

March 2017

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Recommended Citation

Francis X. Doyle (1973) "Federal Program Redirection: Implications to Service to People," *The Catholic Lawyer*. Vol. 19 : No. 4 , Article 12.

Available at: <https://scholarship.law.stjohns.edu/tcl/vol19/iss4/12>

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FEDERAL PROGRAM REDIRECTION: IMPLICATIONS TO SERVICE TO PEOPLE

FRANCIS X. DOYLE*

Let me briefly discuss my part on revenue sharing.

Let me make reference to one handout which should provide you with sufficient resource material to enable you to address yourselves to that question as it affects your clients. The handout is labeled General Revenue Sharing, which gives you the legislative history, additional resource material, and on the backside reference is made to the regulations which have recently been published and are effective as of April 5 regarding general revenue sharing. Most of my comments will be addressed to that subject—General Revenue Sharing—because it is a reality. Special revenue sharing is not yet a reality. So with respect to the former, some background information: in the 1968 campaign President Nixon was critical of the proliferation of federal grants and promised to propose both general and special revenue sharing. He did the former in a message to Congress in February, 1969, and it took quite a while for administration bills to be introduced into the 91st Congress; they were not introduced until September 23rd and 24th, 1969, in the Congress. No hearings on the administration bills were held in that Congress. February 4, 1971, 92nd Congress, again the President delivered a message to Congress on general revenue sharing. Shortly thereafter, five and six days to be exact, administration bills were introduced in the Senate and the House. With respect to special revenue sharing which, at least in the 92nd Congress, proposed six broad functional areas in which grants to the states and localities were to be made, the President transmitted his special revenue sharing proposals in six different messages each pertaining to a special category, such as education, rural development, law enforcement, etc. None, however, was approved during the 92nd Congress. However, the House did pass in June, 1972, a general revenue sharing bill followed in September by the Senate and following agreement in conference the law was signed on October 20, 1972: The State and Local Fiscal Assistance Act of 1972, which as those of

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you who are from Philadelphia will remember was signed in Independence Hall.

A summary of Public Law 92-512, The General Revenue Sharing Act: thirty billion dollars is to be distributed to the states and to 38,000 general purpose local governing units over five calendar years, 1972 through 1976. These monies will be paid from a treasury trust fund which will be made up from collections from individual income taxes. The Treasury Department will administer the Act through its Office of Revenue Sharing, a new office. I believe the maximum staff presently authorized for that office will be 60, 20 of whom will be auditors, so you can see the monumental task that 20 auditors will have in auditing over 38,000 reports from the recipient governments. After the application of three different formulas, which involve population, per capita income, federal income tax collections and the recipient government's own tax effort, the state government will receive one-third of the allocation to that state, the local governments, counties, cities, etc., will receive two-thirds of the allocation. As to required uses, there are two general uses which are applicable to local governments, not to state governments. Local government may use for only (1) ordinary and necessary capital expenditures authorized by law, and (2) for operating and maintenance expenses in eight areas. Some of these eight areas have little relevance to your clients, the dioceses. A few of them do have relevance, however. The eight are: 1) Public Safety, 2) Environmental Protection, 3) Public Transportation, 4) Health, 5) Recreation, 6) Libraries, 7) Social Services for the Poor or the Aged, and probably the most relevant, 8) Financial Administration. Those required uses are imposed upon the local governments, but there is no such requirement on the state governments.

What about prohibitions? There is a prohibition which is applicable to both state and local government regarding matching of federal funds. No general revenue sharing funds may be used to match federal funds. The prohibition is applicable to both direct and indirect matching so that a recipient government, state or local, cannot allocate any general revenue sharing funds to a third party and then the third party seek additional federal funds on a matching basis. Another requirement is that reports be submitted to Treasury on how the money is to be spent prior to each entitlement period and how the money was spent subsequent to each entitlement period. These reports may be published by the recipient government in a general publication newspaper. The format of the report is not available for public inspection. That is a regulation that is significant to you and to your clients. The reference to that requirement is Code of Federal Regulations, Title 31, Part 51, Sections 51-11A and 51-11B, and in the law, Public Law 92-512, Sections 121A and 121B.

You may have concluded at this point that there are rather vague requirements on the states and on the localities. That is true, and a refer-

ence in the statute and in the regulations indicates why there is such vagueness. This is a quote from the regulations (there is similar language in the statute): "A recipient government must provide for the expenditure of entitlement funds in accordance with the laws and procedures applicable to the expenditures of its own revenues."

So much for general revenue sharing, what about special revenue sharing which is not yet a reality? In his January 29 budget message, the President proposed 6.9 billion dollars for the fiscal 1974 in special revenue sharing funds to replace 70 categorical programs. In the 92nd Congress he proposed six general areas for special revenue sharing, but in this Congress he has proposed four, having eliminated rural development which, he indicates, will be taken care of by the Rural Development Act of 1972, and he has deleted transportation revenue sharing which, he has indicated, will be taken care of by breaking the Highway Trust Fund. So the four areas the administration proposes this year, for special revenue sharing are: Education, which was contained in his March 1 message, \$2.8 billion, which would eliminate 30 categorical programs; Manpower, \$1.3 billion, also in his March 1 message. The administration indicated that present administrative measures will be sufficient to accomplish manpower revenue sharing. Law enforcement, the third of the four, which was contained in his March 14 message to Congress, 800 million dollars. However, that level will not be reached until fiscal 1976, and the fourth, which was contained in his March 8 message, Urban Community Development, 7 categorical programs would conclude, a 2.3 billion dollar revenue sharing program which, among other things, would create the Department of Community Development including the present HUD, Department of Transportation and Department of Agriculture, all to be included in the "Better Communities Act." So much for the subject of general and special revenue sharing.

One of the reference sources provided to you is the results of a questionnaire sent out by the Senate Subcommittee on Intergovernmental Relations, Senator Muskie's subcommittee, and based on preliminary returns from states and localities, there is indication that initial expenditures, at least by the states and local recipient governments, will not be in the areas of social services for the poor and the aged, but more in the area of capital expenditures, salary increases, tax relief, etc., so that, I believe, will be of some relevance to your clients.