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

Case Studies Of Revenue Sharing
In 26 Local Governments

ENCLOSURE J

Worcester County, Massachusetts

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

C o n t e n t s

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ABBREVIATIONS

GAO	General Accounting Office
MCAD	Massachusetts Commission Against Discrimination

SUMMARY

At the request of the Chairman, Subcommittee on Intergovernmental Relations, Senate Committee on Government Operations, GAO conducted case studies on general revenue sharing at 26 selected local governments throughout the country, including Worcester County, Massachusetts. 92-774

For the period January 1, 1972, through June 30, 1974, Worcester County was allocated a total of approximately \$2.4 million in revenue sharing funds, or a per capita amount of \$3.79. Of the amount allocated, \$2,161,842 was received by June 30, 1974, and \$255,357 was received in July 1974. The revenue sharing funds allocated to Worcester County were equivalent to about 13.8 percent of its own tax collections.

The Chairman's letter listed seven areas on which the Subcommittee wanted detailed information. Following is a brief description of the selected information GAO obtained on each area during its review of Worcester County.

1. The specific operating and capital programs funded in part or in whole by general revenue sharing in each jurisdiction. As of June 30, 1974, the county designated \$1,495,436 of revenue sharing funds for public safety in the area of corrections. This money was for the salaries of employees operating the jail and house of correction.

2. The fiscal condition of each jurisdiction, including its surplus or debt status. The county's net outstanding bonded debt varied at the end of the last five fiscal periods from \$2.1 million in 1970 to \$13.1 million in 1971. The debt was gradually reduced to \$10.2 million on June 30, 1974.

3. The impact of revenue sharing on local tax rates and any changes in local tax laws, and an analysis of local tax rates vis-a-vis per capita income. Worcester County levies an assessment on its cities and towns to raise the amount necessary to run the county and pay for any deficit incurred in operating the hospital. The total amounts to be assessed are established by the State legislature. For the last five completed fiscal periods, the county received the following amounts.

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<u>Fiscal period ended</u>	<u>Assessments received</u>	
	<u>County</u>	<u>Hospital</u>
	(000 omitted)	
December 31, 1969	\$ 6,170	\$458
December 31, 1970	6,610	811
December 31, 1971	7,323	323
December 31, 1972	9,735	62
June 30, 1974 (18 months)	15,086	-

GAO was informed that, without revenue sharing, the county would have had to further increase its assessments.

GAO computed the amount of State and local taxes that a family of four living in the county paid in 1973. Three different family incomes were assumed for a family living in Worcester, the county's largest city. GAO applied the city's auto excise tax and real estate tax and the State's income, sales, and gasoline taxes. The following shows the taxes to be paid under these assumptions.

Assumed family income	\$7,500	\$12,500	\$17,500
Total taxes	\$1,311	\$2,189	\$3,140
Total as percent of income	17.5	17.5	17.9

4. The percentage of the total local budget represented by general revenue sharing. Revenue sharing funds received by Worcester County through June 30, 1974, totaled \$2,161,842. Worcester did not include any revenue sharing funds in its 1972 budget. However, in the 18-month transitional budget used by the county in converting from a calendar to a fiscal year basis, \$1,517,714, or 6.5 percent of the budget, consisted of revenue sharing funds. The \$644,128 not budgeted as of June 30, 1974, amounted to 2.8 percent of the county's transitional budget.

5. The impact of Federal cutbacks in three or four specific categorical programs and the degree, if any, that revenue sharing has been used to replace those cutbacks. In calendar years 1971 and 1972 and in the 18-month fiscal period ended June 30, 1974, the county received \$97,865, \$183,936, and \$410,391, respectively, in Federal aid, in addition to its Federal revenue sharing moneys. Federal funds were received from the Departments of Justice and Health, Education, and Welfare. The county expects to receive a \$303,664 grant from the Department of Justice in fiscal year 1975.

GAO was informed that Federal programs have not been reduced or affected by the revenue sharing program and

that additional grants will be used to continue an education program started in the fiscal period ended June 30, 1974.

6. The record of each jurisdiction in complying with the civil rights, Davis-Bacon, and other provisions of the law. A State agency enforces laws regarding discrimination complaints in housing, employment, education, and public accommodations. Additionally, a human rights commission, established by ordinance in the city of Worcester, holds hearings concerning alleged discriminatory actions involving race, color, sex, creed, or national origin that occur within the city limits.

According to the 1970 census, the civilian labor force in Worcester County consisted of 266,777 persons, of which 39.5 percent were female and 1.3 percent were blacks and Spanish language minorities. As of June 30, 1974, the county government had 784 permanent full-time employees, of which 52.9 percent were female and 1.5 percent were blacks and other minorities. Seventy-five percent of the individuals in the black and other minority groups held professional or administrative positions. There have not been any discrimination complaints or civil rights suits regarding employment filed against Worcester County since January 1, 1972.

It was not necessary for GAO to determine whether the county had complied with the Davis-Bacon provision of the law. Worcester County did not fund any construction projects through revenue sharing. Regarding the prevailing wage provision of the law, county employees are paid in accordance with a salary schedule for county employees established by the State legislature. The County Personnel Board for Massachusetts' counties classifies county job positions to pay grades.

7. Public participation in the local budgetary process, and the impact of revenue sharing on that process. Although the budget hearings held by county officials and the State Legislative Committee on Counties are public, GAO found no evidence of participation by individuals or representatives of public interest groups in the budgetary process of Worcester County.

CHAPTER 1

INTRODUCTION

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

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

- the specific operating and capital programs funded by general revenue sharing in each jurisdiction;
- the fiscal condition of each jurisdiction;
- the impact of revenue sharing on local tax rates and tax laws, including an analysis of tax burden on residents of each jurisdiction;
- the percentage of the total budget of each jurisdiction represented by general revenue sharing;
- the impact of Federal cutbacks in several categorical programs and the degree, if any, that revenue sharing has been used to replace those cutbacks;
- the record of each jurisdiction in complying with the civil rights, Davis-Bacon, and other provisions of the law; and
- public participation in the local budgetary process and the impact of revenue sharing on that process.

Worcester County, Massachusetts, is one of the 26 selected local governments, which include large, medium, and small municipalities and counties as well as a midwestern township.

BACKGROUND INFORMATION ON
WORCESTER COUNTY

Worcester County covers 1,511.82 square miles in central Massachusetts and is bordered to the north by New Hampshire and to the south by Rhode Island and Connecticut. According to the 1970 U.S. census, Worcester County consisted of 60 cities and towns and had a population of 637,037, ranging from 631 for the town of New Braintree to 176,572 for the city of Worcester. Of the counties in Massachusetts, Worcester County has the most land, the largest number of cities and towns, and the fourth largest population.

According to the Massachusetts Division of Employment Security, the county had 10.4 percent of the firms, 9.7 percent of the annual payroll, and 10.3 percent of the average State employment in 1972. As measured by the number of persons employed, manufacturing contributed the most to the county's economy (44.6 percent of county employees), followed by wholesale and retail trade (23.2 percent, combined). Manufacturing also accounted for approximately 50 percent of the county's annual payroll in 1972.

Based on the number of employees, the seven largest manufacturing groups, in descending order, are machinery, fabricated electrical products, plastic products, textile mill products, primary metal industries, ophthalmic goods and instruments, and furniture and fixtures. In 1970 the median family income in Worcester County was \$8,547 compared to \$8,607 for the State. Average per capita income for the county and State was \$3,192 and \$3,425, respectively.

Worcester County is administered by a three-member board of commissioners. The commissioners are elected to a 4-year term and are responsible for maintaining and operating county buildings and other county property. With minor exceptions, all policy decisions relative to operations and finances are made by the State legislature the same way policy decisions are made with respect to the operation of State governmental departments. Worcester County officials submit the county budget for enactment by the State legislature since Massachusetts counties are administrative subdivisions of the Commonwealth of Massachusetts.

In addition to the county commissioners, there are other elected officials who are responsible for specific county functions and who are not under the commissioners' direct control. These officials include:

County sheriff--elected to a 6-year term, he is the jailer and master of the county penal institution, but has no law enforcement functions. He also serves civil notices of the courts in the county.

District attorney--elected to a 4-year term, he is responsible for representing the State in the supreme and the superior courts in certain criminal and civil cases. He also assists the Attorney General of the Commonwealth.

Registrar of deeds--elected to a 6-year term to administer the registry of deeds and to act as assistant recorder of the land court.

Registrar of probate--elected to a 6-year term to administer the county registry of probate and to act as clerk of the county probate court.

County treasurer--elected to a 6-year term to serve as custodian of county funds.

The main service provided by Worcester County and other Massachusetts counties is operating the court system and court-related functions, including probate, juvenile, district, and superior courts and the registry of deeds and registry of probate. In addition, Worcester County provides two other major services: operating a jail and house of correction and a chronic disease hospital. The county is responsible for all court-related services within its boundaries and, although many cities and towns maintain overnight lockups, all persons awaiting trial or serving sentences of up to 2 years are housed at the county jail and house of correction. The county's chronic disease hospital mainly cares for patients who have been classified as chronic disease cases. These cases are often terminal and are usually referred by other county hospitals.

The county also provides minor services that include:

--A law library.

--A county engineering department that plans and surveys intercity roads and is also available for service to the road departments of the cities and towns.

--Operating a recreational park area.

--Providing food and clothing to juveniles upon court order.

--County dog officers to monitor the cities' and towns' dog officer functions.

Most governmental services within the county are provided by the cities and towns. They are required by State law to provide for certain minimum activities which include:

--Assessing taxes.

--Collecting taxes.

--Auditing their own accounts.

--Assuring maintenance of health standards through board of health activities.

--Maintaining roads.

--Caring for public shade trees.

--Preserving the peace.

Cities and towns within Worcester County must also provide education. A county official stated that most towns and cities provided fire protection, sewerage, rubbish and garbage disposal, water, parks and recreation, limited services for the elderly, and libraries. In the rural county areas residents may be required to provide their own water, sewerage, and garbage and rubbish disposal. The State is responsible for cash welfare payments, interstate highway maintenance, and environmental protection.

Most county hospitals are privately run, and public transportation and utilities other than water are provided by the private sector. Many social services for the poor, aged, and other groups are provided by private and civic organizations.

REVENUE SHARING ALLOCATION

Revenue sharing funds are allocated according to a formula in the Revenue Sharing Act. The amount available for distribution within a State is divided into two portions--one-third for the State government and two-thirds for all eligible local governments within the State.

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

The act places constraints on allocations to local governments. The per capita amount allocated to any county area or local government unit (other than a county government) cannot be less than 20 percent, nor more than 145 percent, of the per capita amount available for distribution to local governments throughout the State. The act also limits the allocation of each unit of local government (including county governments) to not more than 50 percent of the sum of the government's adjusted taxes and intergovernmental transfers. Finally, a government cannot receive funds unless its allocation is at least \$200 a year.

To satisfy the minimum and maximum constraints, the Office of Revenue Sharing uses funds made available when local governments exceed the 145 percent maximum to raise the allocations of the State's localities that are below the 20 percent minimum. To the extent these two amounts (amount above 145 percent and amount needed to bring all governments up to 20 percent) are not equal, the amounts allocated to the State's remaining unconstrained governments (including county governments) are proportionally increased or decreased.

Worcester County was not constrained at the 50 percent level in any of the first four entitlement periods (January 1, 1972, through June 30, 1974), but constraints applied to other governments in the State resulted in an increase in Worcester County's allocation. Our calculations showed that, if the allocation formula were applied in Massachusetts without all the act's constraints, Worcester County's allocation for the period from January 1, 1972, through June 30, 1974, would have been \$2,243,097, slightly less than its actual allocation of \$2,419,649. The initial allocations and payments to Worcester County for the same period were \$2,417,199, including \$255,357 received in July 1974. The payment for the next entitlement period will be increased by \$2,450, the difference between initial and final allocations.

The following schedule shows revenue sharing per capita and revenue sharing as a percentage of adjusted taxes for Worcester County; Dukes County and Norfolk County, which received the highest and lowest per capita amounts, respectively, of the State's 12 counties; and Essex County, which has a population of 637,887--closest to Worcester County's population of 637,037.

Revenue sharing funds received for the period
January 1, 1972, through June 30, 1974

<u>County</u>	<u>Received</u> (note a)	<u>Per capita</u> <u>share</u>	<u>As a percent of</u> <u>taxes (note b)</u>
Worcester	\$2,417,199	\$ 3.79	13.8
Dukes	79,582	13.01	7.9
Norfolk	1,119,241	1.85	8.6
Essex	1,836,398	2.88	11.9

a/Includes payment received in July 1974 for quarter ended June 30, 1974.

b/Fiscal year 1971 and 1972 taxes, as defined by the Bureau of the Census, were used and adjusted to correspond to the 2-1/2-year period covered by the revenue sharing payments.

The total revenue sharing received by the State's 12 county governments for the same period was \$17,123,286, or a per capita amount of \$3.46.

CHAPTER 2

BUDGETING AND PUBLIC PARTICIPATION

IN THE BUDGETARY PROCESS

Worcester County's fund structure consists of a general operating fund, special construction funds, a county hospital fund, and separate funds for the various Federal grants, including revenue sharing.

1. General operating fund--finances the county's operating expenses, except for the hospital. Revenue is derived from assessments on the cities and towns and fines and fees generated by various departments. Cash not currently needed is transferred to interest-bearing savings accounts or certificates of deposit.

The county maintains a schedule of anticipated cash needs so that withdrawals from savings accounts and maturity of certificates of deposit coincide with these needs. As funds are needed, they are transferred back to the general operating fund.

2. County hospital fund--derives most of its revenue from patient fees. Fees are set to make the hospital self-sustaining, but if it operates at a deficit, the cities and towns are assessed for the deficit in the following year.
3. Special construction funds--finance construction projects approved by the State legislature, which also grants the county authority to issue bonds. Funds are initially obtained from short-term loans. A bond issue is floated when the construction project is nearing completion or when the bond market is favorable. The county's operating budget provides for bond retirements through annual installments.
4. Federal grants--are segregated with their own savings accounts and checking accounts.

RELATIONSHIP OF REVENUE SHARING TO TOTAL BUDGET

Revenue sharing funds received by Worcester County through June 30, 1974, totaled \$2,161,842. Worcester did not include any revenue sharing funds in its 1972 budget. However, in the 18-month transitional budget that the county used in converting from a calendar to a fiscal year basis, \$1,517,714, or 6.5 percent of the budget, consisted of reve-

nue sharing funds. The \$644,128 not budgeted as of June 30, 1974, amounted to 2.8 percent of the county's transitional budget.

A county official stated that all revenue sharing entitlements within the budgetary period were not budgeted because the amount of revenue sharing funds to be received was not known when the budget was prepared. He added that the budgeting of revenue sharing funds was based on the amount on hand when the county budget was prepared plus an estimate of the amount to be received.

Worcester County	Fiscal period		
	Year ended December 31 1971	1972	18-month period ended June 30, 1974
County budget, including grants	\$10,996,487	\$13,865,701	\$ 23,284,428
School taxes raised by the 60 cities and towns responsible for education	80,403,043	83,889,106	157,467,408
Total	\$91,399,530	\$97,754,807	\$180,751,836
Revenue sharing payments received	-	\$449,322	\$1,712,520
Revenue sharing budgeted	-	-	\$1,517,714
Cumulative revenue sharing payments received but not budgeted	-	\$449,322	\$644,128
Percentage of county budget represented by revenue sharing	-	-	6.5
Percentage of county and school budgets represented by revenue sharing	-	-	0.8

In the above table, we used taxes collected by the school districts instead of budget data because such data for all the 60 school districts in the county was not readily available during our review. School district data is included to facilitate comparison with those local governments whose responsibilities include operating local school systems. Although independent school districts do not receive revenue sharing funds directly from the Federal Government, the financing of public schools is a major responsibility at the local government level and represents a significant part of the local tax burden.

Revenue sharing was used by Worcester County to operate the jail and house of correction. In the 18-month transitional budget period ended June 30, 1974, the total appropriation for this activity amounted to \$2,168,429, of which \$1,517,714, or 70 percent, was represented by revenue sharing. For fiscal year 1975, the entire budget of \$1,701,999 for the jail and house of correction was appropriated from revenue sharing funds.

PUBLIC INVOLVEMENT IN BUDGETARY PROCESS

The county budget process starts approximately 6 months before the beginning of the fiscal year when the commissioners collect estimates of receipts and requested appropriations from the county department heads. A budget meeting, open to the public, is held by the commissioners and the department heads to review and prepare the county budget. The commissioners submit the county budget to the Bureau of Accounts of the Massachusetts Department of Corporations and Taxation, where the county budgets are compiled into one document and submitted to the legislature. The Legislative Committee on Counties holds budget hearings, also open to the public, and recommends to the house an appropriations bill for each county. The budgets are then resubmitted to the full legislature for adoption and, finally, to the Governor for signature.

The commissioners twice issued press releases to various news media concerning the county's planned use of revenue sharing funds. On June 19, 1973, a release was sent to 11 radio and television stations and 4 newspapers serving the county. This release announced the commissioners' intended allocation of revenue sharing funds. On June 6, 1974, a release was sent to 15 radio and television stations and 24 newspapers serving the county. This release contained information on planned use of revenue sharing funds during fiscal year 1975 and also contained information on the intent and the effects of the revenue sharing program on Worcester County. These releases were in addition to publication of the planned and actual use reports required by the Revenue Sharing Act.

We found no evidence of participation by individuals or representatives of public interest groups in the budgetary process of Worcester County. A county official stated that public interest groups had not presented statements at any budget hearings held by the county concerning the use of county or revenue sharing funds, and a member of the Legislative Committee on Counties stated the same situation existed at the committee-held hearings. A public interest group official in the city of Worcester said his organization did not participate in county budget meetings, nor did the organization request or receive information regarding the county's use of funds, including revenue sharing. Furthermore, he did not know of any public interest groups that were involved in the county budgetary process.

CHAPTER 3

PROGRAMS FUNDED WITH REVENUE SHARING

Worcester County was allocated \$2,417,199 in revenue sharing funds for the period January 1, 1972, through June 30, 1974. Of the amount allocated, \$2,161,842 was received by June 30, 1974, and \$255,357 was received in July 1974. As of June 30, 1974, interest earned from investing the funds totaled \$115,814. Of the total \$2,533,013 available, Worcester County had appropriated \$1,517,714 for the 18-month fiscal period ended June 30, 1974, of which \$1,495,436 was expended. The revenue sharing balance as of July 1, 1974--\$1,037,577--was included in the appropriation for fiscal year 1975.

USES OF REVENUE SHARING

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

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

Throughout this report, when we describe the purposes for which revenue sharing funds were used, we are referring to use designations as reflected by county financial records.

Functional uses

Worcester County's expenditure of revenue sharing funds in the 18-month period ended June 30, 1974, was for operations and maintenance expenses related to public safety in the area of corrections.

Specific uses

Salaries for employees who operated the jail and house of correction totaled \$1,495,436. Without revenue sharing, Worcester County would have had to further increase assessments to its 60 cities and towns. To raise a sum equal to the budgeted revenue sharing amount of \$1,517,714, the county's assessment would have had to be increased by \$1.49 per \$1,000 of valuation for the 18-month budget period.

Plans for unobligated funds

The June 30, 1974, unobligated revenue sharing fund balance of \$1,037,577 was appropriated, together with expected revenue sharing fund receipts, to operate the jail and house of correction in fiscal year 1975. The amount to be expended for that purpose is as follows:

Personal services	\$1,192,769
Contractual services	131,300
Supplies and materials	325,000
Current charges and obligations	26,895
Equipment	25,035
All other	<u>1,000</u>
Total	<u>\$1,701,999</u>

ACCOUNTING FOR REVENUE SHARING FUNDS

Revenue sharing funds are invested in a savings account and certificates of deposit by the county treasurer. In the county's fiscal period ended June 30, 1974, funds were transferred from the savings account to a revenue sharing checking account to pay salaries of the jail and house of correction employees. Details of revenue sharing expenditures are shown on the certified warrants submitted to the treasurer's office by the county sheriff.

Starting on July 1, 1974, authorized revenue sharing expenditures were being made from the general fund under the county's normal disbursing procedure. Transfers to reimburse the general fund are periodically made from the revenue sharing savings account.

AUDITS OF REVENUE SHARING

The Massachusetts Bureau of Accounts, within the Department of Corporation and Taxation, audits Massachusetts counties. The Worcester County audit in November 1973 covered the

period November 14, 1972, to October 31, 1973, and included only a financial review of the revenue sharing fund transactions. Although an audit report was not issued, the Supervisor on Counties, Bureau of Accounts, stated that no findings were made concerning revenue sharing. The county treasurer added that revenue sharing has not been audited by any other groups.

CHAPTER 4
COMPLIANCE PROVISIONS
OF THE REVENUE SHARING ACT

The act provides that, among other requirements, each recipient shall

- create a trust fund in which funds received and interest earned will be deposited. Funds will be spent in accordance with laws and procedures applicable to expenditure of the recipient's own revenues;
- use fiscal, accounting, and audit procedures which conform to guidelines established by the Secretary of the Treasury;
- not use funds in ways which discriminate because of race, color, national origin, or sex;
- under certain circumstances, not use funds either directly or indirectly to match Federal funds under programs which make Federal aid contingent upon the recipient's contribution;
- observe requirements of the Davis-Bacon Act on certain construction projects in which the costs are paid out of the revenue sharing trust fund;
- under certain circumstances, pay employees who are paid out of the trust fund not less than prevailing rates of pay; and
- periodically report to the Secretary of the Treasury on how it used its revenue sharing funds and how it plans to use future funds. The reports shall also be published in the newspaper, and the recipient shall advise the news media of the publication of such reports.

Further, local governments may spend funds only within a specified list of priority areas.

For purposes of this review we gathered selected information relating to the nondiscrimination, Davis-Bacon, and prevailing wage provisions.

NONDISCRIMINATION PROVISION

The act provides that no person in the United States shall, on the ground of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with general revenue sharing funds.

Worcester County has no formal policy regarding non-discrimination in employment, nor has it been required to prepare an Equal Opportunity Affirmative Action Compliance Program.

The State agency having responsibility in civil rights matters is the Massachusetts Commission Against Discrimination (MCAD). MCAD is the successor to the Fair Housing and Practices Committee, established in 1946. As the State legislature increased the committee's power and jurisdiction, the organization evolved into MCAD, with offices in Boston, Worcester, Springfield, and New Bedford. MCAD enforces the laws regarding discrimination complaints in housing, employment, education, and public accommodations and also has enforcement powers over any Massachusetts employer, public or private, with three or more employees.

MCAD can subpoena witnesses and documents, and its rulings carry the weight of district court decisions. MCAD decisions against the respondent to a complaint may be appealed in superior court. (In Massachusetts, the judicial system generally consists of district and superior courts and the State supreme court.) In cases involving discrimination in employment, the Federal Equal Employment Opportunity Commission may disagree with any MCAD ruling and can reverse or amend the decision.

The local civil rights agency is the Worcester human rights commission. The commission was established by a city of Worcester ordinance and holds hearings concerning alleged discriminatory actions involving race, color, sex, creed, or national origin that occur within city limits. Although the commission may subpoena witnesses and documents for hearings, it has only persuasive enforcement powers. On any complaint, the commission notifies and coordinates its efforts with MCAD.

Comparison of local government work force and civilian labor force

The civilian labor force for Worcester County, according to the 1970 census, follows:

	Male		Female		Total	
	Number	Percent	Number	Percent	Number	Percent
Total civilian labor force	<u>161,511</u>	<u>60.5</u>	<u>105,266</u>	<u>39.5</u>	<u>266,777</u>	<u>100</u>
Black	1,019	0.4	854	0.3	1,873	0.7
Spanish language	1,164	0.4	550	0.2	1,714	0.6

As of June 30, 1974, the county government work force consisted of the following permanent full-time employees:

	Male		Female		Total	
	Number	Percent	Number	Percent	Number	Percent
White	359	45.8	413	52.7	772	98.5
Black	1	0.1	-	-	1	0.1
Other	<u>9</u>	<u>1.2</u>	<u>2</u>	<u>0.2</u>	<u>11</u>	<u>1.4</u>
Total	<u>369</u>	<u>47.1</u>	<u>415</u>	<u>52.9</u>	<u>784</u>	<u>100.0</u>

County officials did not see any significant variances between the race, color, and sex percentages in the county government work force and the civilian labor force. In the 12-month period prior to June 30, 1974, only whites were hired or promoted. The county hired 15 males and 14 females, and promoted 153 males and 61 females. (See app. I, II, and III.)

A county official explained that employment applications were not often received from members of minority groups even though position openings are advertised and the Massachusetts Division of Employment Security is notified. A black male was hired in October 1974 as a court officer, but a black female refused an employment offer. The same county official explained that, although minorities were not promoted in the 12-month period ended June 30, 1974, 9 of the 12 minorities on the county government work force held professional or administrative positions.

In the review period beginning January 1, 1972, there have not been any employment discrimination complaints or civil rights suits filed against Worcester County involving the use of revenue sharing funds. We discovered no evidence to show that the use of revenue sharing funds at the jail and house of correction is predicated on avoiding potential employment problems.

Services and capital projects

The services and capital projects funded by revenue sharing were provided and located in such a manner that there was no obvious discrimination on the basis of sex, race, or color. In our review period beginning on January 1, 1972, there have not been any public service complaints or civil rights suits against Worcester County.

DAVIS-BACON PROVISION

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

Worcester County did not use any revenue sharing funds for construction projects. Accordingly, the Davis-Bacon provision did not apply.

PREVAILING WAGE PROVISION

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

Salaries of employees at the jail and house of correction were paid with revenue sharing funds using salary schedules established by the State legislature. Accordingly, Worcester County was complying with the prevailing wage provision of the Revenue Sharing Act. In the fiscal period January 1, 1973, to June 30, 1974, Worcester County budgeted \$1,517,714 of revenue sharing funds for salaries to operate the jail and house of correction. Of the total revenue sharing funds budgeted, \$1,495,436 was expended and represented 95.2 percent of the total salaries of \$1,570,750. County funds were used for the difference, which represented a cost-of-living increase and salaries for additional temporary employees. Although Massachusetts county employees are not in a civil service system, there is a County Personnel Board for Massachusetts counties which is responsible for classifying county job positions to 1 of 22 pay grades

approved by the State legislature. In addition, the board holds hearings on any appealed dismissal actions. Hirings and promotions are initiated by county department heads and reviewed for approval by the county commissioners and the board.

CHAPTER 5

FINANCIAL STATUS

TREND OF FUND BALANCES

The unappropriated balances of the general and hospital funds for the last 5 completed fiscal periods are shown below.

<u>Period ended</u>	<u>Unappropriated balance</u>		
	<u>General</u>	<u>Hospital</u>	<u>Total</u>
December 31, 1969	\$1,186,060	\$239,305	\$1,425,365
December 31, 1970	1,172,858	477,394	1,650,252
December 31, 1971	1,305,182	137,783	1,442,965
December 31, 1972	1,513,820	110,334	1,624,154
June 30, 1974	2,758,943	213,426	2,972,369

A county official explained that the increase in the June 30, 1974, unappropriated balance was due to the sale of land for approximately \$500,000, and actual expenditures were less than estimated in the 18-month budget period.

Worcester County employees belong to a contributory retirement system which is separate from other county financial systems and is managed by the Worcester County retirement board, consisting of three members. In addition to Worcester County, there are 73 organizations consisting of towns, water districts, and school districts belonging to the system. The retirement system has an annuity savings fund and an annuity reserve fund consisting of accumulated deductions from employee compensation and interest earned for active and retired employees, respectively. It also has a pension fund which receives the amounts appropriated by the participating organizations, including Worcester County, to meet pension fund disbursements on a pay-as-you-go basis. Each fiscal year, pension payments are determined in advance on the basis of actuarial estimates subject to review by the State Commission of Insurance, and the total amount needed is apportioned to and appropriated by the participating organizations. The retirement system's administrative expenses are similarly raised. Since the pension segment of the retirement system (i.e., the employer contribution) is financed annually by appropriation, the accrued pension liability for past services is neither calculated nor funded except for current fiscal periods.

The pension fund balance reported by the retirement board as available for payment of benefits at the end of the last 5 completed years follows.

<u>December 31</u>	<u>Pension fund balance</u>
1969	\$569,802
1970	431,368
1971	565,197
1972	748,485
1973	856,358

INDEBTEDNESS

The outstanding bonded debt balance of Worcester County for the five most recently completed fiscal periods is presented below.

<u>Fiscal period ended</u>	<u>Outstanding bond balance</u>
December 31, 1969	\$ 3,005,000
December 31, 1970	2,135,000
December 31, 1971	13,115,000
December 31, 1972	11,700,000
June 30, 1974 (18 months)	10,160,000

The county treasurer said most construction projects requiring the issuance of bonds had been completed and that, by the end of 1981, approximately 94 percent of the \$10,572,500 bonded indebtedness as of November 15, 1974, would be liquidated.

Borrowing procedures

The State legislature permits Worcester County to raise funds for capital projects by issuing bonds. According to Moody's Municipal and Government Manual, the bond rating in the last 10 years for Worcester County has been Aaa, which is Moody's highest rating. A county official said all bond issues have been fully subscribed. Interest rates on the nine bond issues between January 1, 1971, and June 30, 1974, ranged from 3.3 percent in 1971 to 5.25 percent in 1973. County officials attributed the interest rate increase to the economic conditions rather than the county's financial position.

Borrowing restrictions

The amount of any county bond issue is limited to the amount of the capital project authorized by the State legislature. A county official stated that there may be short-term loans in anticipation of assessment receipts from the cities and towns.

In the opinion of the county treasurer, Worcester County is in good financial condition.

TAXATION

Major taxes levied

Worcester County levies an assessment on its cities and towns to raise operating revenues. The State legislature establishes the total assessment amount. The county allocates the assessment based on the ratio of the city or town valuation to the total valuation as reported by the State Tax Commission. The cities and towns raise the county assessment through the real estate property tax. Similarly, an assessment is made for any deficits incurred in the hospital operation. The unchanged valuation of \$1,020,809,000 was used by the county to assess the cities and towns from 1965 through June 30, 1974. Starting with fiscal year 1975, the county used the new valuation of \$3,339,100,000, as reported by the State Tax Commission.

For the last five completed fiscal periods, the county received the following total assessments:

Assessments Received

<u>Fiscal period ended</u>	<u>County</u>	<u>Hospital</u>	<u>Total</u>
December 31, 1969	\$ 6,169,574	\$457,957	\$ 6,627,531
December 31, 1970	6,609,542	810,695	7,420,237
December 31, 1971	7,322,885	322,606	7,645,491
December 31, 1972	9,734,970	62,217	9,797,187
June 30, 1974 (18 months)	15,085,697	-	15,085,697

Taxing limitations

Worcester County does not have any taxing powers. The amount needed to operate the county is set by the State legislature and is raised through assessments on the cities and towns.

Family tax burden

The city of Worcester is the largest city in Worcester County. We calculated the 1973 tax burden of residents of Worcester City by assuming such things as level of income, size of family, and value of real property holdings for three hypothetical families. Each of the three families depicted below had four family members, had income solely from wages earned by the head of the household, and owned a home having a market value equal to 2-1/2 times that of the annual income. The annual incomes of families A, B, and C totaled \$7,500, \$12,500, and \$17,500, respectively. Families A and B

each owned one automobile and used 1,000 gallons of gasoline annually. Family C owned two automobiles and used 1,500 gallons of gasoline.

Using these assumptions, the following tax situations were developed.

<u>Tax</u>	<u>Family A</u>	<u>Family B</u>	<u>Family C</u>
City:			
Real estate (note a)	\$ 934	\$ 1,551	\$ 2,169
Auto excise	<u>112</u>	<u>119</u>	<u>152</u>
Total	<u>1,046</u>	<u>1,670</u>	<u>2,321</u>
State:			
Income	164	404	654
Gasoline	75	75	113
Sales	<u>26</u>	<u>40</u>	<u>52</u>
Total	<u>265</u>	<u>519</u>	<u>819</u>
Total	<u>\$1,311</u>	<u>\$ 2,189</u>	<u>\$ 3,140</u>
Total as percent- age of income	<u>17.5</u>	<u>17.5</u>	<u>17.9</u>

a/ Includes estimated county assessment, which was \$54, \$89, and \$125 for families A, B, and C, respectively.

Additionally, the resident is subject to State taxes of 5 percent on meals of \$1.00 or more and on alcoholic beverages consumed on the premises; a room occupancy tax of 5.7 percent; a cigarette tax of 16 cents per pack; an alcoholic beverage tax of as much as \$3.36 per gallon; and an annual motor vehicle registration tax of \$6.00 per auto.

CHAPTER 6

OTHER FEDERAL AID

FEDERAL AID RECEIVED

As shown below, total funds received by Worcester County from Federal agencies, exclusive of revenue sharing, have increased in each of the three most recently completed fiscal periods.

	Period ended		
	December 31	June 30	
	<u>1971</u>	<u>1972</u>	<u>1974 (18 months)</u>
Department of Justice:			
Law Enforcement			
Assistance			
Administration	\$97,865	\$183,936	\$375,391
Department of Health,			
Education, and Welfare:			
Education	-	-	35,000
Total	<u>\$97,865</u>	<u>\$183,936</u>	<u>\$410,391</u>

The amount of Federal aid estimated to be received in fiscal year 1975 is \$303,664, entirely from the Department of Justice. Additional grants are expected from the Department of Health, Education, and Welfare to continue the educational program started during the fiscal period ended June 30, 1974.

CHANGES IN FEDERAL AID
AND IMPACT ON RECIPIENT

The estimated \$303,664 in Federal aid from the Department of Justice for fiscal year 1975 is, in effect, an increase over the amount of \$375,391 received in fiscal year 1974. The amount received in 1974 provided for an 18-month budget period. A county official stated that Federal programs had not been reduced or affected by the revenue sharing program.

CHAPTER 7

SCOPE OF REVIEW

We interviewed county officials and reviewed financial and other records of Worcester County to determine the uses of revenue sharing and to obtain other information requested by the Subcommittee. Our work was limited to gathering selected data relating to areas identified by the Subcommittee Chairman.

We also contacted a representative of a local interest group and a State representative who is a member of the Legislative Committee on Counties. We obtained their comments on the impact of revenue sharing on public participation in the budgetary process and the extent of recommendations on the use of revenue sharing funds made by public interest groups. Additionally, we contacted Federal, State, and local commissions involved with matters of nondiscrimination.

Officials of Worcester County reviewed our case study, and we considered their comments in finalizing it.

COUNTY GOVERNMENT WORK FORCE
WORCESTER COUNTY, MASSACHUSETTS
JUNE 30, 1974

Function/ job category	Male				Female				Total			
	White	Black	Other	Total	White	Black	Other	Total	White	Black	Other	Total
All functions:												
Officials	44	-	2	46	16	-	-	16	60	-	2	62
Professionals	64	-	6	70	48	-	1	49	112	-	7	119
Technicians	4	-	-	4	32	-	-	32	36	-	-	36
Protective service	100	-	-	100	6	-	-	6	106	-	-	106
Paraprofessionals	25	-	-	25	65	-	-	65	90	-	-	90
Office/clerical	16	-	1	17	222	-	1	223	238	-	2	240
Skilled craft	27	-	-	27	14	-	-	14	41	-	-	41
Service/maintenance	79	1	-	80	10	-	-	10	89	1	-	90
Total	359	1	9	369	413	-	2	415	772	1	11	784
Percent	46	-	1	47	53	-	-	53	99	-	1	100
Financial administration and general control:												
Officials	24	-	-	24	7	-	-	7	31	-	-	31
Professionals	14	-	-	14	7	-	1	8	21	-	1	22
Technicians	-	-	-	-	-	-	-	-	-	-	-	-
Protective service	44	-	-	44	-	-	-	-	44	-	-	44
Paraprofessionals	7	-	-	7	1	-	-	1	8	-	-	8
Office/clerical	15	-	1	16	173	-	1	174	188	-	2	190
Skilled craft	8	-	-	8	-	-	-	-	8	-	-	8
Service/maintenance	39	-	-	39	8	-	-	8	47	-	-	47
Total	151	-	1	152	196	-	2	198	347	-	3	350
Percent	43	-	-	43	56	-	1	57	99	-	1	100
Hospital:												
Officials	2	-	2	4	5	-	-	5	7	-	2	9
Professionals	4	-	4	8	32	-	-	32	36	-	4	40
Technicians	4	-	-	4	32	-	-	32	36	-	-	36
Protective service	3	-	-	3	-	-	-	-	3	-	-	3
Paraprofessionals	6	-	-	6	55	-	-	55	61	-	-	61
Office/clerical	1	-	-	1	10	-	-	10	11	-	-	11
Skilled craft	15	-	-	15	14	-	-	14	29	-	-	29
Service/maintenance	35	1	-	36	-	-	-	-	35	1	-	36
Total	70	1	6	77	148	-	-	148	218	1	6	225
Percent	31	-	3	34	66	-	-	66	97	-	3	100
Corrections:												
Officials	18	-	-	18	4	-	-	4	22	-	-	22
Professionals	46	-	2	48	9	-	-	9	55	-	2	57
Technicians	-	-	-	-	-	-	-	-	-	-	-	-
Protective service	53	-	-	53	6	-	-	6	59	-	-	59
Paraprofessionals	12	-	-	12	9	-	-	9	21	-	-	21
Office/clerical	-	-	-	-	39	-	-	39	39	-	-	39
Skilled craft	4	-	-	4	-	-	-	-	4	-	-	4
Service/maintenance	5	-	-	5	2	-	-	2	7	-	-	7
Total	138	-	2	140	69	-	-	69	207	-	2	209
Percent	66	-	1	67	33	-	-	33	99	-	1	100

GAO note: The jobs in this appendix were categorized by the county using Federal Equal Employment Opportunity Commission definitions.

COUNTY GOVERNMENT NEW HIRES
WORCESTER COUNTY, MASSACHUSETTS
YEAR ENDED JUNE 30, 1974

Function/job category	Male				Female				Total			
	White	Black	Other	Total	White	Black	Other	Total	White	Black	Other	Total
All functions:												
Officials	1	-	-	1	-	-	-	-	1	-	-	1
Professionals	4	-	-	4	2	-	-	2	6	-	-	6
Technicians	-	-	-	-	-	-	-	-	-	-	-	-
Protective service	5	-	-	5	1	-	-	1	6	-	-	6
Paraprofessionals	1	-	-	1	-	-	-	-	1	-	-	1
Office/clerical	4	-	-	4	11	-	-	11	15	-	-	15
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Total	<u>15</u>	-	-	<u>15</u>	<u>14</u>	-	-	<u>14</u>	<u>29</u>	-	-	<u>29</u>
Percent	<u>52</u>	-	-	<u>52</u>	<u>48</u>	-	-	<u>48</u>	<u>100</u>	-	-	<u>100</u>
Financial administration and general control:												
Officials	1	-	-	1	-	-	-	-	1	-	-	1
Professionals	1	-	-	1	1	-	-	1	2	-	-	2
Technicians	-	-	-	-	-	-	-	-	-	-	-	-
Protective service	-	-	-	-	-	-	-	-	-	-	-	-
Paraprofessionals	1	-	-	1	-	-	-	-	1	-	-	1
Office/clerical	4	-	-	4	7	-	-	7	11	-	-	11
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Total	<u>7</u>	-	-	<u>7</u>	<u>8</u>	-	-	<u>8</u>	<u>15</u>	-	-	<u>15</u>
Percent	<u>47</u>	-	-	<u>47</u>	<u>53</u>	-	-	<u>53</u>	<u>100</u>	-	-	<u>100</u>
Corrections:												
Officials	-	-	-	-	-	-	-	-	-	-	-	-
Professionals	3	-	-	3	1	-	-	1	4	-	-	4
Technicians	-	-	-	-	-	-	-	-	-	-	-	-
Protective service	5	-	-	5	1	-	-	1	6	-	-	6
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	-	-	-	-	4	-	-	4	4	-	-	4
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Total	<u>8</u>	-	-	<u>8</u>	<u>6</u>	-	-	<u>6</u>	<u>14</u>	-	-	<u>14</u>
Percent	<u>57</u>	-	-	<u>57</u>	<u>43</u>	-	-	<u>43</u>	<u>100</u>	-	-	<u>100</u>

GAO note: The jobs in this appendix were categorized by the county using Federal Equal Employment Opportunity Commission definitions.

COUNTY GOVERNMENT PROMOTIONS
WORCESTER COUNTY, MASSACHUSETTS
YEAR ENDED JUNE 30, 1974

Function/job category	Male				Female				Total			
	White	Black	Other	Total	White	Black	Other	Total	White	Black	Other	Total
All functions:												
Officials	10	-	-	10	2	-	-	2	12	-	-	12
Professionals	6	-	-	6	-	-	-	-	6	-	-	6
Technicians	6	-	-	6	-	-	-	-	6	-	-	6
Protective service	111	-	-	111	6	-	-	6	117	-	-	117
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	6	-	-	6	53	-	-	53	59	-	-	59
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	14	-	-	14	-	-	-	-	14	-	-	14
Total	<u>153</u>	-	-	<u>153</u>	<u>61</u>	-	-	<u>61</u>	<u>214</u>	-	-	<u>214</u>
Percent	<u>71</u>	-	-	<u>71</u>	<u>29</u>	-	-	<u>29</u>	<u>100</u>	-	-	<u>100</u>
Financial administration and general control:												
Officials	9	-	-	9	2	-	-	2	11	-	-	11
Professionals	6	-	-	6	-	-	-	-	6	-	-	6
Technicians	1	-	-	1	-	-	-	-	1	-	-	1
Protective service	32	-	-	32	-	-	-	-	32	-	-	32
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	6	-	-	6	50	-	-	50	56	-	-	56
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	12	-	-	12	-	-	-	-	12	-	-	12
Total	<u>66</u>	-	-	<u>66</u>	<u>52</u>	-	-	<u>52</u>	<u>118</u>	-	-	<u>118</u>
Percent	<u>56</u>	-	-	<u>56</u>	<u>44</u>	-	-	<u>44</u>	<u>100</u>	-	-	<u>100</u>
Hospital:												
Officials	1	-	-	1	-	-	-	-	1	-	-	1
Professionals	-	-	-	-	-	-	-	-	-	-	-	-
Technicians	3	-	-	3	-	-	-	-	3	-	-	3
Protective service	-	-	-	-	-	-	-	-	-	-	-	-
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	-	-	-	-	2	-	-	2	2	-	-	2
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	2	-	-	2	-	-	-	-	2	-	-	2
Total	<u>6</u>	-	-	<u>6</u>	<u>2</u>	-	-	<u>2</u>	<u>8</u>	-	-	<u>8</u>
Percent	<u>75</u>	-	-	<u>75</u>	<u>25</u>	-	-	<u>25</u>	<u>100</u>	-	-	<u>100</u>
Corrections:												
Officials	-	-	-	-	-	-	-	-	-	-	-	-
Professionals	-	-	-	-	-	-	-	-	-	-	-	-
Technicians	2	-	-	2	-	-	-	-	2	-	-	2
Protective service	79	-	-	79	6	-	-	6	85	-	-	85
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	-	-	-	-	1	-	-	1	1	-	-	1
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Total	<u>81</u>	-	-	<u>81</u>	<u>7</u>	-	-	<u>7</u>	<u>88</u>	-	-	<u>88</u>
Percent	<u>92</u>	-	-	<u>92</u>	<u>8</u>	-	-	<u>8</u>	<u>100</u>	-	-	<u>100</u>

GAO note: The jobs in this appendix were categorized by the county using Federal Equal Employment Opportunity Commission definitions.

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