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GENERAL REVENUE SHARING: HOW WELL IS IT WORKING?

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I. INTRODUCTION

General revenue sharing has been repeatedly called the keystone of the New Federalism; however, two other sections of the State and Local Fiscal Assistance Act of 1972 and an amendment to the Social Security Act [1] deserve comment as well, for they represent important redirections in Federal-State-Local relations. Less publicized in the Act, but of lasting importance are the optional Federal collection of State individual income taxes, and the ceiling put on a previously open-ended matching program, social services. Such additional intergovernmental tax cooperation and a shift in Congressional attitudes towards matching programs [2] are fundamental changes in Federal-State relationships. Finally, with the new Supplemental Security Income Program, which is essentially federalization of cash assistance to the blind, aged, and disabled, we are witnessing the beginning of a negative income tax program, which has been so hotly debated vis-a-vis the AFDC categories, but whose passage for the adult categories has gone essentially unnoticed.

While the general revenue sharing program is only two years old, the debate on its desirability and ultimate renewal has already begun. State surpluses, though declining most recently, have led several key legislators to propose renewal only for localities.[3] Also, the debate over the most radical aspect of the legislation, the permanent, definite appropriation, has joined issue with efforts to reform the committee

* Financial support from the National Science Foundation is gratefully acknowledged.

1 See Public Law 92-603.

2 See for example the Senate floor debate of September 6 and 7, 1972. Also, 46% of House and Senate surveyed by House Committee on Government Operations in 1973 thought our grant structure relies too heavily on categorical grants; 13% thought more emphasis was needed. Finally, a strong majority opposed the possible use of revenue sharing for the matching of other Federal programs.

3 See HR 16330, 93rd Congress, 2nd Session, introduced by Congressmen Mills and Carey on August 8, 1974.

structure of the House. Variation in Congressional opinion continues as evidenced by the responses to the Fall, 1973 questionnaire of the Intergovernmental Relations Subcommittee of the Committee on Government Operations; however, it should be noted that a majority interviewed favor the block grant approach to Federal aid vis-a-vis categorical assistance. With regard to recipient attitudes toward general revenue sharing, Senator Muskie concluded from his 1974 oversight hearings: [4]

— that general revenue sharing has helped to hold down taxes at the State and local level;
— that a significant majority of large cities still face critical fiscal situations, while a majority of States and counties presently enjoy stable or good fiscal conditions;
— that cutbacks in Federal categorical programs have clouded the promise of revenue sharing as new money; and
— that State and local officials still overwhelmingly support the concept of revenue sharing.

It is surprising, given the continuing level of Congressional debate and oversight of general revenue sharing, that greater public attention has not been focused on it at the State and local levels. Equally surprising is the sparse attention given it, post-enactment, by the academic community. In many ways it remains a quiet revolution in our Federal system. My task today is to take a dispassionate look at the State and Local Fiscal Assistance Act of 1972 with the aim of evaluating its operation as well as highlighting some problem areas that will need attention as renewal approaches. Before dealing with the grant portion of the Act, I shall discuss the sadly neglected topic of piggybacking in Title II, which when operationalized will probably have a more significant impact on intergovernmental relations than the $30.2 billion now being distributed to general governments.

II. Piggybacking

The "piggyback" concept is not new in our Federal system. Many states have used the Federal taxable income base as a point departure for some time.[5] Moreover, five states have used a simple surcharge on the Federal liability to levy individual income taxes. Finally, piggybacking within States has been prominent for some time, most notably in Maryland in the individual income tax area and in many others in terms of state collection of locally elected sales taxes. The idea of IRS

[4] U.S., Congress, Senate, Subcommittee on Intergovernmental Relations, Committee on Government Operations, *How 45 Selected Jurisdictions View Revenue Sharing* (Washington, D.C.: Government Printing Office, June, 1974), p. vi.

[5] Currently 32 States use the Federal tax base.

collection of State taxes is not, of course, new. However, Federal assumption of costs as an inducement for non-income-tax states to use the individual income tax as well as to encourage them to use it more heavily than in the past is a more recent idea. Indeed, optional Federal collection was viewed by the Congress as a financial inducement to the states to rely more heavily on income-elastic sources of revenues and therefore solve part of their fiscal problems themselves.

The final piggyback provisions balance "the sometimes competing interest of the Federal Governmental in achieving the greatest degree of uniformity for administrative efficiency with the interests of the States in preserving as much flexibility as possible to determine their own substantive tax laws." [6] To that end, substantial conformity of state tax laws is required to allow the Secretary of the Treasury to enter into an agreement with a state to collect taxes. Essentially two types of taxes can be imposed: a piggyback on "qualified resident tax" based on taxable income, and a "qualified nonresident tax." With respect to the former, taxable income must follow Federal definition except for three mandatory adjustments: Federal Adjusted Gross Income must be reduced by the interest on Federal securities; Federal taxable income must be augmented by the amount of deductions for State and local taxes which are permitted under Federal itemizing; and, Federal taxable income must also be augmented by interest from State and local bonds which are Federally tax exempt. With regard to this last adjustment, some flexibility is allowed to prevent possible Constitutional difficulties. Two optional adjustments are provided to the States: they may impose a minimum tax on tax preferences and allow a credit for income taxes paid to other States or localities in other States. Should a State elect such a tax on taxable income it may have a flat rate or schedule of rates applied by the Internal Revenue Service.

The second manner in which residents may be taxed involves a surcharge on the Federal liability. In this instance, the piggybacked liability must be adjusted downward for that on interest of Federal securities. Also, the State may elect or not to adjust for interest on State and local obligations and deductions for (other) State income taxes.

Finally, piggybacking of nonresidents' income taxes is provided for, conditional on the State in question imposing a piggyback tax on its residents of one of the types described above, on the wages of the nonresident exceeding 25% of his total wages, and conditional that the tax not be in excess of the liability on the individual were he to reside in the State.

[6] Staff of the Joint Committee on Internal Revenue Taxation, *General Explanation of the State and Local Fiscal Assistance Act and the Federal-State Tax Collection Act of 1972: HR 14370, 92nd Congress, Public Law 92-512* (Washington, D.C.: Government Printing Office, February 12, 1973), p. 51.

Additional conformity requirements include: agreement to accept all future changes in the Federal tax statutes, notification of a rate change before November 1 of that taxable (calendar) year, conformity of taxable years, acceptance of Federal filing standards for State purposes (i.e., State returns must be single or joint as the Federal returns are), State withdrawal from assessment of penalties for tax violations and reliance on Federal representation of State interest in Federal Tax Court.

As of 1974,[7] the requisite two states with at least 5% of the Federal returns have not triggered the piggyback system. This has been due to the absence of any regulations on it and the apparent ambiguity over the Federal government's willingness to incur the maximum estimated start-up costs of $33.3 million and recurring costs of $2.5 million per million returns.[8] Presumably, when Federal cost-sharing becomes certain, the system will be triggered.

It should be noted that piggybacking has certain drawbacks as well as advantages. In its favor are: increased global efficiency in individual income tax collection by virtue of IRS's 3:1 efficiency superiority over state-administered systems;[9] correlative elimination of duplication of effort in tax administration and lower costs to the states; faster withholding to states;[10] and, simplification to taxpayers in piggybacking states. The N.A.T.A. notes several debits:[11] decreased state autonomy over tax revenues; possible decline in overall audits of individual income taxes; added uncertainty over revenues stemming from post-November amendents to the Internal Revenue Code; questionable desirability of accepting Federal definitions of equity and preferences; and, the possible reduction in equity resulting from the disappearance of certain credits (refundable sales tax credit and credits for property taxes paid by the elderly).

[7] The absence of any regulations, especially those proscribing the manner in which the notice of State interest is to be filed will slow down the "triggering" of the system. Since the effective date for inauguration was January 1, 1974 (or any January 1 thereafter), and since a state must give notice at least six months prior to such effective date (Section 6363 of the Act), the possibility of piggybacking occurring for calendar/taxable year 1975 has already lapsed. Hence, the earliest possible date it could begin is calendar 1976, if two states with at least 5% of the returns notify the Secretary of the Treasury by June 30, 1975.

[8] Staff of the Joint Committee on Internal Revenue Taxation, p. 72.

[9] National Association of Tax Administrators, *Federal Collection of State Individual Income Taxes Under PL 92-5R: Report of the Special Committee of the National Association of Tax Administrators* (Chicago: December, 1972), p. 37.

[10] It has been estimated that a once and for all "windfall" of $1 billion would accrue were all states to elect to piggyback. See Staff of the Joint Committee on Internal Revenue Taxation, p. 54.

[11] National Association of Tax Administrators, pp. 37-46.

As piggybacking is optional, each State must ultimately weigh these conflicting considerations. However, a major source of concern — revenue uncertainty and instability — will shortly be eased as a consequence of a new service IRS will provide to the States. Because Title I now requires general government residence information as well as mailing address on Federal returns to assist in obtaining updated population and income data, accurate state residence information will be available which in turn will permit accurate state by state analysis of pending amendments to the Internal Revenue Code. As a consequence of this new data source, states will be able to promptly adjust tax rates to accurately obtain desired levels of revenues. This will not ease the post-November problem of late amendments to the Code; however, it will enable states to accurately forecast shortfalls.

Of potential long-run interest may be local piggybacking of the Federal taxes. As noted earlier, state-local piggyback in the sales tax area has been prevalent for some time, as has been Maryland's county piggyback income tax. If State piggybacking of the Federal tax becomes workable, local piggybacking might be a logical and inexpensive extension. Of course, to prevent balkanization, a uniform rate, preferably flat to ensure reasonably stable yield over business cycle, would seem sensible. Localities would then have a more current source of revenues and a more elastic revenue source.

III. General Revenue Sharing Two Years Later

We have noted Congressional and recipient impressions of general revenue sharing, and now turn to examine in, hopefully, a more quantitative way whether it has been successful. It might be argued that the absence of fraud and scandal [12] is indicative that it is working in a minimal fashion. And one might also argue that the absence of media coverage (national or local) of revenue sharing indicates that not much out of the ordinary is occurring. But these are merely impressionistic observations. To properly examine the program at mid-term, we need to examine its ostensible purpose(s) and the instruments by which these goals may be achieved, provide an evaluation technique that permits us to quantify progress, and then look at pertinent data to reach some judgments. I should note here by way of forewarning that much

[12] The absence of fraud is probably due to Section 123 (4) which requires that recipients ". . . provide for the expenditure of amounts received . . . in accordance with the laws and procedures applicable to the expenditures of its own revenues." This prevents executive appropriation from contingency funds, a common 'emergency' practice in states with biennial budgets, because it requires legislative appropriation of the revenue sharing funds *from* the revenue sharing trust fund *to* the contingency fund. As a practical matter this forced early revenue sharing payments to lie fallow; however, it did and probably continues to prevent misuse of funds.

of the necessary data has not yet been collected, and so the analysis that follows must be considered tentative.

A. *Goals of Revenue Sharing*

Six goals were mentioned with varying degrees of frequency during the 1970-72 period of negotiation on the grant portion of the Act:

(i) Provide fiscal relief to needy units of general government and redirect decision-making authority to state and local government.

(ii) Heighten citizen interest in these units and in the budgetary process.

(iii) Provide a form of assistance vis-a-vis the categorical grants which is more certain and less bothersome in terms of red tape.

(iv) Provide a more growth-responsive revenue source for local government.

(v) Rationalize the "crazy quilt" geography of general and special districts.

(vi) Improve State-local management in terms of accounting standards and general fiscal control.

Before, during, and after passage, other goals were suggested. However, it would be unrealistic to expect, for example, that a block grant to local governments would also amount to a reform of the welfare system, more cash transfers to the poor, etc. This point of comparison has been repeatedly used to conclude that the program is a failure. It would seem on balance, however, to expect that reforms of other existing Federal programs be remedied therein through amendment and rationalization. As noted earlier, the SSI program represents such an effort. And in what follows, I presume the above six goals are the relevant points of departure.

Definition and operationalization of these goals are no mean tasks, and, as I have shown elsewhere,[13] they have a direct effect on one's final evaluation of the distribution formula. For example, with regard to goal (i), we ought to carefully define what "needy" is intended to convey. More perplexing is the realization that if we obtain a measure or set of measures reflecting the concept(s) in mind, we may not be able to independently evaluate the results of, say, the formula, because whatever criteria we think are pertinent are in the formula to begin with. This almost tautological problem is compounded when we

[13] Robert P. Strauss, "The Impact of Block Grants on Local Expenditures and Property Tax Rates," *Journal of Public Economics* 4 (Fall, 1974): pp. 269-284.

realize that any other (independent) empirical criteria brought to bear, if of consequence to us, should, because they can, be included in the formula to begin with!

With these conceptual-definitional difficulties in mind, let us begin to operationalize the six goals. By fiscal relief it seems reasonable to use "differential per capita grant" as a general yardstick for evaluation, since we take relief to imply greater Federal assistance. Putting it on a per capita basis facilitates comparisons among governments of disparate service populations, although population per se only proxies for the users/recipients of particular public services.

The crucial measurement difficulty for the first goal involves the denotation of "needy." Typically, two concepts are unfortunately folded together: the concept of ability to pay and the concept of service population who use public services. The choice of operational measure is crucial in both instances. If we use average community income rather than average property tax base, we will obtain a different picture of differential ability to pay. The Act clearly opts for per capita income. The prior issue of which is conceptually to be preferred remains to be addressed. If we accept the argument that residents qua users *ought* to pay for services, then it follows that average community income, optimally income plus change in net worth, should be used to measure ability to pay. If geo-shifting is irrelevant to our prescriptive point of departure, then a measure of typical tax base, or array of tax bases, would be an appropriate measure of ability to pay, although it might be more properly called "ability to finance." At least to this author, the income approach would seem a superior point of departure.

The second component of the need concept involves service population sizes. Unfortunately, our knowledge is rather sparse about the distribution of local services among, say, demographic groups. Clearly, the presence of school age children affects school spending levels, as will the presence of retirees on nursing care facilities. Whether particular local governments (cities vs. counties, or general vs. special) provide these services is of course at issue. General population size will be taken to be an indicator of overall potential service responsibility. For the moment, let us leave aside the related question of assignment of function, which is especially critical intra-county where overlapping occurs.

We have, then, with respect to the operationalization of goal (i), the idea that a relationship (say, correlation) between the per capita grant, a measure of the extent of relief, and a central tendency measure of community income (e.g., median family or per capita income) would indicate the movement toward the goal. Presumably, lower average income communities are more needy; accordingly, a negative relation/correlation between the per capita grant and inverse per capita income would indicate success. When we evaluate movement toward the other subgoal, service population size, it would seem reasonable to look at the total grant's correlation with population, since the per capita grant has normalized for population to begin with, unless we expect there to be nonlinearities in cost functions which should be compensated for. With regard to the latter, we would then desire a positive relation between the per capita grant and population per se.

While not necessarily a goal, it should be understood that any reasonable formula should distinguish between active and inactive units of government. This reflects not only state assignment of functions to various types of governmental units, but also possible dormancy (or activity) that results from public decisions. As an operationalization of this, we suggest the ratio of taxes to local community income. We may in addition interpret this ratio to measure average burden on residents. With both constructs, a positive correlation between the per capita grant and the ratio of taxes to income might be thought to be desired.

The second goal involves the general idea of balance in our Federal system and the desideratum of shifting emphasis to the State-local sector. The relative size issue can be examined on an expenditure or revenue basis, although the very concept of Federal revenue sharing suggests that we look at expenditures. Accordingly, we may measure our goal of relative balance in terms of the relative size of the non-Federal sector in the overall public sector. The second component of balance involves the change in focus of public attention. Possible measures here would include relative participation in voting and in the budgetary process, where permitted. Measurement of both these is exceedingly difficult. It should be noted parenthetically that the underlying premise of this goal involves the observation that local government's ability to identify and solve problems exceeds that of the Federal government over a wide range of services; that is, specific problems, local institutions, and subsequent solutions are so diverse that Federally mandated solutions will frequently be off the mark. Greater participation in the political process may be seen then as the mechanism by which problem identification is enhanced at the local level; the shifting of resource allocation decisions to the States and localities, if it occurs as desired, provides the basis for more effective problem solving. It is quite clear that any systematic test of the premise would involve a *comparative* evaluation of Federal and State-local solutions to specific local problems on a per dollar basis. An examination, were it possible, of how local revenue sharing funds were spent would be an inadequate test of the premise.

The third goal of certainty and absence of red tape can be analyzed almost definitionally since certainty is a rather straightforward concept as is the presence or absence of multiple forms, etc. Similarly, the fourth goal of providing state and local government access to a more growth-responsive form of finance is straightforward. We can compare growth-responsiveness of the typical state-local tax instruments with those used at the Federal level.

We may measure the reliance on more growth-elastic tax bases in several ways. First we can look at the overall reliance on types of taxes in the Federal system. Second, we can look at the growth rates of taxes to ascertain which over time are becoming more or less important.

While the first four goals involve desirable changes in Federal-State-local relationships, the last two are State-local specific. Reform and rationalization of local government structure has long been called for by students of finance; however, at least in terms of general government, there has not been a substantial overhaul in the way States allow localities to interact with each other. The very stability in the number of general governments is evidence of this. There might be more progress to be expected in terms of accountancy and financial control. Vis-a-vis the first of these structural goals, we may examine the number of governmental units per population-area unit as an indicator of success (the fewer, the greater success); however, with regard to better financial control, no simple quantitative measure suggests itself.

We have, then, six goals in varying degrees of operational detail. The question naturally arises as to what instruments are potentially available in a piece of legislation and where potential conflict among goals may occur. Clearly, with regard to providing differential assistance to "needy" governments, the inter- and intra-state formulae and data are crucial. In addition, one might expect that the formula might induce behavioral response vis-a-vis the fourth and fifth goals. Administrative arrangements and requirements will affect the second, third, and sixth goals. Also, to the extent data for allocation of funds must be updated to ensure currency in achieving the first goal, there may be benefit in inducing better accounting standards, and potentially financial control.

There is, however, an inherent conflict between achieving the second goal of certainty to allowing planning of use of funds with the goals of currently providing assistance to needy governments (need may change and hence so should the allocation of funds), and inducing organizational change. In both instances financial inducement to change behavior must result in another locale's diminution in funds. On the other hand, if no inducement exists (if updated data that reflect behavioral responses are not collected), then achievement of these goals is quite unlikely. The disadvantage of this inherently "competitive" atmosphere is the additional uncertainty it generates. The advantage of this competition is that it educates both governments and citizens to the workings of neighboring units, highlights general interest in local government, and encourages them at the margin to respond in desired directions.

B. *Instruments in the Legislation*

Title I of the Act contains three subtitles. Essentially, (A) provides for the five-year permanent definite appropriation of funds and allocates them to general governments under prescribed formulae; (B) provides for an administrative reporting mechanism, with requisite assurances to the Secretary of the Treasury about proper use of the funds and accounting procedures followed as well as adherence to provisions of the Davis-Bacon Act, and provides for withholding of payments under certain conditions; and (C) provides certain definitions, promulgation of regulations, judicial review, non-discrimination, and an amendment to the Internal Revenue Code to require State, county, and city or township of residence information on individual income tax returns.

The manner of the appropriation ensures that there will be more certainty than in categorical programs, although the five year period (January 1, 1972 - December 31, 1976) proved to be much shorter since it was signed in October, 1972, and the first checks were written in December of 1972. While the Act assures certainty to the overall continuation of the program, individual allocations may fluctuate with the use of new data in the inter- or intra-State formula.

The reporting requirements and accounting procedures in the Act represent instruments which may affect the goals of increased interest and participation in State and local government, improved financial management, and of course minimization of the extent of paperwork. Briefly, both States and localities are required to set up trust funds into which the checks are deposited, make planned and actual use reports to the Secretary of the Treasury as well as to local citizens on the disposition of funds (via newspaper announcements), and spend the funds under existing State and local law. Also, they are required to use such accounting standards as prescribed in regulations. The most powerful instrument in the Act which could affect accounting systems is, of course, the prohibition against direct or indirect matching of other Federal programs. Since there is no local maintenance of effort in any of the so-called expenditure categories, thorough policing of this provision, given the fungibility of these funds, could require detailed accounting standards showing the dollar trail from trust fund to recipient. Undoubtedly this would improve accounting standards for medium and small jurisdictions, although it would also involve more local "red tape."

The transfer of \$30.2 billion over a five year period is a powerful tool to provide fiscal assistance as well as induce organizational change. The adequacy with which both are achieved will be discussed below. However, it should be pointed out that over fiscal year 1973, some \$6.636 billion were distributed: \$2.212 to State governments and \$4.424 to local general governments. The latter represents 10% of their own source revenues, or more properly compared to all revenues, 6.2%. By contrast, the state allocations represented 2.7% of their own source revenues, and 2.3% of general revenues.

It is unlikely that we can expect the manner of funding legislated, a permanent definite appropriation with dollar amounts proscribed, to plug the States and localities into a more growth-responsive source of revenues since they are receiving fixed sums each year. Many earlier proposals made the funding level a permanent percentage of the individual tax base; however, sentiment favored controlling both the duration and exact amount of the program. It should be noted that the base proposed has grown at roughly the rates implied in the increases in funding levels. If we convert the appropriations to a fiscal year basis, they increase 4.8% per year while the Federal individual income base has increased over 1965 to 1971 at an 8.4% average rate. Of course, were a percentage-of-base chosen, the possibility of increased uncertainty would obtain.

C. *Evaluation of Progress to Date: Fiscal Relief*

We turn now to inquire what progress has occurred in achieving the six goals. First, to what extent has fiscal relief been provided to needy units of general government? The answer must come at three levels: aggregate, inter-State, and intra-State.

1. Aggregate Fiscal Relief

It is instructive to examine the effect revenue sharing may have had overall on state-local governments. It is now clear from the first year's experience that property taxes have slowed down considerably. Over the past half decade, they grew at an 11-12% annual rate. But overall property taxes rose only by 7.5% in FY73, as indicated in Table 1.

If we fit simple least squares to functions of the form:

$$(1) \quad \%_{jk} = \beta_{1j} + \beta_{2j}\,\text{Time}_{k} + \beta_{3}\,\text{Revenue Sharing}_{k} \quad k = 1, \cdots 5$$

where % is the growth rate in property taxes, j represents: counties, cities, townships, or special districts, t = 1, . . . 5 observations, and Revenue Sharing is a zero-one dummy variable for the absence or presence of revenue sharing, we find that revenue sharing did have a discernible effect. (See Table 2). In particular, we find that the growth rate of county taxes fell 8 percentage points 'because' of revenue sharing, 6.3 points for townships, and 3.0 for school districts. We cannot more clearly identify why school taxes fell, although there is reason to believe that states increased their transfers significantly in response to revenue sharing. A principle aggregate effect would then seem to be a slowdown in the growth rate of property tax collections.

2. Inter-State

At the inter-State level, a wide variety of criteria may be employed to evaluate the distributional impact of the legislation. We would like to obtain an inverse relation between the per capita state area grant and general fiscal capacity, an inverse relation between ability to pay and the per capita grant, and a positive relation between the grant and population. Table 3 contains the correlation results and allows us to conclude that the directions or signs of the various relations are consistent with our normative expectations.

The division of funds between state government and local general government involves the goal discussed before of relative responsibility between the two levels of government. The Act provides a $\frac{1}{3}$, $\frac{2}{3}$ split between each State and its localities with the possibility (which is real for Kentucky and West Virginia) of some funds being "passed up" to the State as a consequence of the 50% of taxes and transfers limitation on county government grants. Table 4 provides some comparative information for fiscal year 1972-73. The first two columns show the state-local balance vis-a-vis revenues from own sources; the third and fourth show the relationship for non-capital direct expenditures. Clearly, the latter would pick up intergovernmental transfers and more properly reflect service responsibility. On a revenue raised basis, no state raised less than 34% of total state plus local own source revenues. On a direct-general expenditure for non-capital items basis, only 6 state governments raised less than 34%. We may conclude, then, that the $\frac{1}{3}$, $\frac{2}{3}$ division of funds, while reflective of U.S. aggregates (the State-local split of expenditures was 35%, 65% in fiscal year 1972-73) is not particularly reflective of historical revenue-raising or final expenditure patterns by state.

We should note, however, that the criterion of following historical patterns is an essentially conservative approach to the issue of relative responsibility between State and local government. An intriguing issue, although not one to be pursued here, is the Federal interest in an optimal allocation of responsibilities. The issue has been joined repeatedly vis-a-vis school finance, in various calls for "full state funding," but not vis-a-vis general government.

3. Intra-State

To evaluate the extent to which the formula succeeds intra-State, we must exercise some care about how to relate our measures of need (population), ability to pay (inverse per capita income), and functional responsibility (tax effort) to the per capita grant. National correlations across states, and treating cities, counties, and townships alike are low and potentially misleading. The State correlations are shown in Table 5. The U.S. relations are as follows: tax effort and the per capita grant relate to each other .396; the ability to pay index at .065; per capita taxes at .265; and population (correlated with the *total* grant) at .816. One need only look at the state correlations to realize that these poor national relationships reflect the inter-state allocations. Once we free up that aspect of the allocations, in only three instances (California, Idaho, and South Dakota) is the per capita tax effort correlation lower. Similarly, the relationship between per capita taxes and the per capita grant is stronger when each state is treated homogeneously, although the ability to pay index remains relatively unrelated to the per capita grant.

When we disaggregate within state and analyze the relationships by type of government, the relationships clarify further. Here, we are analyzing how the formula works among counties, among cities, and among townships. As they frequently have different functional responsibilities within each state, it makes sense to examine the extent to which less able county governments receive differential assistance and so forth. With regard to our measure of responsibility or relative activity level, the formula works rather well. Even the U.S. correlation for all counties is higher than the all-U.S. correlation. Compare .701 (tax effort · per capita grant) for all U.S. inter-counties with the correlation for all units of .396. Similarly, the state level inter-county correlations are generally higher than the ones performed across all types of general governments. Thus, the inter-county correlation for Alabama between per capita grant and tax effort is .882 as compared to .771 when performed across all types of localities in the state. Equally of interest is that the inter-county correlation between the per capita grant and our index of ability to pay is markedly higher for many states. Looking at Alabama again, compare .632 with –.011.

Space and time do not permit a state by state discussion of the correlations between the various goals and the per capita grant. Several points seem clear, however: first, correlations across state boundaries among local per capita grants can give a misleading picture about how well the intra-state formula works in moving funds towards the desired goals. Moreover, disaggregation within each state among types of government and correlation analysis of relations within further suggests that misleading conclusions about the formula can be made.

The following would seem to summarize the intra-state formula analysis: first, the formula does rather well in differentially moving funds to more units with more responsibilities as evidenced by high correlations between tax effort (and per capita taxes) and per capita grants. This suggests that the grants succeed in moving funds to more fiscally pressed counties, cities, and townships. Second, in a majority of the states, (excluding Hawaii and the District of Columbia), funds are moved differentially to the less able, lower average income counties, and in a few states to the less able, lower average income cities and townships. The relationship between population and the per capita grant is strong throughout and suggests that the goal of meeting size of service clientele (the need concept) is relatively well attended to.

To be sure, the absence of a strong relationship for cities and townships between the ability to pay index and the per capita grant is worrisome, for all we may conclude is that more active cities and towns receive more assistance. To analyze *why* this may be occurring, we must first examine in more detail the so-called "floor and ceiling" provisions of the legislation.[14]

The legislation provides for first an inter-county area allocation and then intra-county allocation. Subsequent to enactment, the legislation was further interpreted to involve a third step in the allocation process, namely, intra-state (all places simultaneously considered), as well as a joint consideration of the 20% and 50% rules. With regard to the first two steps, the following process occurs:

(1) A raw allocation based on

$$\$_i = \frac{P_i \dfrac{T_i}{Y_i} \dfrac{PCY}{PCY_i}}{\sum_{i=1}^{n} P_i \dfrac{T_i}{Y_i} \dfrac{PCY}{PCY_i}} \cdot \$$$

\$ grant to all locals i'th county area
P = population
T = adjusted area taxes
PCY = per capita income

is performed. County areas in excess of the 1.45 per capita ceiling are constrained to it, and the "excess" is used to raise unconstrained areas proportionately.

(2) Unconstrained areas are then checked for the .20 floor and those below it are raised to it; unconstrained areas are proportionately reduced to "finance" raising deficient areas to the floor.

(3) The inter-county area allocation now bounded by .20 and 1.45 is then broken into proportionate parts: if Indian Tribes and/or Alaskan Native Villages are present, they receive an amount based on their proportion of the county's resident population. The remainder accrues to general governments. Each type (county, city, township) receives an amount based on their proportion of non-school taxes. Allocation

[14] Staff of the Joint Committee on Internal Revenue Taxation, pp. 30-36 and especially footnotes 10 and 11, p. 34.

among cities and townships then proceeds first on the basis of:

$$\$_{ij} = \frac{P_{ij}\dfrac{T_{ij}}{Y_{ij}}\dfrac{PCY_i}{PCY_{ij}}}{\sum_{j=1}^{m} P_{ij}\dfrac{T_{ij}}{Y_{ij}}\dfrac{PCY_i}{PCY_{ij}}}\,\$_{ij}^*$$

$\$_i^*$ grant to all cities or townships in i'th county area

j city or township subscript

(4) Again the ceiling is checked, and then the floor; however, if a city or township is beneath the floor, it receives the *smaller* of the floor or 50% of taxes plus transfers. Moreover, if there is an overall deficiency in a county area, or if there is an overall "surplus," then the statewide surplus or deficiency is shared by increasing or decreasing the unconstrained grants *throughout* the state.

A literal interpretation of the legislation does not provide for intercounty resolution of deficiencies or surpluses; however, not resolving deficiencies by proportionate reductions in other county areas creates the possibility that places will not be raised to the floor or 50% of taxes plus transfers. An examination of the Senate and Conference reports reveals instances where overall deficiencies in a county area were permitted to remain, i.e., there are places that receive less than 20% of their taxes and transfers.

Accordingly, one must conclude that implementation of the formula has involved certain changes which in turn may have affected the overall extent to which one might expect to find a relationship between the per capita grant and our ability to pay index. A second point worth noting is the likely effect of the joint consideration of the 20% floor and the 50% constraint. The legislation is rather clear that any allocation in excess of 50% of taxes and transfers should revert to the county government in the instance of a city or township, or to the state in the instance of a county government. By providing the *smaller* of 20% or 50% to a city or township, one in effect provides greater funds to cities or townships in that county area rather than to the county government. Analogous remarks apply vis-a-vis the state since a county government at the 50% constraint would have to "pass up" the funds to the state. Finally, because there is a final intra-state resolution of surpluses without ever increasing an unconstrained city or township *first* by the amount obtained from the application of the ceiling and floor *within* that county area where it "originated," to the extent that 50% situations do not occur because of the immediate intrastate resolution, the county government and state governments are worse off. This follows because the county or state will not receive as much of the excess of 50% as they would were the excess over 145% shared just within that county area.

Table 6 displays the extent of the effect of the current constraints by type of government by state by type of constraint. The results refer to Entitlement Period 1, ignore Indian Tribes and Alaskan Native Villages, and treat cities in two counties as one city. Of the 38,696 units for which checks can be performed, 26,932 are unconstrained, and the remaining 11,764 are constrained. A place can logically fit one of the following situations:

(1) unconstrained
(2) at 145% and below 50%
(3) at 50% and below 145% and above 20%
(4) at 50% and below 20%
(5) at 20% and below 50%

It cannot be ascertained from Table 6 how many of the deficiencies in constraints (4) and (5) were financed from other county areas. However, the sheer number, 8,879, is suggestive of the amount of intercounty reallocation that occurred after the original constrained county area distribution.

We do know that county governments must have received less under the current interpretation than under the non-intra-state reallocation some 1,566 times. Also, we may note that the intra-state procedure required that 19 county governments be constrained to the ceiling. This could not occur if the county area allocations in step (1) were inviolate, since it is logically impossible for a county government to exceed the ceiling if the county area is set at the ceiling.

Of final interest is that the constraints other than the 50% rule (C = 3 or 4) are apparently being applied to county governments. Yet Section 108 (b) (6) specifically excludes county governments from all but the 50% rule:

> Subject to the provisions of subparagraphs (c) and (d), [the 50% and the $200 minimum check] the per capita amount allocated to any county area or any unit of local government (other than a county government) within a State shall not be less than 20 percent nor more than 145 percent, of two-thirds of the amount allocated to the State . . .

From Table 6 it would appear that as a consequence of the intra-State resolution, 19 county governments were restrained at the 145% ceiling, 10 were brought up to the 20% floor, and 2 were brought up to the 50% which was below the 20%, although it is not clear that either need have occurred according to Section 108 (b) (6) of the law.

We may examine the extent of the effect of constraints on the relationship between the per capita grant and our index of ability to pay by correlating the number of constrained units by type per state against the overall correlation between the per capita grant and the ability to pay index. If the constraints were neutral, we would expect to find no correlation. A negative correlation, however, would indicate that as the extent of the constraints increases, our ability to achieve the first goal (a strong correlation between the per capita grant and the ability to pay index) declines. Table 7 contains the results and indicates for cities that the constraints as applied seem to be adversely affecting goal achievement. Of interest is that for townships, more prevalent application of the 50% rule occurs where the relationship between the per capita grant and the index of ability to pay is stronger.

D. *Balance in the Federal System*

As noted earlier, the goal of shifting the balance in our Federal system to the State-local sector can be analyzed from a revenue or expenditure basis. On a direct expenditure basis, the broad trend of the past decade continues, although, paradoxically, the Federal share in FY73 rose slightly. (See Table 8.) Viewed on a revenue basis, the Federal share declined as well, but in both instances the inauguration of revenue sharing does not evidence any sharp changes in balance.

E. *Effect on Local Participation*

As part of its oversight responsibility in the Act, the General Accounting Office did an extensive analysis of how 250 local governments had reacted to revenue sharing. Testifying before the Senate Subcommittee on Intergovernmental Relations in June, 1974, the Comptroller General reported: [15]

> About one-third of the governments reported to have experienced more citizen participation in planning uses of revenue sharing than is normally experienced in their budget process. In general, the increased participation came from such special interest groups requesting use of the funds for activities such as social sciences, senior citizen projects, health agencies, and library associations.

The report goes on to indicate that participation was greater in the larger cities. Half the cities sampled over 500,000 population reported greater participation. Half the counties sampled with medium size populations (50,000 to 500,000) reported greater citizen participation as well. Beyond this we know rather little about the extent of increased participation in the local budgetary process. There are several large scale "monitoring" projects currently under way at the Brookings Institution, Survey Research Center-University of Michigan, and the Southern Regional Council. By the end of this year, we may have a better quantitative grasp of this aspect of the legislation.

[15] U.S., Congress, Senate, Subcommittee on Intergovernmental Relations, Committee on Government Operations, *Revenue Sharing: Hearings Before the Subcommittee on Intergovernmental Relations* (June 4, 5, 11, and 12, 1974), 93rd Congress, 2nd Session (Washington, D.C.: Government Printing Office, 1974), p. 605.

F. *Certainty and Red Tape*

While it can be said that a five-year permanent definite appropriation ensures more certainty than experienced with categorical programs, the first round of checks brought some surprises in early December, 1972. In retrospect we can now conclude that the original checks differed from those in the final Conference Report because of corrections to the inter-state data, use of FY71 instead of FY67 local adjusted tax data, and a reinterpretation of the constraints in the intra-state formula as discussed above. The annual update of the tax data and the inter-state data has led to some shifts in allocations; however, these have been by and large rather modest as compared to the shock attending the first set of checks.

Fear that the program might not be renewed led many states and localities to claim that they were using the funds for primarily capital purposes. Of course, because of the absence of any local maintenance of effort clause in the "categories," because of the fungibility and ingenuity of local finance officers, and because of the absence of any observed counterfactual basis for comparison, i.e., we do not observe what would have happened had revenue sharing not been inaugurated, we cannot identify how the revenue sharing funds "have really been spent."

The two forms Treasury has developed to administer the program are rather straightforward. For the larger jurisdictions, publication of planned and actual use reports as well as transmittal to the Office of Revenue Sharing are easily done and probably do not constitute any burden. Also, signature by the chief executive officer of the jurisdiction that compliance with the various restrictions in the legislation (Davis-Bacon, anti-discrimination, etc.) has been achieved is readily obtained by ORS. However, for the smaller jurisdictions, ORS has had difficulty in obtaining reports and certifications. Currently some 7,000 jurisdictions are in danger of not receiving funds as a consequence of their non-compliance with the two types of forms. The final information flow involves the annual limited Census of adjusted taxes that takes place. Here, due to the obvious effect reporting will have on subsequent allocations, response had been better.

For the smaller jurisdictions, then, especially those which never before received Federal assistance, the forms and requirements are burdensome. This is probably the view of a majority of the jurisdictions; however, to the recipients of a majority of the allocations, the larger jurisdictions, the red tape has been rather minimal.

G. *Accounting*

Related (perhaps inversely) to the goal of less red tape is strengthening local and state accounting procedures. The Act requires that recipients set up a trust fund and expend out. Subsequently the Treasury *Audit Guide* [16] detailed standards of audit. Of interest is that the primary objectives set forth by Treasury are:

(1) reconcile Census adjusted tax data;

(2) provide financial audit of entitlements received and status of appropriations, expenditures, and encumbrances;

(3) review evidence pursuant to certification of compliance with requirements of the Act.

The Guide's definition of requirements is essentially a restatement of those restrictions in the Act. (See pp. V.3 and V.4 of *Guide.*) As the GAO noted, ORS has seven professionals with plans to staff to 25 to monitor the compliance activities of the 39,000 recipient units. The general ORS policy, then, has necessarily been to rely on State, local and private independent certified public accountants.

ORS has accordingly relied on State audits of local uses of funds and signed co-operative audit agreements with Michigan, Minnesota, Tennessee, New York, Illinois, and Florida. In each instance, ORS accepts State reviews of audits of uses of local revenue sharing funds. The reviews are made using ORS standards and violations are referred to ORS Auditing and Compliance Section for further investigation. It should be noted that in each of these six states, state auditing of local expenditures or state review of independent accountants' audit of local budgets and balance sheets had occurred prior to the agreement with ORS. Whether or not revenue sharing has prompted a higher standard of financial control at the local (or State) level therefore remains unknown. It should be noted that the general spirit of the ORS audit posture is that only *compliance* audits are necessary to fulfill the requirements of the Act. This contrasts with a possible effectiveness audit policy (see GAO, *Standards for Audit of Governmental Organizations, Programs, Activities and Functions,* June, 1972) which, of course, would be more stringent.

H. *Government Reorganization*

To date, there is little evidence that general revenue sharing has prompted rationalization of existing patterns of general (and special) government. Of the 250 units studied by the General Accounting Office, six indicated revenue sharing had prompted consolidation or annexation. To those who have viewed local governments as rational maximizers of grant-in-aid, this is rather puzzling, since consolidation

[16] U.S. Treasury Department, Office of Revenue Sharing, *Audit Guide and Standards for Revenue Sharing Recipients* (Washington, D.C.: October 1, 1973).

of special governmental units or quasi independent jurisdictions would improve a locale's tax figures and hence revenue sharing allocation. In FY72, special (non-school) districts generated \$6.8 billion of total revenue and \$3.6 billion of revenue from own sources. Of this \$3.6 billion, \$.9 billion were from property taxes which could be directly converted to general governmental "tax effort" through reorganization; the remainder was due to fees and charges. Of related interest is that the property taxes of those districts congruent with county areas constitute 2% of county government taxes. Analogous figures for districts congruent with cities and townships are .9% and .6%. This small relation probably explains why consolidation has not accurred.

I. *Use of More Elastic Revenue Source*

The final goal involves the possible improvement in State-local access to more growth-responsive sources of revenues. As already noted, the amount to be shared grows at a rather modest rate, although with certainty over the five year period. Since the inter-state allocation formulae are potentially competitive (recall that the House version rewards certain endogenous behavior, notably State individual income tax collections and *total* state and local tax collections, and the Senate version, total tax effort), it is possible to inquire if, for example, the reliance on individual income taxes has increased in our Federal system. Table 8 indicates that the role of the individual income tax has not changed in any discernible manner over the past four fiscal years. On a growth basis, the yield of the individual and corporate taxes has risen more quickly. Of interest is the rather sharp decline in "other" sources of tax revenue FY73 vs. FY72. If we examine the role of the individual income tax in sub-Federal finance, we note a gradual upward trend in its relative importance, although no sharp change FY73 vs. FY72.

IV. Technical Problems and Room for Improvement

There are several problem areas in the legislation that have been highlighted above, as well as certain more technical problems relating to definitions and currency of the data. My purpose here is to discuss these technical problems and the possible suggestions for improved goal attainment which might be useful at the time of renewal.

A. *Data and Definitional Problems*

1. Taxes vs. Revenues

Besides the philosophic issue of whether or not the Federal Government should reward differential "effort" of localities, there is the more specific problem of how one should go about measuring it. If we set aside for the moment the matter of the proper definition of the denominator (income or potentially taxable wealth), we must choose between an expenditure concept and a revenue concept, and then if the latter, taxes or revenues per se. Effort would seem to convey the notion of burden; expenditures of course reflect intergovernmental transfers and borrowings as well as immediate burden on a populace. Accordingly, we shall concentrate on the choice of taxes vs. revenues.

The difference between own source revenues and taxes, as defined by the Bureau of the Census, involves charges and miscellaneous revenues, utility revenue, liquor store revenues, and insurance trust revenues. From a conceptual point of view, it is not clear that the proceeds obtained from the sale of services which may be in part private in character represent sacrifice in the same sense receipts from general taxes do. Presumably, it is the profits from such enterprises which more closely approximate general taxes. However, when we examine net proceeds more carefully, we find both pragmatically and theoretically that problems remain.

For those few categories of charges and miscellaneous revenues which can be reasonably related to categories of expenditures at the local level, we find, surprisingly, that expenditures exceed receipts in such areas as higher education, hospitals, and sewerage. Also, if one compares all local utility receipts against all local utility expenditures, a deficit is apparent. (See Table 9.) One may conclude from this either that subsidization must be occurring and/or that accounting variability makes careful measurement difficult. If it is the former, such additional tax effort as may be necessary to cover costs is already reflected in net tax collections.

Examination of microdata indicates that there is an uneven intrastate pattern to even the gross concept of fees and charges. For example, rural county hospitals may cover more than one county, and may or may not be sufficiently 'dependent' to warrant inclusion in general government budgets. Such measurement variability will substantially affect revenue sharing allocations.

Perhaps the most persuasive case for inclusion of enterprise fiscal activity involves public utility profits. Here, service use is widespread so that resulting profits would seem to be analogous to general taxes. An examination of municipally-owned electric companies in North Carolina [17] suggests, however, that substantial grounds exist for exclusion of such profits. On allocative grounds, such inclusion of profits in the tax effort measure would involve an undesirable incentive for profit-making in the public sector. Related might be the additional incentive to export costs of municipal government to non-residents. About 10%

[17] Robert P. Strauss and Kenneth L. Wertz, "The Impact of Municipal Electric Profits on the Composition and Burden of Local Public Finance" (mimeo, Chapel Hill, November, 1974).

of net profits were attributable to non-residents. Perhaps the most surprising result involved the finding that, while taxes grew by 112% from inclusion of net profits, the revenue sharing grants increased by only 41% (see Table 10) as a consequence of the various constraints. Also, it is generally known that such profits are a regressive form of finance; the income elasticity of demand for electricity in the South is –.49.

It is at least this author's opinion that the case for including net utility profits is far less compelling than one might make a priori. On administrative, equity, and efficiency grounds, such inclusion is rather unattractive.

2. Income, and Income vs. Wealth: Intra-State

The measure of ability to pay can, as a practical matter, take several forms, as can the more abstract notion of fiscal capacity. This second approach will not be pursued here because of the very practical difficulties of obtaining such measures at the substate level, as well as the ambiguity that exists in recommending that governments move toward national averages in the use of various tax instruments. It is not clear that it is a proper Federal responsibility to encourage specific tax instruments, which a fiscal capacity concept does in an indirect way. A more direct approach would be to reward specific taxes directly toward Federal goals rather than to national averages. As we saw with the $\frac{1}{3}$, $\frac{2}{3}$ division, it reflected the aggregate national division of expenditure responsibilities, but was not representative of many states.

The choice then is between one of several income concepts and possible wealth measures. Two concepts are possible intra-state: a total money income available from the decennial Census and personal income available from the Bureau of Economic Analysis. The differences involve principally imputations by BEA for non-cash income. However, the BEA measure is not available sub-county. Thus, we must rely on money income as a measure of ability to pay. Two units of measure suggest themselves: median family income, and per capita income of all persons. Our choice is further narrowed if we desire to update our data intercensal.[18] That is, if we wish to use more current post-censal data in the allocation of funds, we are forced to an average rather than a median measure of a family unit. As a consequence, on the basis of availability and possibility of update, we are led inevitably to per capita money income as a measure of ability to pay and to total money income in computing a concept of effort.

[18] For a further discussion of income update methodology, see U.S. Bureau of the Census, *Census Tract Papers, Series GE-40, No. 10, Statistical Methodology of Revenue Sharing and Related Estimate Studies,* presented at the Conference on Small-Area Statistics, American Statistical Association, New York, December 27, 1973 (Washington, D.C.: U.S. Government Printing Office, 1974).

It remains, however, to consider various wealth measures as an alternative to income since local taxes on real and personal property are a principal, albeit relatively declining, source of local tax revenue. The practical problems of using fully assessed valuation between states are well known and will not be discussed here in any detail; however, the fact that the denominator of an effort measure would now be under the control of a locale as well as its yield (total net tax collections) must be considered unsatisfactory in light of the perverse incentive it would create vis-a-vis valuation.

The important point about assessed valuation I want to underline is its potentially surprising effect on allocations were it to be used in place of income and per capita income. No substantial study is available for the entire U.S.; however, an Urban Institute study [19] of school finances revealed that per pupil valuation was highest in core cities as compared to suburban and rural areas. This was due to the heavy concentration of under-assessed business and industrial property in inner cities. One may conclude that core cities may not have fiscal problems; however, this would seem to be counter-intuitive, especially when the issue of base is viewed on a dynamic basis. Table 10 provides their basic results. In any event, use of a wealth measure would not, as popularly conceived, be to the benefit of central cities and to the detriment of suburban areas.

3. Population

We have so far used population as a proxy measure for the service clientele of general government. There is no evidence on the adequacy of this assumption, and it certainly is the proper subject of further research. If we use the population measure as contained in the 1970 Census then the matter of its accuracy should be raised.

In April, 1973, the Census Bureau made public its evaluation of the 1970 Census and indicated on the basis of its "preferred" technique that 5.3 million persons were not counted in the Census. The highest rate of undercounts, as was the case in 1960, was for non-whites. Manipulation of the Census results allows us to construct undercount rates by sex, race, and age. Elsewhere [20] I have reported the results of this correction to the population and income data and its impact on revenue sharing allocations in New Jersey and Virginia. By and large, the band of changes was rather small; those cities which gained sub-

[19] Betsy Levin, Thomas Muller, William J. Scanlon, and Michael A. Cohen, *Public School Finance: Present Disparities and Fiscal Alternatives* (The Urban Institute, July, 1972).

[20] Robert P. Strauss and Peter B. Harkins, "The Impact of Population Undercounts on General Revenue Sharing Allocations in New Jersey and Virginia," *National Tax Journal* 28 (December, 1974).

stantially were mostly non-white. For example, Newark gained 5.13%. It would no doubt add to the overall equity of the current program to correct for this known error in the data.

4. Matters of Data Currency

To date, the ORS practice has been to update just the tax data, but not the population and income data. The latter items are to be created on an estimated basis by the Bureau of the Census. The addition of the State, county, and city of residence items to the 1040 and 1040A returns was performed in 1972, and only for county and state in 1973. It is likely that nothing will be on the 1974 return, although it is required by Federal statute. In any event, calendar '72 money income and population estimates, at least to the county level, should be available shortly, although it is not at all clear they will be used.

The update of just tax data can be thought to have two effects: first, it rewards areas whose tax collections are growing most rapidly (primarily suburbs); second, to the extent these places are gaining population which is also reflected in tax collections, their income is understated and in turn their effort overstated. Moreover, on a relative basis, those areas with a declining income base, due to socio-economic changes in the characteristics of their population, are adversely affected since their effort is understated.

Thus, to ensure equity, all factors in the formula should be updated or none at all except to reflect new incorporations and possibly annexations. The need for more current population and income statistics goes beyond just general revenue sharing, of course, and a good argument for a mid-decade census can be made.

It is understood that the update of population and income as planned and currently underway by the Bureau of the Census may be reliable only to the county area level. The question naturally arises whether equity will be served by using that more recent data at the county area level and then the older data for the within county level. To be sure, the initial county area allocation will proceed on more sure footing if this procedure is followed; however, some question arises of whether the resulting intra-county allocation will be inequitable. However, since the alternative is to use the old inter-county data, it would seem the hybrid approach would be more equitable since the use of old inter-county data would lead to inequity at the inter- and intra-county levels, whereas the hybrid approach would at least begin at the county level on a more equitable basis.

B. *Improving Participation*

Perhaps the most desirable, albeit more difficult, area which deserves attention is the mechanism for improving local participation in the budgetary process. As noted earlier, the Act essentially follows historical practices. Most Federal grants-in-aid are silent on this as were most if not all draft revenue sharing bills.

To understand what following state-local custom has meant to date, we have analyzed public hearing requirements in twelve states as contained in State statute. We warn the reader that local practice varies. In many States without State statute, some localities have adopted public hearing ordinances which require one open meeting prior to the adoption of the budget. Of the 12 States surveyed, comprising 60% of the 1970 U.S. population, 10 required county public hearings, 7 required city hearings, and 7 of 8 with townships required public hearings. Table 11 displays the results by State. Put in population terms: 25% of persons living in counties did not have the opportunity under State statute to attend public hearing. For city residents, almost half (44.7%) did not have such an opportunity, while for townships, only 13% did not have the opportunity to attend a public hearing. From this one might suggest that greater opportunity for participation might be obtained by requiring a public hearing prior to the adoption of a budget for revenue sharing funds. Also, it may be desirable to require hearings for amendments to budgets which affect the disposition of revenue sharing funds. Compliance could be obtained by requiring elected officials to certify to that effect as they currently do with the civil rights provision, etc.

V. Conclusions

What may we conclude then about the progress of revenue sharing to date? A balanced view would conclude that it has neither been a distinct failure nor has it been an overwhelming success. It has probably done rather well in achieving the goal of fiscal relief inter-state and intra-state, although the state-local division of funds has been too rigid to reflect varying state patterns of experience. Also, we must temper our conclusion about the intra-state impact as very little independent data is available to render quantitative judgment. Of course, one's ultimate judgment on this issue of fiscal relief must include some recognition that other categorical grant-in-aid was reduced or grew more slowly during 1973-4. Here, I would argue that general revenue sharing must be analyzed in isolation from the other budgetary decisions, and on this basis does rather well. Even stronger results might obtain were the constraints in the formula not reinterpreted.

With regard to the other goals of decentralization, government reorganization, and improved fiscal control, general revenue sharing as enacted has been less successful. In part this reflects choices made in the Act, and in part this reflects the evolution of a grant scheme in actual practice. Those incentives which exist, e.g., for reorganization, are not sufficiently pronounced to warrant local attention. There is a gray area of intermediate success with regard to increased citizen interest and participation in local government. To be sure, the empirical evidence on this matter is sketchy though encouraging. It is worth noting that a refocusing of public attention to the State-local sector could probably not occur in a year or so, for the tendency to seek Federal solutions has been an integral part of the post-World War II social problem solving process. Moreover, these trends could be measurably strengthened and reinforced were public hearings on the budgetary disposition of revenue sharing trust funds required rather than patterned after existing state and local statute.

Perhaps the central issue to be confronted at the time of renewal will involve the method of funding. A permanent definite appropriation is vital to any revenue sharing scheme; however, this was and continues to be the most controversial aspect of the Act. Were general revenue sharing to be funded via the typical appropriations process, that certainty that has been achieved these past few years in intergovernmental relations would be drastically reduced. It would be my judgment that the manner of appropriations will consume the time and energy of the Congress rather than perusal of the technical difficulties discussed above.

Perhaps the most disappointing aspect of revenue sharing is the failure of piggybacking to take hold. In many respects, Federal collection of state income taxes was viewed as a significant reform for our Federal system which would both provide fiscal relief and gain states a more elastic source of revenue than they currently have.

TABLE 1. — National Property Tax Collections by Type of District: FY68 — FY73 (in $ Billions)

District	FY73	FY72	FY71	FY70	FY69	FY68
All Locales	43.970	40.876	36.725	32.962	29.693	26.835
Counties	9.257	8.571	7.592	6.713	6.059	5.656
Cities	11.879	10.988	10.041	9.127	8.331	7.769
Townships	2.723	2.454	2.096	1.850	1.604	1.421
School Districts	19.140	17.935	16.141	14.505	12.988	11.380
Special Districts	.921	.928	.855	.767	.711	.609

SOURCE: U.S. Bureau of the Census, *Governmental Finances* (selected years), Washington, D.C.: U.S. Government Printing Office, Table 16.

TABLE 2. — Effect of Revenue Sharing on Growth Rates of Property Tax Collections By Type of Local Government: FY68 — 73 (t statistics in parentheses)

Type of District	β_1	β_2 Time	β_3 Revenue Sharing	R^2
Counties	6.00 (3.62)	2.00 (3.31)	–8.00 (–3.74)	.8814
Cities	7.30 (5.56)	.70 (1.46)	–2.70 (–1.59)	.5797
Townships	12.00 (5.81)	1.06 (1.41)	–6.30 (–2.36)	.7409
School Districts	14.40 (13.88)	– .95 (–2.51)	–2.95 (–2.20)	.9499
Special Districts	16.40 (3.681)	–2.10 (–1.29)	– .13 (– .23)	.6806

TABLE 3. — Correlation of State Area Per Capita Grant and Two Measures of Fiscal Capacity

	ACIR	Akin	PCY 73	R/Y	T/Y	P 73
GNT	– .295	– .334	– .284	.440	.505	– .131
ACIR	1.0	.782	.952	.134	.225	.265
Akin		1.0	.107	.208	.187	.107
PCY 73			1.0	.027	.134	.287
R/Y				1.0	.762	– .041
T/Y					1.0	.196
P 73						1.0

DEFINITIONS:	SOURCE:
GNT: per capita state area grant for entitlement period 5	Stanford Research Institute, *General Revenue Sharing Data Study*, Vol. II (Menlo Park, August, 1974), p. 21.
ACIR: fiscal capacity index	Advisory Commission on Intergovernmental Relations, *Measuring the Fiscal Capacity and Effort of State and Local Areas* (M-58) (Washington, D.C., March, 1971), Table G14
Akin: alternative fiscal capacity index	John S. Akin, "Fiscal Capacity and the Estimation Method of the ACIR," *National Tax Journal* 26 (June, 1973), Table 3.
PCY73: personal per capita income, CY73	U.S. Bureau of the Census, *Governmental Finances in 1972-3*, Table 26.
R/Y: ratio of total state area own source revenues in FY73 to personal income in CY72	U.S. Bureau of the Census, *Governmental Finances in 1972-3*, Table 24.
T/Y: ratio of total state area own source taxes in FY73 to personal income in CY72	U.S. Bureau of the Census, *Governmental Finances in 1972-3*, Table 24.
P73: total resident population on July 1, 1973.	U.S. Bureau of the Census, *Governmental Finances in 1972-3*, Table 26.

TABLE 4. — Two Concepts of Intra-State Fiscal Balance by State in FY73

	Relative Own-Source Revenues		Relative Direct Non-Capital Expenditures	
	% State	% Local [1]	% State	% Local [2]
Alabama	64	36	50	50
Alaska	68	32	62	38
Arizona	57	43	36	64
Arkansas	64	36	48	52
California	46	54	27	73
Colorado	50	50	36	64
Connecticut	53	47	43	57
Delaware	74	26	54	46
D.C.	—	—	—	—
Florida	57	43	35	65
Georgia	56	44	43	57
Hawaii	76	24	80	20
Idaho	60	40	48	52
Illinois	51	49	38	62
Indiana	49	51	33	67
Iowa	52	48	34	66
Kansas	50	50	41	59
Kentucky	70	30	55	45
Louisiana	66	34	46	54
Maine	59	41	53	47
Maryland	55	45	34	66
Massachusetts	50	50	44	56
Michigan	57	43	39	61
Minnesota	59	41	27	73
Mississippi	66	34	47	53
Missouri	50	50	37	63
Montana	50	50	42	58
Nebraska	46	54	39	61
Nevada	48	52	34	66

TABLE 4. — (*Continued*).

	Relative Own-Source Revenues		Relative Direct Non-Capital Expenditures	
	% State	% Local [1]	% State	% Local [2]
New Hampshire	47	53	45	55
New Jersey	43	57	28	72
New Mexico	75	25	48	52
New York	48	52	19	81
North Carolina	69	31	38	62
North Dakota	62	38	50	50
Ohio	49	51	33	67
Oklahoma	62	38	52	48
Oregon	49	51	41	59
Pennsylvania	60	40	43	57
Rhode Island	61	39	53	47
South Carolina	70	30	49	51
South Dakota	49	51	45	55
Tennessee	55	45	41	59
Texas	53	47	38	62
Utah	65	35	50	50
Vermont	65	35	64	36
Virginia	59	41	39	61
Washington	59	41	45	55
West Virginia	70	30	54	46
Wisconsin	58	42	32	68
Wyoming	53	47	37	63
U.S.[3]	53	47	35	65

[1] From Table 17, *Governmental Finances in 1972-3* (U.S. Bureau of the Census, 1974).

[2] From Table 18, *Governmental Finances in 1972-3* (U.S. Bureau of the Census, 1974).

[3] Total of all State revenues or expenditures relative to total of all local revenues or expenditures.

TABLE 5. — Correlation Analysis of Intra-State Allocations

	County Correlations:				City Correlations:				Township Correlations:			
	Per Capita Grant and:				Per Capita Grant and:				Per Capita Grant and:			
State	T/Y	PCY–1	T/P	P and GNT	T/Y	PCY–1	T/P	P and GNT	T/Y	PCY–1	T/P	P and GNT
Alabama	0.882	0.632	0.526	0.958	0.746	–0.005	0.701	0.982	0.000	0.000	0.000	0.000
Alaska	0.959	–0.195	0.950	0.585	0.667	–0.077	0.572	0.999	0.000	0.000	0.000	0.737
Arizona	0.942	–0.224	0.877	0.938	0.868	0.195	0.733	0.992	0.000	0.000	0.000	0.996
Arkansas	0.901	0.631	0.659	0.896	0.919	–0.146	0.878	0.965	0.000	0.000	0.000	0.000
California	0.651	0.658	0.537	0.983	0.297	0.406	0.235	0.961	0.000	0.000	0.000	0.984
Colorado	0.826	0.523	0.605	0.543	0.675	–0.095	0.433	0.972	0.000	0.000	0.000	0.000
Connecticut	0.000	0.000	0.000	0.000	0.857	0.517	0.814	0.967	0.899	0.198	0.567	0.922
Delaware	0.990	0.000	0.000	0.000	0.412	–0.210	0.426	0.986	0.000	0.000	0.000	0.000
D.C.	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Florida	0.832	0.371	0.501	0.897	0.525	0.223	0.248	0.980	0.000	0.000	0.000	0.000
Georgia	0.858	0.675	0.406	0.959	0.653	–0.015	0.707	0.987	0.000	0.000	0.000	0.000
Hawaii	0.000	0.000	0.000	0.999	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Idaho	0.855	0.471	0.750	0.931	0.369	0.121	0.631	0.987	0.000	0.000	0.000	0.995
Illinois	0.928	0.615	0.783	0.997	0.620	0.086	0.447	0.998	0.887	0.459	0.828	0.791
Indiana	0.957	0.635	0.810	0.589	0.878	–0.104	0.823	0.995	0.805	0.110	0.830	0.888
Iowa	0.958	0.666	0.812	0.956	0.693	–0.022	0.780	0.984	0.000	0.000	0.000	0.000
Kansas	0.894	0.397	0.856	0.931	0.745	0.013	0.768	0.971	0.836	0 .027	0.908	0.726
Kentucky	0.840	0.149	0.650	0.985	0.873	0.043	0.724	0.996	0.000	0.000	0.000	0.000
Louisiana	0.917	0.452	0.748	0.367	0.923	–0.053	0.859	0.994	0.000	0.000	0.000	0.000
Maine	0.976	0.669	0.903	0.795	0.794	0.531	0.514	0.981	0.490	0.260	0.327	0.896

TABLE 5. — (*Continued*).

State	County Correlations: Per Capita Grant and: T/Y	PCY–1	T/P	P and GNT	City Correlations: Per Capita Grant and: T/Y	PCY–1	T/P	P and GNT	Township Correlations: Per Capita Grant and: T/Y	PCY–1	T/P	P and GNT
Maryland	0.671	0.584	0.155	0.962	0.533	0.148	0.196	0.998	0.000	0.000	0.000	0.000
Massachusetts	0.940	–0.015	0.937	0.826	0.808	0.604	0.466	0.991	0.705	0.421	0.582	0.928
Michigan	0.873	0.792	0.792	0.986	0.737	0.189	0.542	0.987	0.856	0.258	0.396	0.880
Minnesota	0.889	0.809	0.712	0.966	0.814	0.112	0.722	0.979	0.763	0.147	0.710	0.650
Mississippi	0.844	0.818	0.401	0.810	0.679	–0.125	0.721	0.983	0.000	0.000	0.000	0.000
Missouri	0.933	0.566	0.709	0.990	0.516	–0.032	0.482	0.986	0.847	0.163	0.817	0.848
Nebraska	0.812	0.206	0.728	0.914	0.745	–0.017	0.738	0.989	0.000	0.000	0.000	0.974
Nevada	0.912	0.571	0.832	0.978	0.770	–0.006	0.794	0.999	0.542	0.118	0.801	0.398
Montana	0.885	0.249	0.825	0.990	0.913	–0.130	0.794	0.996	0.000	0.000	0.000	0.928
New Hampshire	0.994	0.567	0.951	0.985	0.974	0.249	0.924	0.970	0.844	0.306	0.758	0.891
New Jersey	0.710	0.723	0.573	0.866	0.700	0.336	0.284	0.959	0.772	0.159	0.714	0.909
New Mexico	0.936	0.146	0.758	0.981	0.855	–0.038	0.782	0.984	0.000	0.000	0.000	0.999
New York	0.703	0.585	0.518	0.952	0.850	0.250	0.439	0.999	0.773	0.491	0.702	0.987
North Carolina	0.834	0.852	0.379	0.899	0.569	–0.119	0.565	0.991	0.000	0.000	0.000	0.000
North Dakota	0.936	0.486	0.795	0.820	0.836	0.029	0.828	0.994	0.489	–0.003	0.869	0.489
Ohio	0.899	0.646	0.519	0.978	0.713	–0.091	0.594	0.971	0.865	0.295	0.770	0.951
Oklahoma	0.867	0.276	0.727	0.982	0.863	–0.085	0.852	0.993	0.000	0.000	0.000	0.979
Oregon	0.885	0.426	0.886	0.926	0.867	0.026	0.793	0.997	0.000	0.000	0.000	0.000
Pennsylvania	0.913	0.566	0.582	0.625	0.815	0.165	0.605	0.998	0.873	0.178	0.663	0.943
Rhode Island	0.000	0.000	0.000	0.000	0.973	0.791	0.955	0.944	0.779	0.305	0.746	0.835
South Carolina	0.826	0.327	0.617	0.936	0.848	–0.327	0.822	0.988	0.000	0.000	0.000	0.000

TABLE 5. — (*Continued*).

State	County Correlations: Per Capita Grant and: T/Y	PCY–1	T/P	P and GNT	City Correlations: Per Capita Grant and: T/Y	PCY–1	T/P	P and GNT	Township Correlations: Per Capita Grant and: T/Y	PCY–1	T/P	P and GNT
South Dakota	0.853	0.078	0.816	0.802	0.741	–0.065	0.790	0.988	0.208	0.092	0.644	0.877
Tennessee	0.875	0.692	0.484	0.831	0.466	–0.017	0.398	0.997	0.000	0.000	0.000	0.000
Texas	0.691	0.347	0.689	0.951	0.772	0.132	0.484	0.994	0.000	0.000	0.000	0.000
Utah	0.568	0.456	0.617	0.977	0.906	–0.123	0.873	0.980	0.000	0.000	0.000	0.996
Vermont	0.952	0.522	0.857	0.784	0.930	–0.170	0.858	0.982	0.616	0.278	0.610	0.901
Virginia	0.805	0.404	0.384	0.958	0.767	–0.220	0.699	0.996	0.000	0.000	0.000	0.000
Washington	0.950	0.501	0.882	0.933	0.882	0.157	0.707	0.989	0.959	0.022	–0.069	0.160
West Virginia	0.896	0.174	0.902	0.972	0.899	–0.305	0.902	0.982	0.000	0.000	0.000	0.000
Wisconsin	0.730	0.802	0.788	0.971	0.906	0.131	0.790	0.988	0.739	0.221	0.755	0.753
Wyoming	0.938	0.286	0.847	0.788	0.847	0.115	0.883	0.985	0.000	0.000	0.000	0.000
Mean	0.866	0.459	0.682	0.818	0.755	0.060	0.664	0.985	0.740	0.214	0.663	0.840
Median	0.885	0.522	0.727	0.936	0.794	–0.006	0.721	0.987	0.805	0.198	0.714	0.901
Range	0.568	–0.224	0.000	0.000	0.297	–0.327	0.196	0.944	0.208	–0.003	–0.069	0.160
	0.994	0.852	0.951	0.999	0.794	0.791	0.955	0.999	0.959	0.491	0.908	0.999

TABLE 6. — Number of Constrained Governments by State, by Type of Government, by Type of Constraint for EPI

State	Total	Counties					Cities					Townships				
		C=1	C=2	C=3	C=4	C=5	C=1	C=2	C=3	C=4	C=5	C=1	C=2	C=3	C=4	C=5
Alabama	471	67	0	0	0	0	230	65	73	13	23	0	0	0	0	0
Alaska	154	34	0	0	0	1	47	52	5	2	13	0	0	0	0	0
Arizona	79	14	0	0	0	0	53	3	0	0	9	0	0	0	0	0
Arkansas	535	53	0	22	0	0	260	3	66	6	125	0	0	0	0	0
California	467	57	1	0	0	0	337	11	0	0	61	0	0	0	0	0
Colorado	321	63	0	0	0	0	213	8	4	3	30	0	0	0	0	0
Connecticut	190	8	0	0	0	0	22	7	0	0	4	144	5	0	0	0
Delaware	57	1	0	2	0	0	16	10	22	1	5	0	0	0	0	0
D.C.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Florida	450	67	0	0	0	0	256	63	24	2	38	0	0	0	0	0
Georgia	685	158	0	0	1	0	363	16	48	14	85	0	0	0	0	0
Hawaii	4	3	0	0	0	0	1	0	0	0	0	0	0	0	0	0
Idaho	242	44	0	0	0	0	163	4	7	4	20	0	0	0	0	0
Illinois	2806	102	0	0	0	0	1065	20	2	1	180	1011	45	10	78	292
Indiana	1661	92	0	0	0	0	439	5	2	5	110	74	5	6	620	303
Iowa	1051	99	0	0	0	0	785	5	0	0	162	0	0	0	0	0
Kansas	2216	105	0	0	0	0	494	5	0	5	123	994	8	3	237	242
Kentucky	516	49	0	71	0	0	129	22	167	32	46	0	0	0	0	0
Louisiana	359	51	2	10	0	1	145	8	92	16	34	0	0	0	0	0
Maine	512	16	0	0	0	0	18	4	0	0	0	362	106	5	0	1
Maryland	174	23	0	0	0	0	116	7	1	1	26	0	0	0	0	0
Massachusetts	365	14	0	0	0	0	37	2	0	0	0	283	27	0	0	2
Michigan	1860	83	0	0	0	0	439	48	0	0	43	498	37	8	18	686
Minnesota	2742	87	0	0	0	0	668	12	2	5	168	1026	5	21	27	721

TABLE 6. — (*Continued*).

State	Total	Counties					Cities					Townships				
		C=1	C=2	C=3	C=4	C=5	C=1	C=2	C=3	C=4	C=5	C=1	C=2	C=3	C=4	C=5
Mississippi	356	76	1	5	0	0	145	8	107	6	8	0	0	0	0	0
Missouri	1361	112	0	1	0	1	681	20	41	36	127	249	8	27	13	45
Nebraska	1105	91	2	0	0	0	484	11	0	2	37	287	0	10	61	120
Nevada	33	13	3	0	0	0	17	0	0	0	0	0	0	0	0	0
Montana	183	57	0	0	0	0	115	0	0	1	10	0	0	0	0	0
New Hampshire	245	10	0	0	0	0	12	1	0	0	0	186	29	0	0	7
New Jersey	588	20	0	0	0	1	282	23	0	0	30	200	7	0	1	24
New Mexico	123	26	0	5	0	1	68	4	3	1	15	0	0	0	0	0
New York	1606	56	0	0	0	1	459	5	1	0	154	638	20	0	2	270
North Carolina	552	99	0	1	0	0	261	105	58	10	18	0	0	0	0	0
North Dakota	1781	53	0	0	0	0	303	7	6	0	43	1220	27	66	10	46
Ohio	2343	87	0	0	0	1	628	27	1	1	278	487	7	1	53	772
Oklahoma	636	77	0	0	0	0	341	18	66	35	99	0	0	0	0	0
Oregon	271	36	0	0	0	0	183	25	3	1	23	0	0	0	0	0
Pennsylvania	2630	66	0	0	0	1	856	11	15	5	126	1210	4	11	20	305
Rhode Island	44	5	0	0	0	0	5	3	0	0	0	29	2	0	0	0
South Carolina	307	37	0	9	0	0	54	32	143	16	16	0	0	0	0	0
South Dakota	1406	66	0	0	0	1	251	1	0	5	52	771	3	1	24	231
Tennessee	411	95	0	0	0	0	212	34	15	55	0	0	0	0	0	0
Texas	1269	238	10	5	0	1	761	14	70	58	112	0	0	0	0	0
Utah	243	28	0	1	0	0	159	6	17	8	24	0	0	0	0	0
Vermont	308	13	0	0	1	0	45	2	4	4	5	178	56	0	0	0
Virginia	328	96	0	0	0	0	118	48	55	5	6	0	0	0	0	0
Washington	344	39	0	0	0	0	227	20	1	1	17	35	0	0	4	0

TABLE 6. — (*Continued*).

State	Total	Counties					Cities					Townships				
		C=1	C=2	C=3	C=4	C=5	C=1	C=2	C=3	C=4	C=5	C=1	C=2	C=3	C=4	C=5
West Virginia	282	10	0	45	0	0	46	13	130	35	3	0	0	0	0	0
Wisconsin	1914	72	0	0	0	0	435	19	0	0	118	650	25	0	1	594
Wyoming	110	23	0	0	0	0	65	3	3	0	16	0	0	0	0	0
U.S. Totals	38696	2891	19	177	2	10	13509	840	1254	395	2642	10532	426	169	1169	4661

Total C=1 — 26932
Total C=2 — 1285
Total C=3 — 1600
Total C=4 — 1566
Total C=5 — 7313
Total Locals = 38696

DEFINITIONS: C=1 — Unconstrained; C=2 — 145% but below 50%; C=3 — 50% and below 145% and above 20%; C=4 — 50% and below 20%; C=5 — 20% and below 50%

TABLE 7. — Correlation Between Intra-State Correlations in Table 5 and Number of Constraints in Table 6

	Constraint			
	C=2	C=3	C=4	C=5
Counties	–.040	–.221	.114	–.136
Cities	–.047	–.187	–.434	–.273
Townships	–.095	.375	–.376	–.244

TABLE 8. — Federal Share of All Public Expenditures and Revenues: FY70 — FY73

	% of All Public Expenditures	% of All Public Revenues
FY73	52.6%	58.2%
FY72	52.5%	58.5%
FY71	53.8%	59.1%
FY70	55.5%	61.6%

SOURCE: U.S. Bureau of the Census, *Governmental Finances in 1972-3,* derived from Tables 1 and 2.

TABLE 9. — Revenues and Expenditures for Selected Local Functions [1] ($ Billions)

Function	Receipts	Expenditures	Difference
Higher Education	.573	2.980	
Hospitals	3.405	5.745	–2.340
Sewerage	1.489	3.604	–2.115
Liquor Stores	.291	.248	.043
All Utilities	8.622	11.204	–2.582
Water Supply	3.463	4.084	– .621
Electric Power	3.355	3.761	– .406
Transit	1.267	2.865	–1.598
Gas Supply	.536	.493	.043

[1] Derived from U.S. Bureau of the Census, *Governmental Finances 1972-3* (Washington, D.C.: Government Printing Office, 1974), Tables 4, 7, and 11.

TABLE 10. — Effect of Inclusion of Electric Utility Profits on North Carolina Revenue Sharing Allocations (Entitlement Period 1)

County Areas with ElectriCities	Original Grant $ Millions	Original Taxes $ Millions	Simulation Grant $ Millions	Simulation Taxes $ Millions	% Change Grant %	% Change Taxes %
Area totals	22.15	137.07	22.87	160.25	3.2	16.9
County Govts.	11.74	65.53	10.95	65.53	− 6.5	0.0
ElectriCities	4.12	21.20	5.80	44.89	40.8	111.7
Other Cities	6.30	50.33	6.12	50.33	− 2.9	0.0
County Areas without ElectriCities						
Area Totals	22.88	143.23	22.18	143.23	− 3.1	0.0
County Govts.	12.10	63.75	11.69	63.75	− 3.4	0.0
Cities	10.78		10.49		− 2.7	0.0

SOURCE: Robert P. Strauss and Kenneth L. Wertz, "The Impact of Municipal Electric Profits on the Composition and Burden of Local Public Finance," (mimeo, Chapel Hill, November, 1974), Table 5.

TABLE 11. — State Statutes Governing Public Hearings by Type of Local Government

	Hearings Required?		
State	County Governments	City Governments	Township Governments
California	yes	no	NA
Florida	yes	no	NA
Illinois	yes	yes	yes
Indiana	yes	yes	yes
Massachusetts	no	no [1]	yes
Michigan	yes	yes	yes
New Jersey	yes	yes	yes
New York	yes	no	yes
North Carolina	yes	yes	NA
Ohio	yes	yes	yes
Pennsylvania	no	no [2]	no
Texas	yes	yes	NA

SOURCE: mail and telephone survey of Attorney General's offices.

[1] May be held at request of 10 or more voters.

[2] Only Scranton.