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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 E**

Lake County, Oregon

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

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## 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 Lake County, Oregon. D2772

For the period January 1, 1972, through June 30, 1974, Lake County was allocated a total of \$215,417 in revenue sharing funds, or a per capita amount of \$33.96. Of the amount allocated, \$192,561 was received by June 30, 1974, and \$22,856 was received in July 1974. The revenue sharing funds allocated to Lake County were equivalent to about 36.8 percent of its own tax collections.

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

1. The specific operating and capital programs funded in part or in whole by general revenue sharing in each jurisdiction. At June 30, 1974, Lake County had spent \$56,009 of its revenue sharing funds. Of the total spent, \$32,416 was designated for public safety, \$6,111 for environmental protection, \$10,447 for libraries, \$6,814 for highway and streets, and \$221 for general government. The county's financial records show that within these designated uses \$33,724 of the funds was for operations and maintenance expenses. The remaining \$22,285 was for a variety of capital expenditures, including a car for the sheriff (\$4,803), library books (\$8,159), remodeling library space (\$1,691), a road maintenance trailer (\$6,814), and other equipment (\$818).

2. The fiscal condition of each jurisdiction, including its surplus or debt status. The county's surplus position has increased substantially since fiscal year 1972 because of additional revenues from Federal timber reserve fees for the road fund, revenue sharing funds, and State timber severance taxes. The county's surpluses in 1973 and 1974 were almost as large as the total county budget in those years. Lake County has no outstanding long-term debt. For the past 5 years (fiscal years 1970-74), the county's yearend debt balances consisted only of outstanding warrants ranging from \$40,156 to \$75,972.

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. Total tax collections by Lake County (including school districts) has remained

relatively constant over the last 5 fiscal periods (fiscal years 1970-74). The county's property tax rate has decreased, however, from a high of \$2.83 in 1971 to \$2.10 in 1974. The county experienced increases in revenues received from the State for timber severance taxes and for basic school support. State law requires that these revenues be deducted from the tax levy (amount needed to balance the budget) before assigning the tax rate.

The percentage of a family's income paid as taxes to Lake County and other governments, including school districts, special districts, and the State government, increases as family income increases. The tax burden for a family of four increased from 8 percent of family income to 11 percent and 13 percent as family income increased from \$7,500 to \$12,500 and \$17,500, respectively.

4. The percentage of the total budget represented by general revenue sharing. Revenue sharing funds received by Lake County through June 30, 1974, totaled \$192,561. Lake County did not budget revenue sharing funds in fiscal year 1973. In fiscal year 1974 revenue sharing funds accounted for \$56,214, or 3.2 percent of the county budget and 1.3 percent of the combined county and school budgets. The \$136,347 that had not been budgeted as of June 30, 1974, amounted to 7.7 percent of the county's 1974 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. Lake County did not receive any direct Federal categorical aid during fiscal years 1970-74. For fiscal year 1975 the Federal Aviation Administration awarded the county a \$263,246 grant for improving the Lake County airport.

6. The record of each jurisdiction in complying with the civil rights, Davis-Bacon, and other provisions of the law. As of October 1974, there have been no employment discrimination complaints filed against Lake County at the State's Civil Rights Division or the Federal Equal Employment Opportunity Commission.

Due to the low number of minority residents in the community, the Bureau of the Census did not identify minorities in its civilian labor force. The male/female ratio of the county government's full-time employees was almost identical to the male/female ratio of the county's civilian labor force. Most males, however, were in the service/maintenance and skilled craft positions and most of the females held office/clerical positions.

Because the county has not used revenue sharing funds for any construction projects, the Davis-Bacon provision did not apply. Also, the prevailing wage provision did not apply in Lake County.

7. Public participation in the local budgetary process, and the impact of revenue sharing on that process. During the first year that revenue sharing funds were to be budgeted, the county published a questionnaire soliciting suggestions for projects, presented an informational revenue sharing radio program, and made public presentations at civic functions to gain public participation. Twenty-two questionnaires were returned; however, no public interest groups proposed uses for revenue sharing funds at budget hearings. The first-year efforts to obtain public participation were not repeated for the fiscal year 1975 budget.

## 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.

Lake County, Oregon, 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 LAKE COUNTY

Although Lake County's area is the third largest county area in Oregon, its population is only 6,343 (less than one person per square mile). Most of the population centers around the town of Lakeview, the county seat and the larger of the county's two incorporated cities. Over 75 percent of the county's populace reside in the Lakeview division--an area covering about 9 percent of the total county. Lakeview is 14 miles north of the California border.

Cattle ranching, agriculture, forest products, and tourism (recreation) are the principal industries of Lake County. Another major economic factor is the Federal Government, which owns 72 percent of the county's land. Governments (Federal, State, and local) employ the largest portion of the labor force--25 percent. Agriculture and forest product industries employ the next largest groups at 23 and 14 percent, respectively. However, both of these industries are seasonal, with high unemployment in the winter and low unemployment in the summer. Lack of employment opportunities in Lake County has caused younger people to look elsewhere. The county's population has been steadily decreasing, from 7,158 in 1960 to 6,343 in 1970. A 1971 Oregon State population report showed the county's population at 6,260.

Lake County is governed by three elected commissioners, who function as part-time county administrators and are elected for 4-year terms. The county's authority is defined by State law, and it cannot enact local legislation. Commissioner meetings are public and held on the first and third Wednesdays of each month to handle county business. Additional meetings are conducted as necessary.

Within the county, public services are provided by many governmental agencies. While most county services are provided to all county residents, the services furnished by a city or special district may be limited to residents within its boundaries. In general, the main functions of Oregon counties are to construct and maintain county roads and to administer programs required or permitted by State law.

Services furnished by the county include court and district attorney services; police protection, provided by a sheriff, two deputies, a jailer, and a jail; health services, including a county health office (with a part-time consultant), a nurse, and a mental health clinic; a main

library and six substations; social services for the poor; parks and recreation; weed control; animal control; and civil defense. Public welfare services are provided by the State.

The cities provide a similar range of services within their incorporated limits. Services provided by Lakeview include police and fire protection, construction and maintenance of city streets, sewerage and sanitation facilities, parks and recreation, water utilities, and animal control, but do not include judicial, health, and library functions.

Special districts within the county are for education, fire, recreation, sewerage, hospital, and water. The county's major public transportation service is privately owned.

#### 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 allocation 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.

Lake 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 a reduction of Lake County's allocations. Our calculations showed that, if the revenue sharing formula were applied in Oregon without all the act's constraints, Lake County's allocation for the period from January 1, 1972, through June 30, 1974, would have been \$251,168. However, because these constraints were applied, Lake County was allocated \$215,417 for this period. This included \$22,856 which was received in July 1974.

The following schedule compares revenue sharing per capita and revenue sharing as a percentage of adjusted taxes for Lake County with Sherman County and Josephine County--which received the highest and lowest per capita amounts, respectively, of the 36 counties in the State--and with Wallowa County, which has a population of 6,247--close to Lake County's population of 6,343.

<u>County</u>	<u>Revenue sharing funds received for the period January 1, 1972, through June 30, 1974</u>		
	<u>Received (note a)</u>	<u>Per capita share</u>	<u>As a percent of taxes (note b)</u>
Lake	\$215,417	\$33.96	36.8
Sherman	120,808	56.48	18.3
Josephine	67,891	c/1.90	45.9
Wallowa	313,865	50.24	35.7

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.

c/The low per capita share for Josephine County is related to its low general tax effort because substantial revenue is received from timber on federally managed land in the county.

The total revenue sharing received by the 36 county governments in Oregon for the same period was \$35,215,539, or a per capita amount of \$16.84.

## CHAPTER 2

### BUDGETING AND PUBLIC PARTICIPATION

#### IN THE BUDGETARY PROCESS

The general fund, which is the county's operating fund, finances such activities as police protection, court and district attorney services, health services, and social services. The fund's revenues are provided by real and personal property and State timber severance taxes, investment interest, fines, State liquor fund, clerks' fees, and cigarette taxes.

The road fund is restricted to constructing and maintaining county roads and city streets if the cities are unable to perform these functions. The fund's revenues are provided by Federal timber reserve fees (share of U.S. Government revenues from national forests), motor vehicle registrations, investment interest, and gas tax refunds. No local taxes were levied for the road fund.

The airport fund is confined to expenditures related to airport activities. Revenue of \$74,468 was obtained from five sources in fiscal year 1974 to help finance the airport's operation. A cash carry-over balance provided \$44,231; a special airport tax, \$13,479; airport revenues, \$8,928; the town of Lakeview, \$5,000; and interest earnings, \$2,831.

The county fair board and roundup fund is limited to the annual county fair activities. The State of Oregon Racing and Fair Commissions provided about 30 percent (\$28,729 of \$94,606) of the fund's revenue in fiscal year 1974. The balance of the income is generated through the fair, roundup (rodeo), and racing activities.

#### RELATIONSHIP OF REVENUE SHARING TO TOTAL BUDGET

Revenue sharing funds received by Lake County through June 30, 1974, totaled \$192,561. Lake County did not budget revenue sharing funds in fiscal year 1973. In fiscal year 1974 revenue sharing funds accounted for \$56,214, or 3.2 percent of the county budget and 1.3 percent of the combined county and school budgets. The \$136,347 that had not been budgeted as of June 30, 1974, amounted to an additional 7.7 percent of the county's 1974 budget.

<u>Lake County</u>	Fiscal year ended June 30		
	<u>1972</u>	<u>1973</u>	<u>1974</u>
County budget	\$1,266,019	\$1,214,349	\$1,760,299
School district budgets	<u>2,355,088</u>	<u>2,358,062</u>	<u>2,558,443</u>
Total	<u>\$3,621,107</u>	<u>\$3,572,411</u>	<u>\$4,318,742</u>
Revenue sharing payments received	-	\$101,538	\$91,023
Revenue sharing payments received and included in the budget	-	-	\$56,214
Cumulative revenue sharing payments received but not budgeted	-	\$101,538	\$136,347
Percentage of county budget represented by revenue sharing	-	-	3.2
Percentage of county and school district budgets represented by revenue sharing	-	-	1.3

School district budget data is included in the foregoing table to make the budgets comparable 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.

The following table shows categories in which revenue sharing funds were budgeted and the percentage of these categories represented by revenue sharing.

County funds	Fiscal year							
	1973		1974			1975		
	Budget	Budget	Revenue sharing	As per cent	Budget	Revenue sharing	As per cent	
General fund:								
Sheriff	\$ 62,036	\$ 75,900	\$27,400	36	\$ 80,636	\$ 3,500	4	
Library	22,837	29,363	8,400	29	34,292	3,700	11	
Courthouse	39,148	36,300	2,500	7	53,973	15,000	28	
District attorney	8,440	13,650	4,800	35	14,283	4,800	34	
Miscellaneous	115,365	131,065	6,300	5	208,136	66,000	32	
Juvenile and circuit court	21,510	24,750	-		28,276	-		
Justice court	7,664	11,300	-		13,290	-		
County clerk	24,057	23,931	-		26,278	-		
Treasurer	7,060	7,442	-		8,015	-		
Assessor	42,363	44,790	-		67,443	16,000	24	
County commissioners	17,500	19,750	-		19,500	-		
Watermaster	3,700	4,085	-		4,400	-		
County health	11,754	12,558	-		13,260	-		
General services	3,900	4,150	-		4,300	-		
Guidance clinic	14,820	14,820	-		14,820	-		
County surveyor	-	1,125	-		1,150	-		
Total	402,154	454,979	49,400	10.8	591,452	109,000	18.4	
Road fund	726,500	1,176,000	6,814	0.6	1,270,000	-		
Airport fund	32,570	40,395	-		373,075	-		
Fair board and roundup fund	53,125	88,925	-		73,905	-		
Total	<u>\$1,214,349</u>	<u>\$1,760,299</u>	<u>\$56,214</u>	<u>3.2</u>	<u>\$2,308,432</u>	<u>\$109,000</u>	<u>4.7</u>	

**PUBLIC INVOLVEMENT  
IN BUDGETARY PROCESS**

Although there was very little public participation at the county budget hearings, the commissioners have publicized the revenue sharing program and solicited citizen opinions on the use of the funds.

The county's normal budget process begins with each county department head preparing a budget worksheet for both operations and maintenance and for capital expenditures. There is no separate capital budget. After consolidating the department budgets, the county budget officer submits the proposed budget to the budget committee. The budget committee consists of the three county commissioners and three registered voters appointed by the commissioners for 4-year terms. The budget committee reviews, revises, and approves the proposed budget at public hearings. Notice of the public hearing is required by Oregon State statutes. Preliminary budget hearing notices are posted on the county bulletin board. Notice of the final budget hearing and a budget summary is published in the local newspaper as required by State statutes.

During the first year that revenue sharing funds were to be budgeted, the county published a questionnaire soliciting suggestions for projects, presented an informational revenue sharing radio program, and made public presentations at civic functions to gain public participation. Twenty-two questionnaires were returned; however, no public interest groups proposed uses for revenue sharing funds at budget hearings. The first-year efforts to obtain public participation were not repeated for the fiscal year 1975 budget. However, county officials believe public participation through informal methods is extensive. The small community atmosphere usually encourages citizens to approach commissioners as friends, neighbors, or local businessmen, rather than as county officials at formal public hearings.

## CHAPTER 3

### PROGRAMS FUNDED WITH REVENUE SHARING

Lake County was allocated \$215,417 in revenue sharing funds for the period January 1, 1972, through June 30, 1974. Of the amount allocated, \$192,561 was received by June 30, 1974, and \$22,856 was received in July 1974. As of June 30, 1974, interest earned from investment of the funds totaled \$16,467. Of the \$231,884 available for use, the county has expended \$56,009.

### USES OF REVENUE SHARING

The uses of revenue sharing funds described in this chapter are those reflected by Lake 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

Over half of the \$56,009 spent as of June 30, 1974, was for public safety. The remaining 42 percent was spent for four other functions: libraries--19 percent, environmental protection--11 percent, highway and streets--12 percent, and general government--less than 1 percent. Sixty percent of expenditures went for operations and maintenance and 40 percent for capital purposes. The following chart summarizes the expenditures.

<u>Function</u>	<u>Amount for operations and maintenance</u>	<u>Capital purposes</u>	<u>Total</u>
Public safety:			
Police	\$16,180	\$ 4,803	\$20,983
Corrections	6,600	-	6,600
Building code enforcement	<u>4,833</u>	<u>-</u>	<u>4,833</u>
Total	<u>27,613</u>	<u>4,803</u>	<u>32,416</u>
Environmental protection:			
Sanitation	6,111	-	6,111
Libraries	-	10,447	10,447
Highway and streets	-	6,814	6,814
General government	<u>-</u>	<u>221</u>	<u>221</u>
Total	<u>\$33,724</u>	<u>\$22,285</u>	<u>\$56,009</u>

Specific uses

Revenue sharing funds were used for a variety of specific purposes. The \$56,009 expended as of June 30, 1974, was used for the following items.

	<u>Operations and maintenance</u>	<u>Capital</u>	<u>Total</u>
Sheriff's department:			
Deputy sheriffs' salaries	\$16,180	\$ -	
Jailer's salary	6,600		
Sheriff's car	<u>-</u>	<u>4,803</u>	\$27,583
Planning commission:			
District attorney salary	3,200	-	
Material and services	<u>1,633</u>	<u>-</u>	4,833
Solid waste disposal:			
Use fee	<u>6,111</u>	<u>-</u>	6,111
Libraries:			
Books	-	8,159	
Remodeling	-	1,691	
Equipment	-	<u>597</u>	10,447
General government:			
Office equipment	-	221	221
Road maintenance:			
Trailer	-	<u>6,814</u>	<u>6,814</u>
Total	<u>\$33,724</u>	<u>\$22,285</u>	<u>\$56,009</u>

The planning commission, as part of the district attorney's office, enforces the county's zoning ordinances. The commission also considers requests for variances to the ordinances and recommends approval or denial to the Board of Commissioners. While the zoning ordinances apply county-wide, most of the commission's duties are centered around Lakeview--the only "urbanized" area in the county. The county funded the commission for fiscal year 1973 and used revenue sharing and other funds in fiscal year 1974 for the commission's operations.

The garbage disposal site is operated by Lakeview. Each year the county pays the town a use fee to allow county residents in unincorporated areas to use the site. Prior to revenue sharing, county funds financed this cost.

Library books were purchased for the Lake County library system and the courthouse law library. The county previously funded the book budget; however, revenue sharing provided more funds than were normally budgeted.

Two libraries were also remodeled. The project at the Lakeview library consisted of relocating, altering, and building shelves. Much of the labor was donated by the townspeople. Book carts for the library were purchased through revenue sharing funds. For another library project, at Paisley (a neighboring community), a burned surplus Government trailer was refurbished to provide a permanent facility. Most of the labor and some of the materials were donated. Although some local tradespeople were hired for technical work such as wiring the electrical system, there was no overall work contract involved.

The two remaining purchases with revenue sharing funds were office equipment for the county and a low bed tilt trailer for moving heavy equipment to road maintenance locations.

#### Plans for unobligated funds

Of the \$175,875 revenue sharing funds unobligated at June 30, 1974, \$109,000 was budgeted for fiscal year 1975. The remaining and anticipated funds are planned for building a senior citizens center.

For fiscal year 1975, the county again budgeted revenue sharing funds for operating the planning commission (\$4,800), paying a solid waste disposal facility fee (\$7,000), and buying another new sheriff's car (\$3,500). Additionally, the following four new capital projects will be financed with revenue sharing funds.

- \$3,700 for a permanent library site at Silver Lake. This project involves moving an existing building from a local ranch to the library site and then refinishing the interior.
- \$15,000 for converting the county courthouse's inadequate heating system from wood to fossil fuel.
- \$16,000 for purchasing equipment to automate the tax billing system.
- \$59,000 for acquiring land for a senior citizens center. Tentative plans for the center include 16 to 24 housing units and a social center/dining hall facility. The county plans to rent the center's one-bedroom apartments to eligible county residents over 65 years old. Although revenue sharing funds enabled the county to take initial steps in developing the center, county officials do not believe the entire project can be built with revenue sharing funds. The land has been acquired and additional revenue sharing funds are proposed for the social center/dining hall facility. Because of the financing situation, however, the county commissioners later decided that a private firm should develop the housing portion of the center. In November 1974 the county granted a land purchase option to a private firm. This option allowed the firm to purchase part of the land acquired by revenue sharing for \$29,000. As of January 21, 1975, this option had not been executed.

#### ACCOUNTING FOR REVENUE SHARING FUNDS

The county commingled its revenue sharing funds with other funds in the bank for investment and payment purposes. For accounting purposes, however, the county maintained a separate revenue sharing account in which expenses for services and projects financed by revenue sharing were recorded. The county used the same accounting method for other funds.

#### AUDITS OF REVENUE SHARING

A financial and compliance audit of Lake County's revenue sharing funds was conducted at June 30, 1974, by the local certified public accountant as part of the county's annual audit. Fiscal year 1974 was the first year revenue sharing funds were expended. The financial and compliance audit was performed according to Office of Revenue Sharing audit guidelines; no exceptions were noted in the audit report.

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 report 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.

The county government has not established a formal written policy on nondiscriminatory employment. There is no civil rights agency or commission in Lake County. At the State level, the civil rights division of Oregon's Bureau of Labor is responsible for investigating and resolving civil rights complaints. This division also performs the initial review of complaints received by the Federal Equal Employment Opportunity Commission. Seventeen of its 42 staff members are investigators, but the degree of investigation depends on the availability of administrative resources. If resources are abundant, an employer's complete employment policy and procedures may be investigated instead of just the specific complaint. According to a State official, however, the division has a 15-month backlog. If a case heard by a hearing officer results in a decision that the nondiscrimination laws have been violated, the Labor Commissioner can issue a "cease and desist" order. The decision may be appealed up to the State supreme court.

As of October 1974, there had been no employment discrimination complaints filed against Lake County at the State's Civil Rights Division or the Federal Equal Employment Opportunity Commission.

### Comparison of local government work force and civilian labor force

According to the 1970 census, the civilian labor force for Lake County numbered 2,507 persons. The county government work force as of June 30, 1974, numbered 44 persons, all of whom were white. Because of the low number of minority residents in the community, the Bureau of the Census did not identify minorities in its labor force statistics.

The male/female ratio of the Lake County government's full-time employees was almost identical to the male/female ratio of the county's civilian labor force. Most of the males were in the service/maintenance and skilled craft positions and most of the females held office/clerical positions. Of the county government's three professional or administrative positions, those of librarian and nurse were held by females, while the financial administration position was held by a male. County officials told us the composition had been about the same for several years. (See app. I and II.)

The male/female ratio for new hires varied from the county's male/female ratio in the civilian labor force. Of the nine new hires, 78 percent were male and 22 percent female. (See app. III.) Only one promotion occurred in fiscal year 1974--a male sheriff deputy was promoted to chief deputy.

The following chart shows the percentage of males and females in the civilian labor force and the county government work force.

	<u>Male</u>		<u>Female</u>		<u>Total</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Civilian labor force	1,728	69	779	31	2,507	100
County government work force	31	70	13	30	44	100

Services and capital projects

The services and capital projects funded by revenue sharing were provided in such a manner that there was no obvious discrimination on the basis of sex, race, or color.

Most of the revenue sharing moneys have been spent in departments which serve the entire county. Funds were spent for operating the sheriff's department, purchasing library books, paying garbage disposal fees, purchasing a trailer for moving road maintenance equipment, and remodeling two libraries. While the library department serves the entire county through a revolving book supply, the remodeling projects primarily benefited the local residents.

#### 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.

The county did not use revenue sharing funds for any construction project. County officials told us the Davis-Bacon provision did not affect their decisions on using revenue sharing funds.

#### 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.

The prevailing wage provision did not apply in Lake County. Although the salaries of two deputy sheriffs and one jailer were paid with revenue sharing funds, these are the only such positions in the county. There is no civil service system for county employees.

CHAPTER 5

FINANCIAL STATUS

TREND OF FUND BALANCES

The county's surplus position has increased substantially since fiscal year 1972 because of additional revenues from Federal reserve fees for the road fund, revenue sharing funds, and State timber severance taxes. The county's surpluses in 1973 and 1974 were almost as large as the total county budgets in those years. In fiscal years 1970 and 1971, the road fund accounted for 76 to 82 percent of the surplus; over the next 3 years, it accounted for 63 to 69 percent. The following chart shows the surplus or deficit yearend fund balance of each major fund since 1970.

<u>Fund</u>	<u>Fiscal year</u>				
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
General	\$120,051	\$ 44,631	\$ -8,035	\$ 32,939	\$ 32,739
Road	635,918	724,831	524,741	741,622	958,528
Airport	33,481	50,618	44,786	36,647	51,802
County fair board and roundup	21,642	36,611	22,494	4,020	839
All other county	<u>22,110</u>	<u>26,546</u>	<u>a/181,092</u>	<u>b/355,196</u>	<u>c/432,326</u>
Total county funds	<u>\$833,202</u>	<u>\$883,237</u>	<u>\$ 765,078</u>	<u>\$1,170,424</u>	<u>\$1,476,234</u>

a/Includes increase for timber severance (\$134,000).

b/Includes increases for revenue sharing (\$102,700) and timber severance (\$61,700).

c/Includes increase for revenue sharing (\$104,800).

The road fund is restricted to road construction and maintenance. The large road fund balance is due mostly to the increase in revenues from Federal timber reserve fees. A road department official explained, however, that one major resurfacing job involving several miles of road would exhaust the surplus.

The State timber severance tax is levied and collected by the State and distributed to the county. Revenues from this tax depend on the amount of timber harvested.

The main reason for the surplus decrease in the general fund was a combination of overstating the cash position and overexpending the budget. The certified public accountant who audits Lake County stated that the 1972 general fund situation occurred because there had been an overstatement in the cash carryover balance for several years. This overstatement plus the overexpenditures of the budget for several years caused the 1972 general fund deficit balance of \$8,035.

### INDEBTEDNESS

Lake County has no outstanding long-term debt. For the past 5 years (fiscal years 1970-74), the county's yearend debt balances consisted of outstanding warrants ranging from \$40,156 to \$75,972.

### Borrowing procedures

A majority of registered voters in the county must approve the issuance of a bond. Before an election, however, the county board of commissioners must conduct a public hearing on a proposed bond issue. A public notice of the hearing must be published once each week for 2 successive weeks before the hearing. If after the public hearing the board of commissioners decides to proceed with the proposal, then the measure on issuing and selling bonds must be submitted at least 40 days before the election. Notice of the election must be published in at least one local newspaper once a week for 4 successive weeks before the election.

Lake County has never issued bonds.

### Borrowing restrictions

Oregon State law limits the aggregate amount of each local government's indebtedness to \$5,000 plus bonded indebtedness limited to 2 percent of the true cash value of all taxable property in the county. The bond issue may be for any purpose authorized to the county by State law. Bond issues cannot exceed a 30-year maturing date and a 7 percent interest rate.

### TAXATION

#### Major taxes levied

Real and personal property taxes are the only taxes levied by Lake County. Taxes for the county, city, and special districts are assessed by the county tax assessor and collected by the county sheriff. Real and personal property is assessed at 100 percent of true cash value. State law defines true cash

value as the market value at the assessment date. Although the county has a 6-year assessment cycle, the State periodically adjusts market value by directing the assessor to apply a given percentage increase to all assessed properties.

Lake County imposes a general county levy to operate the county government. The amount of the levy is determined by the budget committee.

Each of nine school districts, including the intermediate education district and the central Oregon college district, taxes according to its school district budget, which is approved by the elected school officials in each district. The intermediate education district is the central office for the county's school districts.

The following table shows the total tax receipts by Lake County and the school districts for the past 5 years.

<u>Government</u>	<u>Fiscal year</u>				
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Lake County	\$ 223,053	\$ 247,101	\$ 260,260	\$ 254,347	\$ 241,971
School districts	<u>796,067</u>	<u>866,177</u>	<u>969,216</u>	<u>1,040,464</u>	<u>830,238</u>
Total	<u>\$1,019,120</u>	<u>\$1,113,278</u>	<u>\$1,229,476</u>	<u>\$1,294,811</u>	<u>\$1,072,209</u>

The county's decrease in tax collections in 1974 was due mainly to increased revenues from State timber severance taxes. The school districts' tax decreases resulted from both timber severance taxes and State basic school support aid. State law requires that these revenues be deducted from the tax levy (amount needed to balance the budget) before assigning the tax rate which determines the tax collections.

The county's property tax rates per \$1,000 market value for each of the last 5 fiscal years were as follows.

<u>Year</u>	<u>Rate</u>
1970	\$2.74
1971	2.83
1972	2.69
1973	2.16
1974	2.10

### Taxing limitations

According to Oregon law, local governments may not increase tax revenues beyond the tax base. The tax base is the total amount of tax levied (amount needed to balance the budget) by the jurisdiction in any 1 of the last 3 years plus 6 percent or an amount approved by a majority of legal voters. Excluded from this restriction are taxes imposed for bonded indebtedness and levies approved by a majority of legal voters. For each of fiscal years 1974 and 1975, the county's tax base was at the limits imposed by State law.

### Family tax burden

We calculated the 1973 tax burden of residents of Lakeview, the largest city in Lake County, 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 were \$7,500, \$12,500, and \$17,500, respectively. Families A and B each owned one automobile and used 1,000 gallons of gasoline. Family C owned two automobiles and used 1,500 gallons of gasoline.

Using these assumptions, the following tax situations were developed.

	<u>Family A</u>	<u>Family B</u>	<u>Family C</u>
Recipient taxes, Lake County:			
Real property	\$ 40.50	\$ 67.50	\$ 94.50
Personal property	<u>3.24</u>	<u>5.40</u>	<u>7.56</u>
Total	<u>43.74</u>	<u>72.90</u>	<u>102.06</u>
City taxes, Lakeview:			
Real property	213.56	355.94	498.31
Personal property	<u>17.08</u>	<u>28.48</u>	<u>39.86</u>
Total	<u>230.64</u>	<u>384.42</u>	<u>538.17</u>
Special districts (note a):			
Intermediate education district	67.84	113.06	158.29
School district	192.17	320.29	448.40
Lake Hospital district	47.38	78.98	110.56
Lakeview Thomas Creek water control district	<u>9.11</u>	<u>15.19</u>	<u>21.26</u>
Total	<u>316.50</u>	<u>527.52</u>	<u>738.51</u>
State taxes:			
Income	b/-58.00	331.00	783.00
Gasoline	<u>70.00</u>	<u>70.00</u>	<u>105.00</u>
Total	<u>12.00</u>	<u>401.00</u>	<u>888.00</u>
Total taxes	<u>\$602.88</u>	<u>\$1,385.84</u>	<u>\$2,266.74</u>
Total as percentage of income	<u>8</u>	<u>11</u>	<u>13</u>

a/Real and personal taxes combined.

b/Special homeowner's property tax refund exceeded State income tax obligation.

## CHAPTER 6

### OTHER FEDERAL AID

#### FEDERAL AID RECEIVED

Lake County did not receive any direct Federal categorical aid during fiscal years 1970-74. A county commissioner explained that the county had not been interested in obtaining Federal funds because the Federal Government would have become involved in county operations. However, for fiscal year 1975, the Federal Aviation Administration awarded the county a \$263,246 grant for improving the Lake County airport. Improvements will include resurfacing the 5,300-foot runway, adding a 5-inch lift of asphalt on the 100-foot wide taxiway, and installing visual approach slope indicator lights to make landings safer.

## CHAPTER 7

### SCOPE OF REVIEW

We made our review of Lake County, Oregon, with the assistance of county officials. We reviewed county budgets and audit reports for fiscal years 1970-74 to determine the effect revenue sharing had on the county's financial condition. The review included a detailed analysis of the tax structure, changes in taxes, sources of funds, potential taxes as additional sources, yearend fund balances, and indebtedness, both long and short term. We also visited the State organizations administering the Public Employees Retirement System and the Equal Rights Commission. Our work was limited to gathering selected data relating to areas identified by the Subcommittee Chairman.

We obtained the views of county officials as to the impact of revenue sharing on the county's fiscal status and the degree of public participation in the budget process, especially in relation to revenue sharing moneys. We reviewed information relating to the nondiscrimination, prevailing wage, and Davis-Bacon provisions. The level of Federal aid through categorical grants and program support was reviewed to determine if total Federal aid had been reduced since the inception of revenue sharing.

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

COUNTY GOVERNMENT WORK FORCELAKE COUNTY, OREGONJUNE 30, 1974

<u>Department/ job category</u>	<u>Male</u>		<u>Female</u>		<u>Total</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Financial adminis- tration:						
Officials/ad- ministrators	1	8	-	-	1	8
Technicians	1	8	-	-	1	8
Office/clerical	-	-	8	67	8	67
Service/mainte- nance	<u>1</u>	<u>8</u>	<u>1</u>	<u>8</u>	<u>2</u>	<u>16</u>
Total	<u>3</u>	<u>25</u>	<u>9</u>	<u>75</u>	<u>12</u>	<u>100</u>
Streets and highways:						
Paraprofessional	1	4	-	-	1	4
Skilled craft	10	38	-	-	10	38
Service/mainte- nance	<u>15</u>	<u>58</u>	-	-	<u>15</u>	<u>58</u>
Total	<u>26</u>	<u>100</u>	-	-	<u>26</u>	<u>100</u>
Public protection:						
Protective serv- ice	<u>2</u>	<u>100</u>	-	-	<u>2</u>	<u>100</u>
Health:						
Professional	-	-	<u>1</u>	<u>100</u>	<u>1</u>	100
Corrections:						
Protective serv- ice	-	-	<u>1</u>	<u>100</u>	<u>1</u>	100
Library facilities:						
Professional	-	-	1	50	1	50
Paraprofessional	-	-	<u>1</u>	<u>50</u>	<u>1</u>	<u>50</u>
Total	-	-	<u>2</u>	<u>100</u>	<u>2</u>	<u>100</u>
Total	<u>31</u>	<u>70</u>	<u>13</u>	<u>30</u>	<u>44</u>	<u>100</u>

GAO note: 1. The jobs in this appendix were categorized by the county using Federal Equal Employment Opportunity Commission definitions.

2. Percentages may not add because of rounding.

COUNTY GOVERNMENT WORK FORCE BY JOB CATEGORYLAKE COUNTY, OREGONJUNE 30, 1974

<u>Job category</u>	<u>Male</u>		<u>Female</u>		<u>Total</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Service/maintenance	16	36	1	2	17	39
Skilled craft	10	23	-	-	10	23
Office/clerical	-	-	8	18	8	18
Protective service	2	5	1	2	3	7
Professional	-	-	2	5	2	5
Paraprofessional	1	2	1	2	2	5
Technician	1	2	-	-	1	2
Officials/administrators	<u>1</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>2</u>
Total	<u>31</u>	<u>70</u>	<u>13</u>	<u>30</u>	<u>44</u>	<u>100</u>

GAO note: 1. The jobs in this appendix were categorized by the county using Federal Equal Employment Opportunity Commission definitions.

2. Percentages may not add because of rounding.

COUNTY GOVERNMENT NEW HIRESLAKE COUNTY, OREGONYEAR ENDED JUNE 30, 1974

<u>Department/ job category</u>	<u>Male</u>		<u>Female</u>		<u>Total</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Financial admin- istration:						
Paraprofes- sional	1	33	-	-	1	33
Office/cler- ical	-	-	2	67	2	67
Total	<u>1</u>	<u>33</u>	<u>2</u>	<u>67</u>	<u>3</u>	<u>100</u>
Streets and high- ways:						
Service/main- tenance	4	100	-	-	4	100
Police protection:						
Protective service	2	100	-	-	2	100
Total	<u>7</u>	<u>78</u>	<u>2</u>	<u>22</u>	<u>9</u>	<u>100</u>

GAO note: 1. The jobs in this appendix were categorized by the county using Federal Equal Employment Opportunity Commission definitions.

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