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

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**Case Studies Of Revenue Sharing  
In 26 Local Governments**

**ENCLOSURE Z**

Pigeon Township, Indiana      50797

**BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES**

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ber 31, 1974

## 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 Pigeon Township, Indiana, which is almost totally within the city of Evansville.

For the period January 1, 1972, through June 30, 1974, the township was allocated \$421,302 in revenue sharing funds, or a per capita allocation of \$7.82. Of the amount allocated, \$376,144 was received by June 30, 1974, and \$45,158 was received in July 1974. Revenue sharing allocations were equivalent to about 28 percent of Pigeon Township's 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 Pigeon Township.

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 township had spent \$88,371 of its revenue sharing funds. Most of the funds were earmarked for funding poor relief activities, the township's principal government function.

2. The fiscal condition of each jurisdiction, including its surplus or debt status. At the conclusion of 1969 and 1970 the poor relief fund was in a deficit position. However, at the end of 1971, 1972, and 1973 the fund had available balances, with \$171,420 available at December 31, 1973.

Outstanding bonded debt issued by the county on behalf of the township was eliminated over a 5-year period, decreasing from \$94,000 in 1969 to no outstanding debt at the end of 1973. A county official felt that Pigeon was the most financially sound township in the county. However, because of the adverse impact of high unemployment rates, the Pigeon Township trustee thought the township might have to obtain additional funding for its poor relief activities.

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. Revenue sharing funds helped reduce the township's 1974 property tax rate. The levy collected in 1974 was reduced \$.16 per \$100 valuation below

that collected in 1973. Revenue sharing accounted for \$.08 (one-half) of the reduction.

GAO's calculations showed that the percentage of a family's 1973 income paid to Pigeon Township, the city of Evansville, Vanderburgh County, the school and special districts, and to the State of Indiana increased slightly as income increased. The State-local tax burden for a family of four increased from 8.5 percent of family income to 8.8 percent and 9.3 percent as family income increased from \$7,500 to \$12,500 and \$17,500, respectively. Pigeon Township accounted for less than 1 percent of the total State-local tax burden of a family living in the township.

4. The percentage of the total local budget represented by general revenue sharing. Prior to 1975, the township did not include revenue sharing funds in its annual budgets. Revenue sharing expenditures in 1973 and 1974 were accomplished through a supplemental appropriation process. Revenue sharing appropriations for 1973 and 1974 were equivalent to 16.8 percent and 32.6 percent, respectively, of the township budgets for those years.

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. The township did not receive any Federal funds other than revenue sharing.

6. The record of each jurisdiction in complying with the civil rights, Davis-Bacon, and other provisions of the law. According to the 1970 census, Evansville's civilian labor force consisted of 57,580 persons, of which about 39 percent were female and 7 percent black. Pigeon Township's payroll as of December 31, 1974, consisted of 19 people. Females comprised 68 percent of the work force and blacks accounted for 16 percent. There was no record of any complaints or suits filed against the Pigeon Township trustee concerning discrimination practices. GAO did observe some evidence of dissatisfaction with the overall trustee system for administering poor relief.

The township did not fund construction projects or pay wages or salaries of employees with revenue sharing. Therefore, the Davis-Bacon and prevailing wage provisions of the act were not applicable.

7. Public participation in the local budgetary process, and the impact of revenue sharing on that process. Revenue sharing funds were not included in the township's annual budgets prior to calendar year 1975. This resulted from confusion on the part of the Indiana State Board of Tax Commissioners as to how revenue sharing funds should be budgeted. Before the budgeting process was clarified, revenue sharing funds were appropriated through a supplemental process. Although advertised public hearings are required as part of the budgeting process, the township trustee told GAO that no outside group had ever submitted a formal proposal regarding the use of revenue sharing funds. For the most part, public interest groups in Evansville were unaware that township governments received revenue sharing funds.

## 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.

Pigeon Township, Indiana, is one of the 26 selected local governments, which include large, medium, and small municipalities and counties as well as this midwestern township.

BACKGROUND INFORMATION  
ON PIGEON TOWNSHIP

Except for three very small sections, Pigeon Township is entirely within the city limits of Evansville, Indiana. According to the 1970 census, the township had 53,899 residents, all but 2 of whom were also residents of the city.

The city of Evansville (1970 population--138,764) is the center for a five-county industrial area and is located in the extreme southwest part of Indiana. The Evansville Chamber of Commerce lists 53 industries which employ 100 or more workers. Five of these industries employ 1,000 or more and manufacture refrigerators, air conditioners, aluminum, pharmaceuticals, nutrients, plastics, and furniture hardware.

Evansville is considered a trade center for an area extending into Indiana, Kentucky, and Illinois. The city's retail trade area covers a 36-county area in those 3 States and its wholesale trade area covers 57 counties.

The chief administrator for Pigeon Township is the township trustee, who is elected to a 4-year term. In addition to his administrative duties, the trustee is also overseer of the poor. His duties in this regard are substantial because providing relief for the poor is the primary governmental function of Pigeon Township. The trustee also serves as clerk and treasurer of the township, is responsible for preparing the annual budget, and has general control over township property.

A three-member township advisory board is elected for a 4-year term. This board is responsible for reviewing the trustee's budgets and annual reports and has authority to accept or reject them, partially or completely. The advisory board also functions as a board of finance, establishes tax rates, and appropriates funds to support the trustee's budget. Appropriations are made on a yearly basis or as a need or emergency arises. If the advisory board determines that an emergency exists which requires borrowing, it may authorize such borrowing.

Other elected officers of Pigeon Township are the assessor and two justices of the peace who are elected to 4-year terms. The assessor values all real and personal property within the township for tax purposes and collects



the township's taxes on dog owners. The justices of the peace are authorized to try petty civil and criminal cases and hold preliminary hearings for major criminal offenses. Unlike the other township officers, the jurisdiction of the justices of the peace extends over the entire county in which their township is located.

Other governmental units operating within the area of Pigeon Township are the State of Indiana, Vanderburgh County, the city of Evansville, a school district, and a library district. The city and county governments provide the largest number of services. These services include street and highway maintenance, health and hospitals, fire and police protection, parks and recreation, public welfare, public transportation, and public water and sewer service. Educational services are provided by both an independent school district and the State. The township plays a relatively minor role in the delivery of governmental services.

#### 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 the amounts allocated 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 in allocating the funds, 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.

Pigeon Township was raised to the 20 percent minimum constraint in all four entitlement periods (January 1, 1972, through June 30, 1974). Our calculations showed that, if the allocation formula were applied in Indiana without all the act's constraints, Pigeon Township's allocation for the period January 1, 1972, through June 30, 1974, would have been \$348,847, rather than the \$421,302 actually allocated and paid. This amount included a payment of \$45,158 which was received in July 1974.

The following schedule shows revenue sharing per capita and revenue sharing as a percentage of adjusted taxes for Pigeon; Wayne Township, with a population of 51,104, which is close to Pigeon's population of 53,899; and Indianapolis, the largest city in Indiana.

<u>City or township</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>
Pigeon Township	\$ 421,302	\$ 7.82	27.9
Wayne Township	399,457	7.82	31.9
Indianapolis	27,834,580	37.98	14.2

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.

For the State of Indiana, the 145 percent constraint for the period covered was \$56.65 per capita. The 20 percent constraint was \$7.81 per capita. (The difference between the \$7.81 minimum level and the \$7.82 value for Pigeon and Wayne Township is due to rounding.)

CHAPTER 2  
BUDGETING AND PUBLIC PARTICIPATION  
IN THE BUDGETARY PROCESS

The Pigeon Township budget encompasses four funds: the civil township fund, the poor relief fund, the poor relief bond fund, and the dog fund.

1. Civil township fund--finances all general and administrative expenses. Two major revenue sources are docket fees collected by the justices of the peace and property taxes. A small amount of revenue accrues to the fund from miscellaneous sources and payments in lieu of taxes from the Federal Government. A small amount of revenue sharing funds also goes into this fund. Disbursements from the civil township fund cover the following: salaries for the township trustee, the advisory board, the justices of the peace, and clerks; office rent; travel expenses; office supplies; printing and advertising; and all other township administrative expenses, such as payments to the employee retirement fund and legal services.
2. Poor relief fund--is supported primarily by property taxes and revenue sharing funds. The fund also receives some revenue from miscellaneous sources and payments in lieu of taxes.

Administrative responsibilities for the poor relief fund are divided between the township trustee and the Vanderburgh County auditor. The trustee prepares the budget estimates and authorizes expenditures of all relief money. The county auditor is responsible for the accounting and disbursement of the funds. Disbursements from the poor relief fund are in two major categories--administrative expenses and direct relief. Direct relief includes all funds spent for the benefit of recipients. Purchase orders are given to recipients for items and services in the following categories: medical, hospital, burial, food, household supplies, clothing, shelter, fuel, utilities, schoolbooks, and transportation.

3. Poor relief bond fund--accounts for proceeds from bonds issued by Vanderburgh County for the township. Bond proceeds finance township poor relief activities. The last issue of such bonds was retired in 1973. The bond fund showed a deficit balance at the end of calendar years 1969-73. However, we

were told that the deficit was absorbed by an over-all county bond control fund which covers the poor relief bond funds of all townships in Vanderburgh County. Property taxes levied on township residents for retirement of the bonds are channeled into the township poor relief bond fund by the county auditor. The poor relief bond fund also receives some payments in lieu of taxes. Disbursements from the bond fund cover the amount of principal and interest paid each year for retirement of the bonds.

4. Dog fund--receives its revenues from taxes on dog owners within the township and finances expenses incurred as a result of damage caused by dogs.

RELATIONSHIP OF REVENUE SHARING TO TOTAL BUDGET

The township trustee stated that, prior to 1975, the township did not include revenue sharing funds in its annual budgets because of confusion on the part of the Indiana State Board of Tax Commissioners as to how revenue sharing funds should be budgeted. Total expenditures budgeted by the township for calendar years 1971-74 follow.

	Budget for period ended			
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Township fund	\$ 58,764	\$ 68,586	\$ 72,686	\$ 75,430
Poor relief fund	<u>621,160</u>	<u>573,028</u>	<u>455,120</u>	<u>425,606</u>
Total	<u>\$679,924</u>	<u>\$641,614</u>	<u>\$527,806</u>	<u>\$501,036</u>

The trustee included \$185,000 in revenue sharing funds in his 1975 budget. Before 1975 the expenditure of revenue sharing funds was accomplished by submitting the proposed uses of the funds through a supplemental appropriation process. Appropriations of revenue sharing funds which were made in this manner include \$84,390 for poor relief in 1973, \$4,291 (\$310 of which was not used and was returned to the revenue sharing trust fund) for financial administration in 1973, and \$163,300 for poor relief in 1974. Revenue sharing appropriations for 1973 and 1974 were equivalent to 16.8 percent and 32.6 percent, respectively, of the township budgets for those years.

As of June 30, 1974, Pigeon Township had not appropriated \$183,734 of the available revenue sharing funds. Officials told us that the reasons the funds had not been appropriated were (1) confusion as to how the funds should be appropriated

and (2) the township's practice of investing revenue sharing funds in bank savings certificates to generate additional revenue. Invested funds are not expended until after the investments mature, and then only those funds earmarked for direct expenditures are withdrawn.

#### PUBLIC INVOLVEMENT IN BUDGETARY PROCESS

The township trustee is required to prepare a detailed budget annually for the approval of the township advisory board. The Trustee's Manual for Civil Townships, prepared by the State Board of Accounts, provides that budgets must be published twice in each of the two newspapers of opposite political affiliation. The budgets must be published not less than 18 days prior to a required public hearing by the advisory board. After approval by the board, the budget must be reviewed by the county tax adjustment board, and finally by the Indiana State Board of Tax Commissioners. At each stage of review, a public hearing is held, and taxpayers are allowed to submit recommendations.

Under certain conditions, supplemental and emergency appropriations may be made. Supplemental appropriations are limited to revenues available in excess of revenues anticipated in the original budget. These appropriations must be advertised in the same manner as the regular budgets, but require only 10 days notice before the public hearing of the advisory board. Supplemental appropriations are submitted through the county auditor for information and to the State Board of Tax Commissioners for approval. The county tax adjustment board is not involved in approving supplemental appropriations.

The township had made no special effort to publicize the revenue sharing program and its proposed use of the funds, other than to meet the publication requirements of the act and related regulations.

We met with representatives of community organizations that were concerned with assisting the poor. For the most part, the representatives were unaware that township governments received revenue sharing funds. They told us that they were uninformed about the workings of the township government, but believed this lack of knowledge to be their own fault. They felt they would have to learn more about the township government if they were to be effective in helping the poor obtain relief.

There was no evidence that the township government actively solicited input from community organizations on any of its budgetary decisions. Representatives of the community organizations felt that they should be contacted for suggestions concerning the use of township funds, since the primary service performed by the township (relief for the poor) was also their major concern. However, the township trustee told us that, because the services which the overseer of the poor could provide were restricted by law, he did not believe he could incorporate proposals from community groups into his budget. He said he has received many informal contacts concerning the proposed use of revenue sharing funds; however, no one has ever submitted a formal proposal to the advisory board.

## CHAPTER 3

### PROGRAMS FUNDED WITH REVENUE SHARING

Pigeon Township was allocated \$421,302 in revenue sharing funds for the period January 1, 1972, through June 30, 1974. Of the amount allocated, \$376,144 was received by June 30, 1974, and \$45,158 was received in July 1974. The township had earned \$14,103 from investing the funds. As of June 30, 1974, a total of \$88,371 had been expended.

#### USES OF REVENUE SHARING

##### Functional uses

Of the expenditures made through June 30, 1974, \$84,390 was for support of the township poor relief fund (social services for the poor and aged) and the balance, \$3,980, was for financial administration. A total of \$163,300 of the unexpended balance had been appropriated for support of the poor relief fund.

##### Specific uses

The township poor relief fund provides the needy with such items as medical assistance, burials, food, shelter, fuel, utilities, household supplies, clothing, schoolbooks, and transportation. Revenue sharing funds transferred into the poor relief fund are commingled with other township revenues; consequently, we were unable to identify more specifically where the revenue sharing funds were spent.

Of the \$3,981 expended for financial administration, \$3,505 was for insurance, \$100 for office equipment, and \$376 for the required publication of revenue sharing reports.

Pigeon Township used revenue sharing funds to reduce property taxes collected in 1974. The 1973 tax levy collected in 1974 was reduced \$.16 per \$100 valuation below that collected in 1973. Use of revenue sharing funds accounted for \$.08 (or one-half) of that reduction.

##### Plans for unobligated funds

The township trustee said the township planned to use its unobligated revenue sharing funds to maintain its poor relief fund and reduce property taxes.

ACCOUNTING FOR REVENUE  
SHARING FUNDS

Pigeon Township invests its revenue sharing funds in bank savings certificates. The certificates constitute the township's revenue sharing trust fund. After the certificates mature, the township withdraws the appropriated amounts and transfers them to the applicable fund for expenditure. Expenditures for the publication of revenue sharing reports were made directly from the revenue sharing trust fund.

Township expenditures for poor relief are made by the Vanderburgh County auditor. These expenditures are approved by the township trustee, who authorizes delivery of goods or services to recipients. Payment for the goods or services are made to the supplier by the county auditor. Revenue sharing funds expended for poor relief are accounted for by the county auditor in the same manner as the township's own funds.

AUDITS OF REVENUE SHARING

The Indiana State Board of Accounts audits financial statements of the Pigeon Township government. The last audit covered the period January 1, 1971, to December 31, 1973. The audit was concerned with matters of financial compliance, such as determining whether revenue sharing funds were appropriated and expended in accordance with State laws. In that respect, the audit did not disclose any deficiencies.



## 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 provision 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.

The Evansville human relations commission, the Vanderburgh County commissioners, and the Indiana Civil Rights Commission have responsibilities related to civil rights in Pigeon Township.

The Evansville human relations commission--composed of 15 members appointed by the mayor of Evansville--was created to "promote equality of opportunity without regard to race, religion, color, sex, national origin, or ancestry." The jurisdiction of the commission coincides with the territorial boundaries of Evansville (including Pigeon Township). The commission may receive complaints of discrimination in the area of civil rights, investigate such complaints, and obtain a subpoena when denied information deemed necessary for completing an investigation. The commission attempts to eliminate alleged discriminatory practices through "conference, conciliation, and persuasion." Any agreement reached must be put in writing and the commission may institute legal proceedings to enforce it. In addition, the commission may hold public hearings on any issue raised in a complaint. It may also issue cease and desist orders in the event that conciliation procedures are not effective.

We were informed that a more direct channel for alleviating complaints against the office of a township trustee in Vanderburgh County was through the Vanderburgh County commissioners, although such complaints are limited to prospective poor relief recipients. Any applicant for poor relief has the right to appeal if he or she feels the township trustee has unfairly denied them relief. Since the trustee has no uniform relief standards, the board of county commissioners must be guided by the circumstances of each case. The township trustee is required to carry out the decision of the county commissioners. The Legal Aid Society provides free legal service to poor relief applicants who appeal to the county commissioners.

At the State level, the agency responsible for enforcing civil rights is the Indiana Civil Rights Commission, which consists of seven members appointed by the Governor. It receives and investigates charges of discriminatory practices and may subpoena witnesses and hold public hearings concerning matters under investigation. It may act upon any complaint involving denial of equal opportunity for education; employment; access to public accommodations; and acquisitions through purchase or rental of real property for reasons of race, religion, color, sex, national origin,

or ancestry. The commission has a conciliation staff for informal settlement of disputes. If a hearing is required, the results are put in writing and carry the same weight as a court order.

Comparison of local government  
work force and civilian labor force

The following table compares the minority composition of the township government work force, as of December 31, 1974, with the civilian labor force of Evansville, as shown by the 1970 census.

	<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>
Evansville civilian labor force:						
Total	<u>34,917</u>	<u>60.7</u>	<u>22,663</u>	<u>39.3</u>	<u>57,580</u>	<u>100.0</u>
Black	2,102	3.7	1,662	2.9	3,764	6.6
Spanish surname	149	0.3	71	0.1	220	0.4
Township gov- ernment work force:						
White	6	31.6	10	52.6	16	84.2
Black	-	-	3	15.8	3	15.8
Total	<u>6</u>	<u>31.6</u>	<u>13</u>	<u>68.4</u>	<u>19</u>	<u>100.0</u>

Appendix I shows the township government work force by function and job category.

There was no record of any complaints or civil rights suits filed against the office of the Pigeon Township trustee concerning discriminatory practices of any kind, nor were there any administrative orders or judicial decrees against that office in the area of civil rights. Further, the local civil rights organization and public interest groups did not identify any discriminatory practices.

Some dissatisfaction with the overall trustee system was expressed by representatives of public interest groups. Some of these representatives believed that there should be written standards for guidance of trustees in assuring poor relief, and that trustees should answer to a higher authority for their actions.

We obtained reports issued by the Indiana Center on Law and Poverty and by the Arthur Bolton Associates on the Indiana poor relief system. The reports issued by the Indiana Center on Law and Poverty concerned the overall Indiana township trustee system of government. A summary of opinions expressed in these reports follows:

- Poor relief residency requirements have been found unconstitutional; therefore, the township trustees should grant relief to transients in their township areas.
- The poor relief system should be organized on a scale which would insure efficient handling of clients.
- The lack of standards for township trustees results in inconsistent poor relief services.
- Township-level financing may result in inequalities regarding the ability of different townships to support their poor relief program. The township form of assistance is being executed inefficiently, inconsistently, and probably unconstitutionally.

The only specific reference to the Pigeon Township trustee was found in the Arthur Bolton report entitled "Master Plan for Improving Human Services in Southwestern Indiana." This report indicated dissatisfaction with the treatment of clients by the office of the Pigeon Township trustee and stated that decisions to award relief were arbitrary. It also pointed out that the Pigeon Township trustee was unwilling to make public any guidelines followed in decisionmaking. The Pigeon Township trustee said he did not believe it would be possible to publish a set of guidelines that would be appropriate for all township trustees. He said the needs of the communities in which trustees operate vary greatly. The trustee explained that decisions on awarding poor relief had to be arbitrary because of the flexible governing laws and the various emergency situations encountered.

#### 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.

Because no capital projects were funded by the Pigeon Township government, the Davis-Bacon provision was not applicable.

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 was not applicable since township revenue sharing funds were not used to pay wages or salaries.

CHAPTER 5

FINANCIAL STATUS

TREND OF FUND BALANCES

Pigeon Township financial records are kept on a calendar year basis. Yearend balances of township funds for the 5-year period 1969-73 are shown below.

Calendar Yearend Fund Balances  
of Pigeon Township Government

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Civil township fund	\$15,734	\$ 11,994	\$ 23,065	\$ 19,161	\$ 7,472
Township dog fund	2,176	652	498	468	519
Township poor relief fund	-25,179	-124,366	111,818	220,897	171,420
Township poor relief bond fund	-13,876	-13,805	-13,752	-13,704	-2,682

INDEBTEDNESS

During the period 1969-73, the outstanding yearend balances of the county-administered poor relief bond issue for Pigeon Township were as follows:

<u>Calendar year</u>	<u>Yearend balance of principal</u>
1969	\$94,000
1970	68,000
1971	24,000
1972	16,000
1973	-

Borrowing procedures

The township trustee may issue bonds in certain instances with authorization of the township advisory board. Although it has received proceeds from bond issues, Pigeon Township has never issued bonds under its own authority. Instead, it has received proceeds from bonds issued and administered by the county.

The county auditor provides the township trustee with any funds needed for relief for the poor which the township cannot raise through taxes. If the county general fund does not have sufficient unappropriated funds to cover a deficit

in the township poor relief fund, the board of county commissioners has the authority to borrow, on behalf of the township, enough money to fulfill the township's relief requirements. A bond issue for this purpose is called an "advancement fund bond." The issue must be approved by the Indiana State Board of Tax Commissioners and is administered and directly controlled by the county.

Moody's Investors Service, Inc., has given Vanderburgh County a bond quality rating of "Aa" (of high quality by all standards) for the past 10 years.

There have been no bonds issued for Pigeon Township in the past 11 years. The township had previously received relief funds from two 10-year bond issues. The first issue was in 1959 to benefit Pigeon and other townships in the Evansville area. Pigeon Township's share of this bond issue was approximately 74 percent. The second issue was sold in 1963 and was solely for Pigeon Township.

#### Borrowing restrictions

As explained above, the only funds which have been borrowed for Pigeon Township were for relief for the poor. Since providing relief is considered a necessity, no ceiling is imposed on this type of borrowing.

The Vanderburgh deputy county auditor said Pigeon Township was the most financially sound township in the county and it should need no bond issue in the near future. However, in December 1974 the Pigeon Township trustee told us that economic conditions had changed substantially. He said the area was experiencing unusually high rates of unemployment and therefore he believed additional funding for the poor relief fund might have to be sought by July 1975.

#### TAXATION

##### Major taxes levied

Property taxes are a major source of revenue for all local governmental units in Indiana. Property taxes are assessed against real property and certain personal property, such as tangible property and business inventories. As a taxing unit, each township assesses a property tax rate for each township fund. The tax rate is applied to the net assessed valuation of those properties within a taxing unit's boundaries. The net assessed valuation is one-third of total assessed valuation. Property tax rates are applied to each \$100 of net assessed property value. Property tax payments

are made twice yearly to the county treasurer's office. The county auditor distributes the taxes to the various taxing units in June and December of each year.

We were unable to determine an overall relationship of assessed property value to fair market value because of wide fluctuation in individual cases. To arrive at a sample ratio, we selected ten 1975 property transactions in Pigeon Township and averaged the ratios for these transactions. The result showed that the average assessed value of the selected properties equaled approximately 58 percent of the market value.

A motor vehicle license excise tax is assessed against owners of motor vehicles registered in the taxing unit's area. The excise taxes are levied using the manufacturer's base price. Vehicle values are depreciated yearly according to schedules set up by the Indiana Motor Vehicle Excise Tax Bureau.

A bank, building and loan, and credit union tax is assessed against financial institutions located in the taxing unit's area. The taxes are paid monthly to the county treasurer's office and distributed semiannually to the taxing units.

Township governments also receive a share of in-lieu-of tax payments from the Federal Government. The only funds of this type received for distribution in Vanderburgh County come from the Evansville housing authority.

Township governments each receive a share of the motor vehicle license excise tax; the bank, building and loan, and credit union tax; and in-lieu-of tax payments based upon a ratio of the total property tax rates for the township to those levied by the county.

During the last 5 calendar years, the township's net assessed property valuation has remained the same except for minor fluctuations. Changes in tax receipts have occurred because of changes in the tax rates levied for each fund. Tax rates depend on estimates of need for each type of expenditure. As discussed previously, Pigeon Township used revenue sharing funds to reduce property taxes--levied in 1973 and collected in 1974--by \$.08 per \$100 valuation. The following table shows the tax rate used for the last 6 calendar years. The years shown are those in which the taxes were levied.



Tax rate per  
\$100 valuation

1968	\$ .38
1969	.34
1970	.62
1971	.44
1972	.24
1973	.08

The following chart shows Pigeon Township's tax receipts and in-lieu-of tax payments for the last 6 calendar years.

<u>Calendar year</u>	<u>Property tax</u>	<u>Bank, building and loan tax</u>	<u>Motor vehicle license excise tax</u>	<u>In-lieu-of taxes</u>
1969	\$457,040	\$13,169	\$ (a)	\$1,555
1970	457,256	12,224	(a)	961
1971	832,248	20,067	57,745	1,576
1972	567,973	16,916	40,553	1,057
1973	305,720	12,306	13,462	-
1974	104,541	4,537	5,649	184

a/1971 was the first year that motor vehicle license excise taxes were collected.

Taxing limitations

Under State law, all taxing units within Vanderburgh County have their property tax rates frozen at the amount levied in 1972 and payable in 1973. This limitation does not apply to the motor vehicle license excise tax or any non-property revenue. The limitation was imposed before Pigeon Township began receiving Federal revenue sharing funds.

The only tax permissible under Indiana law which Pigeon Township does not benefit from is a local income tax. This type of tax must be approved and levied by the county and would then be distributed to the various taxing units within the county. The Pigeon Township trustee told us that Vanderburgh County rejected this optional income tax.

Family tax burden

We calculated the 1973 tax burden of township residents by making the following assumptions about three hypothetical, four-member families.

<u>Assumptions</u>	<u>Family A</u>	<u>Family B</u>	<u>Family C</u>
Annual income (all wages)	\$ 7,500	\$12,500	\$17,500
Value of house	18,750	31,250	43,750
Value of personal property (all furniture)	1,500	2,500	3,500
Market value of car	1,700	1,800	a/2,300
Gallons of gasoline consumed annually	1,000	1,000	1,500

a/Family C has two cars.

The following table shows the tax burden in 1973 based on the preceding assumptions.

<u>Tax</u>	<u>Family A</u>	<u>Family B</u>	<u>Family C</u>
Township:			
Real and personal property	\$ 2.30	\$ 4.38	\$ 6.45
License excise tax	.21	.35	.62
City (Evansville):			
Real and personal property	124.39	236.25	348.11
License excise tax	11.08	18.84	33.25
County (Vanderburgh):			
Real and personal property	46.25	87.85	129.44
License excise tax	4.12	7.01	12.36
School district:			
Real and personal property	150.05	284.99	419.93
License excise tax	13.37	22.73	40.11
Special districts:			
Real and personal property	13.39	25.44	37.48
License excise tax	1.19	2.03	3.58
State:			
Real and personal property	.29	.55	.81
License excise tax	.03	.04	.08
Income	100.00	200.00	300.00
Sales	94.00	134.00	169.00
Gasoline	80.00	80.00	120.00
Total	<u>\$640.67</u>	<u>\$1,104.46</u>	<u>\$1,621.22</u>
Total as a percentage of income	<u>8.5</u>	<u>8.8</u>	<u>9.3</u>

Property tax is the largest portion of a Pigeon Township taxpayer's State and local tax burden. Most of this tax goes to Evansville (37 percent) and the Evansville-Vanderburgh school district (45 percent). Pigeon Township receives less than 1 percent of a township resident's property tax payments.

In addition to the above taxes, a Pigeon Township resident might also pay State excise tax on alcoholic beverages and tobacco.

## CHAPTER 6

### OTHER FEDERAL AID

Pigeon Township did not receive any Federal funds other than revenue sharing. Therefore, the question of whether revenue sharing funds were serving as a replacement for cut-backs in other types of Federal aid did not apply.

## CHAPTER 7

### SCOPE OF REVIEW

We met with officials of Pigeon Township and Vanderburgh County, Indiana, and reviewed township and county records. We also reviewed policies and procedures related to the operation of the township and its use of revenue sharing funds. Our work was limited to gathering selected data relating to areas identified by the Subcommittee Chairman.

We contacted various private organizations and other governmental units to determine if complaints regarding discrimination had been lodged against Pigeon Township and to obtain opinions on the township's poor relief program.

Officials of Pigeon Township reviewed this case study, and we considered their comments in finalizing it.

TOWNSHIP GOVERNMENT WORK FORCE  
PIGEON TOWNSHIP, EVANSVILLE, INDIANA

DECEMBER 31, 1974

Function/ job category	Male			Female			Total		
	White	Black	Total	White	Black	Total	White	Black	Total
All functions:									
Officials	3	-	3	-	-	-	3	-	3
Supervisors	1	-	1	1	-	1	2	-	2
Investigators	2	-	2	2	2	4	4	2	6
Clerks	-	-	-	7	1	8	7	1	8
Total	<u>6</u>	-	<u>6</u>	<u>10</u>	<u>3</u>	<u>13</u>	<u>16</u>	<u>3</u>	<u>19</u>
Percent	<u>31.6</u>	-	<u>31.6</u>	<u>52.6</u>	<u>15.8</u>	<u>68.4</u>	<u>84.2</u>	<u>15.8</u>	<u>100</u>
Civil township:									
Officials	3	-	3	-	-	-	3	-	3
Clerks	-	-	-	2	-	2	2	-	2
Total	<u>3</u>	-	<u>3</u>	<u>2</u>	-	<u>2</u>	<u>5</u>	-	<u>5</u>
Percent	<u>60</u>	-	<u>60</u>	<u>40</u>	-	<u>40</u>	<u>100</u>	-	<u>100</u>
Poor relief:									
Supervisors	1	-	1	1	-	1	2	-	2
Investigators	2	-	2	2	2	4	4	2	6
Investigative clerks	-	-	-	5	1	6	5	1	6
Total	<u>3</u>	-	<u>3</u>	<u>8</u>	<u>3</u>	<u>11</u>	<u>11</u>	<u>3</u>	<u>14</u>
Percent	<u>21.4</u>	-	<u>21.4</u>	<u>57.2</u>	<u>21.4</u>	<u>78.6</u>	<u>78.6</u>	<u>21.4</u>	<u>100</u>

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