last 2 years has been about 7 percent, and it has been as high as 9.2 percent. Despite these problems, the Commonwealth of Pennsylvania has tried to maintain basic services and to continue its many forms of aid to local communities and school districts.

The countercyclical assistance program has been extremely important to this effort. When we first received this money, our State used it to preserve some 1,100 jobs in institutions and elsewhere that were scheduled to be abolished because of budget restrictions.

Next year, if the program is continued, we plan to use the $32 million to aid county governments in continuing their services to the people and in accelerating our community living arrangements for the mentally retarded.

Mr. Chairman, I believe strongly that the Federal standby antirecession program of countercyclical fiscal assistance must be renewed. Not only should it be renewed with both State and local participation, but it should be strengthened and made a permanent part of our fiscal system.

Let me emphasize, if time does not permit careful study and reasoned debate on ways to improve the program this year, it should be reauthorized quickly in its present form so that State and local officials can plan their 1979 budgets with confidence that the program will not be interrupted this year.

Those elements of the President's proposal that would make administration of the program more simple and flexible deserve your serious consideration. We support an annual allocation formula with quarterly payments. We also support the elimination of the prohibition on using funds for construction purposes. Such usage of funds not only maintains and improves facilities, but creates jobs and new jobs are needed in all of our States.

We Governors are concerned that this countercyclical program not be confused with general revenue sharing. It is important to the program's continued success that it target funds to governmental units where there is high unemployment or other measures of distress considered appropriate by this committee and by the Congress as a whole.

Congress must understand that the argument that some States and local governments will have surpluses this year, and that therefore the countercyclical funds are not needed, is specious. Many States, including Pennsylvania, are feeling the drastic effects of the Nation's economic slump. Even some of those States that this year may be able to balance their budgets or even show surpluses while still maintaining proper services levels may not be in the same position next year if the national economy continues to slip.

The misleading argument of temporary surpluses of some States in this year is being raised to attack the State's role in the countercyclical program. This concept must be clearly analyzed and firmly rejected, for the notion that the Federal Government can use its present national economic data base and economic indicators to measure the real fiscal health of State and local governments is a myth. Unfortunately, though, it appears to be a myth that many decisionmakers either believe, or want to believe, and for that reason, it has enormous potential to distort Federal policies on a whole range of domestic issues.

I do not fully understand how or why this myth has gained currency. Fortunately, several economists in the administration and Congress who have studied this matter are in agreement with what I am saying.

The $30 billion surplus for State and local governments was cited by President Carter last January as the principal reason for proposing a tax cut in his economic message to the Congress last

January. The $30 billion figure was taken from the national income accounts which measures aggregate income flows among the various sectors of our economy. But these accounts disclose nothing about the fiscal condition of individual States, individual counties and cities, and they are even misleading as an indication of aggregate financial strength.

For example, take a family whose income exceeds gross outlays by a modest amount during the course of a year. This looks like the family has an apparent surplus.

But suppose that so-called surplus includes funds that the employers or members of these families have contributed to social security or retirement systems. These funds obviously are not available to these famiiles to meet their bills. And suppose further that the family has deferred necessarily medical and dental treatment, has put off major maintenance on the house and the car, and has large insurance premiums to pay and other outstanding debts coming due. None of these factors is reflected in this family's so-called surplus, nor have similar factors been considered by the administration in arriving at a $30 billion surplus figure for State and local governments.

To cite just two specific examples. In Pennsylvania, because of tight budget restrictions, we have not been able to increase property tax relief for senior citizens since 1974 and our roads and bridges are deteriorating as gasoline tax revenues fail to match mounting payments for oil based materials or to cover repayment of bonded indebtedness incurred before I became Governor.

These kinds of problems are not revealed in the national income data. Without Federal programs such as general revenue sharing, countercyclical assistance and local public works, the recession's impact on the quantity and quality of local services provided to Pennsylvania citizens would have resulted in many hardships to our people and, as indicated earlier, these people are Americans, not just Pennsylvanians.

Recognizing the possibility that the estimated $30 billion figure would be misinterpreted, Governor William Milliken of Michigan and State Senator Fred Anderson of Colorado wrote Charles Schultze, chairman of the Council of Economic Advisors, last February. The Governors enclosed an analysis showing the aggregate surplus in State and local operating funds was, in reality, about $6 billion—actually, about $5.5 billion—not $30 billion. Further, they found that the bulk of the funds were in the treasuries of a handfull of States. California, for example, because of its graduated income tax, will have a surplus of about $2 billion to $3 billion, which is almost half of the total.

The analysis showed most State expenditures were expected to outpace revenues in the near future and that many States planned to use their modest surpluses to meet deferred needs and to grant State and local tax relief.

In his response, Chairman Schultze agreed with the analysis of the Governors, noting among other things that the "budgeting prudence may dictate that an operating surplus of some size may be necessary in ordinary circumstances. I do not disagree, nor would I encourage, State and local governments to engage in imprudent budgeting."

Those are the remarks of Chairman Schultze.

As a Governor who has had to cope with the unanticipated and certainly undesired financial burdens of unusually severe winters and the Johnstown flood during the last 2 years, as well as the coal strike, I cannot overemphasize the necessity of trying to maintain a modest surplus in preparing State budgets, particularly where deficit financing is prohibited.

Mr. Chairman, I would just like to say that the direction taken by the administration is contrary, really, to what should be going on. The Federal Government, with its graduated income tax, even with all of its loopholes, has the most progressive and elastic tax of any type of government. Local governments, with their property taxes and wage taxes, have the least elastic and most regressive form of taxation and the States are in between with wage taxes, sometimes sales taxes and flat income taxes generally in use. We fall in between.

And so to take the money the way it is proposed by the President, and bypass the States, I think would be the wrong direction. We should be using the Federal money for this countercyclical aid, and the States, I think, can give the type of direction to the program that will be most effcient.

Thank you.

Senator HATHAWAY. Thank you, sir.

Are you saying that we ought to leave the program just the way it is so that the national rate drops below 6 percent, then it stops?

Governor SHAPP. Yes.

Senator HATHAWAY. All countercyclical aid?

Governor SHAPP. I do not know about the 6 percent, because that would depend upon the variations in unemployment around the country, but I think the program as it is being administered at the present time should be left as it is.

Senator HATHAWAY. Senator Muskie, I think, is going to propose that even when it drops below the 6 percent, the States that have rates higher than that would still continue to get aid. Would you favor that?

Governor SHAPP. I would support that program.

Senator HATHAWAY. One of the administration's reasons, in addition to the surplus that you mentioned, and I guess those figures are in dispute, for cutting out the one-third to the States was that the States have a fairly broad capacity to raise revenue on their own. What do you have to say to that?

Governor SHAPP. Well, I cannot talk to the other 49 States there, but I can say in Pennsylvania it is not the case.

Senator HATHAWAY. Why is it not the case in Pennsylvania?

Governor SHAPP. Well, it is not the case in Pennsylvania because first, we have a constitutional restriction as to the type of taxes that we can raise.

Secondly, we have already been assuming a large share of local costs and the biggest part of our budget today is for programs that go back and help local communities. And we have a sales tax. We have an income tax that has to be flat because of our constitution and these are the main taxes that we do have. And we try to raise our tax, try to raise our taxes—and I have been trying to do this, I might say, slightly in the last year in order to meet some deficits in our programs—we run into the same political problems that you run into here in Congress on various things. And Senator Long made the statement before, everybody is looking to see what his district or her district is getting out of a budget and also what it will reflect, as far as taxes are concerned.

I think our taxes, the services that we need are much greater than the income that we have at the present time, but the difficulties in raising the taxes are political realities.

Senator HATHAWAY. Having in mind that the States vary, do you have any suggestions as to what we could do with that? Some of them do have real surpluses and it seems to me it does not make too much sense to be giving them money for distress if they have a surplus that they could have spent to help themselves out.

Governor SHAPP. Well, one of the problems that you have there is that the major State, of course, is California, and I think you will find—what I am saying now is that I do not know this to be exact, but I believe it to be somewhat correct—the States that have surpluses have graduated income taxes or they have special taxes that are based upon resources, like in Alaska, that have enabled them to collect rather substantial sums of money in recent years because of exploitation of those resources.

But very few of your older States are in a position to have surpluses of any great extent, and there would be a year to year variation. You might have a surplus of a few million dollars one year but then the next year, it gets wiped out.

The California situation is an abnormal situation and it certainly should not be considered typical of the operation of State governments.

Senator HATHAWAY. Should we take those differences into consideration?

Governor SHAPP. Well, I think if you are going to have a national program, the answer is no, because you penalize States that have taken action and give something to States that have not taken action, and I think that the disparity, then, in the percentage of services that you give or money that you spend is really not a proper way to handle that type of situation.

I think California should get the same treatment that we do in Pennsylvania, and I wish we had a graduated income tax and that our constitution would permit it, but we do not.

Senator HATHAWAY. Thank you very much.

Senator Dole?

Senator DOLE. I only have a couple of questions. I appreciate your statement. What does Pennsylvania receive under the program—$32 million?

Governor SHAPP. Yes.

Senator DOLE. There is always a charge that a program may not be a necessity. The Federal money is used as a substitute for what the State would normally do anyway.

You indicated that some of the funds are used for mental health in Pennsylvania?

Governor SHAPP. Mental health, mental retardation, but also most of our money has gone to local communities. For example, $24 million has been distributed to local communities to help them maintain services that they would not be able to maintain if they did not have the money.

Senator DOLE. Is there any effort to see whether or not the services are necessary?

Governor SHAPP. Well, I think a very cursory examination would show that these services are necessary. For example, the money going into Philadelphia and Allegheny Counties where they have substantial problems in maintaining just the ordinary services today for people that run all the way from police costs to cleaning the streets and yet they are called upon to furnish costs for hospital care and things of this sort.

In Pennsylvania, we take care of all the welfare load ourselves. It is a State program. In other States many of the communities have to pick up part of the welfare costs. We do not have that in Pennsylvania so we are picking up a greater percentage there, and so the money that we pass out to the communities in this anticyclical help is enabling them to help clean up some of their neighborhoods, too, I might say, work within some of the rural areas with some of their distressed people and providing services to them that otherwise counties would not be able to afford.

Senator DOLE. Do you have any idea how many jobs are created in States like Pennsylvania from different Federal programs, whether it is this program, CETA or general revenue sharing? What percentage of the public workforce is made possible through Federal programs?

Governor SHAPP. One moment. I might say I have been complaining loudly and clearly in recent months that we are not getting our share of the Federal funds.

Senator DOLE. I do not take issue with that.

Governor SHAPP. About roughly, when you take and consider the welfare program, about one-third of the employees are receiving some Federal funding. Unemployment compensation, of course, is 100-percent funded.

Senator DOLE. It is my understanding that in the President's proposed program, the city of Philadelphia would receive about $22 million, Pittsburgh $4.6 million.

Governor SHAPP. That would be about right. Those two now, under the present system, are getting $24 million under this year's program, so under the President's program, an increase of about 10 percent would be in order.

Senator DOLE. As I understand your response to Senator Hathaway, you would support a program along the lines suggested by Senator Muskie which would keep the present program and change the national cap to a 6 percent State cap.

Governor SHAPP. I am not prepared to—could I send a written response to that question, because I would like to analyze that and present the figures rather than just shoot off the top of my head on it.

Senator DOLE. Thank you.

Senator HATHAWAY. Senator Roth?

Senator ROTH. Governor Shapp, I would like to ask you a couple of questions along the lines of those I asked the Secretary. To what extent does each 1-percent increase in inflation have an impact on your State budget? How serious a problem is the threat of inflation to your budgetary State problems?

Governor SHAPP. It is a substantial effect. Our total budget this year will be about $5.3 billion and in the Highway Department, of course, inflation, particularly of oil-based products, has just wreaked havoc with our programs for road maintenance.

Along with the inflation costs also our income is rising, not like California, because they have a graduated income tax, but our flat income tax is increasing our revenues each year, so that I would say the total impact would be slightly unfavorable to the operation of our State and local governments, but not considerably out of line.

Senator ROTH. Do you have any figures, for example, that would show for every additional 1 percent of inflation what that means in additional dollars your State needs?

Governor SHAPP. No, but I can have that study made and furnish it to you, Senator.

Senator ROTH. One of my concerns is that the Consumer Price Index has continually increased, I think it was .8 percent according to the last figures. The administration earlier predicted 6-percent inflation during the current year. There is still some hope that it may level out at 7 percent, but a number of economists are predicting that it could go up very substantially if we make miscalculations, particularly here in Washington.

I wonder, in your Governors' conference, in discussing these various Federal programs—and I can understand why the States seek additional Federal funds—but is there any discussion or concern about the size of the Federal deficit and the effect on inflation?

Governor SHAPP. Well, yes. We have had discussions of this and, in fact, at our last conference here just a couple of months ago in Washington, the NGA unanimously, the Governors voted to urge that the President establish a special commission to study the structure of the Federal budget to see if the structure of the present budget really reflects the economic and fiscal conditions in this country.

What we call actually our present budget that you deal with every day is nothing more than what business calls a cash-flow sheet where we measure cash in against cash out, but there have not been any studies made to determine the impact that different types of investments in human capital and physical plant would have on reducing the costs of government and also there have been no studies made to determine the future yield that you would get from certain investments and the future costs that are derived or would be inflicted upon us by not making those investments.

The present budget—also, we voted unanimously that the costs of government should not be put back on the States. In other words, that the Federal Government should not cut back programs and the funding of programs which would, in effect, by those costs increase the costs of the States and local governments.

And so one of the things that I would like to see done is to have a commission established as we have recommended to the President that would really study the structure of this budget and get some facts on it rather than work, as we have, in the dark and with many fables.

Senator ROTH. Well, I think the new budgetary procedures are beginning to try to look further ahead, so that some steps at the Federal level——

Governor SHAPP. Yes, the new budget procedures are, but they are using the same budget structure, and it is the budget structure itself that should be analyzed.

Senator ROTH. Well, to go to your point, it is my understanding that they are beginning to make some studies along that line.

Let me go back to my earlier line of questioning. Has the Governors' conference ever come out for less spending, less Federal money?

Governor SHAPP. Not since I have been there.

Senator ROTH. Can you ever foresee the situation where they might?

Governor SHAPP. No, I cannot, and the reason for that is quite obvious. The cost of operating government, like the cost of everything, is rising today.

Senator ROTH. Is that partly because of inflation?

Governor SHAPP. It is mostly because of inflation and also because you here in Congress pass many laws setting up programs that are mandatory and call for the States to participate with the Federal Government in the implementation of those programs.

Senator ROTH. One further question, Mr. Chairman. My time is expired.

One of my concerns has been the form in which we do give aid to both State and local government, the complexities, the multiplicity of programs. What if Congress were suddenly to say well, take all of these funds and maybe have special categories because you do want to direct certain funds to special needs, but we could eliminate a lot of the redtape with the number of problems and the application requirements and other things that we now have in these programs. Would that relieve, and make it possible for you to receive less funds and enable you to do a better job?

Governor SHAPP. It would depend upon the nature of the program. In some cases——

Senator ROTH. Well, just as a general approach.

Governor SHAPP. Let me just say that in certain areas the answer could be yes. In other areas I think some States would then cut back on programs that are necessary to their people and, so the Federal Government, in order to maintain uniformity among States and prevent one State from using the absence of the cost of a given program, it is essential to attract industry, then it would serve as a disadvantage to those States who took care of their people better.

I think you do need Federal regulations that are universal in a lot of these programs, in order to protect the people and to protect the very hard competition that could develop by one State using a program and other States saying, no, we are not going to have the costs. We are going to save that money.

So there are pluses and minuses to what you are suggesting. We are one country.

Senator ROTH. Well, just in closing, Mr. Chairman, I would like to say that one of the things that concerns me is that every group—and these are all good groups—but whether it is the Governors or the big or small cities, other types of interest groups, all come in each year for additional funds and part of the reason is always the impact of inflation.

I would hope that some day the Governor's conference would devote a period of time to trying to recognize the problem of the Federal Government and the deficit. As you say, the States enjoy a budget balance or surplus even if it is temporary. We are never going to be able to make any sense out of the Federal budget until the people back home begin to limit their demands.

I would just like you to take a look at it from the Federal standpoint sometime.

Governor SHAPP. Well, from the Federal standpoint, I think if you were to have a thorough study of the budget you would find that we do not have a budget to begin with. We talk about deficits. A.T. & T.—I met with the top officials of A.T. & T. a couple of years ago and asked if they were concerned about our $620 billion national deficit at the time. They all were.

And I pointed to their balance sheet that showed that one company had over $30 billion worth of deficits, debt, which is about 5 percent of the national debt, but they were not worried about it because they had a balance sheet that showed $70 billion worth of fiscal assets, which was a good ratio. And they were using those assets to earn money to pay their debt and show a profit.

We have never really had a balance sheet of the United States to show the assets that go against this debt, and if we were to do so, and then utilize those assets more, perhaps we would not be worried about the deficit, or we would be able to control the deficit more because we would know which programs were the most beneficial to the people.

That is the reason I would like to see this commission formed.

Senator ROTH. I think there is merit to this commission. Thank you.

Senator MOYNIHAN. I would like to say to the Governor that it is a very important idea that you put forward.

One of the persisting problems in American Government, or one that becomes more visible, is the statistical bases and methodologies on which we devise formulae for the allocation of public resources. We are capable of vastly more sophisticated work than we do and the reasons we do not do it are not fully clear to me, but it certainly is the case that you see in the present program—I mean, one sympathizes with the administration and encourages them—but to come up with a program for concentrating resources in areas of greatest need that turn out to be 26,000 units of government, suggests a certain recklessness. This is in face of the obvious difficulties in doing this, and partly, I think, it is because there is not the kind of statistical, methodological base to say look, we can demonstrate things that matter.

Governor SHAPP. Well, in that regard, I think leaving the program to the States solves much of the problem because we are more familiar with those localities, and we have our departments in each State government working directly with those communities right now. What you would be doing is duplicating in Washington and not having as close a contact while you are duplicating the system, that we already have in place. And that is the reason why this program should be left to the States.

Senator MOYNIHAN. I would suggest that that is an empirical question and—I mean, where are you likely to find the highest quality of data?

But, Governor, we thank you very much for coming and, as you can imagine, we are about to hear what may be an alternative view from an equally distinguished guest. We have Mayor Coleman Young of Detroit and Mayor David Vann of Birmingham and they are now going to speak. We thank you, Governor. I am sure you might want to listen, and I know you have worked together with these gentlemen on many things in the past and will in the future.

Governor SHAPP. Mr. Chairman, just one other thing. I did not complete my entire statement.

Senator MOYNIHAN. We will put that into the record, of course. Thank you.

[The prepared statement and material supplied by Governor Shapp follow:]

STATEMENT OF GOVERNOR MILTON J. SHAPP

Mr. Chairman and Members of the Committee: I appreciate the opportunity to meet with you today as you begin your consideration of the current Anti-recession Fiscal Assistance Act and the Administration's proposed changes. In my testimony today I represent not only the Commonwealth of Pennsylvania but the National Governors' Association, for which I serve as Chairman of the Committee on Executive Management and Fiscal Affairs.

My arguments here today in favor of retaining this program should not be viewed by you as another visit by yet another public official asking Washington for more money. What we Governors want and need is assurance that the program already in place is continued. The Congress may wish to make improvements or changes in the program but it is absolutely essential that the states' role be continued in the countercyclical assistance program. The average citizen doesn't know or care where a particular service or program that he needs is funded from. He gnows only whether or not he is receiving the assistance or service that he needs.

The money provided by this countercyclical program has been used most effectively by the states to maintain services to their citizens during hard economic times. Because of state constitutional restrictions requiring balanced budgets often the states have to cut programs and services at precisely the wrong time—when income is declining or failing to grow at a fast enough rate because of recession. This generally coincides with the period when the needs of people are increasing.

In Pennsylvania, this March, one out of 14 persons in the state was receiving public assistance. Many of these people are in families where the breadwinner has exhausted his unemployment compensation while searching for a job during this recession.

Unemployment in Pennsylvania during the last two years has generally been above 7 percent and has been as high as 9.2 percent.

Despite these problems, the Commonwealth of Pennsylvania has tried to maintain basic services and to continue its many forms of aid to local communities and school districts. The countercyclical assistance program has been extremely important to this effort.

When we first received this money Pennsylvania used it to preserve some 1100 jobs in institutions and elsewhere that were scheduled to be abolished because of budget restrictions.

Next year, if the program is continued we plan to use the $32 million to aid county governments in continuing services and to accelerate our community living arrangements programs for the mentally retarded.

Mr. Chairman, I believe strongly that the federal standby antirecession program of countercyclical fiscal assistance must be renewed. Not only should it be renewed with both state and local participation but it should be strengthened and made a permanent part of our fiscal system. If time does not permit careful study and reasoned debate on ways to improve the program this year, it should be reauthorized quickly in its present form so that state and local officials can plan their 1979 budgets with confidence that the program will not be interrupted.

Those elements of the President's proposal that would make administration of the program more simple and flexible deserve your serious consideration. We support an annual allocation formula with quarterly payments. We also support the elimination of the prohibition on using funds for construction purposes. Such usage of funds creates jobs. And new jobs are needed in all of our states.

However, the Committee may wish to examine thoroughly the impact of the proposed change in the minimum payment from $400 to $200, which would result in quarterly checks of $50 for many local governments. This will add thousands of new governments and an avalanche of paperwork to the program.

We Governors are also concerned that this countercyclical program not be confused with general revenue sharing. It is important to the program's continued success that it target funds to governmental units where there is high unemployment and other measures of distress considered appropriate by this Committee and by the Congress as a whole.

Congress must understand that the argument that some states and local governments will have surpluses this year, and that therefore the countercyclical funds are not needed, is specious. This misleading argument is being raised to attack the states' role in the countercyclical program, but this same argument could be turned tomorrow against other programs and other jurisdictions. This concept must be clearly analyzed and firmly rejected, for the notion that the federal government can use its present national economic data base and economic indicators to measure the fiscal health of state and local governments is a myth. Unfortunately though, it appears to be a myth that many decision-makers either believe, or want to believe, and for that reason it has enormous potential to distort federal policies on a whole range of domestic issues.

I do not fully understand how or why this myth has gained currency. Fortunately, several economists in the Administration and Congress who have studied this matter are in agreement with what I am saying.

The $30 billion was first cited by President Carter last January as a principal reason for his tax cut, and thus an impediment to his desire to balance the budget, in his economic message to the Congress last January. The $30 billion figure was taken from the national income accounts, which measure aggregate income flows among the various sectors of our economy.

But these accounts disclose nothing about the fiscal condition of individual states and cities, and they are even misleading as an indication of aggregate financial strength. Imagine a family, for example, whose gross income exceeds gross outlays by a modest amount during the course of a year. This family looks as though it has "surplus."

But suppose that the so-called surplus includes funds that the family has contributed to its social security and retirement systems, which are not available to pay the bills. And suppose further that the family has deferred necessary medical and dental treatment, has put off major maintenance on the house and the car, and has large insurance premiums to pay and other outstanding debts that are coming due in the next 12 months. None of these factors is reflected in its so-called surplus.

To cite just two specific examples, in Pennsylvania because of tight budget restrictions, we have not been able to increase property tax relief for senior citizens since 1974, and our roads and bridges are deteriorating as gasoline tax revenues fail to match mounting payments for oil based materials and to cover repayment of debts that were incurred before I became Governor. These kinds of problems are not revealed in national income data.

Without federal programs such as general revenue sharing, countercyclical assistance, and local public works, the recession's impact on the quantity and the quality of state and local services provided to Pennsylvania citizens would have resulted in many hardships to our people. And as indicated earlier these people are Americans not just Pennsylvanians.

Recognizing the possibility that the $30 billion figure would be misinterpreted, Governor William Milliken of Michigan and State Senator Fred Anderson of Colorado wrote Charles Schultze, chairman of the Council of Economic Advisers, last February. They enclosed an analysis showing that the aggregate surplus in state operating fudns was about $6 billion, or roughly six percent of operating revenues, and that the bulk of the funds were found in a few states. The analysis showed state expenditures were expected to outpace revenues in the near future and that many states planned to use their modest surpluses to meet deferred needs and to grant state and local tax relief.

In his response, Chairman Schultze agreed with our analysis, noting among other things that "budgeting prudence may dictate than an operating surplus of some size may be necessary in ordinary cirrumstances. I do not disagree, nor would I encourage state and local governments to engage in imprudent budgeting."

As a Governor who has had to cope with the unanticipated and certainly undesired financial burdens of unusually severe winters and the Johnstown flood during the last two years. I cannot over-emphasize the necessity of trying to maintain a modest surplus at the state level, where deficit financing is prohibited. Failure to maintain such a surplus not only disrupts a state's ability to deal with emergencies but can hinder its access to the nation's money markets. Incidentally, a decline in state and local capital construction projects not only contributes to the national economic slowdown but ironically inflates the national version of state and local surpluses.

Indeed, if there really were a significant surplus in state governments today, a sure sign would be a broad upward movement in the states' bond ratings.

Unfortunately, however, the $30 billion state and local surplus is still being used in some quarters. The surplus issue is used in the supporting material that the Administration has sent over with its countercyclical bill. The rationale for eliminating countercyclical funds to the states is again the so-called surplus.

Ironically, the Administration cites the increased burden of welfare, health and criminal justice services as reasons to divert state countercyclical funds to the local level. Yet these functions are substantially financed at the state level all across the country. Indeed in Pennsylvania we have used countercyclical funds to avoid cutbacks in services to those families receiving cash assistance.

Countercyclical assistance should be judged as a tool of national economic policy—primarily as program for meeting human needs that otherwise might go unmet in times of hardship and for meeting those needs in the fairest way possible.

Let me be very emphatic about the next point. If it is good public policy instead to cut state and local taxes less.

On the other hand, if state governments have to defer a tax cut, impose a tax increase, or cut back a needed service because of reductions in federal aid, neither our citizens nor our economy will be well served.

Even with all of its loopholes the federal graduated income tax is far more progressive and elastic than the property and wage taxes that support most local governments and school systems and likewise more elastic and progressive than flat personal income taxes and corporation taxes and the sales taxes that provide most funding for state government.

The legislation before this committee goes in exactly the wrong direction since it would force a reliance upon the most regressive forms of taxation for state and local governments to retain existing programs for the people.

It is this issue that argues most powerfully for a permanent federal countercyclical program that places part of the extra burden caused by a recession with the level of government responsible for national economic policy and that helps to finance that burden with a graduated federal income tax which, despite its many imperfections, is still the nation's fairest tax.

NATIONAL GOVERNORS' ASSOCIATION,
March 9, 1978.

DEAR CONGRESSMAN: In an effort to provide you with a clear and up-to-date picture of the fiscal situation of the states, we have enclosed a copy of a letter sent recently to Charles Schultze, chairman of the Council of Economic Advisers, by Governor William G. Milliken of Michigan, chairman of the National Governors' Association, and by State Senator Fred E. Anderson of Colorado, president of the National Conference of State Legislatures.

We believe you will find this information useful as you weigh your decisions on federal fiscal policy in 1978. Please do not hesitate to contact us if you have questions or need further information.

STEPHEN B. FARBER,
Director, National Governors' Association.
EARL S. MACKEY,
Executive Director,
National Conference of State Legislatures.

Enclosure.

FEBRUARY 16, 1978.

HON. CHARLES SCHULTZE,
Chairman, Council of Economic Advisers, Executive Office Building, Washington, D.C.

DEAR MR. SCHULTZE: The January 20 Economic Message to Congress states that the two "major drains" on the economy are the $18 billion trade deficit and a purported $33 billion surplus of states and localities. This estimate was developed by the Council of Economic Advisers and has received a wide currency among federal government decision-makers who will review the level and extent of federal assistance to states and localities. As the Economic Report recognizes, many states and local governments are not financially well-off despite aggregate figures which indicate surpluses. The report says that "Many are hardpressed." We agree, and the attached analysis indicates more clearly the cautious financial condition which faces many Governors and Legislatures as they prepare budgets for FY 1979.

1. *The aggregate surplus of states and local governments is not $33 billion.* The $33 billion surplus figure is misleading because it is actually a combination of two figures, operating balances and social insurance funds. The Economic Message too makes the distinction that "a large part of the aggregate surplus represents accumulations of pension funds for the 13 million employees of state and local governments." The social insurance component is not surplus funds available to state and local officials.

2. *The actual aggregate state government operating surplus is probably less than $6 billion, and reflects sound budgeting practices.* Survey results compiled by the National Governors' Association and the National Conference of State Legislatures (see attached chart) indicate a surplus among state governments of approximately $6 billion. This would indicate a surplus among cities and counties of nearly $9 billion. The surpluses at the state government level represent less than 6% of the aggregate operating budgets of all states. Sound budgeting practice suggests that a substantial contingency is necessary to offset unexpected emergencies or financial difficulties. The 6% aggregate figure represents a slimmer margin for emergencies than states normally seek to budget.

Since nearly every state is required by its Constitution or statutes to have a balanced budget, such operating balances are necessary.

3. *The bulk of the projected operating state surpluses are found in just a few states.* A glance at the attached breakdown for each state shows that a few states have substantial surpluses while most have very modest or marginal balances. These surpluses reflect conservative revenue projections for FY 1978 which were made in the early spring 1977; strong economies in energy-producing states; the effects of more progressive revenue systems in an improving national economy; and inflation-induced revenue growth.

4. *States are now developing fiscal 1979 budgets which will rapidly deplete current surpluses.* The surpluses which are reported by the states in our surveys will be spent in the next fiscal year, which begins in most states on July 1. The extra revenues will be used to support property tax relief programs, recession-delayed projects, inflation-caused cost increases for labor and materials, hard-pressed local governments, and federal programs which are not being expanded under the proposed federal budget. These programs will put existing surplus funds quickly and efficiently back into the state economies. Far from acting as a "drain" on the economy, these resources will enable states to supplement federal efforts to further expand economic growth.

In conclusion, a close examination of state, finances provides a significantly different picture from that painted by the Economic Message. The aggregate operating surplus for state and local governments is less than half that used by the Administration. The surplus figures in most states represent sound financial management. A few states account for most of the aggregate total surplus. And far from acting as a drain on the economy, these surplus funds will be either returned to citizens to reduce property taxes or re-invested in economic growth and development.

We urge the Administration and the Congress to carefully weigh the purported surpluses in light of this analysis. In order that this misunderstanding of state fiscal data not be repeated, we urge the Administration to work with our associations to improve reporting and data collection techniques for state government finances. These data should be incorporated into the federal budget reports and annual economic report of the President.

Sincerely yours,

FRED E. ANDERSON,
President, National Conference of State Legislatures.
GOVERNOR WILLIAM G. MILLIKEN,
Chairman, National Governors' Association.

STATE OPERATING FUND RESOURCES, EXPENDITURES AND BALANCES, 1978

(In Millions of Dollars)

STATE	1978 Resources (Including 1977 Balances Forward)	1978 Expenditures	1978 Projected Balance	1978 Projected Operating Balance as percentage of 1978 Expenditures
Alabama	$ 219.4	$ 212.3	$ 7.1	3.3%
Alaska	1,427.3	857.2	570.1 *	66.5
Arizona	963.1	963.1	0	0
Arkansas	868.6	679.3	189.3 *	27.9
California	14,423.0	12,266.0	2,157.0 *	17.6
Colorado	1,001.2	959.6	41.6	4.3
Connecticut	1,956.2	1,920.0	36.2	1.9
Delaware	468.1	473.9	(-)5.8	-1.2
Florida	2,662.6	2,641.0	21.6	0.8
Georgia	2,023.0	2,023.0	0	0
Hawaii	853.5	851.2	2.3	0.3
Idaho	283.7	283.6	.1	0.04
Illinois	6,399.0	6,311.0	88.0	1.4
Indiana	1,634.2	1,523.4	110.8 *	7.3
Iowa	1,459.7	1,381.3	78.4	5.7
Kansas	971.0	853.2	117.8 *	13.8
Kentucky	1,582.5	1,516.7	55.8	4.3
Louisiana	3,079.0	3,077.7	1.3	0.04
Maine	427.3	418.5	8.8	2.1
Maryland	2,064.2	2,004.4	59.8 *	3.0
Massachusetts	3,856.3	3,841.5	14.8	0.4
Michigan	3,796.3	3,796.3	0	0
Minnesota	3,311.0	3,262.0	49.0	1.5
Mississippi	810.6	768.4	42.2	5.5
Missouri	1,522.2	1,442.8	79.4	5.5
Montana	237.0	212.9	24.1	11.3
Nebraska	534.7	483.9	50.8	10.5
Nevada	257.8	220.9	36.9	16.9
New Hampshire	202.8	200.0	2.8	1.4
New Jersey	4,070.7	4,029.8	40.9	1.0

STATE	1978 Resources (Including 1977 Balances Forward)	1978 Expenditures	1978 Projected Balance	1978 Projected Operating Balance as percentage of 1978 Expenditures
New Mexico	$ 622.1	$ 581.2	40.9	7.0%
New York	11,371.0	11,353.0	18.0	0.2
North Carolina	2,183.2	2,158.0	25.2	1.2
North Dakota	432.5	275.1	157.4	57.2
Ohio	4,302.4	4,252.0	50.4	1.2
Oklahoma	632.9	632.9	0	0
Oregon	1,127.8	1,020.8	107.0	10.5
Pennsylvania	5,144.0	5,144.0	0	0
Rhode Island	569.1	567.6	1.5	0.3
South Carolina	1,208.4	1,193.9	14.5	1.2
South Dakota	186.7	165.4	21.3	12.9
Tennessee	2,048.2	1,985.1	63.1	3.2
Texas	3,728.3	3,105.7	622.6 *	20.0
Utah	321.5	267.6	53.9	20.1
Vermont	199.7	182.2	17.5	9.6
Virginia	1,990.7	1,976.7	14.0	0.7
Washington	2,676.4	2,586.2	90.2	3.5
West Virginia	841.5	841.4	0.1	0.01
Wisconsin	2,231.7	1,960.6	271.1 *	13.8
Wyoming	164.2	152.2	12.0	7.9
TOTAL	$105,348.3	$ 99,876.5	$5,471.8	5.5

These figures were compiled and published by the National Governors' Association and the National Association of State Budget Officers in their Fiscal Survey of the States, Fall 1977, together with additional data compiled by the National Conference of State Legislatures.

* for additional information on the disposition of FY 1978 operating fund balances, see Table II.

TABLE II

PROPOSED STATE SPENDING PLANS TO OFFSET FY 78 FUND BALANCES
SELECTED STATES

STATE	PROJECTED FUND BALANCE FOR FY 78	SPENDING COMMITMENTS TO OFFSET PROJECTED FY 78 FUND BALANCE
Alaska	$313.0 million cash balance 200.0 million loan reserve fund	— $10 million for agricultural development — $310 million for general obligation bonds — $1-2 billion for capital construction bonds
Arkansas	$149 million fund balance	— $144 million held in reserve for cash flow requirements
California	$2.1 billion balance	— $1.1 billion in proposed property tax relief program — $800 million for new programs in energy conservation, housing and community mental health — $223 million in contingency funds
Indiana	$110 million	— $84 million in expanded highway aid — $51 million in State tax reductions and property tax relief
Kansas	$117.8 million	— $105 million for minimum cash flow requirements — $15 million in sales tax credit
Maryland	$115.0 million	— $51 million in income and property tax reductions — balance in new programs for education aid and State education personnel
Texas	$3.0 billion originally projected for 1978-1979 biennium	— $528 million in expanded highway aid — $1.0 billion in expanded school aid — $900 million for medical education — $525 million in expanded health and welfare programs
Wisconsin	$270-$370 million	— $80 million in tax rebates — $139 million for future tax reductions — $63 million for water pollution abatement — $73 million for pay-as-you-go capital projects

Information collected on the basis of a phone survey conducted by the National Conference of State Legislatures and the National Association of State Budget Officers.

Senator MOYNIHAN. We have asked these two distinguished leaders of urban America to join us at the table at once because they are both representing the interests of the two major groups of municipalities, the U.S. Conference of Mayors, in the case of Mayor Young, who is to speak first on our schedule; and the U.S. League of Cities. These represent slightly different sides and, therefore, somewhat different concerns.

We welcome both of you gentlemen, and Mayor Young, you are first on the list, so perhaps you would have the kindness to speak first.

STATEMENT OF MAYOR COLEMAN YOUNG, DETROIT, MICH., ON BEHALF OF U.S. CONFERENCE OF MAYORS

Mr. YOUNG. Thank you very much, Mr. Chairman, and members, or member, of the committee, I might indicate that Mayor Vann and I have worked together in both organizations and I do not think you will find much difference between us since we both come from cities who have similar problems.

As you know, I am Coleman Young, mayor of the city of Detroit, and chairman of the Urban Economics Committee, U.S. Conference of Mayors. The Conference of Mayors is pleased to have the opportunity to participate in these hearings on extension of the vital urban program of countercyclical fiscal assistance.

For the past 3 years, the conference has had, as one of its highest priorities, enactment of permanent authorization for a countercyclical assistance program with local, as well as national, triggers, to make payments during periods of national economic recession to local governments suffering severe rates of unemployment and fiscal strain.

Fortunately for the Nation's cities and their residents, the antirecession fiscal assistance program was enacted into law in 1976 and reenacted into law in 1977 to meet this need.

Immediate reenactment action by this committee and by Congress is necessary to guarantee an uninterrupted flow of funds to those cities most fiscally distressed. I will not attempt to read the whole statement. I will enter it into the record. It is available. We talked in the statement about the intent and impact of the program to date and the intent very obviously—it is a unique intent—the intent had something to do with the formulation by this Government of an urban program, recognizing the fact that there is an urban crisis in most of our cities and, at the same time, trying to develop some criteria—some objective criteria—in order to determine the feasibility to meet its needs.

As we say here, the major goals are to prevent local governments from being forced to take actions that run counter to and dilute the stimulative actions of the Federal Government in order to close local revenue/expenditure gaps in adverse economic times and to soften the effects of adverse economic conditions on those city governments and city residents least able to withstand them by providing funds to continue existing levels of municipal employment.

Now, many studies by Federal agencies reveal that the major goals of the program have been fulfilled. One study, for instance, indicates that countercyclical fiscal assistance funds have had an impact of roughly 87,000 jobs in cities across the Nation, either created or saved, for each $1 billion spent.

In my own city of Detroit, for instance, as we experienced 2 years ago what, to us, was a depression—naturally it was called a recession—the money we received, some $23.2 million, all went to reemploy police officers who had been laid off. So we were able to bring back on our force 680 police officers with that $23 million. It meant the difference between our city's being able to stabilize itself in terms of control of crime and being unable to.

Last year, largely because of countercyclical, I am happy to report that Detroit, which had been known as the murder capital of the Nation, the crime capital, led all cities in the Nation, according to FBI figures, in the reduction of crime. Our first 3 months of this year show a further 15-percent decrease in crime over last year.

This would not have been possible without direct fiscal assistance that went into our budget to enable us to continue much needed services. I think you will find that true, to one extent or another, around the country. There are many, many criteria—at least, there are four criteria in this bill, to measure need.

I can speak for one. There was one basic measurement in the last bill. I have no quarrel with the four. Although I do believe that the degree to which you start adding extra factors, the tendency is to blur targeting, and this is supposedly a targeted bill, targeted to identifiable needs. It is different from revenue sharing.

Unemployment is always a good index. For instance, the national unemployment level is reported now to be 6.2 percent, something like that, but in Detroit, the rate is 9.6; in St. Louis, it is 7.6; in Atlanta, 8.9. Even in supposedly prosperous Los Angeles, it is 9.4.

We can see that unemployment has a direct relationship to the ability of cities to balance their budget. As a matter of fact, it will be interesting for this committee to examine how many cities, based on 2 years' experience, have now included an expected amount of money from countercyclical to their current budgets.

I could tell you that, although it is not a good fiscal procedure, I have included in the city of Detroit's budget some $21 million from countercyclical legislation. If that money was not forthcoming, our city would be in a position of, again, laying off policemen and firemen and having the same kind of crisis we experienced 2 years ago.

That same situation, in my opinion, Mr. Chairman, exists around the Nation. Therefore, it is critical that we continue at least on the level that we have experienced in the past.

There is no question in my mind that there is a need for a permanent program. I gather that has been mentioned earlier by Senator Muskie. I would say that the need for that is obvious if we are to overcome the effects of the recession.

I hear the buzzer, so I will try and run through this.

Senator DOLE. The buzzer does not mean anything.

Mr. YOUNG. I still have a green light? I will go by the light.

As far as the permanent program is concerned, the Conference of Mayors advocates a permanent authorization for the countercyclical fiscal assistance program that would make payments during the national recession and targeted fiscal assistance to those cities whose economics have yet to recover and lag far behind the national recovery, and that is the situation today, for the cities that I just cited to you, based on using the criterion of unemployment.

The Conference of Mayors believes that many of the provisions of the administration's proposal are improvements over the current program. Specifically, annual allocation of payments made quarterly to remove much of the uncertainty of present funding and it would enable cities to plan, budget and budget efficiently and use the funds better.

The elimination of current restrictions of using program funds on capital expenditures would give cities the necessary flexibility to provide all types of fiscal services. That is one that obviously is up for debate, but it is our national policy.

Removing the automatic one-third share of the funds for the State government is consistent with the President's desire to target assistance to distressed communities.

Also, States have revenue raising capacities far more flexible and far more extensive than do local governments. The soundness of State governments is due, in large part, to these more flexible capabilities.

Obviously, there would be no political purpose in the Conference of Mayors, or any Mayor, getting into a political fight with the Governors, but I do believe that this is specifically targeted funds for distressed cities.

Another example, the city of Detroit is at its absolute ceiling in terms of its ability to levy taxes. We, like any other city, are a creature of the State. The State, on the other hand, has unlimited taxing capacity based, of course, and limited by the political facts of life.

But even necessity will not allow the city of Detroit to impose one more cent of a tax upon our citizens and, therefore, when we are required at the same time by a constitutional charter to balance our budget, we have certainly no alternative, then, but turning to this type of program wherein the States, I submit, do have alternatives.

One final word on the States. If you are going to give any portion of this money to the States and let them, at their discretion, distribute the money, you might as well throw away the formula. We have some criteria here. Unless the States are required to follow the same criteria, why send them the money? If they follow the same criteria, why not send it direct?

Senator MOYNIHAN. A very direct question.

Senator Dole, would you like to ask questions of Mayor Young now, or would you like to wait until Mayor Vann has spoken?

Senator DOLE. If they have the time, I think I would prefer to wait. I have a speech at 12:15, a delay would give me a chance to hear both witnesses.

Senator MOYNIHAN. Do you have the time, Mayor Young?

Mr. YOUNG. Certainly.

Senator MOYNIHAN. Mayor Vann, would you like to proceed?

STATEMENT OF DAVID VANN, MAYOR, BIRMINGHAM, ALA., ON BEHALF OF U.S. LEAGUE OF CITIES

Mr. VANN. Let me say on behalf of the National League of Cities, with our 15,000 direct and indirect member cities, we are pleased to be here to testify in support of the administration's supplemental fiscal assistance proposal. We feel that one of the most important things that happened in recent years was the countercyclical program. When it came on in 1976, it reduced the need for cities to take budget actions that would have harmed national recovery, such as tax increases and layoffs. It countered the impact of the recession on cities, and made possible the maintenance of certain basic services at a higher level than otherwise would have been possible.

In the year prior to that, I might say that our experience, while not as drastic as that of Detroit, was one of reducing police officers, reducing fire protection, reducing services in a way that had a very discouraging effect on local businesses, as the city is one of the major employers. We had crime rates going up, but we were being forced to reduce the number of police officers.

That has an effect on your economy that extends beyond city hall in its impact. For instance, we had to reduce the number of police officers downtown. With countercyclical, we have been able to restore those and have a healthier service area for businesses to operate in. The primary thing cities do in this country, we sometimes forget, is provide the setting in which most of the business activity of the Nation takes place. If the cities are in trouble, you have created a bad atmosphere in which the general economy must operate.

The national trigger had a significant effect and we think the studies that have been made by this committee and others have shown that the program did, in fact, target the money on those governments that had the most severe strain, that it did indeed reduce the need for those governments to take steps that would have damaged the national recovery program at that time, and that it was a generally successful program.

Now, you can generalize as to where the impacts were felt, but you will find that, in most cities, the aid went to police and fire protection, parks, recreation, streets, sanitation, transportation, the social services. In my city, it went to police, fire, streets, sanitation, equipment for street crews and we did increase some of our staff in the finance department to increase our efficiency in raising our local taxes.

Senator DOLE. About how much money did you receive?

Mr. VANN. It was about $1.5 million a year. Over the period of 18 months that the program has been in effect, we have received about $2.4 million.

Los Angeles made up a backlog on street maintenance. In Rockford, Ill., they filled 38 vacancies in the police and fire department that had remained unfilled for a considerable period of time.

In Newark, they prevented a raise in their tax rates. In Newark, the tax rates are so high that people are moving out and abandoning buildings, just leaving them there. They are unable to pay taxes.

St. Louis was able not to make reductions in its services that would have resulted in several hundred employees being laid off. They were able to retain them.

Now, I think we have reached a point where the national recession which this was made to meet is largely over.

However, I will say this to you, that if we were to lose the CETA program we would be back at two more points above your national average in a very short time, so these things do interrelate.

A closer look would show that the money did go to cities that had the greatest needs. The cities with the greatest needs got the greatest amount of money, but while unemployment is your major source, it is not the only measure of the distress of local economies and the efforts of the administration in this bill to add the additional criteria for population and job loss are good, for instance, when people move out of a city, you may have some anomalies, but primarily it is the poor and the elderly that stay and they are the ones that require a higher level of services than those who departed, and you have hurt your tax base.

Now, your unemployment figure might not necessarily reflect that, but there are other tests that are of importance and there are more cycles than just the cycle of unemployment. I think unemployment is the highest test. It is the most responsive test and it has operated to this point. But we do support the concept that there are other tests and we welcome the administration's bringing those forward and we hope that the committee will give serious consideration to these points.

I would also like to point out that we feel that this program, which was a part of the urban program announced by the President, that we need not only a countercyclical program that responds to national cycles but that different cities have different cycles. Some recover faster than others. You could have a national recovery and still have many places in the country that are still in cycles that need this kind of attention. And if you take this program and put it with the suggestions like labor-intensive public works, the development bank, targeted tax credits, incentives to States to share with local government—as the Governor of Pennsylvania has described in Pennsylvania—the targeting of Federal procurement into the urban areas, all of this can have a great impact on cities.

We support the elimination of the national trigger. I think if you do not do that, in September you are going to have many cities in dire distress. The four factors do make a more complex system but they also make it more sensitive if those factors are well-balanced. We have not seen complete printouts, but we support the concept.

We especially support the concept of annualization so that you can plan and budget at the beginning of the year. It is very disconcerting to not know what your future quarters may bring.

As far as eliminating the one-third share with State governments, let me make this statement. We support that. We think if you have a city in trouble, simply to give one-third of that amount to the State, if the State is not required to follow the same standards, does not make sense. The city in trouble brought an allocation. We are not saying that there might not be other considerations, but we think, as proposed along with other programs, that the sense of targeting is supported by that concept.

We are concerned about the total number of local governments. We think 24,000 seems to be more than we could justify as local governments in trouble and we think that this is an area that there are several possible changes, and we would hope the committee would do so. We do think that, again, the concept of a countercyclical program that takes into account local cycles as well as national cycles, is a program that is deserving of serious consideration by the committee and the Congress.

Senator MOYNIHAN. I thank you, Mr. Mayor. Having held many hearings yourself, you are obviously adept in getting on and off exactly in the time that was requested of you.

Senator Dole, you have to go off to make a speech somewhere else, so here is your opportunity to make two in one morning.

Senator DOLE. I will not do that. I wanted to hear both statements. I do not have any quarrel with what you say. I think that probably the money is used in Detroit and Birmingham. The question is always asked, How is the money used? It is easy to come before this committee and say it is used for police. I am certain that it is used for other purposes? There are certain limits on the money. You did cite some other examples where the money was used to reduce property taxes and for street maintenance.

The original program, of course, was countercyclical. It addressed a particular problem. If the economy recovers and unemployment declines, is there still a need for a permanent program, or do you just expect it to be fairly permanent for the next 2 years?

Mr. YOUNG. I would say, Senator, that as Mayor Vann has indicated, the fact of the national economic recovery does not necessarily mean that the fiscal status of any number of cities is therefore sound or that economic conditions in a given city are not much worse than the national.

Again, using the major index of unemployment, today we can see, as you go across the board, in Detroit, for instance, our unemployment generally runs about twice that of the national average. We are down to 9.6 now, which is the first time we have been below double-digit as long as I can remember. And that is relative prosperity for us. Relative.

But there are still a large number of unemployed people. That reflects itself in our lack of ability to see revenues that enable us to render the services.

Senator DOLE. I agree with that, it seems to me that the higher the unemployment rate, the more money you ought to receive.

Mr. YOUNG. Exactly. Exactly, that is the point.

Senator DOLE. If you are at 9 percent, or 10 percent or 11 percent unemployment and other cities are at 6 percent and the cities are the same size and receive the same amount of money, the program is not as effective.

Mr. YOUNG. The bill does that. Both Mayor Vann and I agree. As far as I am concerned, if we were fortunate enough to get down to 4 percent in Detroit, I would not expect the same amount of money we receive now, but we have 9.6.

Senator DOLE. You will get more money than a city with an unemployment rate of 6.4 if your rate is 9.4?

Mr. YOUNG. Yes.

Senator DOLE. Well, that makes some sense.

Mr. YOUNG. That and the other factors, and I have no quarrel with those, either.

Senator DOLE. What percent is the countercyclical program in your budget?

Mr. YOUNG. It would be about 2 or 3 percent of our budget but that is a big percentage when you consider the fact that we must balance our budget and that we are right now freezing all employees. We finally have our basic work force up to the point where it should be. If we do not get this money, we will have to go into layoffs and that becomes a vicious—another kind of cycle, a downward type of cycle.

Mr. VANN. About 2 percent of our budget.

Senator DOLE. About 2 percent of your budget?

What about other Federal programs? What percent of your budget is made up of Federal funds?

Mr. YOUNG. About 25 percent, overall, in one form or another.

Senator DOLE. Some people have said the Congress ought to reverse countercyclical so the money would come from the States into the Federal Government, because we have a $60 billion deficit. I think that answer has been argued by Governor Shapp that there is not a $30 billion surplus in the States, but a $5.7 billion surplus.

Mr. VANN. Well, most cities have to have a surplus. It takes a surplus of about $6 million, about 10 percent of our operating budget simply to operate the city so we do not have to go and borrow money.

Senator DOLE. You are not allowed to have a deficit, are you?

Mr. VANN. We are not allowed to have a deficit and, in many Federal programs, you have to put up the money first and get reimbursed. If you do not have the money to put up first, you cannot participate.

Senator DOLE. I guess the law is we are not allowed to have a surplus in the Federal Government.

Mr. VANN. I will say this, Senator Dole. I sponsored and managed to get through the U.S. Conference of Mayors last year a resolution urging support of the goal to balance our national budget, because I do think inflation is one of the problems we have at the moment.

It is a very complex circle, that you are in. To get the national budget balanced, you do have to have a healthly economy and so you have all sorts of complications. I am glad I do not have your responsibility of figuring out how to do that.

Senator DOLE. It is a question of enough money. I think one of my colleagues just the other day was saying on the Senate floor, he was making a speech. He said, "Let me tax your memories," and somebody jumped up and said, "Why have we not thought of that before?"

We have done about all we can do as far as the taxing end.

Thank you.

Senator MOYNIHAN. I suppose you think you are going to get me in an argument.

Thank you, Senator Dole.

Gentlemen, I would want to make one general observation. You have raised some very clear and important points, but we must remember that the administration has probed so vitally, and they have come up with a decent effort. They want to do the right thing. We are talking about shifting a billion dollars over a continent. I mean, it is not going to—if we do not do it, we are going to have difficulties.

Mayor Young, the proposal will prevent any extra money going to Detroit. Is this not so?

Mr. YOUNG. That is true. I am not happy with the cap.

Senator MOYNIHAN. It provides a very complex formula to provide assistance in relation to need and then we say except for those who need it the most, those who would benefit by the formula.

It is an elegant bit of mathematics. I was going to have some fun with Mr. Carswell, just asking what the standard deviations on population growth are. Well, things could be worse.

I would like to make one point, and see if you do not agree, which is that the aid under this agreement takes place to cities and local units of government in proportion to certain kinds of economic and social indicators: growth, population, jobs, unemployment rates—which is a surrogate of sorts for fiscal distress, but not necessarily. You can have a fairly stable fiscal situation and be in a hell of an economic one, and vice versa.

For example, my own city of New York, its economic situation after a very bad decade is not bad, but we spend almost as much money on debt service as we do on education and the accumulation of this debt makes an unstable fiscal situation, but not an ecomonic one.

Mr. Mayor, you have a city about half the size of New York. What is your total debt, do you happen to know?

Mr. YOUNG. We have no operating debt at all because we have not been able to use capital funds for operating purposes. The total indebtedness we have is a bonded one and I could not tell you what it is.

I would say it is a couple of hundred million dollars.

Senator MOYNIHAN. Well, that is the difference between Detroit and New York. You have a couple of hundred million dollars; we have $14 billion.

Mr. YOUNG. I understand.

Senator MOYNIHAN. Detroit with a couple of hundred million and New York with $14 billion, it is very hard to get it into the mind of the Treasury that there is a difference between having to put out about $2 billion a year in debt service.

I would say something to you. Probably there were times in Detroit where you have wished you had the privilege of being the world financial center and meet all those Rockefellers and so forth. Remember, if we did not have those banks in Manhattan, they would not have lent us the money.

Mr. YOUNG. Senator, I am in full support of New York City's survival. I think if New York City were to go down, it would threaten the economy of the Nation. I think that New York needs whatever special support that we can give it.

Now, as far as how New York got to where they are, I think that we need to guarantee that there will be no future use of capital bond money for operational purposes. But that is down the road. Now we have to save New York.

Senator MOYNIHAN. Well, this trigger speaks to the question—of course, you are not speaking here for Detroit, Mr. Mayor. I understand that about both you gentlemen.

But an important view of the Conference of Mayors is that we eliminate the current restrictions on using program funds on capital budgets.

Mayor Vann, you did not speak to that, or is that my mistake?

Mr. VANN. I did not speak to that. You are talking about the limitation that you cannot use it for capital expenditures?

Senator MOYNIHAN. That is right.

Mr. VANN. That has not caused us any problem and I would just have to say I did not come prepared to speak on it. I can only speak for Birmingham's people. That restriction has not caused us a problem and we are able to issue bonds for our capital programs and we prefer to—we have revenue sharing for capital programs rather than operating, and that simply has not been a problem for us.

Senator MOYNIHAN. I wonder if you would agree to a general proposition. I think that Mayor Young, on behalf of the U.S. Conference, makes it very clear, if we are going to transform this program from a countercyclical program in which clearly you want to spend the money, you are trying to keep up with a cycle that moves in 30-month patterns, things like that, that is one thing. If you are trying to deal with long-term secular movements, then the money you provide there ought to respond to long-term needs.

Changes in population do not follow the stock market, changes take place over generations. And certainly, the capital budget is classically a reponse to long-term needs.

And so I think, Mayor Young, on behalf of the U.S. Conference, is saying that this change in the focus of the program should be accompanied by a change in the uses to which the funds can be made available. Do I correctly state your argument?

Mr. YOUNG. Well, first of all, I do not believe the Conference of Mayors' position on this matter is engraved in stone. If you want my personal position, I think there is a certain amount of danger, as witness what happened in New York, in using funds designed for general expenditures for capital purposes. It is another form of blurring of focus.

Even on the long range, we are dealing with a city's ability to meet its fiscal needs, its budgetary needs, its operational needs, because of a particular status in relationship to the economy, the city's income is insufficient to meet its needs as opposed to the rest of the Nation.

Now, an operational need and a building need are different, as Mayor Vann said.

Mr. VANN. Let me make this observation. I personally generally support the concept of broad authority because there are different needs in different cities in different places at different times. I could foresee, for example, a situation that has just occurred, as I sit here and think.

We just had a Federal court order entered that strongly disagrees with some 60 years of the method of operating the local jail and we are faced with a sudden, unexpected need to spend $1.5 million of capital funds in a way that no one anticipated until a Federal judge made us anticipate it.

It might well be that a use of countercyclical to meet an emergency capital need would be a very relevant thing in a particular city, at a particular time, and I think in that sense, the——

Mr. YOUNG. Do you build your own jail in Birmingham? The city does that?

Mr. VANN. You never heard of Birmingham jail?

Mr. YOUNG. I have heard of Birmingham jail, but I thought the county paid for it.

Mr. VANN. Well, again, Coleman brings something up that in every State we operate differently. We have a city jail and a county jail.

Senator MOYNIHAN. Gentlemen, before we get too far afield, we thank you very much. This committee is going to do something positive about this problem and if we do something intelligent about it, which is not necessarily the same thing, we will be much in your debt for your very thoughtful testimony, and we thank you.

Mr. VANN. Well, let me say this, the organizations that we represent make their staffs of those available to this committee, as you well know.

Senator MOYNIHAN. We appreciate that. Thank you very much.

[The prepared statements of Mayors Young and Vann follow:]

STATEMENT OF HON. COLEMAN A. YOUNG, MAYOR OF DETROIT, MICH., ON BEHALF OF THE U.S. CONFERENCE OF MAYORS

Mr. Chairman. Members of the Committee. I am Coleman A. Young, Mayor of Detroit and Chairman of the Urban Economics Committee of the United States Conference of Mayors. The Conference of Mayor is pleased to have this opportunity to participate in these hearings on the extension of the vital urban program of countercyclical fiscal assistance.

For the past three years, the Conference has had as one of its highest priorities the enactment of permanent authorization for a countercyclical fiscal assistance program with local as well as national triggers that would make payments during periods of national economic recession to local governments suffering severe rates of unemployment and fiscal strain. Fortunately, for the nation's cities and their residents, the Antirecession Fiscal Assistance program was enacted into law in 1976 and expanded and reenacted into law in 1977 to meet this end. Immediate reenactment action by this Committee and by the Congress is necessary to guarantee an uninterrupted flow of funds to those cities most fiscally distressed.

INTENT AND IMPACT OF PROGRAM TO DATE

The very deep and very long national economic recession which began in 1973 has had severe repercussions on urban economies and on municipal budgets. Recession-related high unemployment levels coupled with high rates of inflation resulted in reduced city revenues and increased demands on municipal services. Mayors were forced to take actions as increasing local taxes, cutting back essential municipal services including personnel cuts, and postponing or delaying needed capital improvements. Each of these actions ran counter to those being taken by the federal government to stimulate the recession-ridden economy.

The Conference of Mayors commends this Congress for its passage of the economic stimulus program which attempts to rationalize federal and local actions. Antirecession Fiscal Assistance has been a critical element of the economic stimulus program. Its major goals are:

To prevent local governments from being forced to take actions that run counter to and dilute the stimulative actions of the federal government in order to close local revenue/expenditure gaps; and,

To soften the effects of adverse economic conditions on those city governments and city residents least able to withstand them by providing funds to continue existing levels of municipal services.

Numerous studies have been done by federal agencies, the Congress and independent investigators on the effectiveness of the Antirecession Fiscal Assistance Program. Study findings reveal that the major goals of the program have been fulfilled. Governments suffering the most from the adverse economic condition received the greatest amount of assistance; budget actions by those governments which worked against federal stimulative actions were reduced; and, levels of essential municipal services for city residents were maintained.

In a study done by the Senate Subcommittee on Intergovernmental Relations of the Committee on Governmental Affairs of approximately 360 units of local governments, it was found that the countercyclical fiscal assistance funds had an impact of roughly 87,000 jobs created or saved for each $1 billion spent. In my own city of Detroit, the job impact of this program has been significant. Several years ago, when Detroit residents were unemployed at levels more than double the national average, we were forcd to reduce drastically our Police Department personnel as well as other municipal services. For our budget year 1977-78, we received approximately $23.2 million in antirecession fiscal assistance funds—all allocated to our Police Department. This $23.2 million is the equivalent of 680 police officers—680 police officers so desperately needed in my city. Similar examples of personnel re-hires and/or personnel retention exist in every major city in this country that has received assistance under this targetted fiscal assistance program.

Study findings show that the Antirecession Fiscal Assistance program targets funds to those local governments most in need. A recent Treasury Department analysis of the local public works program, the public service jobs program and the Antirecession Fiscal Assistance program reveals that antirecession fiscal assistance is the most effective in targeting to cities according to fiscal condition—an objective of the program we are pleased has been obtained.

It is clear that the Antirecession Fiscal Assistance program has achieved its primary purpose. And, it is also clear that for a number of our nation's cities, the need for continuation of targetted fiscal assistance persists. The current program is triggered on and off in response to a *national* indicator of economic condition—a national average rate of unemployment. Experts now say that the recession is over. But, I want to assure you that in Detroit and in many cities across the country, the lingering effects of the recession have combined with long-term deteriorating factors to produce severe fiscal strain on local budgets. For example, the most recent national rate of unemployment was reported to be 6.2%. But, the rate of unemployment in Detroit is 9.6%, Boston's jobless rate is 8.5%, New Orleans rate stands at 6.7%, 7.6% in St. Louis, 8.9% in Atlanta, and Los Angeles rate of unemployment is 8.4%. This is the situation currently facing cities. The need for targetted fiscal assistance persists even though the federal program is due to terminate in several months. Termination of these funds would result in severe budgetary actions in Detroit and and in many other cities.

Based upon information received from the Treasury Department, the dollars Detroit could expect to receive under the Administration's reenactment proposal before this Committee would be sufficient to fund approximately 540 police officers. If these monies are not forthcoming, we in Detroit would be forced to reduce personnel accordingly. The City of Boston has revealed that without funds, major layoffs would be necessary especially police and fire personnel. In Newark, approximately 900 layoffs would occur. And, in New York City, loss of antirecession fiscal assistance funds translates into reduced services and 9,000 cuts in personnel.

Moreover, the Treasury Department study of the 48 largest cities concludes that if federal antirecession fiscal assistance funds were discontinued, a property tax increase of 15¢ per $100 of fair market value would be required in the 10 most fiscally strained cities, a 5¢ increase would be required in the 28 moderately fiscally strained cities, and a 2¢ increase in the 10 least strained cities. Curiously, these local actions would come at the very time the federal government is cutting taxes. Such counter actions will only serve to erode further the cities' tax base and will dilute the Administration's efforts to revitalize and enhance urban areas as contained in its Urban Program announced in March.

THE NEED FOR A PERMANENT PROGRAM

The Conference of Mayors is indeed pleased that President Carter has proposed and that you, Mr. Chairman, have introduced his proposal to authorize a two-year targetted fiscal assistance program which would provide assistance to local governments suffering from high unemployment and fiscal strain. We are also pleased that the President considers targetted fiscal assistance a critical element of a National Urban Policy.

The policy of the Conference of Mayors advocates:

Permanent authorization for a countercyclical fiscal assistance program that would make payments during a national recession; and,

Targetted fiscal assistance to those cities whose economies have yet to recover and lag far behind the national recovery.

The legislation before this Committee addresses only the latter of these and my comments will be so restricted. However, I urge the Committee and the administration to consider amending the legislation so that permanent authorization of countercyclical fiscal assistance triggered on and off by a base level unemployment rate is achieved as well as the tragetted fiscal assistance provision. It is our strong belief that countercyclical assistancec should be as much a part of our automatic fiscal structure as unemployment compensation; that is, whenever unemployment rises above a base level, funds should automatically be made available to local governments to compensate them for the declining revenues and higher expenditures that accompany high unemployment. In this way, the nation can avoid a long delay, as experienred during the most recent recession, in enacting the countercyclical program—a delay which results in funds reaching local government too late to moderate their budget cut backs and employee layoffs.

The Conference of Mayors believes that many of the provisions of the Administration's proposal are improvements over the current program. Specifically,

Annual allocations with payments made quarterly would remove much of the uncertainty of present funding and would enable cities to plan, budget and efficiently use the funds.

The elimination of the current restriction on using program funds on capital expenditures will give cities the necessary flexibility to provide all types of municipal services.

Removing the automatic 1/3 share of the funds for state governments is consistent with the President's desire to target assistance to distressed communities. Also, states have revenue-raising capabilities far more flexible and far more extensive than do local government. The soundness of state budgets are due, in large part, to these more flexible and extensive capabilities.

The proposed legislation contains four factors—unemployment, employment, income and population—rather than the current one—unemployment—to measure fiscal need and to determine eligibility for funds. This is being done in order to make the program more sensitive to the various aspects of economic distress than does the use of just one indicator. Although detailed analyses of allocations under the proposed formula have not been made available to the Conference of Mayors, we understand that the number of local governments eligible to receive funds under the proposal is substantially greater than those eligible under the current program. We have been assured, however, that the supplemental fiscal assistance is truly targetted with the most fiscally strained cities receiving the greatest proportion of the funds.

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The Conference of Mayor strongly believes that assistance should be targetted to where the need is the greatest. We realize, however, that no single allocation formula has been developed that satisfies the needs and desires of everyone. Formulas used in the community development block grant program, the local public works program, the CETA program and general revenue sharing have all been questioned. We hope that in an effort to broaden support to ensure implementation of the program, the Administration and the Congress do not make the program too inclusive and one of general assistance. For that is the purpose of another important program—General Revenue Sharing.

The Conference of Mayors sees the purpose of the targetted fiscal assistance program as basically differently than that of General Revenue Sharing. We hope that this Committee, the Congress and the Administration make that distinction, also, and direct funds under the Supplemental Fiscal Assistance Program to only those places that truly are fiscally strained and distressed.

In conclusion, Mr. Chairman, on behalf of the nation's Mayors, I strongly urge you and your Committee members to move quickly and positively to report out the necessary legislation to ensure an uninterrupted flow of funds to those cities suffering fiscal distress. The Conference of Mayor is prepared to work with this Committee, Congress and the Administration to accomplish this goal. We are committeed to the continuation of this critical urban priority program.

Thank you.

Statement of Hon. David J. Vann, Mayor, Birmingham, Ala., on Behalf of The National League of Cities

I am David Vann, Mayor of Birmingham, Alabama. Today, I am testifying on behalf of the National League of Cities and its 15,000 direct and indirect member cities.

I am pleased to have this opportunity to testify in favor of President Carter's Supplemental Fiscal Assistance proposal. On September 30 of this year, the authorization for Antirecession Fiscal Assistance runs out. The question facing this committee and Congress is "What then?" The answer will be of great importance to many cities. Part of that answer can be found, I think, in our experience with Antirecession Assistance.

Enacted in 1976 and extended last year, this program fulfilled two important antirecession purposes: First, it reduced the need for cities to take budget actions that would harm national recovery, such as tax increases and layoffs. Second, it countered the impact of the recession on cities and their citizens, making it possible to maintain basic services at a higher level than would otherwise have been possible.

The national trigger of 6% unemployment made the program responsive to national need. The local trigger and allocation formula rest on an important principle—local economies are all different and local cycles may differ greatly from national trends.

Has Antirecession Fiscal Assistance worked?

Studies done by the Senate Subcommittee on Intergovernmental Relations, the General Accounting office, the Advisory Commission on Intergovernmental Relations and the Treasury Department have all concluded that the Antirecession Fiscal Assistance:

Has been targeted on the governments under the most severe fiscal strain and least able to absorb the impact of recession;

Has reduced the need for those governments to take steps that would damage national recovery; and

Has helped these cities to maintain basic services for their residents.

The Senate Intergovernmental Relations subcommittee reported last year that, "The countercyclical assistance program is having a significant impact in terms of creating or saving jobs in communities throughout the nation. Furthermore, this impact is substantially greater in high unemployment jurisdiction where the greatest number of job-related budget adjustments have been necessary."

In cities like mine, these generalizations are translated into concrete accomplishments. In cities across the country essential services have been maintained with the help of Antirecession Assistance. In the cities surveyed by the GAO, the aid was used for police and fire protection, parks and recreation, streets, sanitation, transportation and social services. In other words, for things city residents cannot do without.

In Los Angeles, this meant a reduction in the backlog for street repairs and maintenance, in Rockford, Illinois, 38 long-vacant positions in the police and fire departments were filled; in Newark the sky-high tax rates were kept from rising even higher; and in St. Louis, services did not have to be cut even further because several hundred employees slated for layoffs were retained.

Antirecession Fiscal Assistance has done its job and in doing it has demonstrated that there is a job that still needs to be done. Judged by the statistics, the national recession is over; but at the beginning of the year when the national unemployment rate had fallen to 6.2, local rates were two, three, and four points higher.

A closer look at those place yields two conclusions: First, certain cities went deeper into recession and have stayed much longer. While business fell off in some cities, businesses went under in others and, being less resilient, those cities have not bounced back. Second, the problems of those cities are deeper and more long-term than the problems caused by the national recession. Unemployment is one of the signs, but only one. We have a group of cities riding a set of trends that threaten general and permanent decline. Population and job loss are cause *and* effect in a situation in which city governments must cut services because of weakened tax bases, which in turn drives away more individuals and businesses. The mobile depart; the dependent remain and poor people are linked to poor governments. As the Joint Economic Committee reported last year in its survey of city fiscal conditions, "The high unemployment cities with decreasing populations exhibited the most acute symptoms of need."

Antirecession fiscal assistance has been most useful to these cities—the ones suffering severe, long-term problems, the ones commonly referred to as distressed these days. These cities are, by the way, big and small, metropolitan and non-metropolitan,, and northern and southern. The ACIR report concludes that antirecession fiscal assistance has been well-targeted on the hardship cities, the ones "suffering the greatest stress." GAO reports that the aid "tends to assist jurisdictions experiencing long-term economic problems." And the Treasury study showed high strain cities receiving about $29 per capita compared with $7 for low strain cities.

And what if the July payment? Treasury estimates that the loss of this aid would require a property tax increase of 15¢ per $100 of fair market value in high strain cities or an increased tax burden of 2½% of their own source revenues.

Three things are clear: First, the countercyclical program did its job of contributing to the national recovery. The National League of Cities supports permanent standby authority for countercyclical payments during future recessions. Second, the cities with serious long-term problems have benefited most from the current program. And third, these cities would sustain a damaging blow if the assistance were cut off in September.

The Administration has recognized this need and has proposed the Supplemental Fiscal Assistance program to address it. In his urban policy message, President Carter said that the purpose of this program is to "Provide fiscal relief to the most hard-pressed communities." It recognizes that the fiscal strain of some city governments is not tied to the cycles of the national economy, but is explained by worsening long-term local trends. Local governments of this sort would be aided over the next two years.

This is not an isolated proposal. It is aimed at shoring up the operating budgets, of cities under severe fiscal strain. Other proposals have been made to deal with other pieces of the city problem and, if enacted and made to work, they will begin to reduce the fiscal strain at its roots. For example:

The labor intensive public works will aid the upgrading of the public infrastructure and offer an access to the job world to the chornically unemployed;

The development bank will attract capital investment to where it is needed most;

The targeted tax credits for investment and job creation will use public leverage in the private market to influence business decisions for the benefit of distressed places; and,

The state incentives program will encourage state governments to carry a full share of the responsibility for aiding cities.

In this context the intent of the Supplemental Fiscal Assistance program makes good sense. The National League of Cities supports the Administration's effort to continue assistance to those governments experiencing the greatest fiscal strain. I want to mention briefly several of the provisions of the new program that are improvements over the old.

Obviously, the elimination of the national trigger is needed if needs unrelated to national cycles are to be addressed.

Using four factors to determine eligibility and distribution is complex, but will make the program more sensitive to different causes of fiscal strain.

An annual allocation with quarterly payments will eliminate the rude shocks that disrupt city budgets. In this connection, I hope this committee will look into the impact of the new BLS method for collecting unemployment statistics and see if there is some way to help the cities that were damaged by this change, and to make such mid-program adjustments less wrenching in the future.

The elimination of the automatic 1/3 share for state governments makes sense given the changed national economic conditions, the broader and more flexible revenue-raising capacities of the states, and the currently sound condition of many state government budgets.

The National League of Cities has one important concern with the Administration's proposal—targeting. It is our understanding, though, detailed data have not been available, that there would be 24,000 recipient local governments next year. I cannot argue that there are currently 24,000 local governments in this country suffering from several fiscal strain. Many do have serious financial problems, but not that many.

City officials worked hard for the passage of General Revenue Sharing. This return of federally-collected tax dollars to local jurisdictions is important and useful to most communities, including the distressed. Supplemental Fiscal Assistance, however, should be directed at the substantially fewer governments with problems too severe to be adequately addressed by the ordinary assistance provided through General Revenue Sharing. And in those places, the use of the aid should be limited to maintaining basic services through operating budget expenditures. City officials are not asking simply for more money for all cities, but for aid targeted on the cities with the most urgent needs. This can be accomplished within the general provisions of the Administration's bill and the National League of Cities will be happy to work with the Committee to achieve this aim.

In closing, I urge you to act quickly to guarantee that this vital assistance to cities suffering from severe fiscal strain is not terminated.

REPORTS MENTIONED

"Report on the Fiscal Impact of the Economic Stimulus. Package on 48 Large Urban Governments," U.S. Department of the Treasury; Office of State and Local Finance—January 23, 1978.

"The Countercyclical Assistance Program." Prepared by the Subcommittee on Intergovernmental Relations of the Committee on Governmental Affairs (U.S. Senate), February 28, 1977.

"Antirecession Assistance—An Evaluation." Report to Congress by the Comptroller General of the United States, November 29, 1977.

"Impact of Antirecession Assistance On 21 City Governments." Report to the Congress by the Comptroller General of the United States, February 22, 1978.

"Countercyclical Aid Study." Commission on Intergovernmental Relations, March 30, 1978.

"The Current Fiscal Condition of Cities, A Survey of 67 of the 75 Largest Cities." Joint Economic Committee, July 28, 1977.

Senator MOYNIHAN. Now we have the honor to hear from the Honorable John T. Bragg, who is the chairman of the Tennessee House Finance Committee, and who is here on behalf of the National Conference of State Legislatures, and the particular pleasure of having the junior Senator from Tennessee on hand to introduce Mr. Bragg.

Senator, if you would like to take this occasion to tell us what we should be doing here?

Senator SASSER. Well, Mr. Chairman, I am confident that you do not need advice from me on what to do in this committee, but I do want to thank you for allowing me today to appear and introduce to your subcommittee a good friend and a very, very able State legislator from Murphysburg, Tenn., John Bragg.

Mr. Bragg is here today on behalf of the National Conference of State Legislatures, as you indicated, and I can, without equivocation commend his expertise and his testimony to you.

Mr. Bragg knows government finance and he is dedicated to efficient government. And I might say, Mr. Chairman, he is a strong advocate of economy in government.

As chairman of the Fiscal Review Committee and the Finance Ways and Means Committee of the Tennessee House of Representatives, Mr. Bragg has kept the State of Tennessee on an even keel, financially, in the face of rising demands for government services and expenditures.

The expertise gained by this State legislator, and as a businessman, has been shared with his colleagues across the country.

John Bragg serves as chairman of the National Conference of State Legislatures Task Force on Government Operations. He serves as a member of the Executive Committee of the Council of State Governments and a member of the Budget Committee of the Council of State Governments.

So, Mr. Chairman, I suggest that we can all benefit from Representative Bragg's experience and knowledge, and again, I want to say to you, Mr. Chairman, that I am indebted to you for your characteristic kindness and tolerance in allowing me to appear today and to introduce my good friend.

Having said that, I am going to retire to the floor.

Mr. BRAGG. Mr. Chairman, could I go with him? I have enjoyed everything that has been said up to now, and I would like to leave, if I could.

Senator MOYNIHAN. Mr. Bragg, I remember an occasion when Lyndon Johnson was introduced in such a cordial manner, and he said: "You know, I wish my mother and father would have been present. My father would have enjoyed it, and my mother would have believed it."

Mr. BRAGG. My wife would not believe it either.

Senator MOYNIHAN. Thank you, Senator.

Mr. Bragg, we welcome you here. I have to say to you that there is a vote on the floor and in about 8 minutes. I am going to have to excuse myself for about 4. But when I get up and leave, you will know why.

Mr. BRAGG. Fine. I understand, sir.

Senator MOYNIHAN. Please proceed, sir.

STATEMENT OF JOHN T. BRAGG, CHAIRMAN OF THE HOUSE FINANCE COMMITTEE, TENNESSEE STATE LEGISLATURE, AND ON BEHALF OF THE NATIONAL CONFERENCE OF STATE LEGISLATURES

Mr. BRAGG. For 8 years, I have chaired meetings where people have come before me, always to get more money for some project, so I am not here to say that to you, sir. I am here to say that whatever you do, I hope that our organization can help you have some input into it and that whatever the decision of this Senate is that it will be a judicious decision which will treat all segments of government kindly and that would also have a positive effect on this Nation.

Senator Hathaway has stated that the countercyclical assistance program has provided critical assistance to State and local governments suffering from high unemployment and inadequate revenues, and this demonstrates an understanding of the problem that we have and of the proposition which is before you now.

As chairman of the Finance Ways and Means Committee in Tennessee for 8 years, I have learned that government-initiated programs seldom go out of business. The countercyclical program, I think, is unique in that regard. If the unemployment rate of a State or political subdivision falls below 4.5 percent, the program shuts off. And if the national unemployment rate drops below 6 percent, the program ends. It is sort of like some of the sunset laws we have initiated in the States.

Although there are some problems with the national trigger of 6 percent, I feel that when there is a need for this program, it should be in place, if you are going to continue it. It should be ready to assist States and localities which are suffering from economic decline.

If this program would have been implemented prior to the recent recession, many States and local governments could have stabilized their fiscal policies before they experienced severe revenue shortfalls.

This program should be in operation before the fact rather than after a fiscal crisis has peaked so that we may be able to ward off severe fiscal crises for our State and local governments. This could not only shorten the time of the problem, but could also lessen the cost.

Senator Moynihan. Sir, that is the 5-minute bell. I will recess for just 5 minutes, and then I will be back.

Mr. Bragg. Yes, sir. I understand.

[A brief recess was taken.]

Mr. Bragg. Senator, I had just stated at the time of the break that speaking of this countercyclical program, that it is our feeling that a program of some type should be in operation before the fact rather than after the fact as happened this last time. It should be there before the crisis has peaked so that we can ward off fiscal crises for our State and local governments. This could not only shorten the time of the problem but might even lessen the cost of the program.

The record has indicated that countercyclical funds are reaching the areas which need them the most. According to a Senate report, 75 percent of all local government allocations for a selected period went to jurisdictions with unemployment in excess of 8 percent. Governments with unemployment of 5.5 percent or less received only 1 percent of the funds.

Similarly, 62 percent of the allocations made to State governments for the same period went to States with unemployment in excess of 8 percent, with only 1.4 percent of the funds going to State governments with an unemployment rate of 5.5 percent or less.

Since the inception of the program, 49 State governments have received some assistance yet, in the seventh quarter, only 33 States were participating. This demonstrates that the program is functioning as it was originally designed.

My own State of Tennessee is one of the 17 States which did not receive funds during the seventh quarter. Possibly this indicates that either the unemployment trigger of 4.5 percent is somewhat too low. I personally support the administration's supplemental fiscal assistance proposal which would calculate the local unemployment trigger on a yearly rather than a quarterly basis. This improvement would allow us to plan for receipt of these funds. But I have some concern about the amount of the trigger. I have some feeling that that trigger ought to be higher, that maybe if we have a suit with two pair of pants that we ought not to let the trigger start until we get into the second pair of pants instead of the first pair of pants.

The impact of the program in my own State of Tennessee supports the overall findings on a nationwide basis. When Tennessee was in need of funds, they were available. Tennessee will probably have received $8 to $11 million in annual recessional fiscal assistance funds. We have used those moneys in highway maintenance, State park maintenance, and State mental health hospital maintenance.

Many of our counties have received funds distributed by the State. They have used those funds mainly in highways and on other projects where they could use them, but they did not have to lump them into continuing expenditures, because they were not sure when they would have the moneys.

Now, in some cases, while the highways that we have used have been trying to get highways to coal resources because our counties do not have enough money to build roads to the coal supplies which we are trying to develop in the State of Tennessee.

I am told by Speaker Spangler and people on my committee at the NCSL, that in New York State, the annual recessional assistance funds are included in the State aid package to the cities of New York State, and this gives us some concern. If you are going to go directly to the cities and they cannot get any more money than they have ever gotten directly, then you are going to eliminate the funds that the States have been sending to the cities.

So, as a result, New York City would probably get less money in a direct appropriation to the cities because they would be capped off. They would not get any of the funds that have now been coming to them through the New York State budget and this, I think, would be true in every State in the Nation which has received these funds.

The U.S. Government Accounting Office has just completed a study entitled, "Impact of Annual Recession Assistance on Fifteen State Governments." According to this study, some of the States use the funds to fill gaps between actual revenue collections and budgeted revenue projections.

Although 11 of the States used, or planned to use, annual assistance funds to support personnel costs to prevent layoffs, the funding of new positions, or rehiring of previously laid-off employees. This same survey by the GAO indicates that the States are using these funds to meet budgetary needs in education, public welfare, health, criminal justice, and national resources.

Now, I think there has been some information here, particularly the January 20 economic message to Congress which states that the two major drains on the economy are the $18 billion trade deficit and a purported $33 billion surplus of States and localities. The prevalance of State fiscal surpluses is, unfortunately, one of the premises upon which the administration based its decision to eliminate State governments as eligible recipients under this program.

The administration stated in the message it sent to Congress on April 19 of this year that many State governments have current revenue surpluses and are less in need of supplemental fiscal assistance. Yet, the President's economic report recognizes that many States are not fiscally well off despite aggregate figures which indicate surpluses.

I suppose what you would say there is, you know, that if you are going to average things out, you could drown in a river that has an average depth of 6 inches. All of the States are not the same, and the surpluses are not the same, and the conditions that create surplus are not the same.

In addition to that, the States, by law, must have a surplus. We cannot operate in the black—I mean, cannot operate in the red.

I remember 3 years ago, we cut out $70 million of spending in the last quarter and wound up with a $26,000 surplus in Tennessee and we had to do that by law.

In a recent letter to Charles Schultze, both the NCSL and the National Governor's Association detailed the status of State surpluses. We pointed out that the aggregate operating surpluses of State and local governments is not $33 billion, but rather about half that amount and the balance is being held in State and local pension trust funds. The actual aggregate State operating surplus is around $6 billion and represents the budgeting practice that we are required to do by law.

The rest of my statement, Mr. Chairman, has been prepared and is before you.

Senator ROTH. Representative Bragg, the entire statement will be included as if read.

Mr. Chairman, in the interests of conserving time we proceeded, and Representative Bragg just completed his prepared testimony.

Senator MOYNIHAN. Well, I know that one of the questions that we wanted to ask you, sir, is the question about the—your observation that the much heralded revenue surplus of State governments was not $33 billion at all, as said by the administration, but closer to $6 billion. Would you expand a little on that? That is an important proposition, whether the surplus was an artifact of certain kinds of budgetary cycles.

Mr. BRAGG. Well, Senator, in our States we cannot budget a deficit. There is no way. So we have to always budget under the anticipated revenue. Three years ago the State of Tennessee made a budget and, as you know, the bottom fell out. In the last quarter we had to eliminate $70 million worth of spending in order to come in in the black. We came in, in the black, with $26,000.

I might point out that what we do with the money when we underestimate—and we must underestimate revenues in order to come out in the black—we take those revenues that we know we are going to have on June 30 and we put them into projects all across Tennessee to spend money for roads and for other projects.

For example, this year we think we are going to have another $10 million that we did not anticipate. We have conditionally appropriated that money to try to take care of winter road damage to the cities and counties in Tennessee. In fact, 10 cents out of every dollar that we spend goes directly to cities and counties; 48 cents out of every dollar goes to the local education systems.

We are all serving the same John Q. Public whether we are county government, city government, State government or the Federal Government. It is the same guy on the street whom we are all serving.

We have to have a surplus by law. I could give you a better example of what has happened. We also take the surplus and use it to retire authorized and unissued bonds or to retire bonds. But the bonded indebtedness of the State of Tennessee in 1968 was $248 million. This year, when we sell all the bonds that are authorized, it will be over $1 billion.

If we had had all of these surpluses that somebody is talking about, we would not have been running our bonded indebtedness up that far, because we usually use surpluses to retire bonds, and we are getting behind, rather than getting ahead.

I would mention one other thing, Senator. I have talked with some of your people on my committe with NCSL who are from New York. They tell me that the State of New York passes through the funds that go to the State of New York to the cities in New York State—principally, I guess, the biggest amount goes to New York City.

Now, if this bill passes and the cap is set on, then New York City is going to lose the money that has been going passed through as your State legislature has established that in New York State. Those funds will not, in the future, be available.

I would make one other statement. We must have that balance. We cannot operate in the red. Just by law, we cannot do it.

Senator MOYNIHAN. So, a surplus in the State government does not have any necessary meaning one way or another. You can be bone poor and cutting back and still have a surplus.

Mr. BRAGG. Yes, sir. Already, this year, we anticipate a $60 million surplus at the end of this year in Tennesse. We anticipate collecting $20 million more than we had anticipated.

This general assembly, which adjourned sine die last week in Tennessee, has already spent that $60 million.

Senator MOYNIHAN. Thank you. That is a very important point, sir.

Mr. BRAGG. We are not putting it in the bank. We are using it.

Senator MOYNIHAN. Senator Roth?

Senator ROTH. I really have no questions. I would make a couple of comments.

I think your point on the triggering mechanism is a worthwhile one. I will agree with you that if we provide the right program, it is well to have it on the books permanently so the automatic trigger comes into play.

The one thing I would like to put into the record is that many counties and States are expanding their expenditures very substantially. For example, between 1955 and 1974, the local governments, the States, counties and cities, expanded from $34.9 billion, or 9.2 percent of GNP, to $207.7 billion, or 15.3 percent of GNP. So that, overall, I would have to conclude that this is a substantial increase. There may be exceptions to that rule, but the concern I have is where do we draw a line? Particularly, I notice you are chaiman of the Government Operations as well as the Finance Committee. You have a problem of trying to live within a balanced budget. We have the opposite problem of ever achieving one.

I wonder, if as chairman of the Government Operations section of your State legislature, are you making any studies of Federal programs, of how they can be simplified so that more of the money can be used in the actual goals of the program and less on the redtape?

Mr. BRAGG. We are trying to. We are making a study of that in Tennessee. Our comptroller has been working with people in the General Accounting Office to try to set up one standard accounting procedure rather than the 64 accounting procedures that we now have to make for Federal grants. We do not think that we ought to have to do 64 different kinds of audits. We think that one simple audit ought to be sufficient.

I question some of the programs, sir, and I would be quite frank to tell you that I would. I could not enumerate those at this time. My committee meets once a month with the Joint Senate Committee, and we take up every expansion request that is in State government and most of those requests involve Federal funds. We have begun to try to deny some of those, because every time we take some of the Federal funds, you give us the seed money but next year you take the money away and we have people on board that we have to pay with 100-percent State dollars. That is a problem with us. One-third of our budget is Federal funds in Tennessee.

Senator ROTH. Could I ask you what percentage of those Federal funds you have to utilize in the administration, redtape, regulations, and compliance with Federal requirements? Would you have any estimate of that?

Mr. BRAGG. No, I do not know, but I read somewhere that in the country, the private sector, spends about $56 billion a year complying with Federal regulations, to fill out forms, and so forth.

Senator ROTH. Now, let me ask you this question. In your oversight, do Federal funds require considerably more administration, regulation and expenditures than, say, your own funds?

Mr. BRAGG. Yes, sir.

Senator ROTH. Do you have any estimate or could you give any comparison?

Mr. BRAGG. No, sir, but I will be happy to supply you with that information from our people.[1]

Senator ROTH. I would be happy to have that.

Mr. BRAGG. I think that they could tell us that, yes, sir, they could. I recognize the problem. I talked with Mr. Bosworth last week, and I told him that I thought probably what we ought to do, is to get all of the finance chairmen from all of the 50 States up here and let him tell us how we can help you to fight inflation. We ask you to spend more money and you will spend more money as long as we keep asking.

Senator ROTH. I find that a very worthy comment.

Mr. BRAGG. As I said, I have served as chairman of Finance, Ways and Means Committee for 6 years, and I served as vice chairman 2 years before that. I have had hundreds of people in my office and before my committee. I have never yet had anybody wanting me to cut out spending.

Senator ROTH. I have been here several years and found the same problem.

Thank you, Mr. Chairman.

Senator MOYNIHAN. That was good and important testimony and we do thank you, sir.

Mr. BRAGG. If I might add just one more thing, you are talking about the States. The local governments are entities of the State, sir, and of course, I have a county government and a city government. We just had an election there yesterday, and I had to call home last night and find out how it came out to see which way I was going this fall.

But the point is, the cities and counties are entities of the State. Now, Appalachian funds are going into east Tennessee. I never know how much money higher education is getting in east Tennessee, because they come direct. I try to spread the money equally and equitably in all institutions of higher learning in Tennessee.

But, when Appalachian money goes into east Tennessee, they get extra money over and above what we do. If I could budget those funds, I could spread the money better.

I do not know where the anticyclical money is going, and we have some cities who brag that they have not raised taxes because we keep giving them more money from the State.

Now, the point is, they are entities of the State. They are our children, but uncle is sending them money to go to the show also. And as it winds up, they get to go twice instead of once.

Senator ROTH. If I might make just one comment on that point, I am inclined to agree with you. One of the things that the President has said is that there ought to be more State involvement in the urban problems, and I agree with that. And yet, many of our policies and programs, as you point out, work just exactly in the opposite direction.

Mr. BRAGG. Yes, sir, we talk about a partnership, but you see, we need to be involved to know what is going on. We need, at the State level to know about the money and know about it far enough in advance and to have some concern that it is going to be there so that we can consider it in our overall State programs.

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[1] See p. 143.

Senator MOYNIHAN. Again, we thank you very much, Mr. Bragg. It is an honor to have a distinguished State leader come to us.

[The prepared statement of Mr. Bragg follows:]

STATEMENT OF REPRESENTATIVE JOHN T. BRAGG, TENNESSEE HOUSE OF REPRESENTATIVES, REPRESENTING THE NATIONAL CONFERENCE OF STATE LEGISLATURES

Mr. Chairman and Distinguished Members of the Subcommittee: My name is John Bragg, and I serve as Chairman of the Finance-Ways and Means Committee in the Tennessee House of Representatives. I also serve as Chairman of the Government Operations Committee of the National Conference of State Legislatures. The National Conference of State Legislatures, the official representative of the country's 7600 state legislators and their staffs, works to help lawmakers meet the challenges of the complex federal system. Headquartered in Denver, Colorado, with an office of state-federal relations in Washington, D.C., the NCSL is a non-partisan organization funded by the states and governed by a 43-member Executive Committee.

The NCSL has three basic objectives:

To improve the quality and effectiveness of state legislatures;

To assure states a strong, cohesive voice in the federal decision-making process;

To foster interstate communication and cooperation.

On behalf of NCSL and the Tennessee House of Representatives, I am pleased to have the opportunity to appear before you as you consider legislation on the current Anti-Recession Fiscal Assistance (Counter-cyclical Program and the Administration's proposal—Supplementary Fiscal Assistance.

THE NEED FOR A PERMANENT COUNTER-CYCLICAL PROGRAM

Your statement, Senator Hathaway, that "The Counter-cyclical Assistance Program has provided critical assistance to state and local governments suffering from high unemployment and inadequate revenues" demonstrates your understanding of this unique federal program. As Chairman of the Finance-Ways and Means Committee in Tennessee, I learned a long time ago that government initiated programs infrequently go out of business; quite the contrary—they usually multiply. The counter-cyclical program is unique in that regard. If the unemployment rate of a state or political subdivision falls below 4.5%, the program shuts off, or if the national unemployment rate drops below 6%, the entire program ends. The beauty of this arrangement is that the program is always ready to "turn-on" when economic conditions warrant.

Although there may be some problems with the national trigger of 6% unemployment, I feel that when there is a need for this program, it should be ready to assist states and localities which are suffering economic decline. If this program would have been implemented prior to the recent recession, many state and local governments could have stabilized their fiscal policies before they experienced severe revenue shortfalls. My point, Mr. Chairman, is that before we abandon this counter-cyclical program we should examine recent history. This program should be in operation before the fact rather than after a fiscal crisis has peaked so that we may be able to ward off severe fiscal crises for our state and local governments.

THE CURRENT PROGRAM

The record has indicated that counter-cyclical funds are reaching those areas which need them most. The bulk of the funds have reached those areas with the highest unemployment rates. According to a Senate Report[1] 75% of all local government allocations for a selected period went to jurisdictions with unemployment in excess of 8 percent. Governments with unemployment of 5.5% or less, received only 1 percent of the funds. Similarly, 62% of the allocations made to state government for the same period went to states with unemployment in excess of 8%, with only 1.4 percent of the funds going to state governments with an unemployment rate of 5.5% or less. Since the inception of the

[1] "The Countercyclical Assistance Program," Subcommittee on Intrgovernmental Relations, Committee on Government Affairs, U.S. Senate, February 28, 1977.

program, 49 state governments have received assistance from this program. Yet, in the 7th quarter (January 9, 1978) only 33 state governments were participating. This demonstrates that the program is functioning as it was designed. As the economic conditions in states improve, They are able to phase out of this program. My own State of Tennessee is one of the 17 states which did not receive funds during the 7th quarter, we have brought our unemployment rate down to approximately 4.5 percent. It did edge up slightly so we will again receive funds in the eighth quarter (April 9, 1978).

Possibly this indicates that either the unemployment trigger of 4.5% is somewhat too low or that we should measure unemployment for more than one quarter before we artificially turn the program on and then off again. I personally support the change in this regard, advocated in the Administration's Supplemental Fiscal Assistance proposal, which would calculate the local unemployment trigger on a yearly rather than a quarterly basis. This improvement will allow us to plan for the receipt of these funds as we formulate our budgets.

The impact of the program in my own State of Tennessee supports the overall findings on a nationwide basis. When Tennessee was in need of the funds, they were available. By the end of the current fiscal year, the State of Tennessee will have received $8-11 million of anti-recession fiscal assistance funds. The Tennessee legislature has appropriated funds for highway maintenance, state park maintenance, and state mental health hospital maintenance.

Many of our counties received ARFA funds distributed by the state. They have used their funds to finance needed highway maintenance programs which are in special need of attention in Tennessee because of the expansion of coal extraction. These communities may not fit the traditional definitions for distressed communities; however, their current tax base is inadequate to meet these immediate needs. In this case our state was able to recognize these area as "distressed" and funnel counter-cyclical funds to the counties.

In the State of New York, the Anti-Recession Fiscal Assistance funds are included in the state aid package for New York City. To meet its responsibility to local units of government , the State of New York also plans to assume the local cost of SSI payments. Again, counter-cyclical funds received by the state form an integral part of this much needed welfare assumption package.

The U.S. Government Accounting Office has just completed a study entitled "*Impact of Antirecession Assistance of 15 State Governments*. According to this study, some of the state used the funds to fill gaps between actual revenue collections and budgeted revenue projections. Half of thise states surveyed either used the funds to decrease revenue demands or to finance additional activities such as the creation of various types of public service jobs. Eleven of the 15 states used or plan to use anti-recession assistance funds to support personnel costs such as preventing layoffs, funding new positions or rehiring previously laid off employees. This same survey of 15 states indicates that states are using the funds to meet budgetary needs in education, public welfare, health, criminal justice and natural resources.

FISCAL CONDITION OF STATES

The January 20 Economic Message to Congress states that the two "major drains" on the economy are the $18 billion trade deficit and a purported $33 billion surplus of states and localities. This estimate was developed by the Council of Economic Advisers and has received a wide currency among federal government decision-makers who will review the level and extent of federal assistance to states and localities.

The prevalence of state fiscal surpluses is unfortunately one of the underlying premises upon which the Administration based its decision to eliminate state governments as eligible recipients under this program. The Administration stated in the message it sent to Congress on April 19, 1978, that "many state governments have current revenue surpluses and are less in need of Supplemental Fiscal Assistance." Yet the President's Economic Report recognizes that many states are not financially well-off despite aggregate figures which indicate surpluses. The report says that "Many are hard pressed." We agree, and the January 20 economic message should be further analyzed for one to recognize the true meaning of a $33 billion surplus for state and local governments.

In a recent letter to Charles Schultze, Chairman of the Council of Economic Advisers, NCSL and the National Governors' Association (NGA) detailed the status of state surpluses. This letter pointed out that:

The aggregate operating surplus of state and local governments is not $88 billion, but rather about half that amount. The balance is being held by state and local pension trust funds.

The actual aggregate state government operating surplus is around $6 billion, and represents sound budgeting practices.

The bulk of the projected operating state surpluses are found in just a few states.

States are now developing fiscal 1979 budgets which will rapidly deplete current surpluses.

State operating balances are running at about 6% of the aggregate operating budgets of all states. Moreover, most states have moved quickly to dispose of surpluses by relieving local property taxes, expanding local aid programs and financing deferred capital projects on a pay-as-you-go basis.

Thus, we caution you not to make judgments about each of the 50 states based on improved fiscal conditions within some jurisdictions. We urge you to carefully weigh the purported surpluses in light of these comments. In order that this misunderstanding of state fiscal data not be repeated, we have urged the Administration to work with our associations to improve reporting and data collection techniques for state government finances. These data should be incorporated into the federal budget reports and annual economic report of the President, and NCSL has sent a letter to each Member of Congress detailing current fiscal conditions in all 50 states.

Senator Hathaway, as you are well aware, many states have already adopted their FY 1979 budgets and have included anticipated counter-cyclical revenues in those budgets. They did so since the President's original 1979 budget included $1 billion for ARFA outlays. Now many hard-pressed state governments, particularly in the Northeast, are being told they will not receive such funds. If these states cannot count on these funds at this late date, state legislatures will be forced to cut services or local aid programs or raise state taxes to cover loss of ARFA funds.

THE STATE ROLE IN THE ARFA PROGRAM

The assumption that unemployment rates and fiscal strain are not problems to most states is somewhat misleading. Fortunately, the fiscal condition in most states have improved. Yet, there are still some states which are suffering economic decline. According to the Bureau of Labor Statistics' February 1978 calculations, nineteen states had unemployment rates above seven percent for February, while eight of these nineteen had unemployment rates above eight percent. There is in our opinion a clear and demonstrated need for counter-cyclical assistance to be available to both *state* and local governments which are substantially affected by economic downturns. We encourage Congress to renew the current Anti-Recession Fiscal Assistance Program, preferably on a permanent basis. However, if you should choose to adopt an approach similar to the Administration's suggested Supplemental Fiscal Assistance bill, then it is important for you to include distressed state governments as well. We should recognize these "pockets" of unemployment among the fifty states and reject the Administration's suggestion to eliminate all states.

It borders on the incredible that the Administration has not only curtailed funds to high unemployment states but has also proposed capping ARFA payments to the most distressed local jurisdictions in the country. The Administration's proposal to distribute funds to an additional 7,000 to 10,000 local units of government while ignoring the needs of fiscally pressured states and localities clearly overturns the original intent of this worthwhile fiscal assistance program.

Many state recipients have used the counter-cyclical funds to assist localities within their jurisdictions. Over one-half of the New York State operating budget is distributed as local assistance. Counter-cyclical funds are a part of this program as well as a part of the New York State aid to New York City. Some states pass all of their counter-cyclical aid through to local governments. We must realize that state governments have created and are responsible for local governments. States need to be active participants in solving the fiscal strains faced by their localities. We should not design this federal program to bypass all state governments and then assume that the economic problems of localities can be adequately addressed.

It is somewhat ironic that the President's urban policy first called for a unique partnership between the federal, state and local governments and now results in the elimination of the states from this program.

CONCLUSION

Mr. Chairman and Members of the Committee, we appreciate the many difficult decisions that you are wrestling with in this fiscal assistance legislation. We, too, urge to analyze and implement this fiscal assistance program in a manner that will sustain the economic recovery and guard against future fiscal crises in state and local governments. To develop such a policy, we would conclude by offering the following recommendations:

1. We recommend that the current counter-cyclical program be reauthorized on a multi-year or permanent basis. The unemployment termination provision more than adequaltely assures that the program will not continue unnecessarily. A longer extension only assures that the mechanism of counter-cyclical assistance is intact and ready if needed.
2. State governments suffering fiscal strain should receive counter-cyclical funds under the same general criteria applicable to local government recipients.
3. Attention should be given to the effect that termination will have on the governments most in need of this assistance. Congress may wish to consider a two-tiered approach. The first tier would be the present counter-cyclical program which would phase itself out as the economy improved. The second tier would become effective only when the present counter-cyclical program terminated and be directed only to those jurisdictions (state and local) suffering the most pronounced economic crises.

Mr. Chairman, we realize the reauthorization decision on this program must be made quickly. NCSL stands ready to assist this Committee in fashioning the type of assistance program that will fairly and effectively retain the best features of the present and proposed legislation.

Thank you for this opportunity to speak to you, and I will be happy to answer any questions you might have.

Senator MOYNIHAN. And now, on behalf of the National Association of Counties, we have Lois Parke who is from Newcastle County, Del.

Senator ROTH. If I might, Mr. Chairman, I would like to welcome Lois here. She is a very able public servant who has appeared before us on other occasions and has made a mark, that women are particularly effective in government.

Ms. PARKE. Thank you, Senator.

Senator MOYNIHAN. Well, we welcome you, Ms. Parke, and of course, you are speaking on behalf of the National Association of Counties.

Ms. PARKE. Yes, thank you, sir.

STATEMENT OF LOIS PARKE, COUNTY COUNCILMAN, NEWCASTLE COUNTY, DEL., ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES, ACCOMPANIED BY ELLIOTT ALMAN

Ms. PARKE. Mr. Chairman and distinguished members of the Senate Finance Subcommittee on Unemployment Compensation, Revenue Sharing, and Economic Problems, on behalf of the National Association of Counties, I am most pleased for this opportunity to testify before you today on countercyclical antirecession assistance program.

As has been pointed out, I am Lois Parke. I am a councilman in Newcastle County. I am also chairman of the NACo Tax and Finance Subcommittee which establishes the policy on antirecession assistance.

We appreciate your conducting these hearings on this program because it is critical to county officials. Mr. Chairman, there is one point that I wish to emphasize throughout my statement, and that is that county governments, be they urban or rural, desperately need to continue to receive countercyclical assistance. This assistance has been essential in enabling county government to operate and maintain adequate levels of services in times of high unemployment and inflation. Attached is a resolution adopted by our organization in March that strongly endorsed this program and urged its extension.

At this 11th hour, we urge the committee to act to insure that county governments in need can contribute to receive this most important assistance.

As you know, the present program terminates on September 30. The administration has proposed legislation extensively changing many facets.

In my home county of New Castle, Del., unemployment averaged 8.7 percent for 1977. I might add that Kent County, Del., experienced an even higher rate of unemployment with an average of 9.7 in 1977.

This situation is duplicated and the story, in fact, is even worse. Nassau and Suffolk Counties in New York have unemployment of 8.9 percent and 8.8 percent, respectively. Aroostook County, Maine, had an unemployment rate of 11.7 percent.

Rural Lancaster and Northumberland Counties in Virginia had unemployment levels of 17.9 percent and 13.6 percent, respectively.

These figures indicate a strong need to continue this program. Attached to my testimony is a list of the unemployment levels in many of our urban and rural counties.[1]

Mr. Chairman, the urban and rural counties in this Nation need countercyclical assistance. We are often the primary providers of health and welfare services. We operate courthouses, law enforcement agencies, and many other human resources services and programs.

We also provide many jobs in our communities. It is precisely these types of services and this sort of program that experience the greatest impact from adverse economic conditions.

On the one hand, the demand for the services is directly related to the unemployment and inflation. On the other hand, when local governments are pressured by inflation, declining tax bases, increased delinquencies in property taxes, and unemployment, these services are often the most difficult to either maintain or expand.

Moreover, the reality is that they are often the services which we are most pressured to reduce.

Countercyclical assistance has enabled us to maintain these levels of services to our citizens and, importantly, to minimize the cutbacks and the layoffs. Recognizing that inflation and unemployment

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[1] See page 132.

are a national problem, national policy and resources have helped us to help ourselves.

I would like to address a few specifics in the legislation. Mr. Chairman, this program. as currently operating, is highly targeted to communities of greatest need. The dual mechanism of initially requiring a nationwide unemployment level of 6 percent to trigger the program and a 4.5-percent minimum for each community to participate has worked extremely well.

I would especially like to emphasize my next point. Over 90 percent of the funds in this program currently go to communities whose unemployment level exceeds 6 percent. Approximately 97 percent goes to communities with unemployment levels about 5.5 percent. I strongly doubt that there is another Federal program that can make this same assertion of accuracy, and that is Treasury Department data.

The administration proposal would significantly alter the eligibility criteria and the formula for distribution of the funds. However, we do not presently know what the results of all these changes will mean.

Detailed information must be available before we can make an adequate estimation of what impact that will be on local governments. This not only means provision of the formula data incorporated in the bill, but a comparison of the distribution using the current data as well.

Without this data, we are not in a position to take a position.

We fully recognize that this program will shut off when the national unemployment rate falls below 6 percent. We are also aware that, although the economic outlook is improved, for some localities there are still some who experience high unemployment and economic strain.

If assistance were to immediately terminate for these communities, the impact would further hurt the localities.

We, therefore, believe there are several alternatives to prevent this sudden, potential shutoff. These include requiring a nationwide unemployment rate to drop below 6 percent for consecutive quarters, which would at least give some warning to those jurisdictions in this position. Lowering or dropping the trigger is another alternative, or providing a standby program to assist only those communities whose unemployment would still be above a designated unemployment rate.

We believe it to be highly desirable to have a program that can respond quickly to a recession and, if extended, countercyclical can do just that. As several of the other speakers have pointed out, it took 1½ years when we were in the depths of a recession to get this mechanism going and we feel very strongly that the mechanism is important.

The State governments do participate in the current program and they receive one-third of the present allocation. The administration bill would delete the States from participating.

The policy position of our organization is for the countercyclical assistance to be provided to needy counties, cities and State governments. In many of our States, the countercyclical funds are passed through and targeted to local government. This enables us to supplement our own countercyclical funds and to expand our efforts to combat unemployment.

By eliminating States, we, too, would find our funds reduced, and this is especially so in light of section 104(d)(2) of the bill which sets a limit on the amount of moneys we will receive. It states we will get the lesser amount of the proposed formula, or the allocation from July 1, 1977, to June 30, 1978. This does not reflect the contributions many counties receive from local governments.

We believe States should be eligible to participate and compete for countercyclical funds on the same basis of other units of government and with the same criteria standards.

One problem that has consistently been present in unemployment based programs is the lack of adequate data on rural communities. The past use of balance of State data has discriminated against many small rural counties. The administration bill provides a mechanism for calculating rural unemployment rates where the Bureau of Labor Statistics is unable to provide them. A similar method was employed in the local public works bill.

We believe the calculation of unemployment data for these rural counties will clearly illustrate the need of these counties for countercyclical assistance. We would, however, suggest that the committee consider the following.

If the data does solve the past problems regarding rural eligibility, then perhaps there is less need to alter the distribution formula. As we understand it, one of the justifications for the proposed new formula was the inability to adequately assist needy rural counties. We believe that an adequate estimation of local unemployment for these communities will show the extent of rural need and make many rural counties eligible.

The requirement that funds be obligated within 6 months has, in the past, created many problems for many counties. The reason for this is that the allocations were determined quarterly and significant restrictions were placed on the use of the moneys.

In some jurisdictions, in addition, there are no legislative mechanisms in place to appropriate these funds within that time frame.

This meant that local governments never knew how much they were going to receive. Furthermore, we could only use the funds for certain prescribed purposes. We welcome the proposal that lifts many of the restrictions on use and provides us with a better idea of the amount of money that we may be receiving.

Mr. Chairman, I believe I have outlined the need of county governments for countercyclical assistance. Our policymaking committee will be considering every aspect of the proposed countercyclical bills this Saturday, as a matter of fact. We will provide you with our detailed positions on these matters next week, if that is agreeable to you.

County officials support the countercyclical program as an effective and proven means of targeting funds to needy communities. We urge the committee to make it a permanent program of assistance, providing the mechanism for a swift, positive reaction should the unemployment levels rise again to unbearable levels.

When the intense need, the national goal, is achieved, it will trigger out. Alternative programs can then be used to combat more isolated regional and local community unemployment problems.

In our opinion, this program has demonstrated its effectiveness. We urge you to reenact it, and have it in readines should extreme crisis strike our national employment situation again.

Senator MOYNIHAN. Well, that was a very direct and characteristically competent statement from NACo.

Senator Roth?

Senator ROTH. One criticism we have heard of the countercyclical program is that it really does not fulfill the purpose for which it was originally devised, and that was to help unemployment in the private sector, that it has become primarily a means of helping finance governments of every level and their activities rather than directly going into programs to help those unemployed, as I say, in the private sector.

Would you care to comment on that?

Ms. PARKE. I think the only way I can comment on that, Senator, is to give you our own experience in New Castle County.

Last June, as you recall, the funds that were available for the countercyclical program had run out and there was a very serious question about whether Congress would authorize additional funds to carry through additional quarters. At that time, we were pulling our own county budget together, which is what we are doing right now.

We went through with close to a 20-percent tax increase on property, as you are very well aware. We cut back services and we took out 136 jobs in the county budget. Now, since we only have hard county dollars in approximately 1,250 jobs, that was a sizable cutback.

Now, at the same time, we are faced with wage negotiations which are underway. When those were finally settled, the July check did come in, and that check was used primarily for two things, and those that have come in since then. The one was to maintain the level of the employment, because we had cut it back so badly that we were diminishing necessary services. And our choice, to make up the difference from the wage negotiations, was further layoffs, further cutbacks in services, or other funds—because, as you know, we can only set the tax rate once a year.

Our other major cost, and it is one that I think you have been alluding to with other speakers but have not directly identified, is the cost of energy. The utility bills have skyrocketed and I think until we have a national energy program that can bring this, what I consider one of our major causes of inflation, under control, then we are in the position where both the wage costs, which are a result of the cost of living costs, escalate, the energy costs take many of our basic right through the roof. That brings additional pressures to our fixed income families and whatnot.

Each of the people who have been retained on employment with the county is off the government dole as far as welfare programs, unemployment programs. Each one of those are contributing tax dollars. Each one of those has the ability to buy in the private sector.

I think banks use 8 to 1 for the dollars, and I think the ripple effect has gone through New Castle County.

Senator ROTH. I think perhaps part of the problem is that the original goals or objectives were unrealistic, that the legislation should have been expected to primarily help the governments themselves out of their fiscal problems.

I would like to make one comment on your energy problems. I agree that it is essential for this country to have an energy program. I would point out that I fear that the impact of the President's energy package would increase the cost of energy. That is part of the program. It is devised to make energy more expensive so that we will conserve. I am not entirely certain what the inflationary impact of that partciular program would be.

Ms. PARKE. I guess I should have used an adjective: a beneficial national energy program?

Senator ROTH. Exactly.

That is all I have, Mr. Chairman.

Senator MOYNIHAN. It would be a good idea to put that on.

I must ask you before you leave, Ms. Parke—and I do not want to keep you here—the question of the change in the BLS unemployment statistics; I used to be in charge of BLS under President Kennedy. What is the nature of your concern? Does it go to the methodology, or does it go to the substance? You accept the methodology, I assume, because, as you know, it is a perfectly neutral one, but the sudden change in circumstances came unexpectedly.

Ms. PARKE. I am sorry. I do not understand your question.

Senator MOYNIHAN. Well, you were making the point about——

Ms. PARKE. With the rural counties?

Senator MOYNIHAN. The new calculations of unemployment levels suddenly—do you accept the BLS statement?

Ms. PARKE. May I have Elliott Alman answer the question? I am sorry, but I am having trouble following you.

Mr. ALMAN. I think the problem that resulted is this. They decided to change the way they calculate the unemployment data, and we have no quarrel with that. We would certainly strongly support a more accurate computation of data.

But what happened is that this sudden change in 1 month resulted in dramatic authorizations for unemployment for certain local areas.

Senator MOYNIHAN. Exactly my point.

Mr. ALMAN. And every program that is tagged to unemployment, all of those communities who receive those programs, got dramatic changes in the amount of dollars, not necessarily reflecting any changes in the economic situation, just the computation of data.

Senator MOYNIHAN. Those are fairly dramatic changes. Milwaukee County lost its eligibility, for example. And there is a case for phasing in the consequences.

Senator ROTH. Going back, I know in our own State there was a great deal of controversy and debate about these figures. The rural counties particularly felt very strongly that there was not an accurate figure of their unemployment and that was affecting the money that they were securing from the Federal Government.

Senator MOYNIHAN. No one is ever happy with BLS' statistics, and that is the way the BLS likes it.

Ms. Parke, thank you very much for being with us today.

Ms. PARKE. Thank you very much, Senator.

[The prepared statement of Ms. Parke follows:]

STATEMENT OF LOIS M. PARKE, ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES

Mr. Chairman, and distinguished members of the Senate Finance Subcommittee in Intergovernmental Relations and Human Resources. I am most pleased for this opportunity to testify before you today on S. 2975, the Supplementary Fiscal Assistance Act of 1978. I am testifying on behalf of the National Association of Counties[1] (NACo).

I am Lois Parke, Councilman, New Castle County, Delaware. I am Chairman of the NACo Tax and Finance Subcommittee that establishes policy on anti-recession assistance. Accompanying me is Elliott Alman, Legislative Representative for NACo.

I would like to thank you for conducting these hearings on this most critical program for county officials. I am honored to be able to appear before you today and present the views of our organization.

Mr. Chairman, there is one point that I wish to emphasize throughout my statement. That point, is simply this, county governments, be they urban or rural, desperately need to continue to receive counter cyclical assistance. This assistance has been absolutely essential in enabling county governments to operate and maintain adequate levels of services in times of high unemployment and rising inflation. Attached is a resolution adopted by our organization in March that strongly endorsed this program and urged its extension.

At this eleventh hour, we urge the committee to act to insure that county governments in need can continue to receive this most important assistance.

As you know, the present program terminates on September 30, 1978. The Administration has proposed legislation extensively changing many facets of the program. We also understand that there may be other proposals to extend counter cyclical assistance. Though time is extremely short to respond to these proposals, we urge your subcommittee to act as expeditiously as possible to reauthorize the program. If this program terminates in September, it would spell economic chaos for many of our counties.

In my home of New Castle County, Delaware, unemployment averaged 8.7 percent for 1977. I might add that Kent County, Delaware experienced an even higher level of unemployment, with an average rate of 9.7 percent for 1977.

This situation is duplicated in other counties. Nassau and Suffolk Counties, New York, experienced unemployment of 8.9 percent and 8.8 percent respectively in 1977. Aroostook County, Maine had an unemployment rate of 11.7 percent.

Rural Lancaster and Northumberland Counties in Virginia had unemploy-levels of 17.9% and 13.6% respectively.

These figures indicate a strong need to continue this program. Attached to my testimony is a list of the unemployment levels in many of our urban and rural counties.

Mr. chairman, urban and rural counties in this nation need counter cyclical assistance. We bear the prime responsibility of providing health and welfare services to our citizens. We operate courthouses, law enforcement agencies, and many other human resources services and programs.

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[1] The National Association of Counties is the only national organization representing county government in the United States. Through its membership, urban, suburban and rural counties join together to build effective, responsive county government.

The goals of the organization are to: improve county government; serve as the national spokesman for county government; act as a liason between the nation's counties and other levels of government; achieve public understanding of the role of counties in the federal system.

It is precisely these types of services that experience the greatest impact from adverse economic conditions. On the one hand, the demand for these services is directly related to unemployment and inflation. On the other hand, when local governments are impacted by inflation, declining tax bases, and unemployment, these services are often the most difficult to expand. Moreover, the reality is that they are often the services which we are most pressured to reduce.

Mr. Chairman, it took a year and a half to get the original counter cyclical program enacted. Precious time and effort was lost while our nation was in the midst of a severe recession. I strongly believe that it is vital that we have this mechanism on the books and ready when it is needed. We simply cannot afford to wait another year and a half to enact a new program when a recession impacts upon us. We fully understand that this also means that there may be a period when the program is "inoperative" because the national unemployment rate is below 6 percent.

Counter cyclical assistance has enabled us to maintain these levels of services to our citizens and to avoid cutbacks and layoffs. Inflation and unemployment are national problems, stemming from national, rather than local causes. As local elected officials, we cannot solve the problems ourselves. It is necessary therefore for the federal government to help us to help ourselves.

I would now like to address a number of specific issues in the legislation. I would also like to indicate that a meeting of our policy making committee is scheduled for this Saturday. We will carefully consider the proposals in the bills and communicate our detailed positions to you.

TARGETING AND FORMULA

Mr. Chairman, this program, as currently operating, is highly targeted to communities of greatest need. The dual mechanism of initially requiring a nationwide unemployment level of 6 percent to trigger the program and a 4.5 percent minimum unemployment rate for each community to participate, has worked extremely well.

Over 90 percent of the funds currently go to communities whose unemployment level exceeds 6 percent. Approximately 97 percent goes to communities with unemployment rates above 5.5 percent. I strongly doubt there is any other federal program that can make this same assertion.

The Administration proposal would significantly alter the eligibility criteria and the formula for distribution of funds. However, we do not presently know what the results of all these changes will mean.

Detailed information must be supplied before we can make an adequate estimation of the impact upon local governments in need. This not only means provision of the formula and data recommended in the bills, but a comparison of the distribution using the current formula and the new formula.

The existing formula has a proven and successful track record. We would have to closely analyze the proposed changes before making any decision.

TRIGGER

We fully recognize that this program will shut off as intended, when the national unemployment rate falls below 6 percent. The current nationwide unemployment is just above 6 percent, and projections place that level to drop. We are also aware that although the economic outlook is improved for some localities, there are still many counties that continue to experience high unemployment levels and severe economic distress. If assistance were to immediately terminate for these communities, the impact would be extremely severe.

We therefore believe there are several alternatives to prevent this sudden potential shut off. These include requiring the nationwide unemployment to drop below 6 percent for consecutive quarters before terminating the program; lowering or dropping the nationwide trigger; or providing a standby program to assist only those communities whose unemployment would still be above a designated unemployment rate.

We believe it be highly desirable to have a program that can both respond quickly to a recession, and also continue to help hard pressed communities.

STATE ROLE

State governments currently participate in the current program and receive one-third of the allocation. The administration bill would delete the states from eligibility.

The policy position of the national association of counties is for counter cyclical assistance to be provided to needy counties, cities, and state governments. In many of our states, the state counter cyclical funds are "passed through" and targeted to local governments. This enables us to supplement our own counter cyclical funds and to expand our efforts to combat unemployment. By eliminating states from the program, we too would find our funds reduced. We would be forced to diminish our efforts. This is especially true in light of section 104(d) (2) of the bills. That section establishes a limit on the amount of monies we may receive. It provides that we will receive the lesser amount of either the proposed formula or the allocation from July 1, 1977–Jun 30, 1978. This does not reflect the contribution many counties have received from state governments during that period.

We believe states should be eligible to participate and compete for counter cyclical funds on the same basis as other units of government, with the same minimum criteria standards.

RURAL AND SMALL GOVERNMENTS

One problem consistently present in unemployment based program is the lack of adequate data on rural communities. The past use of balance of state data has discriminated against many small rural counties. The administration bill provides a mechanism for calculating rural unemployment rates where the Bureau of Labor statistics is unable to provide them. A similar method was employed in the local public works bill.

We believe the calculation of unemployment data for these rural counties will clearly illustrate the need of these communities for counter cyclical assistance. It would address the past problems regarding rural eligibility. As we understand it, one of the justifications for the proposed new formula for distributing the funds was the inability to adequately assist needy rural communities. We believe that a careful method for estimating local unemployment for these communities will accomplish this. Furthermore, this may be a preferable way to address the need than extensively changing the existing formula.

RESTRICTIONS ON USE/ANNUAL ALLOCATIONS

The requirement that funds be obligated within six months has, in the past, created a problem for many counties. The reason for this is that the allocations were determined quarterly, and significant restrictions were placed on use of the monies.

This meant that local governments never knew how much they were going to receive in the next quarter. Furthermore, we could only use the funds for certain prescribed purposes. We welcome proposed changes that remove many of the restrictions on use and enable us to more efficiently utilize the amount of money we will be receiving.

NEW METHODOLOGY FOR CALCULATING UNEMPLOYMENT

Mr. Chairman, I would like to bring one other issue to your attention. In January, the Bureau of Labor statistics implemented a new methodology for determining local unemployment levels. While NAC feels this is a laudable effort to improve the system, the sudden shift to this new methodology has created problems where federal funds are tied to unemployment figures.

Under the new calculation, the unemployment level in San Diego county, California, dropped from 9.2 percent to 7.6 percent causing a reduction in its quarterly counter cyclical payment of $1,369,009. Alameda county also experienced a drop from 9.8 percent to 7.3 percent, and a corresponding reduction in its payment of $946,784. Milwaukee County, Wisconsin decreased from 5.7 percent to 4.2 percent, making it no longer eligible for payments under the program. Its previous quarterly payment had been $899,152. Such drastic reductions in unemployment rates over such a short period of time cannot be attributed to economic factors. They are obviously the result of the new methodology employed by the Bureau of Labor statistics. The reduction in funds to these communities based on the new calculations has created an economic hardship.

We suggest that the committee adopt a mechanism whereby communities significantly affected by this change in calculation will be assisted. I would like to emphasize that I am speaking for those instances caused by the method of calculating unemployment, and not due to improved economic conditions.

Mr. Chairman, I believe I have outlined a need of county governments for counter cyclical or supplementary fiscal assistance. Our policy making committee will be considering every aspect of the proposed legislation on Saturday, and we will provide you with our detailed positions on these matters.

County officials support the counter cyclical program as an effective and proven means of targeting funds to needy communities. We urge the committee to make this a permanent program of assistance. I will be happy to answer any questions that you may have. Thank you.

RESOLUTION

Whereas, the counter-cyclical anti-recession assistance program is designed to aid local and state governments from the impact of the recession and high unemployment; and

Whereas, Over 1,750 counties currently receive counter-cyclical assistance; and

Whereas, This program is triggered by nationwide unemployment levels above 6%, and to be eligible, the local government must have an unemployment rate of at least 4.5%; and

Whereas, The assistance has greatly aided hard pressed governments to maintain service levels and prevent employee layoffs; and

Whereas, The current program expires on September 30, 1978; and

Whereas, Any termination of this program will result in immediate employee layoffs whose needs must be met through unemployment insurance, welfare benefits, and medical assistance; and

Whereas, Nationwide unemployment exceeds 6.1% and county budgets are impacted by ever increasing expenditures;

NOW, THEREFORE, BE IT RESOLVED, that the Taxation and Finance Steering Committee recommends that:

Congress should enact a permanent counter-cyclical anti-recession program to assist local and state governments,

Counter-cyclical assistance should provide necessary aid to all county, state and local governments that are areas of need.

Urban counties:	Annual unemployment 1977—BLS. (percent)
Los Angeles Co., Calif	8.0
Cook Co., Ill	6.2
Wayne Co., Mich	8.3
Harris Co., Texas	4.5
Orange Co., Calif	5.9
Cuyahoga Co., Ohio	6.2
San Diego Co., Calif	8.7
Allegheny Co., Pa	6.4
Dade Co., Fla	8.9
Nassau Co., N.Y	8.9
Middlesex Co., Mass	7.3
Suffolk Co., N.Y	8.8
Maricopa Co., Ariz	7.5

Urban counties—Con.	Annual unemployment 1977—BLS. (percent)
Santa Clara Co., Calif	6.8
King Co., Wash	8.2
Alameda Co., Calif	8.5
Erie Co., N.Y	9.5
Oakland Co., Mich	7.8
St. Louis Co., Mo	5.5
Hamilton Co., Ohio	5.9
Essex Co., N.J	11.1
Bergen Co., N.J	7.9
Westchester Co., N.Y	7.2
Franklin Co., Ohio	5.7
Broward Co., Fla	9.2
Shelby Co., Tenn	6.2

Rural counties:	Annual unemployment 1977—BLS. (percent)
Eldorado Co., Calif	13.6
Imperial Co., Calif	21.2
Plumas Co., Calif	16.6
Trinity Co., Calif	18.2
Franklin Co., Fla	14.0
Gadsden Co., Fla	7.5
Indian River Co., Fla	9.7
Lafayette Co., Fla	7.4
Liberty Co., Fla	9.8
Marion Co., Fla	9.1
Atkinson Co., Ga	10.3
Burke Co., Ga	12.6
Dawson Co., Ga	12.4
Wilcox Co., Ga	12.2
Jackson Co., Iowa	5.9
Aroostook Co., Me	11.7
Lincoln Co., Me	10.0
Waldo Co., Me	12.0
Washington Co., Me	11.2
Cayuga Co., N.Y	10.8
Clinton Co., N.Y	12.5
Essex Co., N.Y	13.6
Franklin Co., N.Y	14.1
Edgecombe Co., N.C	9.2
Franklin Co., N.C	7.3
Granville Co., N.C	8.4
Halifax Co., N.C	9.8

Rural counties—Con.	Annual unemployment 1977—BLS. (percent)
Northampton Co., N.C	7.7
Warren Co., N.C	7.8
Adams Co., Ohio	11.8
Hocking Co., Ohio	10.0
Scioto Co., Ohio	13.4
Union Co., Ohio	6.7
Coal Co., Okla	12.6
Hughes Co., Okla	10.1
Latimer Co., Okla	13.8
Pittsburg Co., Okla	13.1
Pushmataha Co., Okla	10.4
Dillon Co., S.C	10.2
Georgetown Co., S.C	11.8
Marion Co., S.C	9.5
Marlboro Co., S.C	9.8
Bath Co., Va	12.5
Lancaster Co., Va	17.9
Northumberland Co., Va	13.6
Smyth Co., Va	13.3
Columbia Co., Wash	12.1
Ferry Co., Wash	13.4
Klickitat Co., Wash	15.6
Skagit Co., Wash	13.4
Douglas Co., Wis	9.1
Forest Co., Wis	9.7
Sawyer Co., Wis	9.3
Washburn Co., Wis	9.7

Senator MOYNIHAN. And now, at the close of the morning, we have Mr. William Welsh who is well known to this committee, the executive director of Government Affairs of the American Federation of State, County and Municipal Employees.

Mr. Welsh, is it because your name begins with a "W" that you come last, or because you have more patience?

Mr. WELSH. I think, Senator, that I am a pretty good cleanup spot hitter. Maybe that is it.

Senator MOYNIHAN. Well, once again, welcome.

Mr. WELSH. Thank you very much, Senator.

STATEMENT OF WILLIAM WELSH, EXECUTIVE DIRECTOR, GOVERNMENT AFFAIRS, AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES

Mr. WELSH. Senator, in speaking on behalf of the American Federation of State, County, and Municipal Employees, if I could have my statement printed in full in the record, then I would like to just briefly summarize for you some of the highlights of what the statement says and what we think might be an appropriate course for the committee and the Congress in extending the Intergovernmental Assistance Act.

We have found that the program has been very successful in helping stabilize the services of local and State government in a recessionary period and we believe, in principle, that this type of assistance should be a permanent feature of the way the Congress has legislated to deal with recessions.

One change that we would make in the present program is to probably have it phased out after two quarters, rather than after one quarter, when the national unemployment rate falls below 6 percent. We think, as some of the other organizations have testified, this gives a little more stability, a little more accuracy. In terms of extending the existing program, we would like to see that modification made.

We believe that the concept of an alternative program to trigger in at the time that the countercyclical program triggers out, such as the administration has suggested in its program, would be a useful second-tier or second-level program. We would very much like to see it added to the present program. This second-tier program would target funds into distressed local areas, either along the lines of the formula that the administration has suggested or some modification along that line, which would make it somewhat more targeted.

It has occurred to us that, on the issue of inclusion of States, either with the existing program or in a second-tier program, that one modification that the committee might want to consider is that the States be directed to pass through either all or a portion of their funds, essentially on the same formula that the law would distribute funds directly to local governments. The States could be given the option of directing those funds to programs which affect local governments.

In other words, it might be that in some States you would find that they would want to direct it toward education purposes; in another State, they might want to direct it in terms of upgrading their health services, and so on. And that the option would be useful because it is very difficult in this type of program for the Congress to decide.

Or, if that did not seem to be an appropriate way, the other consideration with regards to how to deal with the States might very well be through a State incentive program. The administration will soon send to you its legislative proposal that the President discussed in his urban message on State incentive programs. A State might qualify for a portion of funding if it designed its own program to further impact distressed urban areas.

A second point that we want to call to the attention of the committee, and which was mentioned, as you know, Senator, in my testimony yesterday before your subcommittee, is the importance of this program in terms of stabilizing a community's public employment in a recessionary period. At a time when the Congress is moving with a manpower program to create public service employment, or trying to bring more welfare recipients into public service employment, we must be careful not to get caught in the substitution cycle where a community or a city looks to these public service employment funds to reach the structurally unemployed, but, in fact, ends up substituting for the regular municipal or county work force.

The countercyclical aid program has been a very useful parallel program to stabilize the existing work force so that when you, in fact, add public service employment, you are reaching into those portions of the community that are, indeed, structurally unemployed or are laid off from private sector employment and you do not get caught in the substitution problem.

When we originally testified on countercyclical some years ago and on the original CETA program, the union made the point that these two programs, in effect, complement each other, producing a rational manpower program.

Finally, I would like simply to make a point that we would, certainly in the countercyclical part of the program and probably in any second-tier program that would continue after the fall of national unemployment below 6 percent, not want to see the funds available for capital improvements.

We think that the restrictions that are in the present law directing the funding into the operating budget really does two things.

One: it means that those funds are put right into the economy avoiding the kinds of delays you often get from capital construction in a recessionary period.

Two: We would point out that the Congress has, through its accelerated public works program and other programs of that type, devised programs that aid communities with their capital improvement, public works-type activities. These countercyclical funds are much more useful in terms of general budget purposes, designed to stabilize employment, if the national economy begins to slow down.

So we would not support a modification of those restrictions.

Senator, those are the points, after listening to the public interest groups' testimony this morning, that I wanted just to highlight for you and to say that we think that this is a very important principle that Congress has established and that we would hope that you would extend it and make the amendments, such as those that the administration has suggested, and that we have outlined for you.

Senator MOYNIHAN. Thank you.

Basically, you are for the administration's proposal?

Mr. WELSH. We would be for it when the 6 percent falls back, and we would——

Senator MOYNIHAN. And you want it to be countercyclical.

Mr. WELSH. And then if we can devise—part of our problem is the same as expressed by NACo. We are not certain exactly of the full import of the targeting in the administration's program, and so that is one of our problems. But we would think something along those lines would be acceptable and, if you decide to add the States to that second tier, then you probably would want to direct the States to pass through that money, giving them the option as to the program areas into which they would direct those fundings.

Senator MOYNIHAN. You have there, of course, the ultimate problem of fundability.

Mr. WELSH. That is true.

Maintenance of effort is one of the problems, however—and particularly with the State funding, I think—we need to be sure that there is some maintenance of effort provision if we go to a second tier. Those are difficult to enforce, but, in principle, it is useful to have that kind of constraint in the legislation.

Senator MOYNIHAN. Well, as usual, you are clear, concise, immensely helpful.

[The prepared statement of Mr. Welsh follows:]

STATEMENT OF WILLIAM B. WELSH

Mr. Chairman and Members of the Subcommittee: My name is William B. Welsh and I serve as Executive Director for Governmental Affairs for the American Federation of State, County and Municipal Employees, AFL-CIO. AFSCME is now the largest affiliate union in the AFL-CIO with one million dues-paying members in every state of the union.

Mr. Chairman, we are here today to call for an extension of the Intergovernmental Antirecession Assistance Act of 1977, or as it has come to be known, the Counter cyclical assistance program, due to expire in September. In addition, we advocate a restructuring of the program so that units of government experiencing acute fiscal distress will not face an abrupt cutoff in funds which they clearly continue to need.

We feel that the current Counter cyclical aid program should be continued in its present form until the national unemployment rate falls below 6% for two quarters. At that point, a separate program should operate automatically which would target fiscal relief to those jurisdictions that have persistent structural problems. These could be reflected in rates of unemployment above the national average, population decline, job loss, or any other indication of sluggish economic growth.

We emphasize our concerns that the program be highly targeted to areas of greatest need.

There is a good deal of confusion about the Counter cyclical aid program. Over the past two years, many studies have been undertaken—by the Department of the Treasury, by the General Accounting Office, by the ACIR—just to name a few. The general thrust of most of these studies was to ascertain whether the current program actually performed the function for which it was intended; namely, to prevent destablizing budgetary actions by state and local governments. The reasoning was simple: during a recession, it would be unwise to force state and local governments to either raise taxes or cut expenditures while the federal government was attempting to stimulate the economy.

Another critical reason why this general purpose assistance has been and continues to be essential to distressed units of governments particularly our poverty-impacted cities is—it provides the foundation on which a coherent manpower policy can be built. In cities like Boston, with 11.2% of its municipal workforce accounted for by CETA, or San Jose at 18.9%; or Buffalo at nearly 33%, countercyclical fiscal assistance has allowed these and many other cities to maintain their regular workforce and to continue to provide vital services. In turn, the foundation provided by the countercyclical program has allowed the CETA program to do at least part of the job it was designed to do—provide training and work to those most in need. In our most distressed cities, the cancellation of this fiscal assistance would drastically increase the pressure on municipal budgets and service delivery systems. Matched with the retargeting of CETA funds, the result would be layoffs of the existing workforce and, in a word, chaos.

When state and local government budgets are being forced into deficit situations by a poor national economy, the case for a pure countercyclical aid program is compelling.

According to the Treasury report, removal of these counter cyclical grants in the highest strain cities would result in a *15¢ per $100* increase in property taxes. In Newark, the property tax increase would be *49¢*, in Philadelphia *32¢*, and even in El Paso, it would amount to *24¢*.

From the evidence gathered, it is clear that the current counter cyclical assistance program has performed two different functions: it has cushioned the impact of a recession on state and local government budgets; it has also targeted aid effectively to fiscally distressed jurisdictions.

We feel that the Congress has established a very important principle by automatically triggering fiscal assistance to state and local governments as the national economy slides into a downturn.

This principle should be retained—especially in the face of a number of economic forecasts that expect a slowdown early next year. Unless a counter cyclical mechanism is kept in place, Congress may have to devote valuable time to recreating the existing program. When national unemployment goes below 6%, no expenditures are made under the current program. It becomes a stand-by mechanism which proves that Congress can tailor a program to meet a specific need which operates only when that need becomes broadly apparent.

Mr. Chairman, allow me now to explain the importance of adopting the second part, the restructuring of this program, which would result in a distressed governments title.

In proposing its Supplemental Fiscal Assistance program, the Administration made clear its intent to continue to aid those governments which have not fully participated in the national economic recovery. These governments, including many if not most of the nation's largest cities, will face grave consequences in terms of tax increases and cuts in vital services if this fiscal aid is abruptly shut off. We are in agreement with the Administration that units of government which continue to need fiscal assistance, receive that assistance on a carefully targeted basis.

There has been much discussion as to what role if any the states should play in the Administration's Supplemental Fiscal Assistance program. All states with more than 4.5% unemployment qualify under the current program. When that program turns off and Title II or the Administration's approach turns on, some but not all states should be included. The participation of states should be conditionally based on whether the states in question meet the definition of "distressed" as applied to Title II *and* whether the states which qualify as distressed pass through a substantial amount of funds received under this program to needy local governments within their jurisdiction. It could be left to the states to decide in what of several areas such relief to localities would be most helpful.

Mr. Chairman, I would like to add a final word on the Administration's proposal for a program of incentive grants to states which develop plans to aid their cities. The $200 million state incentive program, while modest in size, is in keeping with AFSCME's long standing position that states can and should do more to aid their local governments. There remains to be much work done on developing such a program. The point I would stress here Mr. Chairman is this: When the Finance Committee reconsiders General Revenue Sharing in 1980, both the state incentive concept and the subject of today's hearing, supplemental fiscal assistance on a targeted basis, ought to be on the Committee's agenda at that time. The legislation considered here today would, if passed, expire in 1980. A carefully crafted program combining general revenue sharing, supplemental fiscal assistance and incentive grants to states would go far in achieving fiscal stability for states and localities.

In summary, Mr. Chairman, AFSCME seeks to accomplish two goals with the extension and restructuring of this program. First and foremost, we seek to continue to aid those units of government most in need of this fiscal assistance. Both the current program and the Administration's proposal for supplemental fiscal assistance will accomplish that goal. Secondly, we wish to preserve a concept and program which, although critical to state and local governments, has been difficult to attain and sustain. By accepting a two title approach to this fiscal assistance the Congress can maintain a program which aids needy governments when they are most in need an, while doing so, continue to aid cities and other units of government which have not fully participated in the nation's economic recovery.

Thank you, Mr. Chairman.

Senator MOYNIHAN. It is now 1:30 and I think we will close the hearing.

[Thereupon, at 1:30 p.m., the subcommittee recessed, to reconvene at the call of the Chair.]

[By direction of the chairman the following communications were made a part of the record:]

STATE OF HAWAII,
Honolulu, May 5, 1978.

HON. DANIEL K. INOUYE,
U.S. Senate, 442 Russell Senate Office Building,
Washington, D.C.

DEAR DAN: Thank you for your letter of April 21, 1978, regarding Senator Hathaway's subcommittee hearing on supplemental fiscal assistance.

As you know, termination of antirecession funds on September 30, 1978, will mean certain layoffs for participants in the State Comprehensive Employment and Training (SCET) emergency employment program unless supplemental fiscal assistance is provided in lieu of these funds.

We regret we were unable to submit testimony in time for the hearing on May 3. However, we want to submit for the record the enclosed statement on this important matter.

With warm personal regards, I remain.

Yours very truly,

GEORGE R. ARIYOSHI,
Governor of Hawaii.

Enclosure.

STATE OF HAWAII, STATEMENT IN SUPPORT OF SUPPLEMENTAL FISCAL ASSISTANCE FOR STATE GOVERNMENTS

Employment is of critical importance to the people of Hawaii. The State of Hawaii, Department of Labor and Industrial Relations, has utilized Antirecession Fiscal Assistance funds to alleviate the high rate of unemployment in our State. Antirecession funds have supplemented State general funds to maintain a State-funded emergency employment program called the State Comprehensive Employment and Training (SCET) program. This program has provided temporary public service employment to more than 4,000 individuals since its inception in 1975 in areas such as the development, beautification and maintenance of parks, highways and beaches; the repair and maintenance of public school buildings; and in the fields of health, child care, education, social services and recreation. The loss of this assistance to the State of Hawaii will result in layoffs of these public service employees and will add another three percent to Hawaii's current unemployed population of approximately 30,000.

Recent announcements indicate that "the Supplementary Fiscal Assistance Act of 1978" would eliminate State participation in countercyclical funds. This would be most inequitable in the State of Hawaii where all levels of education, elementary through university, social services, health, and many other functions are administered on a statewide basis. The State is the largest public sector employer and is the jurisdiction which provides the most emergency public service employment opportunities for the unemployed. Therefore, the State of Hawaii needs to be able to continue to participate in a supplemental fiscal assistance program. Hawaii needs these funds in order to avert layoffs and to avoid the social and economic hardships posed by unemployment. Loss of antirecessionary funds to the State of Hawaii will directly affect social program costs in the form of increased unemployment insurance payments and increases in social services caseloads.

For these reasons, I urge that Supplemental Fiscal Assistance continue to be made available to states so that critical public service programs will not have to be curtailed.

WILLIAM D. HATHAWAY,
Chairman, Subcommittee on Unemployment Compensation, Revenue Sharing and Economic Problems, U.S. Senate, Washington, D.C.

DEAR SENATOR HATHAWAY: I am writing to you on behalf of the State of California to express our concerns on the issue of federal anti-recessionary assistance, in view of the legislation that has been introduced as S 2975. I am asking that my comments be incorporated into the hearing record.

The bill before you will drastically change the direction of federal policy in the relief of the effects of economic recession. We believe that the Anti-Recessionary Fiscal Assistance Act has been the single best piece of federal egislation in the manpower or economic recovery area, enabling states to target assistance to the unemployed while maintaining essential services. You are considering eliminating the grants to states under this program; I urge you for two reasons not to do it. First, states are using the funds effectively to do things which local governments cannot do, the second, the effectiveness of your program as a means of deferring or preventing tax increases which would slow an economic recovery will be very substantially reduced if you eliminate grants to states.

In California, we have used anti-recessionary grants to maintain services in areas over which no single local entity has jurisdiction; we have targeted grant assistance to sectors of the economy experiencing the highest levels of unemployment; we have used funds to fill immediate needs while improving local economic conditions in ways which will have long-term ameliorative effects on employment.

Let me cite a few examples:

In 1977, we provided 5000 jobs to unemployed youth between the ages of 16 and 22. They were employed to re-establish and maintain 1400 miles of forest fire control firebreak systems on 33 million acres of state and private lands. A project of this magnitude could only have been put together on the state level. It has simultaneously eased the severe problems of youth unemployment and provided additional fire prevention capabilities necessitated by the increased fire dangers during the recent drought in California.

We chose to spend a substantial amount of the State grant on deferred maintenance projects which would use the skills of construction trade workers. A review of statewide employment and unemployment patterns had revealed that construction related occupations continued to be among those most negatively affected by the recession. In addition, we recognized that the multiplier effect of economic stimulus of this sector would be especially positive. We are able to obtain from the Department of Industrial Relations, the Employment Development Department and the State Building Trades Council monthly indications of construction trades employment and unemployment by county and, with this data as a guide, set in motion a targeted program of repair and maintenance projects at the state's health care, correctional, educational, and migrant worker residential facilities throughout California. We have been able to concentrate activity during otherwise slow periods for these workers. We have put $50 million into this effort and employed over 2,000 workers. All materials costs have been provided from state funds. This targeting requires the kind of priority review and geographic flexibility which cannot really be accomplished by any single local government jurisdiction.

We provided funds to the State Department of Parks and Recreation to catalogue artifacts and restore railroad equipment for a Railroad Museum to be located in the Sacramento area. No local entity had jurisdiction to perform this function, but the positive economic results of it will be local, immediately in the form of an historical museum, and with direct jobs and the multiplier effect they will have on the economy, and continuing in the form of the economic benefits of increased tourism to Sacramento. Other similar projects were accomplished at the State Fair, in wildlife preserves, throughout the park systems, in libraries in many counties and on Indian reservations.

We demonstrated a particularly innovative way to accomplish the fundamental objective of anti-recessionary relief to government entities during a recession. We used grant funds to expand fraud prevention and program abuse detention activities in a variety of ongoing programs. We are recovering $3 for every dollar we expend in this effort. Instead of supplementing reduced revenues then, we are reducing the need for supplments by reducing the costs to the program of fraud. Recoveries in our disability and unemployment insurance systems have reduced pressure to increase payroll taxes.

These are just four examples of our effective use of the funds Congress has provided under this program. If grants to states are eliminated, you will be eliminating our ability to operate such programs of statewide significance.

Our second and equally serious concern is that elimination of grants to states would substantially reduce the effectiveness of the heart of your program. Countercyclical relief is intended to enable governments to delay or prevent tax increases. Preventing local tax increases is not enough, however, if state governments must increase their taxes to maintain services.

The reality is that state taxes in California will generate revenues of $12 billion in the current fiscal year. All local taxes will produce about $15 billion. Most important, the state tax base relies for about 2/3 of its revenue on sales. corporate, and personal income taxes, sources which produce much less revenue during a recessionary cycle. Local government revenue, by contrast, is about 2/3 property tax-based, and a much more stable revenue source. Therefore, the pressure to increase taxes during a recession fall much more heavily on state government.

Nevertheless, of the total $1.55 billion allocated to California for fiscal year 1978 by the Economic Stimulation Program (including CETA-PSE, Anti-Recessionary Fiscal Assistance and Local Public Works), only ten percent is now allocated to state governments. If you eliminate the Anti-Recessionary Fiscal Assistance funds, California will receive only 3.6 percent of the total state allocation.

Since over half the California tax share goes to state government, Anti-Recessionary Fiscal Assistance is already skewed in favor of local government; elimination of state grants would totally defeat the purpose of this program designed to reduce the drastic impact of tax increases during a recession.

I understand concern has been expressed about providing grants to cities, counties or states like California which may be experiencing at some particular point a budget surplus. We strongly believe that funding should depend upon the unemployment burdens actually being experienced in the state or local jurisdiction, not on whether the entity is bankrupt or nearly bankrupt. Otherwise the funding system could encourage a kind of borrowing and dependence not originally intended nor desirable now as a matter of good public policy.

We would be very pleased to provide specific information about the state's program or to answer any questions that any member of the committee may have. We appreciate the opportunity to present our views through this written testimony.

Sincerely,

MARTIN R. GLICK,
Director.

COMMONWEALTH OF VIRGINIA,
OFFICE OF THE GOVERNOR,
Richmond, June 15, 1978.

Hon. HARRY F. BYRD, Jr.,
Russell Senate Office Building,
Washington, D.C.

DEAR HARRY: I wish to take this opportunity to express my concerns regarding S. 2975—The Supplementary Fiscal Assistance Act.

Under this proposal, the existing anti-recession fiscal assistance program (counter-cyclical revenue sharing) would be replaced by a two-year program that is intended to assist local governments experiencing significant fiscal strain.

The Administration's decision to eliminate the states from participation in the supplementary fiscal assistance program will adversely affect all Virginians. The State of Virginia has utilized its portion of counter-cyclical monies (approximately $7,000,000 since the program began in July 1976) to meet the escalating operating expenses of the Department of Corrections. Obviously, if States are denied access to these monies, the Commonwealth will be forced to exercise such options as reducing essential program services or raising taxes in order to provide for the loss in revenues.

There is some doubt regarding the amount of additional fiscal relief Virginia local governments would receive under the provisions of S. 2975. The inability of the Administration, thus far, to supply accurate data with the breakdown of new eligible Virginia communities and their fiscal allocations leaves unanswered the question of the value of the legislation in aiding financially-pressed local governments.

Also, it is the opinion of the Southern Growth Policies Board staff that the reliance upon growth-lag variables—population, per capita income and employment—as components in the distribution formula would project a more financially secure image of Virginia localities than if more realistic poverty variables were used.

Consequently, I request your assistance in modifying this legislation to make it more attuned towards the fiscal needs of Virginia.

With all good wishes, I am

Very truly yours,

JOHN N. DALTON.

29-418 O - 78 - 10

APPENDIX

Material Submitted for the Record by Mr. Bragg

State-Level Federal Paperwork Impact: An Aggregate Approach

DEFINING THE BOUNDARIES OF FEDERAL PAPERWORK

The State-level impact sudy utilized an aggregate approach; that is, it directed its efforts at accumulating data toward developing total measures of the impact of Federal paperwork on the States. This method was appropriate on the State level because data was available that were unobtainable for the county and municipal level impact studies.

The aggregate approach, however, unlike the others, required different determinations of the boundaries of Federal paperwork. Because the local impact studies dealt directly with identifiable pieces of Federal paperwork, or information requirements as we defined them, the boundaries were built into the methodology. It was not so with the State-level studies.

One of the critical boundaries of the State-level paperwork impact study was a distinction between core and noncore costs. Briefly, core costs were those necessary to the actual delivery of a government service to its recipient, and noncore costs were everything else. The purpose of the distinction was to permit isolation of costs that were not part of the service production function. Classifying a cost as a noncore cost did not mean that it was socially undesirable. Records kept to assure the protection of the 14th Amendment rights, for example, do not provide a service to school children, but through its lawmakers the country has decided it is useful to keep such records. What is or is not a core cost is subject to judgmental determination. Though the concept may be readily accepted. substantially negotiation among public administrators, officials, and members of the public will be required to develop core cost standards. It is a critical concept in determining the "burden" of Federal paperwork.

In searching for such standards, there are minimal or threshold administrative costs that must be incurred simply to operate any program. Not all program funds could be distributed to beneficiaries, viz, not all of the costs of a public school can go into salaries for teachers, books, and buildings. Sound administrative practice requires that sufficient records be kept to assure that services are delivered. In particular, such records should provide fiscal, personnel, and production accountability to verify funds, employee time, and actual service delivery.

Core costs include, then, not only the cost of the actual service provided to the public, but also the minimal administrative costs.

The core/noncore cost dichotomy compares with the direct and indirect costs of FMC 74-4, the common operating costs versus overhead, and program or administrative cost concepts used in other contexts. The core/noncore distinction is useful in its recognition that a threshold cost is involved in managing any program and that this cost must be included in the core accounting. The other concepts relegate one or another of the core costs to the indirect, overhead, or administrative categories.

Noncore costs were determined as a residual, e.g., core costs were accumulated and the remainder were noncore. Consequently, the actual composition of noncore costs cannot be known. Before substantial steps can be taken to reduce or even contain these costs, additional work must be done to isolate the noncore cost components. Some of the noncore costs that can be contained are paperwork costs. Yet in other cases, such as one-time demonstration projects or new programs with substantial start-up costs, the noncore costs are inherently high.

Though the core noncore distinction provides significant insight into the problems of paperwork, it does not deal directly with the origin of paperwork, i.e., as it stands it does not tell us whether the paperwork is federally-induced. We can judge, based on the core cost concept, whether the cost is incident to the service, but not as to its origin.

Thus we find another important delimiter to the State impact study: we must be able to distinguish paperwork by the level of government that requires it. Most of the civil rights and all of the Occupational Health and Safety Act paperwork, for example, is Federal in origin. In an effort to reach goals deemed desirable by Congress, the Federal Government has developed reporting requirements concerning performance. Without the Federal information requirements State and local governments probably would not generate those reports.

In many social service delivery programs—employment services, for example—the Federal Government mandates many of the information practices used in program administration. But in the absence of such mandates the States would be required to adopt comparable provisions to gather the names, addresses, employment history, and related applicant information simply in order to administer the program. Such paperwork is socially dysfunctional only to the extent that a State is willing to argue that the program is undesirable and is being operated within the State solely as a result of the availability of Federal funds which virtually mandate the program. Federal paperwork of this kind is so inextricably intertwined with the function, however, that it is not a likely source of reduction. Such information practices represent core costs.

As indicated previously, data collection by the different contributing sources was conducted under varying conditions and assumptions. Consequently, some of the conceptual tools outlined here cannot be applied in all cases. They are useful, nonetheless, as guideposts for understanding the impact of Federal paperwork on State governments and as devices to aid our thinking about possible ameliorations to the impact problems.

Cost accounting as an approach to measurement of Federal paperwork at the State level

Careful analysis of most State budgets reveals expenditure patterns. Typically, State budgets provide categorization along three dimensions: (1) fund, or functional use and origin of monies; (2 organizational units, or the agency responsible for the use of monies; and (3) program, or the basis for allotment of spending priorities.

None of these categories consists of paperwork alone. Fund data do not indicate what portion is spent in delivery or nondelivery aspects of money used. Some organizational unit or program data provide insight into paperwork costs; for example, virtually all the activity of tax, revenue, and accounting or auditing divisions is paperwork. Most agencies or programs, however, do not permit simple all-or-none paperwork assessments.

Reliance on budgeting or accounting data alone, therefore, will inhibit useful measure of paperwork in state government. Consequently, a "judgmental" approach is required. A line-by-line analysis was made of the California budget to determine what percentage was likely to be paperwork.

California's budget was selected for several reasons. A large State, California accounts for a significant portion of all State spending and is active in a wider variety of activities than many States. Furthermore, California separates administrative costs as well as individual program accounts within departments; consequently, costs within programs can be isolated.

The 1977–78 budget was used for this analysis, even though estimates were required for a portion of the time. The current year provided the most up-to-date data without depending upon legislative changes likely in the recently proposed budget.

For approximately 200 departments and programs, budget costs were broken into three categories: (1) administrative costs; (2) core costs; and (3) payments to local governments and individuals, not including purchased services such as highway construction contracts and Medicaid payments to providers.

Paperwork, by definition, would be included within the rubric of administrative costs. California's budget identifies two types of administrative costs. Undistributed administrative costs are usually small departmental overheads that are not allocated to any of the department programs. Distributed administrative costs are attributed to individual programs in California's accounting but are separated here. In addition to the administrative costs identified in the California budget, analytic judgments were made to include other costs for purposes of this study, such as research, planning, program evaluation, and information systems activities. Mixed costs were allocated according to the proportion of core costs to administrative or noncore costs in an effort to measure the distribution as closely as possible.

As noted above, any use of the core and noncore cost at this stage of conceptual development will depend partially on the presumptions made by individual analysts These presumptions are outlined in greater detail in the State Level Impact Study found in Volume II.

When the administrative costs were thus determined, the proportion of administrative costs incurred as a result of Federal requirements was estimated. That figure is an approximation of the Federal paperwork cost for the State of California.

As outlined above, the California budget of approximately $21 billion[1] can be broken down as indicated in Table 1.

Significantly, the largest portion of California's expenditure consists of subsidies to State subdivisions or to individuals. Almost 90 percent of the money comes from a few major programs—particularly unemployment compensation, school aid, child welfare, Supplemental Security Income (SSI), tax relief, revenue sharing to schools, higher education, and disability insurance. Since other States are also heavily involved in such programs, it can safely be assumed that a comparable pattern exists across the country. The core service costs are somewhat different from usual operating costs as they include funds paid to Medicaid providers, state-run higher education facilities, and some veterans' loans.

Relatively speaking, the administrative costs constitute a small portion—approximately one-twentieth—of California's expenditures. Table 4 contains estimates of the federally-induced share of California's administrative costs.

The total federally-induced administrative cost for the State of California is $546 million, or 51 percent of the State's administrative costs and approximately 2–3 percent of California's total expenditures.

As noted earlier, all administrative costs, whether federally-induced or not, constitute a paperwork burden because California's defintion of administrative costs and the definition used in this study of noncore costs are not entirely compatible.

Furthermore, isolation of Federal components of administrative costs remains a tentative and primitive art. Some "Federal paperwork" caused by Federal law or regulation would be indispensable to sound program administration, even if no Federal funds or other influences were present, viz, unemployment compensation and manpower program paperwork, here counted as entirely Federal paperwork.

Though the data do not permit a judgment concerning the pejorative "burden" of Federal paperwork, generalizations can be made from the analysis of the California budget. There are some differences in California's budget and budgetary processes that militate against too extensive generalizations: California supplements SSI payments, maintains relatively high ADC payment levels, and makes large payments to local governments—all of which would make per capita payments larger and administrative costs as a proportion of total costs smaller than in other States. At the same time, California's welfare administrative costs are borne by counties. Despite the differences, however, the California model can be used as the first step in a State paperwork paradigm.

In that context, the California figures can be projected across the Nation. California currently employs about 8 percent of the country's State employees.[2] If the federally-induced administrative costs are projected on that basis, States absorb an annual Federal administrative cost of approximately $6.5 billion.[3]

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[1] This figure excludes certain capital outlays and includes Federal funds; consequently, it does not total the reported California budget amount.

[2] U.S. Bureau of the Census, Public Employment in 1974.

[3] This figure was obtained by multiplying the estimated federally-induced administrative costs in California, $546 million, by 1/.08.

TABLE 1.—DISTRIBUTION OF CALIFORNIA SPENDING BY TYPE OF EXPENDITURE, 1977-78

Type of costs	Percentage of total	Amount (millions)
Payments to local governments and individuals (core costs)	$63	$13,438
Core service costs	32	6,740
Administrative costs (noncore costs)	5	1,069

Administrative Cost Data and Federal Paperwork

In addition to State data corncering federally-inspired paperwork, data have also been collected by Federal agencies that address State administrative costs. Among the most systematic of those sources was a 1976 survey by the General Accounting Office (GAO) of State agencies involved in administration of federally supported programs.[4]

Administrative costs vary sharply from program to program and from State to State. Among the cases included in the GAO study, for example, administrative costs ranged from less than 1 percent of combined State and Federal funds to 35 percent. Across the range of programs, however, such costs approximated 7 percent. Though administrative costs vary, in part, with program size, the relationship is not proportional. Much of the current discussion of Federal grants management is premised on the disproportionality of administrative to service costs and assumes that the more funds channeled through a given administrative unit, the less proportion required for administration.

A comparison of the variation in administrative costs with that of delivery costs confirms the existence of "economies of scale" in grant administration. There is a mineral administrative or threshhold cost fixed at $68,772 plus $17 per $1,000 of program funding. This calculation suggests that if a State gets a grant of approximately $70,000, it will break even, and that larger grants consume proportionately less through administrative costs than do smaller ones. This relationship is demonstrated graphically in Figure 1.

[4] For additional information concerning the methodology of the GAO study, see "State Level Impact Study," Chapter 5 of Volume II.

Relationship Between Program Funding and Administrative Costs as a Percentage of Program Funds

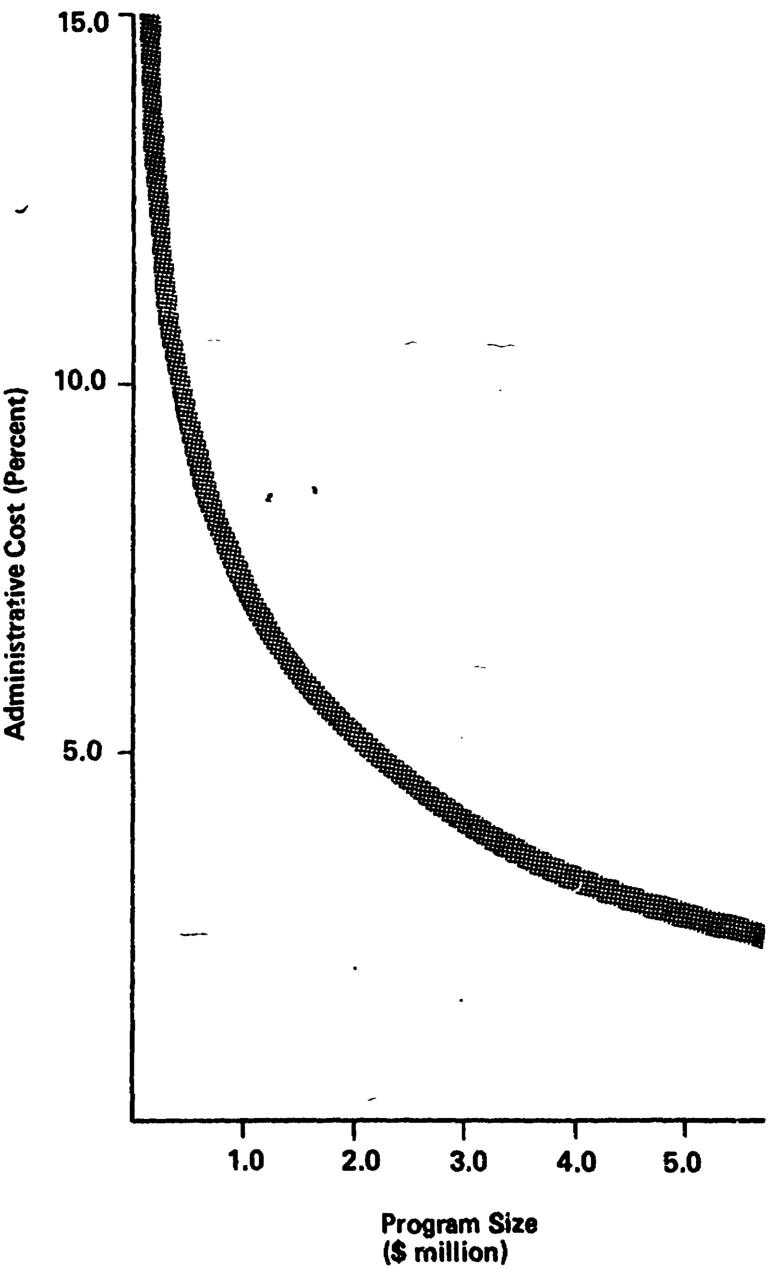

FIGURE 1

Based on this analysis, expected State administrative costs associated with a $10 million grant would be approximately $240,000 or 2.4 percent of expended funds. Divided into 10 equal grants, administrative costs would more than triple to nearly $860,000.

TABLE 2.—FEDERALLY INDUCED ADMINISTRATIVE COSTS IN CALIFORNIA'S 1977-78 BUDGET

[Dollar amounts in millions]

Program	Administrative cost	Federally induced administrative cost	Percentage of federally induced administrative cost
Manpower	$52	$52	100
Unemployment compensation	114	114	100
Medicaid	85	85	100
Welfare and rehabilitation	[1] 48	41	85
Elementary and secondary education	51	28	55
All other	125	57	45
Pollution control	41	16	39
Transportation	201	33	16
Higher education	190	37	19
Adjustments [2]	162	83	51
Total	1,069	546	51

[1] The costs of administering welfare in California are paid only by county government and thus are not counted here. The State payments that help defray those substantial costs are counted as assistance to local government.

[2] Central government overheads—such as the cost of financial management and tax collection—plus undistributed funds for certain employee-connected costs were distributed among the categories (administrative costs, core costs, and payments to individuals and governments); they were then prorated, according to percentage of federal administrative cost, between those costs that are federally induced and those that are not.

Another Federal data source, one that has a long history, is the files compiled pursuant to the Federal Reports Act of 1942. The act, supplemented by OMB Circular A-40, requires all Federal agencies except certain exempted regulatory commissions to request OMB's permission to circulate a Federal information request. The agency request must include an estimate of the annual responses that the projected form will generate, the average number of annual man-hours needed to complete the form, and a "respondent burden" measured as a product of the two estimates. Agencies are instructed to include in their estimates not only the clerical time needed to complete the form, but also the time required to gather and compile materials. This would appear to be a source for a definitive study of the Federal paperwork burden.

Unfortunately, however, this is not the case. Both those who prepare the forms and those who prepare the responses regard the filed estimates as unreliable; such perceptions inhibit serious efforts to file reasonably precise estimates because all parties recognize the fiction in doing so. In addition. neither OMB nor any agency conducts a performance audit to evaluate the validity of the original estimates. Since Federal forms do not include any systematic way for respondents to indicate the actual time required to complete the form, there is no way for Federal officials to verify the estimates. In addition, the absence of control mechanisms comparable to those listed above probably induces agencies systematically to underestimate respondent burdens lest a correct estimate generate OMB disapproval for issuing the form.

The inadequacy of agency estimates filed under the Federal Reports Act is confirmed by a Texas Department of Welfare study done at the request of the National Association of State Information Systems. Texas officials compared two dozen HEW "respondent burden" estimates with the actual time observed in Texas for completing given forms. Unfortunately, data on only 11 of the comparisons—shown in Table 2—could be verified through OMB. Despite the disparity shown in the table, it appears from an examination of the remaining material developed by the Texas study to err on the conservative side.

TABLE 3.—ESTIMATED ANNUAL RESPONDENT BURDEN FOR HEW FORMS COMPARED WITH OBSERVED BURDEN IN TEXAS

Subject	Respondent estimated	Burden in hours observed
SRS-NOSS-125, 83-R-0252: ESEA statistical report on children aged 5 to 17	5.0	3.0
SRS-NOSS-280, 83-R-0131: Adoption petitions	5.0	982.3
SRS-MOSS-2082, 83-R-0206: Medical care	13.5	587.0
SRS-MOSS-124, 83-R-3004: "Flash" reports on program activity	48.0	24.0
SRS-MOSS-120, 83-R-0295: Medical care	864.0	354.0
SRS-OFM-65, 83-R-0276: Quarterly expenditures	12.0	478.8
SRS-OA-25, 82-R-0159: Expenditure projections	274.3	511.7
SRS-MOSS-2079, 83-R-0082: Public assistance	300.0	11.7
SRS-MOSS-108, 83-R-0242: AFDC costs	4.0	.5
SRS-NOSS-105, 83-R-0157: Public assistance hearings	1.0	960.0
SRS-ROSS-110, 83-R-0282: Recipient fraud	4.5	833.3
Total	1,531.3	4,746.2

Thus, on these 11 forms a department with extensive contact with State and local governments has underestimated the annual respondent burden by almost 3,000 hours—an error of more than 200 percent.

Furthermore, OMB files estimate that "government agencies" [5] file more than 51 million annual responses and that the total man-hours required to secure, organize, and record the information on Federal forms is 23 million. These data suggest that Federal bureaucrats who estimate the respondent burden for Federal paperwork on State and local government think hat the average time required to comply with the average Federal form is 27 minutes.

Data drawn from the Federal Reports Act agency filings also make it possible to compare one Federal department with another relative to imposed paperwork. In addition, the imposed paperwork burden can be compared with the number of programs and the volume of grants-in-aid and similar forms of aid channeled through the individual departments. Table 4 provides such a comparison.

The number of forms may not be a true measure of the paperwork burden; a department or agency may use a single form for two purposes, thus reducing the number of forms by 50 percent while reducing the burden only marginally. More than two uses, of course, would simply have a more dramatic effect on the percentage reduction of the number of forms. Consequently, the number of responses required by a department is a more accurate measure of paperwork burden.

TABLE 4.—IMPOSED PAPERWORK COMPARED WITH GRANTS-IN-AID

[Dollar amounts in hundred thousands]

Federal department or agency	Forms	Responses (thousands)	Programs [1]	Volume of grants	Paperwork intensity [2]
Agriculture	77	2,470	62	$3,403	1.58
Commerce	67	1,079	44	477	−1.25
Defense	14	474	27	67	−.82
Environmental Protection Agency	16	402	36	3,955	6.80
Health, Education, and Welfare	285	29,041	216	24,125	−11.92
Housing and Urban Development	63	412	23	4,769	8.35
Interior	14	76	64	542	.89
Justice	32	1,008	22	717	−.64
Labor	50	13,660	21	5,081	−17.67
Transportation	62	1,119	19	8,789	−14.67
Total	680		534	51,925	

[1] Programs identified in "Catalog of Federal Domestic Assistance" as open to State and local governments. Not all are grants-in-aid; included are loan guarantees, specialized assistance, and other aid.

[2] Arithmetic difference between the percentage of responses required by a given department and the percentage of funds distributed by a department. A minus (−) indicates that the department required a larger percentage of federally induced paperwork than the percentage of grants in distributed.

[5] These are presumably State and local governments, though Federal Reports Act filings are not required to specify what is meant by "government agencies." One of the consequences is that it is not possible to separate State, local, and special district filings.

Two departments—Health, Education, and Welfare and Labor—contributed slightly over 85 percent of the responses to Federal forms required of State and local governments. The Department of Labor was the most paperwork-intensive of the departments measured by comparison of the responses required with the volume of funds distributed; though providing slightly less than 10 percent of the grant dollars, Labor demanded 27 percent of the responses. Conversely, the Department of Transportation was the least paperwork-intensive, supplying almost 17 percent of the funds to State and local governments but collecting a little more than 2 percent of the responses.

The Department of Housing and Urban Development, which has extensive contact with State and local governments, was the second least paperwork-intensive distributing 9 percent of the Federal subventions to State and localities but gathering less than 1 percent of the information requests. Because the measure of the number of programs is taken from the Catalogue of Federal Domestic Assistance by identifying programs in which State and local governments are eligible applicants however, HUD may appear to have a better paperwork record than it does. HUD has a number of programs in which State and local governments are potential applicants, but where most applicants are private.

O