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REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

Revenue Sharing Fund Impact On Midwestern Townships And New England Counties

Department of the Treasury

GAO recommends that the Congress consider two alternatives for amending the Revenue Sharing Act to distinguish between general-purpose governments eligible for revenue sharing and limited-purpose governments, such as many midwestern townships, that operate more like special districts and would not be eligible to receive the funds.

GAO also recommends that the Congress eliminate the disproportionate allocations being paid to many midwestern townships by deleting the act's requirement that certain local governments receive an allocation of at least 20 percent of the per capita amount available for distribution to local governments statewide.

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

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To the President of the Senate and the
Speaker of the House of Representatives

This report compares 1942 and 1972 expenditures and employment figures of midwestern townships and New England counties with similar data from other local governments, describes services these governments provide, and discusses their participation in the Federal revenue sharing program. We conducted the review to determine whether there were indicators that Federal revenue sharing funds were counteracting trends involving the viability or importance of these governments.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53); the Accounting and Auditing Act of 1950 (31 U.S.C. 67); and the State and Local Fiscal Assistance Act of 1972 (86 Stat. 932, 934).

We are sending copies of this report to the Secretary of the Treasury; the Director, Office of Revenue Sharing; and the Director, Office of Management and Budget.

Elmer B. Staats

Comptroller General
of the United States

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D I G E S T

Many midwestern township governments which receive revenue sharing funds provide essentially one service or a limited number of services and operate very much like special districts, such as school and sanitation districts, which were not included under the program.

GAO, therefore, recommends that the Congress consider two alternatives for amending the Revenue Sharing Act to provide a basis for distinguishing between general-purpose governments that would be eligible for revenue sharing and limited-purpose governments that operate more like special districts and would not be eligible to receive the funds.

The first alternative would be to direct the Secretary of the Treasury to establish new eligibility criteria based upon the number, kind, and extent of services a local government must perform to be determined eligible by the Secretary of the Treasury to receive revenue sharing funds.

The other alternative would be to allow the States the option to decide whether local governments render sufficient services to be eligible for revenue sharing as general-purpose governments. While this approach could result in inconsistencies among the States, it would recognize that State and local governments use different ways to provide governmental services.

Also, many midwestern townships receive a disproportionate share of local revenue sharing allocations because of the act's requirement that local governments, except county governments, receive a per capita allocation equal to at least 20 percent of the per capita amount available for distribution to local governments statewide. GAO recommends the deletion of this requirement to correct the problem of the disproportionate allocations being received by many midwestern townships which provide very limited services and have small revenues and expenditures.

Such actions would be consistent with the intent of the revenue sharing formula which is designed to give more funds to local governments that have higher populations and taxes and whose citizens have lower per capita incomes compared to other local governments in a State.

Revenue sharing funds are distributed to local governments with very few Federal restrictions on how the funds can be used. Many midwestern townships, however, are restricted by State law or recent practices to using the funds for a limited variety of services. Although townships in the nine States GAO visited were authorized to provide a variety of services, many actually were providing essentially one service or a limited number of services and had characteristics more like limited-purpose special districts than like general-purpose governments.

Various individuals who have studied the program have questioned the desirability of allocating revenue sharing funds to local governments that provide limited services similar to those provided by special districts. Also, there was some discussion regarding the advisability of allocating revenue sharing funds to single-purpose governments when the Congress considered revenue sharing legislation.

By giving some townships a disproportionately large share of available local government revenue sharing funds, the Federal Government may be unintentionally interfering with the historical trend which shows that the services provided citizens by many townships have been declining over the years relative to other local governments in the midwest.

The data GAO compared on the number, expenditures, and employees of townships and other local governments indicates that many townships experienced a substantial decline in their relative contribution of governmental services from 1942 to 1972. The expenditures of township governments decreased from 10.6 percent of total local government expenditures in 1942 to 4.4 percent in 1972. A similar decline occurred in the percentage of local government employees that worked for townships.

GAO's comparison of the townships' portion of the 1972 local revenue sharing funds with their share of other local revenues shows that townships in all nine States receive a greater portion of the local revenue sharing funds than their portion of other local revenues.

The literature on local government generally downgrades the importance of the New England counties compared to other local governments in New England and county government elsewhere. However, GAO found that with the exception of Vermont, the counties were active governments delivering typical county services--although on a much smaller scale than counties nationwide.

The counties receive a somewhat greater proportion of local revenue sharing funds than is their share of total local per capita spending. However, the difference is small in proportion to their total revenues and would not alter significantly the historical trend of these governments compared to others in the State.

The Office of Revenue Sharing did not believe that an executive agency of the Federal Government should be required to decide, from among local governments created by the legislative authority of a State, which of the governments would receive revenue sharing funds.

The Congress often establishes broad, general criteria to guide administrating agencies in establishing regulations which specify the qualifications potential recipients need to be eligible for Federal programs, but GAO recognizes that the Congress may want to consider other approaches to the problem of determining eligibility.

GAO, therefore, offers as an alternative to assigning the responsibility to the Secretary of the Treasury, the recommendation that the Congress amend the act to allow the States the option to decide which local governments would be eligible to receive revenue sharing funds. GAO's primary concern is that new eligibility criteria be established.

Office of Revenue Sharing officials disagreed with the GAO recommendation that the Congress amend the act to delete the requirement for a 20-percent minimum per capita allocation to certain units of local government primarily on the basis that the Revenue Sharing Act has two limitations on the amount of revenue sharing funds that can be distributed to governments with minimal expenditures.

GAO noted, however, that the 20-percent minimum provision actually causes some governments to avoid one of these limitations and the other limitation merely reduces the extent to which the 20-percent minimum disproportionately rewards some midwestern townships with minimal expenditures.

CHAPTER 1

INTRODUCTION

The distribution of revenue sharing funds to midwestern townships and New England counties has been questioned. The Advisory Commission on Intergovernmental Relations, for example, stated in its October 1974 report entitled "General Revenue Sharing: An ACIR Reevaluation" that:

> "Revenue sharing tends to prop up certain duplicative, obsolete, and/or defunct units of local government. [It permits] * * * such limited governments as many Midwest townships and some, principally New England, counties to receive revenue sharing allocations."

In a 1975 Brookings Institution report entitled "Monitoring Revenue Sharing," the authors stated that the law is essentially inaccurate in designating all townships and counties as general-purpose units and thus eligible for the program.

The Bureau of the Census refers to the Northeastern States and Michigan and Wisconsin as "strong" township States, and nine of the additional Midwestern States as "rural" township States.

For many years, students of local government have described many rural townships in the Midwest and counties in New England as governments which are unnecessary, duplicative, obsolete, and defunct. They observed that the rural midwestern township has been gradually losing its functions to other levels of government, particularly the county, which they believe to be more suitable for delivering public services in sparsely populated areas. Lane W. Lancaster stated in his 1937 book entitled "Government in Rural America" that:

> "The township outside New England has had * * * little vitality in spite of strenuous efforts to make it a vigorous exemplar of local democracy. It has been kept alive largely by a combination of artifical respiration in its early years and latterly by the stubborn inertia of vested interests."

Clyde F. Snider stated in his 1957 book entitled "Local Government in Rural America" that:

"All in all, available evidence points to the conclusion that the midwestern township as a governmental institution is on the way out and, furthermore, that this fact is not to be regretted."

GAO undertook this review to determine what effects distributing revenue sharing funds to midwestern townships and New England counties has had on these governments' activities and their relationships with other forms of local government. We were especially interested in determining whether there were indicators that revenue sharing funds are counteracting trends involving the viability and/or importance of these governments.

REVENUE SHARING AND LOCAL GOVERNMENTS

The State and Local Fiscal Assistance Act of 1972 (P.L. 92-512), known as the Revenue Sharing Act, appropriated $30.2 billion for aid to State and local governments for a 5-year period beginning January 1, 1972. During its deliberations on the legislation, the Congress concluded that State and local governments needed financial assistance to help them alleviate their severe budgetary problems.

Although the Federal Government has been providing State and local governments with substantial financial aid, the revenue sharing program is a fundamentally different concept. Unlike the categorical aid programs, which require the recipients to use the funds for narrowly defined purposes, revenue sharing allows the recipient considerable flexibility in spending the money.

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

The 50 States, the District of Columbia, and about 39,000 units of local government are eligible to receive revenue sharing funds. Although there are about 78,000 units of local government in the United States, the act provides for allocations to "units of local government" which are defined as counties, municipalities, townships, or other units of government which are units of "general government." Certain Indian tribes and Alaskan native villages are also eligible. This definition thus excludes from eligibility special purpose units of local government, such as school, utility, and library districts. The principles of governmental classification used by the Bureau of the Census for general statistical purposes are to be followed to resolve questions which may arise concerning eligibility of particular units. Currently, eligible units of local government include about 3,050 counties, 18,700 municipalities, and 17,000 townships.

The act includes formulas for determining the amount each government is to receive from each year's appropriation, which increases annually from $5.3 billion in 1972 to $6.5 billion in 1976.

HISTORY OF TOWNSHIP AND COUNTY GOVERNMENT

Local government in the United States derives many of its basic features from the governmental structures of England. Added to the English influence were the impact of geographic, economic, and social conditions and special interests which caused the pattern of government to develop differently from region to region.

Township and town government

Townships or town governments exist as county subdivisions in 21 States, primarily in New England, the Middle Atlantic area, and the Midwest. 1/ A. E. Sheldon, in his 1943 book entitled "Nebraska Civil Government," linked this class of government to its early English heritage as follows:

> "The Anglo-Saxon tribes which conquered and settled in England fought in unit groups, or clans descended from a common ancestor. They governed themselves through their public meetings and by customs which had slowly formed through the centuries. These

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1/New England--Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. Middle Atlantic area--New Jersey, New York, and Pennsylvania. Midwest--Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. The State of Washington has townships in one county. Townships in Iowa are no longer considered by the Bureau of the Census as functioning governments. The term township and town are used to identify some governmental units in certain other States but not in the same context as the terms are recognized by the Bureau of the Census.

clans settled in separate villages, each village surrounded by a hedge, or ditch, called tun in their language. So much land as could be seen from the tun was the tunscipe, 'seen from the hedge.' The people in the village lived by farming the tunscipe. The village and the land so farmed taken together were the smallest unit of civil government, the township, as we call it today."

The New England town is the forerunner to, and basic model for, townships elsewhere, and towns in New York, New Jersey, and Pennsylvania developed almost as spontaneously as did the New England town. The first settlers in New England located themselves in compact groups around stockades and forts and farmed the surrounding fields. One or two villages emerged in each settlement. The settlers gradually adopted the town concept through natural inclination.

Most towns and townships serve rural populations and provide few services. In New England, however, towns are an important unit of local government; they provide public education as well as certain other services carried out elsewhere by county governments. In the Middle Atlantic States and in Michigan and Wisconsin, they perform some very significant, municipal-like functions. However, generally in the Midwestern States (except for Michigan and Wisconsin), township functions are limited. Yet, there are more than 10,000 of these governments in the 9 States that have been described by the Bureau of the Census as "rural" township States.

County government

County governments function in all States except Connecticut and Rhode Island. Their traditional roles have been to aid State governments in carrying out certain responsibilities and to serve as governments for rural areas.

Like the township, the county was instituted in this country during colonial times to perform special roles. The county was to provide schools and roads; maintain law and order; supervise election machinery; record wills, deeds, and mortgages; and issue certain licenses and permits. Its geographical jurisidiction was generally made small so that a resident could journey to and from the county seat in a day. More than 3,000 counties exist in the United States, from 3 in Delaware to 254 in Texas. Some counties are now providing other services, including airports, playgrounds and parks, and sewage and water systems.

Like county government generally found elsewhere in the country, the county government in New England is an agency which administers State affairs, such as the courts, on a regional basis. Unlike counties elsewhere, the New England county is involved relatively little in governing affairs principally or solely of local interest.

CHAPTER 2

SOME MIDWESTERN TOWNSHIPS BENEFIT

INEQUITABLY FROM REVENUE SHARING

The act specifically includes township governments as revenue sharing recipients, although many midwestern townships provide essentially one service and are very much like special districts, such as school and sanitation districts, which were not included in the revenue sharing program. Also, in the nine Midwestern States we visited, many township governments are disproportionately awarded funds at the expense of municipal and county governments. We believe that by giving these governments a disproportionate share of revenue sharing funds the Federal Government may be unintentionally interfering with the trend which shows that many townships are declining in their contribution to governmental service when compared to other local governments in the Midwest.

RELATIONSHIP OF TOWNSHIPS AND OTHER LOCAL GOVERNMENTS

We reviewed and analyzed 1942 and 1972 Bureau of the Census data on the number, expenditures, and public employment of local governments in the nine States that are classified by the Bureau as being rural township States. We compared data on township governments with similar data for local governments as a whole excluding special districts, school districts, and Indian tribes.

Number of governments

The number of municipalities in the nine States increased by about 9 percent between 1942 and 1972. The number of counties remained about the same, but the number of townships declined by about 2 percent--from 10,523 to 10,296. (See table 1.) Most of the States lost a small number of townships. South Dakota and Minnesota lost the most--8.3 percent (94 units) and 4.6 percent (86 units), respectively. Missouri experienced the only gain, and the number in Nebraska was unchanged.

Expenditures and revenues

The declining importance of townships relative to other general-purpose governments in the nine Midwestern States we visited is evidenced strongly by our comparison of 1942 and 1972 expenditures of these governments. During that period, the per capita spending by townships relative to all general-purpose local governments decreased substantially overall and in each of the nine States.

Table 1

Number of Midwestern Local Governments: 1942 & 1972

	1942	1972	Number increase (decrease)	Percent increase (decrease)
Illinois:				
Counties	102	102	-	-
Municipalities	1,137	1,267	130	11.4
Townships	1,434	1,432	(2)	(0.1)
Indiana:				
Counties	92	91	(1)	(1.1)
Municipalities	529	546	17	3.2
Townships	1,010	1,008	(2)	(0.2)
Kansas:				
Counties	105	105	-	-
Municipalities	589	626	37	6.3
Townships	1,524	1,517	(7)	(0.5)
Minnesota:				
Counties	87	87	-	-
Municipalities	752	854	102	13.6
Townships	1,884	1,798	(86)	(4.6)
Missouri:				
Counties	114	114	-	-
Municipalities	734	894	160	21.8
Townships	329	343	14	4.3
Nebraska:				
Counties	93	93	-	-
Municipalities	530	537	7	1.3
Townships	476	476	-	-
North Dakota:				
Counties	53	53	-	-
Municipalities	333	358	25	7.5
Townships	1,399	1,368	(31)	(2.2)
Ohio:				
Counties	88	88	-	-
Municipalities	890	936	46	5.2
Townships	1,339	1,320	(19)	(1.4)
South Dakota:				
Counties	64	64	-	-
Municipalities	301	308	7	2.3
Townships	1,128	1,034	(94)	(8.3)
Nine State total:				
Counties	798	797	(1)	(0.1)
Municipalities	5,795	6,326	531	9.2
Townships	10,523	10,296	(227)	(2.2)

We compared and analyzed the direct general expenditures of townships, counties, and other local governments within the nine States. We changed the 1942 dollar values to 1972 values using Consumer Price Index figures developed by the Bureau of Labor Statistics, Department of Labor. Additionally, we made comparisons on a per capita basis to eliminate misrepresentation due to changes in population. The population figures used to convert to per capita values were taken from the 1940 and 1970 censuses.

During the 30-year period, the overall per capita spending by township governments increased by nearly 12 percent. However, because the per capita spending by all local governments increased by nearly 168 percent, the relative spending by townships dropped substantially--from nearly 11 percent in 1942 to about 4 percent in 1972. (See table 2.)

On a State by State basis, the expenditures of townships relative to other local governments in Illinois, Indiana, Kansas, Missouri, and Nebraska experienced the sharpest declines. While actual township per capita spending in each of these States was declining, the per capita spending by all local units was increasing substantially. This situation resulted in very large declines in the relative financial positions of townships in these States. Township per capita spending in the other four States increased, but not fast enough to maintain their level of spending relative to other local governments. Township spending in Ohio increased almost as much as that of all local governments, experiencing only a very small decline in its level of spending.

By 1972, the township relative per capita spending level of 4.4 percent represented nearly a 59-percent decrease from the 1942 level of 10.6 percent. South and North Dakota townships' share of the local per capita spending was larger than the townships' share of local per capita spending in any of the other States. Illinois, Minnesota, Nebraska, and Ohio townships were above the overall average. Townships in Indiana, Kansas, and especially Missouri accounted for the least significant portion of local government expenditures.

The decline in the amount of funds available to townships relative to those of other local governments in the nine States is being counteracted, to some extent, by the revenue sharing program. The 1972 general revenues of township governments in these States represented only 3.3 percent of all local general revenues (excluding revenue sharing). (See table 3.) The township governments, however, were allocated 9.3 percent of local revenue sharing funds.

Table 2

Comparison of Midwestern Township Expenditures With Expenditures of All General-Purpose Local Governments: 1942 & 1972 (note a)

	Direct general expenditures per capita		
	1942 (note b)	1972	Percent increase (decrease)
Illinois:			
Townships	$ 14.03	$ 12.35	(12.0)
All local governments	$ 77.46	$203.81	163.1
Township percent of total	18.1%	6.1%	-
Indiana:			
Townships	$ 7.83	$ 4.46	(43.0)
All local governments	$ 78.40	$192.27	145.2
Township percent of total	10.0%	2.3%	-
Kansas:			
Townships	$ 12.26	$ 7.99	(34.8)
All local governments	$ 86.13	$220.05	155.5
Township percent of total	14.2%	3.6%	-
Minnesota:			
Townships	$ 14.01	$ 27.03	92.9
All local governments	$110.30	$321.33	191.3
Township percent of total	12.7%	8.4%	-
Missouri:			
Townships	$ 1.58	$ 1.22	(22.8)
All local governments	$ 50.80	$181.29	256.9
Township percent of total	3.1%	0.7%	-
Nebraska:			
Townships	$ 30.14	$ 11.12	(63.1)
All local governments	$ 74.23	$198.89	167.9
Township percent of total	40.6%	5.6%	-
North Dakota:			
Townships	$ 11.60	$ 26.67	129.9
All local governments	$ 58.60	$157.05	168.0
Township percent of total	19.8%	17.0%	-
Ohio:			
Townships	$ 4.75	$ 11.31	138.1
All local governments	$ 86.55	$211.30	144.1
Township percent of total	5.5%	5.4%	-
South Dakota:			
Townships	$ 11.88	$ 22.65	90.7
All local governments	$ 62.38	$145.88	133.9
Township percent of total	19.0%	15.5%	-
Nine States overall:			
Townships	$ 8.35	$ 9.33	11.7
All local governments	$ 79.05	$211.80	167.9
Township percent of total	10.6%	4.4%	-

a/Includes counties, municipalities, and townships.

b/Actual 1942 expenditures adjusted to show all expenditures in 1972 dollars.

As a result, the revenues of townships were increased from 3.3 percent of all local general revenues to 3.7 percent when revenue sharing funds were included.

Table 3

Comparison of Townships' 1972 Share of All Local General Revenues Before and After Revenue Sharing

	Townships' share of general revenues of all local governments (excluding revenue sharing)	Townships' share of 1972 revenue sharing allocations	Townships' share of general revenues plus revenue sharing	Increase attributable to revenue sharing
	(percentage)			
Illinois	5.0	13.0	5.6	12
Indiana	2.5	10.7	3.1	24
Kansas	1.2	6.1	1.5	25
Minnesota	2.0	6.6	2.3	15
Missouri	0.7	2.6	0.8	14
Nebraska	0.8	3.4	1.0	25
North Dakota	5.1	13.7	6.0	18
Ohio	4.4	9.9	4.7	7
South Dakota	4.4	7.9	4.8	9
Nine States overall	3.3	9.3	3.7	12

The general revenues of townships in Indiana, Kansas, and Nebraska were increased the most. These three States, however, were among those in which the townships' spending relative to that of other local governments decreased the most during 1942 to 1972. (See table 2.) On the other hand, revenue sharing increased Ohio townships' share of the local revenues by the least amount (see table 3), even though townships in Ohio nearly maintained their share of local spending.

Public employment

We compared full-time public employment by townships and that of all general-purpose local governments as another indicator of the relative importance of townships. Our comparison showed that between 1942 and 1972 full-time public employment by townships relative to that by all local units decreased considerably. (See table 4.) While local governments in the nine States increased the number of their full-time employees for every 10,000 people from about 62 to 116, or nearly 87 percent, township full-time employment in those States decreased from 6 to less than 3 employees for every 10,000 people, or about 61 percent.

Although North Dakota and Missouri townships experienced some increase in their full-time employees, their relative standing declined because of much larger increases by other types of local government in these States.

RECENT ACTIVITIES

We visited 52 township governments in 9 Midwestern States and analyzed data on them to determine: (1) the extent and nature of services these governments provided, (2) the relative impact of revenue sharing on them, and (3) the views of State and local government officials about the effect of general revenue sharing funds on townships.

In selecting townships for review in each State, we attempted to get a representative mix of townships in both urban and rural counties while recognizing any special State law that would affect a government's function. For example, in Kansas, by county option, selected road maintenance functions are performed either by the county or by the townships. Therefore, we selected townships in both types of counties.

Of the nine States we visited, only Kansas and Indiana have township governments in all counties. Missouri and Nebraska have more counties without township government, 92 of 115 and 65 of 93, respectively.

We used two indicators to assess the relative significance of the services midwestern townships provided: (1) the number of services and (2) the amount of resources the townships were devoting to each function.

Midwestern township governments in the nine States were authorized to provide varying numbers of services, ranging from 6 in Missouri to 36 in Illinois. (See table 5.) The 52 townships visited generally were providing only a limited number of the services they were authorized to provide. Some services were not being provided because either the county or a special district had assumed the function or the service was no longer required. The most common services being provided were road maintenance, fire protection, cemeteries, property assessment, parks and recreation, weed control, and law enforcement.

Table 4

Comparison of Full-Time Public Employees of Local Governments in the Midwest: 1942 & 1972

	Number of employees per 10,000 people		
	1942	1972	Percent increase (decrease)
Illinois:			
Townships	9.3	3.6	(61.3)
All local governments (note a)	63.6	111.1	74.7
Township percent of total	14.6	3.2	-
Indiana:			
Townships	4.2	1.1	(73.8)
All local governments (note a)	57.6	115.1	99.8
Township percent of total	7.3	1.0	-
Kansas:			
Townships	4.2	3.7	(11.9)
All local governments (note a)	55.3	124.6	125.3
Township percent of total	7.6	3.0	-
Minnesota:			
Townships	10.0	2.9	(71.0)
All local governments (note a)	62.6	119.2	90.4
Township percent of total	16.0	2.4	-
Missouri:			
Townships	0.3	0.4	33.3
All local governments (note a)	54.0	105.5	95.4
Township percent of total	0.6	0.4	-
Nebraska:			
Townships	20.0	4.1	(79.5)
All local governments (note a)	48.7	127.7	162.2
Township percent of total	41.1	3.2	-
North Dakota:			
Townships	2.9	4.5	55.2
All local governments (note a)	33.5	89.7	167.8
Township percent of total	8.7	5.0	-
Ohio:			
Townships	9.0	3.1	(65.6)
All local governments (note a)	74.6	122.2	63.8
Township percent of total	12.1	2.5	-
South Dakota:			
Townships	-	3.0	-
All local governments (note a)	44.8	96.7	115.8
Township percent of total	-	3.1	-
Nine States overall:			
Townships	6.4	2.5	(60.9)
All local governments (note a)	61.9	115.5	86.6
Township percent of total	10.3	2.2	-

a/Includes counties, municipalities, and townships.

The following examples illustrate the limited extent of the services provided by some townships we visited.

--In Kansas, all nine townships visited provided four or fewer services, and one of these townships provided no services. Two were supporting cemeteries as their only service. After 1973, only two of the nine townships had responsibility for road maintenance.

--In South Dakota, all six townships provided four or fewer services. All six provided road maintenance, mostly through contracts with the county or private firms.

--In Minnesota, four of the five townships provided four or fewer services. All five townships provided road maintenance and fire protection, while two also provided police protection.

--In North Dakota, all six townships provided four or fewer services. Five of the six townships provided road maintenance, usually contracting for the service with the county or private firms. Some townships also assessed property, and some provided law enforcement and/or weed control.

Table 5

Number of Services Provided by Townships (generally as of 1973 or 1974)

	Number of townships visited in each State	Number of services authorized	Number of services provided (note a)			
			0-2	3-4	5-6	7 or more
Illinois	6	b/36	-	3	3	-
Indiana	5	9	1	3	1	-
Kansas	9	15	7	2	-	-
Minnesota	5	15	3	1	1	-
Missouri	5	6	5	-	-	-
Nebraska	5	15	3	2	-	-
North Dakota	6	16	6	-	-	-
Ohio	5	11	-	1	1	3
South Dakota	6	19	2	4	-	-
Total	52		27	16	6	3

a/Does not include general administration.

b/Data does not take into account a 1974 Illinois law which expanded township authority.

Townships in the more populated States of Illinois, Indiana, and Ohio, however, generally provided more services. For example, the average number of services provided by Illinois, Indiana, and Ohio townships were about six, five, and seven, respectively. (App. II shows the number of services provided by each township and the level of expenditure for each major service provided.)

Expenditures for services from 1973 to 1974 varied considerably among the 52 townships visited. The level of expenditure for a service was quite low in some townships. Examples included $100 for library services and $100 for cemetery care in Nebraska, $8 for weed control in South Dakota, $246 for health service in Ohio, and $276 for canine damage to livestock in Indiana. The service expenditure level in others was much higher. Examples included $2,175,161 for poor relief (96 percent of the township's budget) in Indiana and $514,069 for welfare assistance by an Illinois township.

Total annual expenditures for services by townships in the six most rural States from 1973 to 1974 were generally lower than those for townships in Illinois, Indiana, and Ohio. Total annual expenditures by individual townships in the six States--Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota--ranged from zero to $190,355; only 10 of the 36 townships in those States spent more than $10,000. Twenty-one of the 36 spent 70 percent or more of their funds to maintain roads. (See table 6.) Administration was the next largest expenditure category. Some townships provided other services, such as fire protection, cemetery care, and sewage disposal.

Of the 52 townships visited in the nine States, the accounting records indicated that 34 townships made 75 percent or more of their expenditures, excluding expenditures for general administration, to provide one service. The records indicated that 24 townships made 90 percent or more of their expenditures, excluding expenditures for general administration, to provide one service. This heavy concentration of spending for one service makes many townships more like special districts than like general-purpose governments.

When townships' expenditures are measured on a per capita basis, however, townships in North and South Dakota and Minnesota spend much more than those in Illinois, Indiana, and Ohio. Of the nine States, townships in Illinois, Indiana, and Ohio rank fourth, eighth, and fifth, respectively, in the amount of expenditures per capita.

Table 6

Percentage of Township Budget Spent on Roads in the Six Most Rural States (note a) (generally for fiscal years ending in 1973-1974)

	0-49 percent	50-69 percent	70-89 percent	90+ percent	Total
Kansas	7	-	1	1	9
Missouri	-	-	2	3	5
Nebraska	-	1	2	2	5
South Dakota	1	-	3	2	6
North Dakota	3	1	1	1	6
Minnesota	2	-	3	-	5
Total	13	2	12	9	36

a/Excludes revenue sharing, except in North Dakota where the data could not easily be separated.

In the more populated States of Illinois, Indiana, and Ohio, townships provided more services but still concentrated their spending in a few areas, such as welfare, fire and police protection, and road maintenance. (See table 7.) Annual spending for the 16 townships we visited in these 3 States ranged from about $4,000 to about $2,256,000. The percent of the expenditures for different services varied considerably from one township to another. (See app. II for the percent of expenditure for each township's major functions.)

Table 7

Township Services in the More Urbanized States

State and service category (note a)	Number of townships providing services	Percent range of spending
Six Illinois townships:		
Welfare assistance	5	8-56
Roads	6	6-58
Five Indiana townships:		
Poor relief (excluding Center Township)	4	6-19
Poor relief--Center Township	1	96
Fire protection	4	25-67
Five Ohio townships:		
Fire protection	5	14-31
Police protection	3	14-42
Roads	5	8-74

a/These 16 townships provided a mix of some 15 other services.

Our analysis of selected township spending patterns before and after revenue sharing indicated the townships' spending patterns did not vary substantially. The predominant categories of governmental activity before revenue sharing still accounted for most of the funds spent from all sources, including revenue sharing.

For example, in the five Ohio townships, most of the funds spent in calendar year 1973 were for road maintenance, fire protection, law enforcement, and administration. These same categories accounted for most of the expenditures in the prior 5 years.

In addition to analyzing financial activity, we asked officials of each of the 50 townships which had spent revenue sharing funds whether the funds had helped to provide new services, increase or improve existing services, or maintain existing services. Most officials said the funds were used to expand or improve existing services. Their responses were as follows:

	Number of townships
Funds enabled the government to:	
Provide new service	3
Expand or improve existing services	36
Maintain existing services	7
Provide new and maintain existing services	2
No response	2
Total	50

COMMENTS OF STATE, LOCAL, AND OTHER INTERESTED OFFICIALS

Over the years many authors of literature on local government and government officials have expressed the view that midwestern townships are inefficient or obsolete governments. Many argue that revenue sharing tends to perpetuate such governments which do not need the funds since they perform few and limited services. We asked State officials, representatives of universities, and other interested parties to comment on the viability of the midwestern township and the appropriateness of its participation in revenue sharing. We also asked the opinions of township and county officials.

Opinions varied widely, and we were unable to draw a consensus. There was, however, a pattern in the opinions. Those most consistently opposed to township governments or their participation in revenue sharing were State officials, university officials, and representatives of city and county organizations. Township officials were the strongest supporters. State officials, representatives of universities, and representatives of county or municipal organizations in Missouri, Kansas, Nebraska, North and South Dakota, and Minnesota generally felt that townships were somewhat outmoded or limited as to activity and that other governments might better utilize their revenue sharing funds. A Missouri State official, for example, said that the township is an outmoded form of government and should not receive general revenue sharing funds because the funds give townships new life when they should be eliminated.

County officials were more divided on the township issue. For example, a South Dakota county official expressed the view that townships are definitely viable and much more aware of their road needs than the county. He said that most townships are very conscientious about giving equal road service to every resident of the township. A Nebraska county official, however, said that he does not consider townships to be viable governments. He said that the township's only function is to maintain a few miles of rural dirt roads where, for the most part, no one lives; it would be just as easy for the county to maintain these roads. The official said he was sure the county could more effectively use township revenue sharing funds but would not necessarily use all the townships' share on township roads. He said that the funds probably would be used also for public health, welfare, and recreation.

Township officials generally believed in the viability of the township and its continued participation in the revenue sharing program. For example, the officials of one Kansas township expressed the view that township government is the most responsive to the types of problems experienced by the local residents. They did not feel that the county, nor the nearby city, could or would provide services to the township's residents as well as could the township government.

In the more urbanized States--Illinois, Indiana, and Ohio--State, county, and other interested officials showed greater acceptance of township government and its participation in revenue sharing. A State senator of Illinois said, for example, that it is very important that townships be strengthened, particularly urban townships. He said that county governments and their officials are too far removed in both a geographical and a political sense. A county official in Ohio said that the county government would not be more effective than the township in providing township services because the former is further removed from the people. He said that the citizens would not be as reluctant to voice their complaints to township officials as they would to county officials.

The Illinois and the Cook County Leagues of Women Voters are exceptions to the general acceptance of townships in Illinois. An official of the League of Women Voters of Illinois told us that the League favors abolishing township governments in Illinois because they are outmoded. She said the townships are obscure governments in that the public is generally not aware of townships and their functions. She said the townships want to set up their own programs which tend to duplicate services provided by other governments. An official of the Cook County League said that the townships are not general-purpose governments, as are counties and municipalities, and should not receive general revenue sharing funds.

LIMITATIONS ON REVENUE SHARING ALLOCATIONS

The formulas and various limitations and restrictions in the Revenue Sharing Act are intended to allocate funds to governments in proportion to their respective needs and to give more to governments that are doing more to help themselves. Collectively, they represent a complex process which may cause a particular government's allocation to change substantially at given stages in the process before the final entitlement is calculated.

After the total revenue sharing allocation is determined for all governments within a State, one-third of this amount is allocated to the State government and the remaining two-thirds is available for allocation to local governments. This ratio was adopted because the Congress concluded that local governments generally appeared to need assistance more critically than State governments and accounted for about two-thirds of total State and local spending.

The local share is allocated to local governments using a formula which recognizes each government's population, relative income, and tax effort. The relative income factor is designed to result in higher allocations to lower income areas which generally have difficulties raising enough revenues to provide needed services. The tax effort factor is designed to result in larger allocations for those places which imposed high taxes relative to the incomes of their residents.

The Congress concluded that, because of the great diversity of local governments, no single allocation method could be used without occasionally producing extreme results.

To insure that one local government did not receive an inordinately large amount of funds while another government received almost no funds, minimum and maximum limits were placed on the allocations. As a result, the act provides that no local government, except county governments, can receive less than 20 percent nor more than 145 percent of the average per capita amount available for distribution to all local governments within the State.

To demonstrate the effect of these limits, we can assume a statewide allocation of $7.5 million, of which $2.5 million would go to the State government and $5 million would be available for distribution to local governments. If we further assume a State population of one million, then the local share per capita would be $5 ($5 million ÷ 1 million people). The 20-percent limitation, in this case, would provide for at least a $1 allocation (20 percent of $5) per capita to each eligible local government, except county governments. The 145-percent limitation would provide for a maximum allocation per capita of $7.25 (145 percent of $5).

In addition to the minimum and maximum limitation, the act provides that no local government, including county governments, can receive revenue sharing in excess of 50 percent of the sum of its adjusted taxes and intergovernmental transfers. This constraint, as applied by the Office of Revenue Sharing, causes some governments to be allocated amounts less than the 20-percent minimum limit. A recipient's allocation is raised to the 20-percent minimum so long as the allocation would not exceed 50 percent of the recipient's adjusted taxes plus intergovernmental transfers.

Effects of the 20-percent limitation

Certain counties, municipalities, and townships lose funds in order to bring the allocations of other midwestern townships up to the 20-percent limitation. Our analysis of allocations for fiscal year 1974 showed that in the nine Midwestern States visited the limitation shifted about $24 million from counties and cities to townships. The following chart shows the total number of county, municipal, and township governments in the nine States we visited which gained or lost funds during fiscal year 1974 because of the 20-percent limitation.

Types of government	Number gaining	Amount gained	Number losing	Amount lost	Net amount gained (lost)
		(000 omitted)		(000 omitted)	
Counties	20	$ 26	706	$ 9,393	$ (9,367)
Municipalities	1,263	1,903	4,278	16,390	(14,487)
Townships	4,148	24,671	4,102	806	a/23,865

a/The $11,000 difference between the combined amount lost by counties and municipalities ($23,854,000) and the amount gained by townships ($23,865,000) is due to approximately $9,300 in allocations lost by Indian tribes because of the 20-percent limitation and the remainder is due to rounding of numbers.

The effect of the limitation varied widely from State to State. The limitation raised Illinois, Indiana, and Ohio townships' allocations by about $10.2 million, $6.0 million, and $5.7 million, respectively. Comparatively little money is lost by some townships in these States because of the limitation. The limitation had little effect on townships in North Dakota. (See app. III for more details on the impact of the limitation from State to State.)

Effects of raising $200 minimum payment

To receive revenue sharing funds, a government's annual allocation must be at least $200. For the 1974 fiscal year, the allocations of 555 townships in the 9 Midwestern States were calculated by the Office of Revenue Sharing to be less than $200. As provided in the Revenue Sharing Act, the allocations of these 555 townships were reallocated to the governments of the counties in which the townships were located.

Because of interest expressed by Members of Congress and others about the prospects of raising the $200 minimum payment, we determined the effects that increasing the minimum allocation would have on the number of townships in the nine rural township States now receiving revenue sharing funds.

If the minimum annual revenue sharing allocation had been $2,000 for fiscal year 1974, the revenue sharing funds allocated to about 4,800 midwestern townships in the 9 States visited would have been reallocated to the county governments in the counties in which the townships were located. The following table shows the number of townships that would have been affected if the minimum revenue sharing payment for fiscal year 1974 had been set at various amounts between $200 and $2,000.

Table 8

Number of Township Governments Eliminated From Program If Different Minimum Allocations Amounts Were Applied for FY 1974

	Number of township governments	Total number of townships eliminated: At current $200 minimum	At a $500 minimum	At a $1,000 minimum	At a $1,500 minimum	At a $2,000 minimum
Illinois	1,432	4	4	6	19	37
Indiana	1,008	11	15	46	141	265
Kansas	1,517	372	553	786	970	1,125
Minnesota	1,798	26	144	379	658	929
Missouri	343	2	4	18	51	76
Nebraska	476	36	66	135	234	309
North Dakota	1,368	16	79	317	740	1,076
Ohio	1,320	0	0	15	65	118
South Dakota	1,034	88	268	523	707	830
Total	10,296	555	1,133	2,225	3,585	4,765

Raising the minimum to $2,000 had little effect on townships in Illinois where less than 3 percent of the townships (37 units) were affected and in Ohio where less than 9 percent (118 units) were affected. However, in Kansas, Minnesota, Nebraska, North Dakota, and South Dakota the number of townships that would be affected by a $2,000 minimum allocation is substantial. (App. IV shows the number of counties, municipalities, and townships eliminated in the nine States and nationwide.)

CONCLUSIONS

The Revenue Sharing Act requirement that each local government be allocated at least 20 percent of the per capita amount available for distribution to all local governments in a State disproportionately rewards many midwestern townships at the expense of other local governments in the nine States we visited.

The formula used to calculate the revenue sharing allocation to local governments is designed to give more funds to local governments that have higher populations and taxes and whose citizens have lower per capita incomes compared to other local governments in a State. Many midwestern townships we visited provide a very limited number and/or level of services, have small revenues and expenditures, and would receive small amounts of revenue sharing compared to other forms of local government if their allocations were determined solely by the formula. Because of the 20-percent limitation, many midwestern townships receive revenue sharing allocations that are quite large compared to their own revenues. County and municipal governments in the nine States visited lose a total of about $24 million annually to raise the allocations of these townships up to the 20-percent minimum.

The data we compared on the number, expenditures, and employees of townships and other local governments indicate that many townships have experienced a substantial decline in their contribution to governmental services during 1942 to 1972, when compared to other local governments in the Midwest. The expenditures of township governments decreased from 10.6 percent of total local government expenditures in 1942 to 4.4 percent in 1972. A similar decline occurred in the percentage of local government employees that worked for townships.

We believe by giving some townships a disproportionately large share of available local government revenue sharing funds, the revenue sharing program may be slowing the trend that has occurred toward decreasing midwestern towns' ps' relative contribution to governmental services when mpared to other local governments.

Revenue sharing funds are distributed to local governments with very few Federal restrictions on how the funds can be used. Many midwestern townships, however, are restricted by State law or recent practices to using the funds for a limited variety of services. Although townships in the nine States we visited were authorized to provide various services, many actually were providing only limited services and had characteristics more like limited-purpose special districts than like general-purpose governments.

Various individuals who have studied the program have questioned the desirability of allocating revenue sharing funds to local governments that provide limited services similar to those provided by special districts. Also, there was some discussion regarding the advisability of allocating revenue sharing funds to single-purpose governments when the Congress deliberated passing the act. Because the act excludes special districts from the revenue sharing program and many midwestern townships we visited are more like special districts than like general-purpose governments, we believe the Congress should consider excluding from eligibility those townships which provide limited services and function like special districts.

The data normally used for computing the allocations to the resulting ineligible townships would continue to be used to calculate the county area amount, which would remain the same as under the current calculations. However, the allocations to eligible units of local government within the county area would increase unless otherwise constrained.

MATTERS FOR CONSIDERATION BY THE CONGRESS

If the Congress does not intend for governments which provide essentially one service or a limited level of various services to receive revenue sharing allocations, we recommend that the Congress consider two alternatives for amending the Revenue Sharing Act. One of the alternatives would be to direct the Secretary of the Treasury to establish new eligibility criteria. We believe that the new criteria should be based upon the number, kind, and extent of services a local government must perform to be determined eligible by the Secretary of the Treasury to receive revenue sharing funds.

The other alternative would be for the Congress to amend the act to grant the States the authority to decide whether such governments render sufficient services to be eligible for Federal revenue sharing as general-purpose governments. While this approach could result in inconsistencies among the States, it would recognize that State and local governments have different ways in which they prefer to provide governmental services.

Also, we believe the Congress should eliminate the disproportionate distribution of revenue sharing funds to midwestern townships and other local governments that have minimal expenditures and tax revenues. Therefore, we recommend that the Congress delete from the Revenue Sharing Act the requirement that the per capita amount allocated to any county area or any unit of local government be equal to at least 20 percent of the per capita amount available for distribution to all local governments within a State.

Suggested language for revising the act to achieve our recommendations is included as appendix V.

AGENCY COMMENTS AND OUR EVALUATION

In a draft of this report sent to the agency for comment, we recommended that the Congress amend the Revenue Sharing Act to direct the Bureau of the Census to establish new criteria for determining which governments should be eligible for revenue sharing. After further consideration, we redirected our recommendation to require the Secretary of the Treasury, with the assistance of the Bureau of the Census, to establish regulations specifying criteria for use in determining eligibility. We revised the recommendation because we believe that if an agency is to be required to define the specific criteria to be used for determining the eligibility of recipients for Federal assistance, it should be the agency responsible for administering the particular Federal program.

The Office of Revenue Sharing did not have the opportunity to comment on the revision, but in its comments to our draft report it took the position that no executive agency of the Federal Government should be required to specify the criteria to be used for determining eligibility of local governments to receive revenue sharing funds.

The Office stated that such determinations could easily involve disputes which would be detrimental to the general statistical program of the Bureau of the Census. It pointed out that the current classification of governments which is used for including or excluding a government is based on the Bureau's interpretation of each State's constitutional and statutory law concerning the organization of local government. It said that a unit of government is placed in a category based on legislation authorizing the government and not on the government's present transactions and activities. The office also said any changes in the eligibility of townships would have only minimal effect on the funds received by other types of governments.

The Office believes that, if the Congress amends the act to change the current eligibility requirements, the amendment should include detailed and explicit criteria so that the Federal agency would only have to determine whether the specific criteria were met.

The Congress, however, often establishes broad, general criteria to guide administrating agencies in establishing regulations which specify the qualifications potential recipients must have to be eligible for Federal programs; therefore, we recognize that the Congress may want to consider other approaches to the problem of establishing criteria. Thus, as an alternative we recommend that the Congress amend the act to allow the States the authority to determine the eligibility of local governments.

We are not concerned as much with who is to have the responsibility as we are with urging that new criteria be established. We believe that once new criteria have been established in regulations, the Secretary should obtain the assistance of the Bureau of the Census in gathering data the Office of Revenue Sharing would need to determine whether the criteria have been met. The effect that gathering this data will have on the Bureau can only be determined when it is known what type of data is needed. The data may already be a part of statistics collected by the Bureau, or the questionnaires that are used by the Bureau to obtain tax data from all governments for revenue sharing could be expanded to obtain the required data.

In our opinion the present transactions and activities of a government, rather than just the government's classification, should be the prime consideration for determining eligibility to receive revenue sharing funds. Legislation authorizing midwestern townships generally authorizes them to provide many services, but it does not reveal the very limited extent of the present transactions and activities of many of these governments. Indeed, the activities of midwestern townships have declined substantially and many townships now provide minimal services or operate more like single-purpose special districts which are not eligible, under the existing act, to receive revenue sharing. Therefore, we believe that the determination of whether a government should be eligible for revenue sharing funds should be based on current activities using data on the number, kind, and extent of services being provided.

Whether our recommended change would make large or small amounts of revenue sharing available for distribution to other governments in the counties that contain townships would depend on the specific eligibility criteria used, but the amounts are not relevant to the question of providing funds to limited-purpose governments.

The Office of Revenue Sharing questioned our use of quantitative measures of government employment, expenditures, and service delivery to assess the "viability" of local governments and stated that the high level of voluntary service that is characteristic of small units of government and the value of a "forum for the articulation and resolution of local policy issues" are not susceptible to the measurements we used. We agree that these are important considerations in determinations regarding the continued existence of governments; however, our observations and conclusions do not question the need for township governments or their existence. We are questioning whether many limited-purpose townships should be receiving revenue sharing funds and concluding that some townships are receiving a disporportionately large share of available local government revenue sharing funds.

The Office also disagreed with the need for our recommendation that the Congress eliminate the provision which entitles local governments to 20 percent per capita of the average per capita amount for local goverments in a State. It said that the Congress had insured that local governments with minimal expenditures would not receive the 20-percent amount by providing that amounts under $200 that are calculated for allocation to local governments are not paid to those local governments and by limiting each government's entitlement to 50 percent of the sum of the government's adjusted taxes and intergovernmental transfers.

The $200 minimum provision does not insure that a government with minimal expenditures will not receive the 20-percent amount. On the contrary, the 20-percent provision increases the allocations of certain governments that are below the $200 minimum to amounts that exceed $200. For example, for the year ending June 30, 1974, the calculated allocations of 183 governments in Kansas that were below the $200 minimum were increased by the 20-percent provision to amounts exceeding $200.

Because the act limits a government's allocation to 50 percent of its adjusted taxes and intergovernmental transfers, the allocations to some governments which would otherwise be equal to the 20-percent limit are held below that level. Consequently, the limitation reduces the extent to which these specific governments are rewarded disproportionately because of the 20-percent minimum. In spite of this limitation, numerous midwestern townships with minimal expenditures have their allocations increased to 20 percent of the statewide average per capita. Additional amounts are allocated to governments because of the 20-percent minimum regardless of whether the 50-percent limit is applicable, and these amounts give midwestern townships a disproportionately large share of local government revenue sharing funds. These additional funds may slow the trend that has occurred toward decreasing midwestern townships' relative contribution to governmental services when compared to other local governments.

CHAPTER 3

NEW ENGLAND COUNTIES--HISTORICAL DATA AND RECENT ACTIVITIES

RELATIONSHIP OF COUNTIES AND OTHER LOCAL GOVERNMENTS

New England counties are administrative subdivisions of the State with the primary function of carrying out judicial activities. Beyond judicial functions, governmental activities varied among the four States; county governments in Maine and Massachusetts were more active than those in New Hampshire and Vermont.

Revenue sharing funds generally allowed these governments to maintain existing services and modernize facilities and equipment. County officials stated that general revenue sharing funds relieved or moderated pressures for tax increases.

Political scientists believe New England counties have experienced declines in their responsibilities and currently provide very limited services. This class of government is a subordinate body of State government, in which the State legislates county authority and most often sets tax rates and approves budgets, funding, and the authorization to incur debt. Elected county administrators have virtually no authority to initiate local policy or programs. In Vermont, county executives (assistant judges) have greater autonomy over budgets and tax levies. Overall, county government is basically overshadowed in importance by the "town government" in these New England States. Between 1942 and 1972, the number of active county governments in Maine, Massachusetts, New Hampshire, and Vermont decreased by 1 in Massachusetts to a total of 52 in the 4 States.

Expenditures

Our review of financial data revealed only a slight overall decline in the importance of the county relative to other local units in the four New England States between 1942 and 1972. (See table 9.) In Maine and New Hampshire, however, substantial decline was evident. Overall, county per capita spending relative to all local spending during 1942 to 1972 decreased slightly from 3.9 to 3.7 percent.

Table 9

Comparison of New England County Government Expenditures With Expenditures of All Local Governments: 1942 & 1972

	Direct general expenditure per capita amounts		
	1942 (note a)	1972	Percent increase (decrease)
Maine:			
Counties	$ 5.02	$ 8.17	62.8
All local governments (note b)	$ 92.41	$268.58	190.6
County percent of total	5.4%	3.0%	-
Massachusetts:			
Counties	$ 6.37	$ 16.23	154.8
All local governments (note b)	$201.06	$469.15	133.3
County percent of total	3.2%	3.5%	-
New Hampshire:			
Counties	$ 15.79	21.59	36.7
All local governments (note b)	$ 84.83	$227.20	167.8
County percent of total	18.6%	9.5%	-
Vermont:			
Counties	$ 0.44	$ 0.89	102.3
All local governments (note b)	$100.35	$124.09	23.7
County percent of total	0.4%	0.7%	-
Four States overall:			
Counties	$ 6.59	$ 14.85	125.3
All local governments (note b)	$170.24	$401.61	135.9
County percent of total	3.9%	3.7%	-

a/In 1972 dollars. See footnote b on table 2, p. 9.

b/Includes figures for counties; excludes special and school districts.

County relative per capita spending decreased in Maine from 5.4 to 3.0 percent and in New Hamsphire from 18.6 to 9.5 percent. Although the relative per capita spending by counties increased by 0.3 percent in Massachusetts and Vermont, they accounted for only 3.5 percent and 0.7 percent, respectively, of total general expenditures of local governments in the two States.

The revenue sharing program had very little impact in 1972 on the fiscal balance between county governments and all local units in the four States. The county governments were allocated 6.1 percent of the revenue sharing funds available for distribution to all local governments in the four States although county governments accounted for only 3.4 percent of total general revenues (excluding revenue sharing). (See table 10.) However, the allocations (when added to general revenues) only increased the county percentage of combined revenues from 3.4 to 3.5.

Table 10

Comparison of New England County 1972 Share of All Local General Revenues Before and After Revenue Sharing

	County share of local general revenues excluding revenue sharing	County share of local 1972 revenue sharing allocations	County share of local general revenues including revenue sharing
	(percentage)		
Maine	3.6	6.1	3.8
Massachusetts	3.0	5.9	3.2
New Hampshire	9.7	12.8	9.9
Vermont	0.7	1.3	0.8
Four States overall	3.4	6.1	3.5

Public employment

Although overall county governments increased the number of their full-time employees for every 10,000 people by 33 percent, all local governments (including counties) increased the number of their employees for every 10,000 by 189 percent. (See table 11.) This caused the county full-time employment rate compared to the rate for all local governments to decrease from about 9 percent in 1942 to about 4 percent in 1972.

New Hampshire counties increased the number of their full-time employees for every 10,000 people by almost 195 percent--more than the increase by all local governments. Compared to counties in the other three States, New Hamsphire county employment represents a significant portion of the full-time employees of all local governments.

Table 11

Comparison of Public Employment of Local Governments in New England: 1942 & 1972

State	1942	1972	Percent increase (decrease)
	Number of employees per 10,000 people		
Maine:			
Counties	3.6	6.6	83.3
All local governments (note a)	38.9	178.3	358.4
County percent of total	9.2	3.7	-
Massachusetts:			
Counties	8.8	9.7	10.2
All local governments (note a)	101.6	284.3	179.8
County percent of total	8.7	3.4	-
New Hampshire:			
Counties	7.6	22.4	194.7
All local governments (note a)	60.4	138.5	129.
County percent of total	12.6	16.2	-
Vermont:			
Counties	0.3	0.4	33.3
All local governments (note a)	22.6	63.1	179.2
County percent of total	1.3	0.6	-
Four States overall:			
Counties	7.5	10.0	33.3
All local governments (note a)	84.7	244.8	189.0
County percent of total	8.8	4.1	-

a/Includes counties, municipalities, and townships.

RECENT ACTIVITIES

The 4 New England States with the county form of government had 52 counties in 1972 ranging from 10 in New Hampshire to 16 in Maine. We visited two counties in Maine, Massachusetts, and New Hampshire and one in Vermont. All seven counties were actively involved in criminal justice and civil court functions and these functions predominated.

State laws in Massachusetts and Maine authorize county governments to provide a wide range of services. The two counties visited in Massachusetts were maintaining local roads; operating an agricultural school; and supporting university extension services, a county airport, and economic development and recreation activities. Other counties in the State operate parks and hospitals.

Half the counties in Maine have unorganized townships for which the county government provides municipal services, such as fire protection, snow removal, and road construction and maintenance. Counties also share in funding regional activities, such as airports, health and welfare programs, and regional planning commissions.

County governments were less active in New Hampshire and Vermont. Besides operating portions of the judicial system, New Hampshire counties concentrated their efforts on welfare functions. In Vermont, with the exception of elections and certain administrative matters, the counties served as caretakers for court facilities.

Spending levels for services varied among the counties. For example, one Massachusetts county spent $6 million for criminal justice and civil court activities, about 57 percent of its 1972 budget. Two New Hampshire counties spent between 55 and 65 percent of their funds for public welfare programs. One Vermont county spent about $48,000, or 65 percent of its budget, caring for the courthouse complex and paying the salaries of certain employees of the county clerk's and sheriff's offices.

According to county officials, none of the seven New Hampshire counties were in financial trouble before revenue sharing, and our analysis of budgeted receipts and expenditures and yearend cash balances supported this position. In considering local officials' comments, however, at least two factors should be kept in mind. First, with the exception of Vermont, New England county administrators have little autonomy; their budgets and tax levies are approved by the State legislature. Secondly, according to some county officials, the counties chose to curtail services or postpone capital improvements rather than propose increased taxes.

For the period January 1972 through June 30, 1974, the seven New England counties received $3.2 million in revenue sharing funds and reported expenditures of $1.5 million. An analysis of spending patterns of revenue sharing funds showed that these funds were used for the same types of effort as their own funds. Often the counties elected to use these funds for buildings or equipment purchases. For example, in 1973 a New Hampshire county allocated 74 percent of its revenue sharing funds for the courthouse, hospital, and other county facilities. A Maine county committed most of its funds for an addition to the courthouse, and a Massachusetts county bought construction and snow removal equipment.

According to officials of four counties, revenue sharing moderated the increase in tax rates levied by the county on cities and towns. Officials of the other three counties said that the funds permitted taxes to be stabilized.

CONCLUSIONS

From our review of the historical data and our visits to New England, we believe that New England counties have remained insignificant in relation to other local units. However, county governments, except in Vermont, are active and are delivering typical county services, but these services are on a much smaller scale than those provided by counties nationwide.

Although the counties receive a somewhat greater proportion of local revenue sharing funds than is their share of total local per capita spending, we believe the difference is too small to alter significantly the contribution to governmental services by counties compared to other New England governments.

CHAPTER 4

SCOPE OF REVIEW

We reviewed Bureau of the Census data on the number, finances, and employees of midwestern and New England local governments for 1942 and 1972 to identify trends bearing on the relative importance of the governments. In addition, we visited nine Midwestern and four New England States. We talked with township, county, and State officials and officials of universities and colleges, government associations, and other concerned organizations to obtain their views as to the viability of midwestern townships and New England counties, the impact of revenue sharing on them, and the continued participation of these governments in Federal revenue sharing. We also reviewed midwestern township and New England county budgets and data relating to the fiscal conditions of these governments.

To determine the impact of certain of the act's limitations on the amounts of revenue sharing allocations to local governments, we made, with the cooperation and assistance of the Office of Revenue Sharing, computer runs of the Office's allocation programs for fiscal year 1974.

FISCAL YEAR 1974 REVENUE SHARING ALLOCATIONS AS A PERCENTAGE OF MOST CURRENT AVAILABLE YEAR EXPENDITURES FOR THE 52 TOWNSHIPS VISITED

State/county	Township	Fiscal year 1974 allocation	Annual expenditures (excluding general revenue sharing)	FY 1974 allocation as a percent of annual expenditures
Illinois:				
Clark	Parker	$ 6,272	$ 31,106	20
Cook	Wheeling	201,878	381,682	53
Edgar	Paris	41,620	131,131	32
	Symmes	5,337	24,520	22
Macon	Decatur	285,462	920,204	31
	Hickory Point	45,290	82,470	35
Indiana:				
Decatur	Washington	20,037	49,171	41
Franklin	Bath	1,496	3,970	38
	Blooming Grove	1,991	5,158	39
Marion	Center	899,820	2,255,911	40
	Decatur	18,408	96,431	19
Kansas:				
Anderson	Lone Elm	575	1,200	48
	Ozark	1,874	-	-
Johnson	McCamish	478	689	69
	Gardner	5,014	4,315	116
	Monticello	5,266	10,123	52
Pottawatomie	Green	1,046	6,265	17
	Lousiville	3,791	11,789	32
Wyandotte	Delaware	12,630	14,400	88
	Prairie	3,416	45,600	7
Minnesota:				
Chisago	Fish Lake	3,367	31,080	11
	Rushseba	2,968	16,733	18
Isanti	Oxford	1,406	7,615	18
Washington	Forest Lake	6,759	190,355	4
	Grant	7,387	60,580	12
Missouri:				
Bates	Hudson	1,136	6,558	17
	Rockville	1,152	6,867	17
Daviess	Harrison	2,469	5,972	41
	Jamesport	1,635	2,316	71
	Jefferson	4,549	9,758	47

State/county	Township	Fiscal year 1974 allocation	Annual expenditures (excluding general revenue sharing)	FY 1974 allocation as a percent of annual expenditures
Nebraska:				
Dodge	Maple	1,573	5,055	31
	Webster	5,083	14,563	35
Fillmore	Chelsea	824	1,289	64
	Exeter	2,575	3,686	70
	Hamilton	1,066	1,674	64
North Dakota:				
Burleigh	Gibbs	1,525	555	275
Sheridan	Holmes	607	a/1,586	38
	Edgemont	425	411	103
Grant	Lark	1,250	a/2,339	53
	Fischer	587	a/1,543	38
Barnes	Pierce	2,260	a/9,129	25
Ohio:				
Butler	Fairfield	39,971	99,544	40
Clermont	Miami	66,745	283,560	24
	Washington	5,049	28,928	17
Hamilton	Delhi	76,630	463,434	17
	Springfield	191,171	905,884	21
South Dakota:				
Beadle	Clifton	1,135	9,619	12
	Dearborn	876	4,980	18
Lincoln	Highland	2,467	9,320	26
	Lynn	2,183	16,468	13
Lyman	Dorman	446	1,041	43
	Lund	482	920	52

a/Includes general revenue sharing.

PERCENT OF MOST RECENT ANNUAL EXPENDITURES FOR GENERAL ADMINISTRATION

AND FOR SERVICES (FISCAL YEAR GENERALLY ENDING IN 1973 OR 1974) (note a)

State/township	General admin-istration	Roads and bridges	Fire pro-tection	Ceme-teries	Welfare/ poor relief	Other services and percent of expenditures
Illinois:						
Decatur	26	6	-	5	56	Property assessment, 6%; elections, 1%; animal shelter, 1%.
Hickory Point	27	54	5	5	11	Property assessment, 1%; animal shelter (note b).
Paris	38	44	-	-	14	Property assessment, 1%; elections, 3%.
Parker	38	58	-	4	-	Elections (note b).
Symmes	45	45	-	-	9	Elections, 1%.
Wheeling	30	56	-	1	8	Property assessment, 3%; elections, 2%; utilities (note b).
Indiana:						
Bath	57	-	25	5	9	Animal control, 4%.
Blooming Grove	51	-	26	3	6	Libraries, 10%; animal control, 4%.
Center	3	-	-	-	96	Animal control (note b).
Decatur	11	-	34	-	16	Debt retirement, 36% (note c); animal control, 2%.
Washington	10	-	67	-	19	Judicial adm., 3%; animal control, 1%.
Kansas:						
Delaware (note d)	10	45	40	-	-	Weed control, 4%.
Gardner (note d)	6	-	-	94	-	
Green	7	89	-	-	-	Weed control, 3%.
Louisville	3	94	3	-	-	
Lone Elm (note d)	4	-	33	63	-	
McCamish (note d)	27	-	-	73	-	
Monticello	10	-	89	-	-	Weed control, 1%.
Ozark	-	-	-	-	-	
Prairie (note d)	7	74	9	4	-	Weed control, 6%.
Minnesota:						
Fish Lake	3	88	9	-	-	
Forest Lake	19	33	11	-	-	Law enforcement, 2%; parks & recreation, 5%; utility system, 29%.
Grant	45	40	3	-	-	Law enforcement, 6%; building inspections, 6%.
Oxford	16	71	13	-	-	
Rushseba	11	80	9	-	-	

State/township	General admin- istration	Roads and bridges	Fire pro- tection	Ceme- teries	Welfare/ poor relief	Other services and percent of expenditures
Missouri:						
Harrison	7	93	-	-	-	
Hudson	4	96	-	-	-	
Jamesport	23	77	-	-	-	
Jefferson	16	84	-	-	-	
Rockville	8	92	-	-	-	
Nebraska:						
Chelsea	13	71	-	-	-	Weed control, 9%; libraries, 8%.
Exeter	9	86	-	-	-	Weed control, 5%.
Hamilton	22	67	-	6	-	Weed control, 5%.
Maple	9	91	-	-	-	
Webster	9	91	-	-	-	
North Dakota (note e):						
Fischer	10	88	-	-	-	Property assessment, 1%.
Gibbs	52	12	-	-	-	Property assessment, 36%.
Holmes	32	68	-	-	-	
Lark	11	49	-	-	-	Parks & recreation, 40%.
Edgemont	100	-	-	-	-	Property assessment (note b).
Pierce	10	90	-	-	-	
Ohio:						
Delhi	14	8	30	(b)	-	Law enforcement, 42%; utility systems, 2%; health, 3%; elections (note b).
Fairfield	29	45	16	-	-	Zoning, 2%; utility system, 4%; health, 4%; elections (note b).
Miami	18	20	27	12	-	Law enforcement, 17; zoning, 5%; health, 1%; elections (note b).
Springfield	17	16	31	-	-	Law enforcement, 27%; parks & recreation, 2%; utility sytems, 3%; health, 3%; zoning (note b).
Washington	7	74	14	5	-	Health, 1%.
South Dakota:						
Clifton	8	90	2	-	-	Weed control (note b).
Dearborn	6	29	5	-	-	Investment, 60% (note f); weed control (note b).
Dorman	25	75	-	-	-	
Highland	7	90	1	-	-	Weed control, 3%.
Lund	23	77	-	-	-	
Lynn	5	80	1	-	-	Debt retirement, 12%; weed control, 2%.

a/Percentages for some townships may not add up to 100 percent due to rounding.

b/Percentage when rounded equaled less than 1 percent.

c/This was the only bond issue for which the township retained responsibility after it lost the school function.

d/Budgeted expenditures.

e/Except for Gibbs Township, total expenditures also include those for revenue sharing.

f/Certificate of deposit purchased August 1973.

EFFECTS OF THE 20-PERCENT LIMITATION ON LOCAL

GOVERNMENT ALLOCATIONS FOR FISCAL YEAR 1974

	Number of recipients	Amount of actual allocation (000 omitted)	Number of places losing money	Total amount lost (000 omitted)	Number of places gaining money	Total amount gained (000 omitted)	Net amount gained (lost)
All local recipients:							
Illinois	2,808	$ 204,541	2,125	$10,974	582	$10,974	$ -
Indiana	1,662	85,426	530	6,122	1,081	6,122	-
Kansas	2,236	38,812	760	889	610	889	-
Minnesota	2,755	78,228	1,259	1,567	1,046	1,567	-
Missouri	1,366	74,511	910	384	252	384	-
Nebraska	1,117	29,420	617	168	239	168	-
North Dakota	1,785	16,725	1,126	50	132	50	-
Ohio	2,343	158,332	1,210	6,249	1,122	6,249	-
South Dakota	1,417	18,122	589	197	368	197	-
Total	17,489	$ 704,117	9,126	$26,600	5,432	$26,600	$ -
Nationwide	39,156	$3,981,193	22,056	$45,480	9,597	$45,480	$ -
Counties:							
Illinois	102	$ 47,602	98	$ 2,837	-	$ -	$ (2,837)
Indiana	91	29,907	90	2,560	-	-	(2,560)
Kansas	105	19,456	80	437	10	2	(435)
Minnesota	87	41,338	85	859	-	-	(859)
Missouri	114	38,800	105	196	1	23	(173)
Nebraska	93	14,603	70	82	4	-	(82)
North Dakota	53	8,588	40	25	1	-	(25)
Ohio	88	51,894	88	2,288	-	-	(2,288)
South Dakota	67	10,437	50	109	4	1	$ (108)
Total	800	$ 262,625	706	$ 9,393	20	$ 26	$ (9,367)
Nationwide	3,046	$1,535,941	2,438	$16,636	40	$ 81	$(16,555)
Municipalities:							
Illinois	1,270	$ 129,486	1,039	$ 7,631	221	$ 299	$ (7,332)
Indiana	563	44,714	399	3,536	144	127	(3,409)
Kansas	627	17,113	319	430	112	336	(94)
Minnesota	855	31,969	533	655	176	489	(166)
Missouri	908	34,094	568	174	198	218	44
Nebraska	535	13,822	371	84	47	22	(62)
North Dakota	359	5,625	208	19	52	24	5
Ohio	935	91,111	672	3,785	264	359	(3,426)
South Dakota	310	5,788	168	76	49	29	(47)
Total	6,362	$ 373,722	4,277	$16,390	1,263	$ 1,903	$(14,487)
Nationwide	18,778	$2,138,890	11,845	$26,991	3,197	$ 6,701	$(20,290)
Townships:							
Illinois	1,436	$ 27,454	988	$ 506	361	$10,675	$ 10,169
Indiana	1,008	10,806	41	26	936	5,995	5,969
Kansas	1,500	2,235	360	22	488	551	529
Minnesota	1,800	4,668	628	50	870	1,077	1,027
Missouri	344	1,616	236	10	53	144	134
Nebraska	486	934	174	3	188	146	143
North Dakota	1,368	2,172	868	5	79	26	21
Ohio	1,320	15,327	450	176	858	5,889	5,713
South Dakota	1,031	1,292	357	8	315	168	160
Total	10,293	$ 66,504	4,102	$ 806	4,148	$24,671	$ 23,865
Nationwide	16,986	$ 298,934	7,397	$ 1,764	6,336	$38,679	$ 36,915

GOVERNMENTS ELIMINATED FROM PROGRAM IF DIFFERENT MINIMUM

PAYMENT AMOUNTS WERE APPLIED FOR FISCAL YEAR 1974

	Current $200 minimum			$500 minimum			$1,000 minimum			$1,500 minimum			$2,000 minimum		
	County	Munici-pality	Town-ship	County	Munici-pality	Town-ship	County	Munici-pality	Town-ship	County	Munici-pality	Town-ship	County	Munici-pality	Town-ship
Illinois	-	12	4	-	55	4	-	167	6	-	254	19	-	325	37
Indiana	-	9	11	-	34	15	-	79	46	-	112	141	-	154	265
Kansas	-	29	372	-	86	553	-	168	786	-	212	970	-	239	1,125
Minnesota	-	12	26	-	58	144	-	150	379	-	213	658	-	262	929
Missouri	-	60	2	-	156	4	-	272	18	-	337	51	-	384	76
Nebraska	-	12	36	-	56	66	-	107	135	-	153	234	-	183	309
North Dakota	-	14	16	-	38	79	-	95	317	-	128	740	-	154	1,076
Ohio	-	8	-	-	38	-	-	129	15	-	209	65	-	261	118
South Dakota	-	12	88	-	29	268	-	70	523	-	99	707	-	116	830
Total	-	168	555	-	550	1,133	-	1,237	2,225	-	1,717	3,585	-	2,078	4,765
Percent of midwestern governments	-	2.6	5.4	-	8.6	11.0	-	19.4	21.6	-	27.0	34.8	-	32.7	46.3
Number of governments affected nationwide	-	435	605	-	1,185	1,225	1	2,662	2,469	1	3,805	4,007	1	4,643	5,428
Percent of U.S. governments	-	2.3	3.6	-	6.3	7.2	.03	14.2	14.5	.03	20.3	23.6	.03	24.8	32.0

APPENDIX IV

SUGGESTED REVISIONS TO SECTION 108

OF THE STATE AND LOCAL FISCAL ASSISTANCE ACT OF 1972

Sec. 108(d) Governmental Definitions and Related Rules--
For purposes of this title--

(1) Units of local government.--The term "unit of local government" means the government of a county, municipality, township, or other unit of government below the State which is a unit of general government (determined on the basis of the same principles as are used by the Bureau of the Census for general statistical purposes) and which performs substantial governmental functions. Such term also means, except for purposes of paragraphs (1), (2), (3), (5), (6)(C), and (6)(D) of subsection (b)of this section, and, except for purposes of subsection (c), of this section, the recognized governing body of an Indian tribe or Alaskan native village which performs substantial governmental functions. The Secretary shall issue regulations establishing criteria, including but not limited to the number, size, and kind of services performed for determining whether a unit of local government or the recognized governing body of an Indian tribe or Alaskan native village is performing "substantial governmental functions".

Suggested Language for
Alternative Recommendation

Sec. 108(d) Governmental Definitions and Related Rules--
For purposes of this title--

Add the following at the end of paragraph (1) of subsection (d):

The State in which a unit of local government is located shall have the option to decide, subject to the approval of the Secretary of the Treasury, whether such unit of local government renders a sufficient scope of services to be determined eligible for revenue sharing as a general purpose government.

- - - -

Sec. 108(b)(6) Entitlement--

(B) Maximum per capita entitlement--Subject to the provisions of subparagraphs (C) and (D), the per capita amount allocated to any county area or any unit of local government (other than a county government) within a State under this section for any entitlement period shall not be more than 145 percent of two-thirds of the amount allocated to the State under section 106, divided by the population of that State.

Sec. 108(b)(7) Adjustment of entitlement--

(B) Delete words "or minimum" from subparagraph title.

OFFICE OF THE SECRETARY OF THE TREASURY

OFFICE OF REVENUE SHARING
2401 E STREET, N.W.
COLUMBIA PLAZA HIGHRISE
WASHINGTON, D.C. 20226

February 18, 1976

Dear Mr. Lowe:

Thank you for the opportunity to review the draft report "Impact of Revenue Sharing Funds on Midwestern Townships and New England Counties." Following discussions between staff members of our two offices, the Office of Revenue Sharing furnished a copy of the draft GAO report to the Bureau of the Census for review. We have incorporated the Bureau's views at appropriate points in our comments.

The GAO report contains a useful presentation of data on expenditures, types of services and employment for certain townships and counties. The report draws on these data to recommend that the State and Local Fiscal Assistance Act be amended to direct the Census Bureau to establish new general revenue sharing eligibility criteria for recipients based on the number, kind and extent of services performed. GAO intends for such new criteria to exclude from revenue sharing governments such as Midwestern Townships providing one or a limited number of services. Alternatively, the report recommends that State governments be granted the option of determining whether local governments render a sufficient scope of services to be eligible for revenue sharing. The report further recommends that the present 20% per capita minimum constraint, which is applied to local governments other than counties, be removed from the allocation formula.

The Office of Revenue Sharing questions both the methodology and the conclusions of this report and disagrees with the recommendations.

The General Revenue Sharing Program is largely dependent on data developed by the Bureau of the Census. The statistical program of this Bureau relating to State and local governments is based on a classification scheme involving constitutional and statutory law on the organization of local governments in each State. A unit of government is included in one category or another based on its authorizing legislation, not on its present activities or transactions. It would not be appropriate to require the Bureau to determine which governments should or should not be included in the General Revenue Sharing Program. Such a requirement could be detrimental to the general statistical programs of the Bureau of the Census.

Should Congress determine that revenue sharing be limited to certain types of local government, we believe that detailed criteria for limitations on eligibility should be included in the legislation. Given necessary funding, quantitative data could be collected to determine whether the explicit criteria enacted by Congress were met. If done annually, measures of functions or expenditures would require considerable additional data collection. Potential damage to present data collection arrangements would necessarily have to be weighed against the benefits. It would seem, even based on GAO research, that any changes made in the eligibility of these governments would have a minimal impact on the funds received by other types of governments. We are strongly opposed to the GAO recommendation that a Federal agency be required to establish basic eligibility requirements for governments created and controlled under State legal systems.

The report makes references to value judgments by certain scholars and institutions that some local governments in the United States are "duplicative," "obsolete," "defunct," "inefficient," and "outmoded." These same sources cite the gradual reduction in the number of local governments as part of an ongoing historical process, and argue that Federal programs should not interfere in this process. The Office of Revenue Sharing notes that these value judgments are not based on extensive empirical studies and are challenged by other respected American political theorists. Dissenting views were voiced at the Comptroller General's conference on "Revenue Sharing and Local Government Modernization" held in November, 1974, and are contained in GAO's report on that conference.

GAO has applied quantitative measures to endeavor to assess "viability" of local governments. The report utilizes measures of government employment, government delivery of services and ratios of expenditures to citizens. It is highly doubtful that such quantitative measures validly assess the vitality of governmental institutions. Any unit of general government can provide the forum for the articulation and resolution of local policy issues, and can take measures, as necessary, to see that the issue is acted upon in the private sector or raised to a "higher" governmental level. Such essential functions of government are not susceptible to the measurements employed. Employment, expenditure and service delivery may be especially misleading in the case of small units of government often characterized by a high level of voluntary service. The provision in the revenue sharing Act which entitles local governments to 20% per capita of the average per capita amount for local governments in the State is, as noted in the draft report, modified by both the $200 minimum payment provision and by the limitation of each government's entitlement to an amount not to exceed 50% of adjusted taxes and intergovernmental transfers. Thus, the Congress has ensured that any local government with minimal expenditures will not receive the 20% amount.

At the same time, the provisions of the current law do not unduly penalize small units of government which may function with relatively high proportions of volunteer staff and, consequently, relatively few paid employees.

We appreciate the opportunity to comment on this draft report and will be pleased to discuss our observations and comments with you.

Sincerely,

John K. Parker
Acting Director
Office of Revenue Sharing

Mr. Victor L. Lowe
Director
General Government Division
General Accounting Office
Washington, D. C. 20548

PRINCIPAL OFFICIALS

RESPONSIBLE FOR ADMINISTERING ACTIVITIES

DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
SECRETARY OF THE TREASURY:		
William E. Simon	Apr. 1974	Present
George P. Shultz	June 1972	Apr. 1974
John B. Connally	Feb. 1971	June 1972
DIRECTOR, OFFICE OF REVENUE SHARING:		
Jeanna D. Tully	Mar. 1976	Present
John K. Parker (Acting)	Aug. 1975	Mar. 1976
Graham W. Watt	Feb. 1973	Aug. 1975

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