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The antirecession assistance program is helping many areas in the United States, but in some respects, the objectives of the Congress are not being met. A review of this program was conducted at 52 governments, including States, counties, and cities, which received $363 million, or about 31%, of all antirecession funds distributed for the program's first four quarters. Findings/Conclusions: Antirecession assistance was found to have varied effects, from preventing tax increases or employee layoffs, as intended, to enlarging surpluses. Needy governments, especially cities, are receiving assistance on the premise that their problems resulted from the recession. Often the problems sprang primarily from other causes, such as long-term erosion of tax bases and inflation. Many governments receiving antirecession payments were not greatly affected by the recession, and assistance probably was not needed to combat recession-related problems. Several governments took no immediate action to stimulate the economy. Giving antirecession assistance to governments which do not have an immediate need may limit the intended stimulative effect on the economy, which could result in their spending the funds when a restrictive Federal fiscal policy is desirable. "Excess employment," as defined in current legislation, is not a reliable indicator of recession's effect on governments. A better formula for distributing antirecession funds is essential for the program to be more effective. (Author/SC)

REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

Antirecession Assistance Is Helping But Distribution Formula Needs Reassessment

Department of the Treasury

Federal antirecession assistance to State and local governments has had varied effects--from preventing employee layoffs or tax increases to enlarging surpluses.

Many needy governments were receiving funds on the premise that their problems resulted from the recession, when often they stemmed from other causes, such as chronic difficulties. Many governments receiving funds were not substantially affected by the recession, and it was unlikely payments to these governments were needed to combat recession-related problems.

A better formula for distributing antirecession funds is needed in order for the program to be more effective.

GGD-77-76

JULY 20, 1977

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

B-146285

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

The Federal antirecession assistance program was established to help stabilize the national economy during recessionary periods, while helping State and local governments maintain normal levels of services. This report summarizes the impact that assistance payments have had on selected governments and discusses the need for an improved formula for distributing funds.

This review was undertaken pursuant to section 215(a), title II, Public Law 94-369, requiring the Comptroller General to investigate the impact of antirecession assistance payments on State and local governments' operations.

We are sending a copy of this report to the Secretary of the Treasury.

Elmer B. Staats

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

ANTIRECESSION ASSISTANCE IS
HELPING BUT DISTRIBUTION
FORMULA NEEDS REASSESSMENT
Department of the Treasury

D I G E S T

The antirecession assistance program is helping many areas in the United States, but in some respects the objectives of the Congress are not being met. The results of GAO's reviews of the impact of such assistance on selected States, cities, and counties are summarized in question-and-answer format. (See pp. 4 to 11.)

Essentially, GAO found that:

--Antirecession assistance had varied effects, from preventing tax increases or employee layoffs, as intended, to enlarging surpluses.

--Needy governments, especially cities, are receiving assistance on the premise that their problems resulted from the recession. Often their problems sprang primarily from other causes, such as long-term erosion of tax bases and inflation.

--Many governments receiving antirecession payments were not greatly affected by the recession, and assistance probably was not needed to combat recession-related problems.

--Several governments took no immediate action to stimulate the economy. Giving antirecession assistance to governments which do not have an immediate need may limit the intended stimulative effect on the economy, and in the ultimate could result in their spending the funds when a restrictive Federal fiscal policy is desirable.

"Excess unemployment," as defined in current legislation, is not a reliable indicator of recession's effect on governments. The Congress recognized this problem in enacting

Public Law 95-30, which extended the program until September 30, 1978. The Secretary of the Treasury was directed to investigate the extent to which funds could be allocated on better measures of true economic conditions. The results are due by March 1, 1978. Such a study is needed. A better formula for distributing antirecession funds is essential for the program to be more effective. GAO recognizes that sufficient analysis has not been made to identify more precise indicators. GAO is reviewing alternative "triggering" and distribution statistics and plans to present its analyses and observations to the Congress in the autumn of 1977.

GAO conducted its review at 52 governments, including States, counties, and cities, which received $363 million or about 31 percent of all antirecession funds distributed for the program's first four quarters. At each jurisdiction, GAO analyzed financial records and obtained officials' opinions on the use of antirecession funds, the major problems facing the governments, and the rationale employed in taking budgetary actions.

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SUMMARY OF THE EFFECT OF ANTIRECESSION ASSISTANCE ON SELECTED GOVERNMENTS

INTRODUCTION

This report synopsizes the results of our reviews of the impact of antirecession assistance on State and local governments. It discharges our responsibility under title II of the Public Works Employment Act of 1976 (Public Law 94-369) 1/ to submit a report to the Congress on this subject by July 21, 1977.

Other reports on the antirecession assistance program are scheduled to be released in autumn 1977. Three will present in detail our findings regarding the impact of antirecession aid on selected States, counties, and cities. In addition, we will present separately our analysis and observations on the "triggering" and distribution problems associated with the program. This latter report will also include a macroeconomic impact analysis of the program.

DESCRIPTION OF THE PROGRAM

The antirecession assistance program was designed to selectively distribute emergency assistance to State and local governments seriously affected by economic recession--experiencing revenue shortfalls and/or rising costs because of increased demands for services. Its objective is to reduce the incidence of State and local budgetary actions which would counteract Federal efforts to stimulate economic recovery. Such actions, termed "procyclical" (as opposed to "countercyclical"), include tax increases, personnel and service reductions, and reduced expenditures, all of which work at cross-purposes with the Federal Government's own programs for stimulating economic activity. Antirecession assistance was to go quickly into the economy, and then phase out as the Nation's fiscal health improves.

Initially, the Congress authorized $1.25 billion to be paid State and local governments for the five quarters ending September 30, 1977. For the four calendar quarters beginning July 1, 1976, $1.18 billion had been distributed.

1/See app. I.

Public Law 95-30, passed on May 23, 1977, renewed the program for an additional year and raised the authorization by $2.25 billion for the period ending September 30, 1978.

Amount of assistance

The antirecession assistance could be significant to those jurisdictions adversely affected by the recession. The amount of assistance, however, is small in relation to the total national economy as well as State and local government budgets, as shown by the following figures.

	Billions
Gross national product, 1976	$1,692
Receipts of State and local governments, 1976	260
Antirecession assistance, first four quarters	1.2

The situation was essentially the same for the 52 governments we examined:

	Fiscal year 1975 revenues	Antirecession assistance, first four quarters
	(millions)	
15 States	$66,511	$248.4
16 counties	1,778	19.5
21 cities	5,975	94.7
Total	$74,264	$362.6

Overall, for comparable 1-year periods, antirecession assistance was:

--One-tenth of 1 percent of gross national product.

--One-half of 1 percent of the revenues of all State and local governments.

--One-half of 1 percent of the revenues of the 52 governments we reviewed.

Method and basis of allocating funds

Money was authorized to be paid out under the antirecession program as long as the national unemployment rate exceeded 6 percent. 1/

One-third of the available funds are distributed to State governments and two-thirds to local ones. Individual amounts are based on assigned unemployment rates and revenue sharing allocations. Unemployment rates are used as a measure of how severely the recession affected a particular government, and the revenue sharing allocation is used to measure the size of the jurisdiction. No government receives funds if its unemployment rate is 4.5 percent or lower, or if its computed allocation is less than $100 for a quarter.

THE BASIS FOR OUR COMMENTS--A CAVEAT

Our review was performed under severe time and scope constraints. Public Law 94-369 was enacted July 22, 1976, but funds were not appropriated until October 1976, and the first distribution not made until November. Thus, most governments had received the funds for only 5 months as of April 30, 1977, the cutoff date we set to meet our reporting deadline.

In total, 49 States and over 23,000 local governments have obtained antirecession funds. Our assessment of the impact of this was of practical necessity limited; field observations were made in 15 States and at 37 local governments--16 counties and 21 cities. On the other hand, these 52 governments received $363 million, about 30.7 percent of all antirecession funds distributed for the program's first four quarters.

Finally, it should be recognized that because of the exchangeable nature of moneys once they are in the possession of State and local governments, it is virtually impossible to account with any precision for the particular

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1/See app. I. Section 202(d) describes when payments will be made, and section 202(b) explains how much will be authorized.

disposition of antirecession assistance funds. We were compelled to rely largely on the assertions of State and local government officials regarding the impact and uses of these funds. To supplement our examination of financial trends, views of officials were also solicited on the major problems facing the governments and the rationale employed in taking budgetary actions.

THE PROGRAM IS HELPING BUT DISTRIBUTION REFINEMENTS ARE DESIRABLE

The results of our field observations can best be summarized by use of a question-and-answer format.

Were the governments getting the assistance generally helped by it?

Yes, the assistance provided additional revenues to governments and thus positively affected their operations.

Was there a pattern by type of jurisdiction regarding how much help was needed?

Yes, based on several criteria--chronic problems, recession, and inflation--cities needed it most, States somewhat less, and counties least.

Did the governments' needs always stem from the effects of the recession?

No, cities more often attributed their problems to inflation and a long-term erosion of their tax bases and the consequent revenue losses caused by an exodus of residents and business activity.

States concurrently experienced recessionary and inflationary pressures, while counties' needs were perceived to result primarily from inflation.

Did the recession affect the governments' financial condition?

Yes, to some extent. Several governments lost some revenues, particularly those relying on recession-vulnerable sales and income taxes. Many governments experienced an increased demand for certain services. Other factors, however, such as unfavorable demographic changes, were intertwined with the recession to induce demand increases and revenue losses.

Was there any variance among jurisdictions in the recession's impact?

Yes, definitely. The recession adversely affected the revenues of some cities and contributed to increased service demands. The effect, however, was perceived to be minimal and merely compounded the more serious chronic obstacles facing many cities. Some States had revenue losses primarily due to the sensitivity of their major taxes--sales and income--to recessionary pressures. Only one State reported any material deterioration of services even though all States experienced an increase in recession-related expenditures. The relatively good condition of counties could be attributed to greater reliance on less sensitive income sources--property taxes and transfers from other governments.

Was there any problem that was cited as particularly significant?

Yes, almost universally, officials attributed a large part of their fiscal difficulties to inflationary pressures, particularly growth in personnel, utility, and other costs for providing services.

Did all the governments take budgetary actions counter to Federal stimulative efforts?

No, 12 of the 52 governments we visited did not raise their major tax rates, lay off employees, or cut basic services from 1974 through 1976. Some of the 40 governments making budgetary adjustments stated a need to cope with recessionary pressures; however, chronic problems and inflation were most often cited as the reasons prompting such actions.

Was the assistance put to use promptly by the governments?

Generally, yes. The 52 governments received $162.7 million as their first payment. As of May 31, 1977, the 6-month deadline the act sets for spending the funds, officials predicted this overall situation:

Funds	Millions
Disbursed	$122.0
Obligated	31.7
Unobligated	7.4
Unappropriated	1.6
Total	$162.7

Did the pattern of timeliness of use vary by jurisdiction?

Yes, as follows:

	Amount received	Amount disbursed	Percent
	(000 omitted)		
States	$108,982	$76,839	70.5
Counties	8,884	5,150	58.0
Cities	44,874	40,078	89.3

How do you explain the slower use of the funds by counties?

A lesser need, probably. As explained earlier, their revenues were relatively stable.

Were the governments using their funds in a manner which would immediately stimulate the economy?

Thirty-eight of the 52 were using the assistance to maintain or increase expenditures; 14 augmented their surpluses or had not yet decided how to use the funds.

What was the expected impact by type of jurisdiction?

It was as follows:

	States	Cities	Counties	Total
Used to maintain or increase expenditures	11	18	9	38
Used to augment fiscal year 1977 surpluses	4	2	5	11
Use not yet decided	-	1	2	3
Total	15	21	16	52

How do you explain the differences in expected impact between types of jurisdictions?

As indicated earlier, this is possibly a function of needs, cities having the most, States next, and counties the least.

You stated that overall, antirecession assistance to the 52 governments was about one-half of 1 percent of their revenues. Did this vary by type of jurisdiction?

Yes, as follows: 1/

	1975 general revenues	Antirecession assistance, first four quarters	Percent
	(millions)		
States	$66,511	$248.4	0.37
Counties	1,778	19.5	1.10
Cities	5,975	94.7	1.58
Total	$74,264	$362.6	0.49

Was there much of a variation in the level of assistance within each type of jurisdiction?

1/App. II shows the proportion of antirecession assistance to total State, city, and county revenues.

Yes, among States from one-tenth of 1 percent to one-half of 1 percent; among counties, from three-tenths of 1 percent to 3.3 percent; among cities, from two-fifths of 1 percent of 3.6 percent. 1/

Did the variations in level of assistance relate closely to unemployment rates?

Generally, but not uniformly. The correlation was higher with respect to States than cities and counties.

What accounts for the variations between unemployment rates and levels of assistance? Weren't these rates the critical factor?

When the unemployment rates and average per capita antirecession assistance payments for the governments we reviewed are ranked, there is a relatively consistent relationship between the two; however, some variances exist. 2/ The differences occur because revenue sharing allocations are also considered in the distribution formula and thus influence antirecession payments.

The revenue sharing formula considers population, per capita income, and tax effort. The effect of this on the antirecession assistance distribution can be seen in the following examples:

--Although the State of Florida had the second highest average unemployment rate (9.8) for 1976, its average per capita payment was sixth from the largest. Florida's per capita revenue sharing payment is the smallest of the States we reviewed.

--Worcester County, Massachusetts, had the eighth highest (8.2) average unemployment rate for the 16 counties we reviewed, but received

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1/App. III shows unemployment rates, assistance payments, and general revenues for the governments we visited.

2/App. IV shows the relationship between unemployment rates and the levels of antirecession assistance and revenue sharing for the governments we visited.

the second smallest average per capita payment. Its per capita revenue sharing payment was also the second smallest.

What are some of the principal criticisms that are leveled at the antirecession program?

It is alleged that:

--The amount of funds is insufficient to really make a difference, particularly with regard to preventing procyclical budgetary actions.

--The unemployment rate is not a good indicator of recession-induced hardships, and consequently some governments getting assistance have no need for it.

--The antirecession impact is dampened by the time funds reach the economy, especially since the program was begun after the last recession ended, and not injecting funds into the economy quickly may be inflationary.

--The problems of governments are not caused by the recession, but rather related to inflation increasing the cost of services.

--The antirecession program will not create any new jobs.

--The program is merely another form of revenue sharing, and a separate program is therefore unnecessary.

What are your observations on the views that the funds are not sufficient to make a difference and prevent procyclical actions?

Many of the governments we visited had financial problems. Undoubtedly, funds used to maintain or increase expenditures, as indicated previously, would in some cases help prevent a commensurate procyclical action. Although in the context of the national economy the impact was probably minimal, at the local level the funds had to help. As mentioned earlier, however, such impact was restricted, because the antirecession payments represented a small proportion of the governments' budgets. 1/

<u>What is your position on the view that the unemployment rate is not a good indicator of recession-induced hardship?</u>

We agree with this view. Further, our field observations indicate that unemployment rates are in general not indications of governmental fiscal health.

We found no consistent relationship between unemployment rates and the fiscal well-being of governments. Some governments in areas with high unemployment were in good financial condition and received large antirecession payments. Conversely, governments with low unemployment took actions to counter Federal stimulative efforts and received less assistance per capita.

Law, governmental policy and practice, managerial ability, and citizen concern collectively influence the financial stability of States and municipalities. Thus, the unemployment rate is only one of many factors influencing fiscal stress. Additionally, high unemployment in many governments represented a chronic problem rather than a short-term recessionary phenomenon.

<u>What are your views on the allegation that the program takes too long to get funds into circulation?</u>

Although funds were authorized subsequent to the recession, 38 of the 52 governments we visited took some action to stimulate the economy quickly. Fourteen took no immediate stimulative actions.

We believe that by not spending the funds quickly, governments may not have stimulated the economy to the extent desired by the legislation and may in the ultimate inject the moneys into the economy when the Federal Government desires a restrictive fiscal policy.

1/App. III compares total revenues to antirecession funds for the governments we visited.

What is your observation on the view that inflation was the major problem?

As alluded to earlier, the vast majority of governments visited cited inflation as having posed the major impediment to maintaining financial stability.

What are your observations on the job-creation impact of antirecession assistance?

The majority of antirecession funds used for salaries were allocated to fill positions normally funded by other revenues. Some layoffs were prevented. States and cities reported some new hires, but cities were the only governments planning to rehire a significant portion of previously laid-off employees.

What are your views on the allegation that antirecession assistance is merely another form of revenue sharing?

Antirecession assistance has different objectives and a different distribution of funds. For example, less than half of the governments receiving revenue sharing received antirecession payments for the quarter ending June 30, 1977. Until a refined distribution device is developed, however, it is doubtful that antirecession assistance differs substantially from revenue sharing for many governments receiving funds.

OVERALL CONCLUSIONS

The antirecession assistance program is providing needed help to many governments. In some respects, however, the objectives of the Congress are not being met.

- --Needy governments, especially cities, are receiving assistance on the premise that their problems resulted from the recession, when often they actually sprang primarily from other causes, such as long-term erosion of tax bases and inflation.

- --Many governments receiving antirecession payments were not substantially affected by the recession, and it was unlikely that assistance was needed to combat recessionary difficulties.

--Several governments took no immediate action to stimulate the economy. Giving antirecession assistance to governments which do not have an immediate need may limit the intended stimulative effect on the economy, and in the ultimate could result in their injecting the funds into the economy at a later time when a restrictive Federal fiscal policy is desirable.

In testimony on March 2, 1977, before the House Subcommittee on Intergovernmental Relations and Human Resources, Committee on Government Operations, we pointed out on the basis of our preliminary analysis that (1) antirecession assistance has not been distributed effectively to only those governments substantially affected by the recession and (2) "excess unemployment" as defined in the current legislation is not a reliable indicator of the recession's impact. Because we recognize that sufficient analysis has not been made to identify more precise indicators, we are reviewing alternative "triggering" and distribution statistics and plan to present our analyses and observations to the Congress in the autumn of 1977.

This problem was recognized by the Congress in enacting Public Law 95-30, which extended the program until September 30, 1978. The Secretary of the Treasury was directed to investigate the extent to which funds could be allocated according to better measures of true economic conditions. The results are due by March 1, 1978. Our findings discussed in this report confirm the necessity for such a study. An improved formula for distribution is essential for the antirecession program to more effectively meet its objectives.

Public Law 94-369
94th Congress, S. 3201
July 22, 1976

An Act

To authorize a local public works capital development and investment program, to establish an antirecessionary program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Public Works Employment Act of 1976".

TITLE II—ANTIRECESSION PROVISIONS

FINDINGS OF FACT AND DECLARATION OF POLICY

SEC. 201. FINDINGS.—The Congress finds— 42 USC 6721.

(1) that State and local governments represent a significant segment of the national economy whose economic health is essential to national economic prosperity;

(2) that present national economic problems have imposed considerable hardships on State and local government budgets;

(3) that those governments, because of their own fiscal difficulties, are being forced to take budget-related actions which tend to undermine Federal Government efforts to stimulate the economy;

(4) that efforts to stimulate the economy through reductions in Federal Government tax obligations are weakened when State and local governments are forced to increase taxes;

(5) that the net effect of Federal Government efforts to reduce unemployment through public service jobs is substantially limited if State and local governments use federally financed public service employees to replace regular employees that they have been forced to lay off;

(6) that efforts to stimulate the construction industry and reduce unemployment are substantially undermined when State and local governments are forced to cancel or delay the construction of essential capital projects; and

(7) that efforts by the Federal Government to stimulate the economic recovery will be substantially enhanced by a program of emergency Federal Government assistance to State and local governments to help prevent those governments from taking budget-related actions which undermine the Federal Government efforts to stimulate economic recovery.

Public Works Employment Act of 1976. 42 USC 6701 note.
Local Public Works Capital Development and Investment Act of 1976. 42 USC 6701 note.
Definitions. 42 USC 6701.
Grants. 42 USC 6702.

FINANCIAL ASSISTANCE AUTHORIZED

SEC. 202. (a) PAYMENTS TO STATE AND LOCAL GOVERNMENTS.—The Secretary of the Treasury (hereafter in this title referred to as the "Secretary") shall, in accordance with the provisions of this title, make payments to States and to local governments to coordinate budget-related actions by such governments with Federal Government efforts to stimulate economic recovery. 42 USC 6722.

(b) AUTHORIZATION OF APPROPRIATIONS.—Subject to the provisions of subsections (c) and (d), there are authorized to be appropriated for each of the five succeeding calendar quarters (beginning with the calendar quarter which begins on July 1, 1976) for the purpose of payments under this title—

(1) $125,000,000 plus

(2) $62,500,000 multiplied by the number of one-half percentage points by which the rate of seasonally adjusted national unemployment for the most recent calendar quarter which ended three months before the beginning of such calendar quarter exceeded 6 percent.

(c) AGGREGATE AUTHORIZATION.—In no case shall the aggregate amount authorized to be appropriated under the provisions of subsection (b) for the five calendar quarters beginning with the calendar quarter which begins July 1, 1976, exceed $1,250,000,000.

(d) TERMINATION.—No amount is authorized to be appropriated under the provisions of subsection (b) for any calendar quarter if—

(1) the average rate of national unemployment during the most recent calendar quarter which ended three months before the beginning of such calendar quarter did not exceed 6 percent, and

(2) the rate of national unemployment for the last month of the most recent calendar quarter which ended three months before the beginning of such calendar quarter did not exceed 6 percent.

ALLOCATION

42 USC 6723. SEC. 203. (a) RESERVATIONS.—

(1) ELIGIBLE STATES.—The Secretary shall reserve one-third of the amounts appropriated pursuant to authorization under section 202 for each calendar quarter for the purpose of making payments to eligible State governments under subsection (b).

(2) ELIGIBLE UNITS OF LOCAL GOVERNMENT.—The Secretary shall reserve two-thirds of such amounts for the purpose of making payments to eligible units of local government under subsection (c).

(b) STATE ALLOCATION.—

(1) IN GENERAL.—The Secretary shall allocate from amounts reserved under subsection (a)(1) an amount for the purpose of making payments to each State equal to the total amount reserved under subsection (a)(1) for the calendar quarter multiplied by the applicable State percentage.

(2) APPLICABLE STATE PERCENTAGE.—For purposes of this subsection, the applicable State percentage is equal to the quotient resulting from the division of the product of—

(A) the State excess unemployment percentage, multiplied by

(B) the State revenue sharing amount by the sum of such products for all the States.

(3) DEFINITIONS.—For the purposes of this section—

(A) the term "State" means each State of the United States;

(B) the State excess unemployment percentage is equal to the difference resulting from the subtraction of 4.5 percentage points from the State unemployment rate for that State but shall not be less than zero;

(C) the State unemployment rate is equal to the rate of unemployment in the State during the appropriate calendar quarter, as determined by the Secretary of Labor and reported to the Secretary; and

(D) the State revenue sharing amount is the amount determined under section 107 of the State and Local Fiscal Assistance Act of 1972 for the one-year period beginning on July 1, 31 USC 1226. 1975.

(c) LOCAL GOVERNMENT ALLOCATION.—

(1) IN GENERAL.—The Secretary shall allocate from amounts reserved under subsection (a)(2) an amount for the purpose of making payments to each local government, subject to the provisions of paragraphs (3) and (5), equal to the total amount reserved under such subsection for calendar quarter multiplied by the local government percentage.

(2) LOCAL GOVERNMENT PERCENTAGE.—For p[illegible]s of this subsection, the local government percentage is e[illegible]o the quotient resulting from the division of the product of—

(A) the local excess unemployment percentage, multiplied by

(B) the local revenue sharing amount, by the sum of such products for all local governments.

(3) SPECIAL RULE.—

(A) For purposes of paragraphs (1) and (2), all local governments within the jurisdiction of a State other than identifiable local governments shall be treated as though they were one local government.

(B) The Secretary shall set aside from the amount allocated under paragraph (1) of this subsection for all local government within the jurisdiction of a State which are treated as though they are one local government under subparagraph (A) an amount determined under subparagraph (C) for the purpose of making payments to each local government, other than identifiable local governments within the jurisdiction of such State.

(C) The amount set aside for the purpose of making payments to each local government, other than an identifiable local government, with the jurisdiction of a State under subparagraph (B) shall be—

(i) equal to the total amount allocated under paragraph (1) of this subsection for all local governments within the jurisdiction of such State which are treated as though they are one local government under subparagraph (A) multiplied by the local government percentage as defined in paragraph (2) (determined without regard to the parenthetical phrases at the end of paragraphs (4) (B) and (C) of this subsection), unless

(ii) such State submits, within thirty days, after the effective date of this title, an allocation plan which has been approved by the State legislature and which meets the requirements set forth in section 206(a), and is approved by the Secretary under the provisions of section 206(b). In the event that a State legislature is not scheduled to meet in regular session within three months after the effective date of this title, the Governor of such State shall be authorized to submit an alternative plan which meets the requirements set forth in section 206(a), and is approved by the Secretary under the provisions of section 206(b).

(D) If local unemployment rate data (as defined in paragraph (4)(B) of this subsection without regard to the parenthetical phrase at the end of such definition) for a local government jurisdiction is unavailable to the Secretary for purposes of determining the amount to be set aside for such government under subparagraph (C) then the Secretary shall determine such amount under subparagraph (C) by using the local unemployment rate determined under the parenthetical phrase of subsection (4)(B) for all local governments in such State treated as one jurisdiction under paragraph (A) of this subsection unless better unemployment rate data, certified by the Secretary of Labor, is available.

(4) DEFINITIONS.—For purposes of this subsection—

(A) the local excess unemployment percentage is equal to the difference resulting from the subtraction of 4.5 percentage points from the local unemployment rate, but shall not be less than zero;

(B) the local unemployment rate is equal to the rate of unemployment in the jurisdiction of the local government during the appropriate calendar quarter, as determined by the Secretary of Labor and reported to the Secretary (in the case of local governments treated as one local government under paragraph (3)(A), the local unemployment rate shall be the unemployment rate of the State adjusted by excluding consideration of unemployment and of the labor force within identifiable local governments, other than county governments, within the jurisdiction of that State);

(C) the local revenue sharing amount is the amount determined under section 108 of the State and Local Fiscal Assistance Act of 1972 for the one-year period beginning on July 1, 1975 (and in the case of local governments treated as one local government under paragraph (3)(A), the local revenue sharing amount shall be the sum of the local revenue sharing amounts of all eligible local governments within the State, adjusted by excluding an amount equal to the sum of the local revenue sharing amounts of identifiable local governments within the jurisdiction of that State);

31 USC 1227.

(D) the term "identifiable local government" means a unit of general local government for which the Secretary of Labor has made a determination concerning the rate of unemployment for purposes of title II or title VI of the Comprehensive Employment and Training Act of 1973 during the current or preceding fiscal year; and

29 USC 841, 961.

(E) the term "local government" means the government of a county, municipality, township, or other unit of government below the State which—

(i) is a unit of general government (determined on the basis of the same principles as are used by the Social and Economic Statistics Administration for general statistical purposes), and

(ii) performs substantial governmental functions. Such term includes the District of Columbia and also includes the recognized governing body of an Indian tribe of Alaskan Native village which performs substantial governmental functions. Such term does not include the government of a township area unless such government performs substantial governmental functions.

For the purpose of paragraph (4) (D), the Secretary of Labor shall, notwithstanding any other provision of law, continue to make determinations with respect to the rate of unemployment for the purposes of such title VI. 29 USC 961.

(5) SPECIAL LIMITATION.—If the amount which would be allocated to any unit of local government under this subsection is less than $100, then no amount shall be allocated for such unit of local government under this subsection.

USES OF PAYMENTS

SEC. 204. Each State and local government shall use payments made under this title for the maintenance of basic services customarily provided to persons in that State or in the area under the jurisdiction of that local government, as the case may be. State and local governments may not use emergency support grants made under this title for the acquisition of supplies and materials and for construction unless such supplies and materials or construction are to maintain basic services. 42 USC 6724.

STATEMENT OF ASSURANCES

SEC. 205. Each State and unit of local government may receive payments under this title only upon filing with the Secretary, at such time and in such manner as the Secretary prescribes by rule, a statement of assurances. Such rules shall be prescribed by the Secretary not later than ninety days after the effective date of this title. The Secretary may not require any State or local government to file more than one such statement during each fiscal year. Each such statement shall contain— 42 USC 6725. Rules.

(1) an assurance that payments made under this title to the State or local government will be used for the maintenance, to the extent practical, of levels of public employment and of basic services customarily provided to persons in that State or in the area under the jurisdiction of that unit of local government which is consistent with the provisions of section 204;

(2) an assurance that the State or unit of local government will—

(A) use fiscal, accounting, and audit procedures which conform to guidelines established therefor by the Secretary (after consultation with the Comptroller General of the United States), and

(B) provide to the Secretary (and to the Comptroller General of the United States), on reasonable notice, access to, and the right to examine, such books, documents, papers, or records as the Secretary may reasonably require for purposes of reviewing compliance with this title;

(3) an assurance that reasonable reports will be furnished to the Secretary in such form and containing such information as the Secretary may reasonably require to carry out the purposes of this title and that such report shall be published in a newspaper of general circulation in the jurisdiction of such government unless the cost of such publication is excessive in relation to the amount of the payments received by such government under Reports, publication.

this title or other means of publicizing such report is more appropriate, in which case such report shall be publicized pursuant to rules prescribed by the Secretary;

(4) an assurance that the requirements of section 207 will be complied with;

(5) an assurance that the requirements of section 208 will be complied with;

(6) an assurance that the requirements of section 209 will be complied with;

(7) an assurance that the State or unit of local government will spend any payment it receives under this title before the end of the six-calendar-month period which begins on the day after the date on which such State or local government receives such payment; and

(8) an assurance that the State or unit of local government will spend amounts received under this title only in accordance with the laws and procedures applicable to the expenditure of its own revenues.

OPTIONAL ALLOCATION PLANS

42 USC 6726. SEC. 206. (a) STATE ALLOCATION PLANS FOR PURPOSES OF SECTION 203(c)(3).—A State may file an allocation plan with the Secretary for purposes of section 203(c)(3)(C)(ii) at such time, in such manner, and containing such information as the Secretary may require by rule. Such rules shall be provided by the Secretary not later than sixty days of the effective date of this title. Such allocation plan shall meet the following requirements: (Rules.)

(1) the criteria for allocation of amounts among the local governments within the State shall be consistent with the allocation formula for local governments under section 203(c)(2);

(2) the plan shall use—

(A) the best available unemployment rate data for such government if such data is determined in a manner which is substantially consistent with the manner in which local unemployment rate data is determined, or

(B) if no consistent unemployment rate data is available, the local unemployment rate data for the smallest unit of identifiable local government in the jurisdiction of which such government is located,

(3) the allocation criteria must be specified in the plan, and

(4) the plan must be developed after consultation with appropriate officials of local governments within the State other than identifiable local governments.

(b) APPROVAL.—The Secretary shall approve any allocation plan that meets the requirements of subsection (a) within thirty days after he receives such allocation plan, and shall not finally disapprove, in whole or in part, any allocation plan for payments under this title without first affording the State or local governments involved reasonable notice and an opportunity for a hearing.

NONDISCRIMINATION

42 USC 6727. SEC. 207. (a) IN GENERAL.—No person in the United States shall, on the grounds of race, religion, 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 funds made available under this title.

(b) AUTHORITY OF THE SECRETARY.—Whenever the Secretary determines that a State government or unit of local government has failed to comply with subsection (a) or an applicable regulation, he shall, within ten days, notify the Governor of the State (or, in the case of a unit of local government the Governor of the State in which such unit is located, and the chief elected official of the unit) of the noncompliance. If within thirty days of the notification compliance is not achieved, the Secretary shall within ten days thereafter—

(1) exercise all the powers and functions provided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000e); 42 USC 2000d.

(2) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted;

(3) take such other action as may be provided by law.

(c) ENFORCEMENT.—Upon his determination of discrimination under subsection (b), the Secretary shall have the full authority to withhold or temporarily suspend any payment under this title, or otherwise exercise any authority contained in title VI of the Civil Rights Act of 1964, to assure compliance with the requirement of nondiscrimination in federally assisted programs funded, in whole or in part, under this title.

(d) APPLICABILITY OF CERTAIN CIVIL RIGHTS ACTS.—

(1) Any party who is injured or deprived within the meaning of section 1979 of the Revised Statutes (42 U.S.C. 1983) or of section 1980 of the Revised Statutes (42 U.S.C. 1985) by any person, or two or more persons in the case of such section 1980, in connection with the administration of a payment under this title may bring a civil action under such section 1979 or 1980, as applicable, subject to the terms and conditions of those sections.

(2) Any person who is aggrieved by an unlawful employment practice within the meaning of title VII of the Civil Rights Act of 1964 (42 U.S.C. 2000e et seq.) by any employer in connection with the administration of a payment under this title may bring a civil action under section 706(f)(1) of such Act (42 U.S.C. 2000e–5(f)(1)) subject to the terms and conditions of such title.

LABOR STANDARDS

SEC. 208. All laborers and mechanics employed by contractors on all construction projects funded in whole or in part by payments under this title shall be paid wages at rates not less than those prevailing on similar projects in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act (40 U.S.C. 276a to 276a–5). The Secretary of Labor shall have, with respect to the labor standards specified in this section, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 C.F.R. 3176) and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c). 42 USC 6728. 5 USC app. I.

SPECIAL REPORTS

SEC. 209. Each State and unit of local government which receives a payment under the provisions of this title shall report to the Secretary any increase or decrease in any tax which it imposes and any substantial reduction in the number of individuals it employs or in services which such State or local government provides. Each State which receives a payment under the provisions of this title shall report to the Secretary any decrease in the amount of financial assistance which the State provides to the units of local governments during the twelve- 42 USC 6729.

month period which ends on the last day of the calendar quarter immediately preceding the date of enactment of this title, together with an explanation of the reasons for such decrease. Such reports shall be made as soon as it is practical and, in any case, not more than six months after the date on which the decision to impose such tax increase or decrease, such reductions in employment or services, or such decrease in State financial assistance is made public.

PAYMENTS

42 USC 6730. SEC. 210. (a) IN GENERAL.—From the amount allocated for State and local governments under section 203, the Secretary shall pay not later than five days after the beginning of each quarter to each State and to each local government which has filed a statement of assurances under section 205, an amount equal to the amount allocated to such State or local government under section 203.

(b) ADJUSTMENTS.—Payments under this title may be made with necessary adjustments on account of overpayments or underpayments.

(c) TERMINATION.—No amount shall be paid to any State or local government under the provisions of this section for any calendar quarter if—

(1) the average rate of unemployment within the jurisdiction of such State or local government during the most recent calendar quarter which ended three months before the beginning of such calendar quarter was less than 4.5 percent, and

(2) the rate of unemployment within the jurisdiction of such government for the last month of the most recent calendar quarter which ended three months before the beginning of such calendar quarter did not exceed 4.5 percent.

STATE AND LOCAL GOVERNMENT ECONOMIZATION

42 USC 6731. SEC. 211. Each State or unit of local government which receives payments under this title shall provide assurances in writing to the Secretary, at such time and in such manner and form as the Secretary may prescribe by rule, that it has made substantial economies in its operations and that payments under this title are necessary to maintain essential services without weakening Federal Government efforts to stimulate the economy through reductions in Federal tax obligations.

WITHHOLDING

Hearing. 42 USC 6732. SEC. 212. Whenever the Secretary, after affording reasonable notice and an opportunity for a hearing to any State or unit of local government, finds that there has been a failure to comply substantially with any assurance set forth in the statement of assurances of that State or units of local government filed under section 205, the Secretary shall notify that State or unit of local government that further payments will not be made under this title until he is satisfied that there is no longer any such failure to comply. Until he is so satisfied, no further payments shall be made under this title.

REPORTS

42 USC 6733. SEC. 213. The Secretary shall report to the Congress as soon as is practical after the end of each calendar quarter during which payments are made under the provisions of this title. Such report shall include information on the amounts paid to each State and units of

local government and a description of any action which the Secretary has taken under the provisions of section 212 during the previous calendar quarter. The Secretary shall report to Congress as soon as is practical after the end of each calendar year during which payments are made under the provisions of this title. Such reports shall include detailed information on the amounts paid to State and units of local government under the provisions of this title, any actions with which the Secretary has taken under the provisions of section 212, and an evaluation of the purposes to which amounts paid under this title were put by State and units of local government and economic impact of such expenditures during the previous calendar year.

ADMINISTRATION

SEC. 214. (a) RULES.—The Secretary is authorized to prescribe, after consultation with the Secretary of Labor, such rules as may be necessary for the purpose of carrying out his functions under this title. Such rules should be prescribed by the Secretary not later than ninety days of the effective date of this title. 42 USC 6734.

(b) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as may be necessary for the administration of this title.

PROGRAM STUDIES AND RECOMMENDATIONS

SEC. 215. (a) EVALUATION.—The Comptroller General of the United States shall conduct an investigation of the impact which emergency support grants have on the operations of State and local governments and on the national economy. Before and during the course of such investigation the Comptroller General shall consult with and coordinate his activities with the Congressional Budget Office and the Advisory Commission on Intergovernmental Relations. The Comptroller General shall report the results of such investigation to the Congress within one year after the date of enactment of this title together with an evaluation of the macroeconomic effect of the program established under this title and any recommendations for improving the effectiveness of similar programs. All officers and employees of the United States shall make available all information, reports, data, and any other material necessary to carry out the provisions of this subsection to the Comptroller General upon a reasonable request. 42 USC 6735. Report to Congress.

(b) COUNTERCYCLICAL STUDY.—The Congressional Budget Office and the Advisory Commission on Intergovernmental Relations shall conduct a study to determine the most effective means by which the Federal Government can stabilize the national economy during periods of rapid economic growth and high inflation through programs directed toward State and local governments. Such study shall include a comparison of the effectiveness of alternative factors for triggering and measuring the extent of the fiscal coordination problem addressed by this program, and the effect of the recession on State and local expenditures. Before and during the course of such study, the Congressional Budget Office and the Advisory Commission shall consult with and coordinate their activities with the Comptroller General of the United States. The Congressional Budget Office and the Advisory Commission shall report the results of such study to Congress within two years after the date of enactment of this title. Such study shall include the opinions of the Comptroller General with respect to such study. Report to Congress.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 94-1077 accompanying H. R. 12972 (Comm. on Public Works and Transportation) and No. 94-1260 (Comm. of Conference).
SENATE REPORTS: No. 94-710 (Comm. on Public Works) and No. 94-939 (Comm. of Conference).
CONGRESSIONAL RECORD, Vol. 122 (1976):
Apr. 12, 13, considered and passed Senate.
May 13, considered and passed House, amended, in lieu of H. R. 12972.
June 16, Senate agreed to conference report.
June 23, House agreed to conference report.
WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 12, No. 28:
July 6, vetoed; Presidential message.
CONGRESSIONAL RECORD, Vol. 122 (1976):
July 21, Senate overrode veto.
July 22, House overrode veto.

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COMPARISON OF ANTIRECESSION ASSISTANCE TO TOTAL STATE, CITY, AND COUNTY REVENUES

	(A) Estimated 1975 general revenues	(B) Antirecession assistance, year ended June 30, 1977	(B) as a percent of (A)
	(billions)	(millions)	
States	$134.6	$ 393.8	0.3
Counties	32.9	259.2	0.8
Cities	49.9	472.2	0.9
Total	$217.4	a/$1,125.2	0.5

a/Excludes townships, Indian tribes, and Alaskan native villages ($55,657,473) to make the comparison consistent.

SELECTED GOVERNMENTS' UNEMPLOYMENT RATES, PER CAPITA PAYMENT, AND ASSISTANCE AS A PERCENT OF TOTAL REVENUES

Government	1976 Unemployment rate (note a)	Antirecession assistance, first 4 qtrs.	Per capita assistance received (note b)	Assistance payment as a percent of 1975 general revenues
		(000 omitted)		
State:				
Virginia	5.5	$ 2,546	$ .51	0.1
Iowa	c/5.7	791	.28	0.1
Missouri	5.7	2,670	.56	0.1
Colorado	5.9	1,918	.75	0.1
Maryland	6.4	4,655	1.13	0.2
Alabama	6.8	4,530	1.25	0.2
Oklahoma	6.9	3,139	1.16	0.2
Louisiana	7.3	7,569	1.99	0.3
Washington	8.8	7,825	2.20	0.3
Connecticut	9.4	8,240	2.66	0.5
California	9.5	64,739	3.05	0.4
New York	9.5	71,424	3.95	0.5
New Jersey	9.6	19,984	2.73	0.5
Florida	9.8	20,191	2.44	0.5
Michigan	9.9	28,178	3.09	0.5
Total		$248,399	$2.48(Avg.)	0.37(Avg.)

a/Arithmetic average of four quarterly rates for 1976.
b/Population figures used as of July 1, 1975--latest Bureau of the Census data available.
c/Iowa received allocations for only two quarters as its unemployment rate then fell below 4.5 percent.
d/Only received payments for first three quarters because their unemployment rates were at or below 4.5 percent.

Government	1976 Unemployment rate (note a)	Antirecession assistance, first 4 qtrs.	Per capita assistance received (note b)	Assistance payment as a percent of 1975 general revenues
		(000 omitted)		
City:				
Evansville (note d)	5.6	$ 88	$ 0.66	0.4
Fort Worth (note d)	6.2	355	0.99	0.6
Salt Lake City	6.5	425	2.50	1.1
Norfolk	6.5	828	2.89	0.4
St. Paul	6.7	575	2.05	0.6
Toledo	7.7	950	2.58	1.0
Phoenix	8.1	1,756	2.64	1.0
Spokane	8.2	688	3.95	1.4
Honolulu	8.6	3,160	4.48	1.5
Seattle	8.8	2,189	4.49	1.2
New Orleans	8.9	4,507	8.05	2.1
Chicago	9.3	19,704	6.36	1.8
Cincinnati	9.5	2,753	6.67	0.7
St. Louis	9.5	3,893	7.42	1.5
Boston	10.0	6,471	10.16	1.0
Los Angeles	10.1	12,696	4.66	1.4
Providence	10.9	1,559	9.28	1.9
Miami	11.6	3,267	8.95	3.6
Detroit	13.8	19,931	14.93	3.0
Oakland	14.5	3,015	9.11	1.9
Newark	16.3	5,851	17.21	1.7
Total		$94,661	$ 6.70(Avg.)	1.58(Avg.)

a/Arithmetic average of four quarterly rates for 1976.
b/Population figures used as of July 1, 1975--latest Bureau of the Census data available.
c/Iowa received allocations for only two quarters as its unemployment rate then fell below 4.5 percent.
d/Only received payments for first three quarters because their unemployment rates were at or below 4.5 percent.

Government	1976 Unemploy-ment rate (note a)	Antirecession assistance, first 4 qtrs.	Per capita assistance received (note b)	Assistance payment as a percent of 1975 general revenues
		(000 omitted)		
County:				
Hennepin, MN	5.9	$ 648	$ 0.71	0.3
Montgomery, OH	6.6	369	0.63	0.5
Lake, IN	6.6	420	0.77	0.6
Fulton, GA	7.5	1,556	2.68	1.3
Norfolk, MA	7.6	73	0.12	0.5
Bernalillo, NM	7.7	601	1.66	3.3
Allegheny, PA	7.7	2,249	1.48	1.1
Worcester, MA	8.2	236	0.36	1.3
Comanche, OK	8.2	76	0.72	0.6
Riverside, CA	9.3	1,982	3.75	1.1
Clark, NV	9.6	1,091	3.30	1.0
Multnomah, OR	9.8	1,718	3.24	2.6
Robeson, NC	10.8	595	6.40	1.7
Essex, NJ	11.5	3,058	3.47	1.1
Alameda, CA	12.3	4,593	4.21	1.4
Cape May, NJ	15.9	263	3.65	1.9
Total		$19,528	$ 2.07(Avg.)	1.1(Avg.)

a/Arithmetic average of four quarterly rates for 1976.

b/Population figures used as of July 1, 1975--latest Bureau of the Census data available.

c/Iowa received allocations for only two quarters as its unemployment rate then fell below 4.5 percent.

d/Only received payments for first three quarters because their unemployment rates were at or below 4.5 percent.

RELATIONSHIP OF UNEMPLOYMENT TO ANTIRECESSION AND REVENUE SHARING PAYMENTS

	July 1 to Dec. 31, 1976 (note a) per capita payment		Ranking (note b)	
States listed by lowest unemployment to highest	Anti-recession assistance	Revenue sharing	Antirecession payment per capita	Revenue sharing per capita
Virginia	$ .24	$4.50	1	3
Iowa	.28	4.74	2	7
Missouri	.29	4.38	3	2
Colorado	.36	4.82	4	9
Maryland	.55	5.38	5	12
Alabama	.59	4.96	6	10
Oklahoma	.65	4.55	7	4
Louisiana	.87	6.46	8	14
Washington	1.07	4.64	9	6
Connecticut	1.21	4.55	11	4
California	1.42	5.58	13	13
New York	1.66	6.91	15	15
New Jersey	1.23	4.74	12	7
Florida	1.14	4.14	10	1
Michigan	1.50	4.99	14	11
Average	$1.14	$5.34		
Cities listed by lowest unemployment to highest				
Evansville	$ .47	$ 9.32	1	6
Fort Worth	.61	8.16	2	4
Salt Lake City	1.42	11.62	7	11
Norfolk	1.15	13.46	5	17
St. Paul	1.03	9.43	3	7
Toledo	1.11	7.45	4	2
Phoenix	1.27	6.72	6	1
Spokane	2.08	10.81	10	10
Honolulu	1.64	10.38	8	8
Seattle	2.07	10.45	9	9
New Orleans	3.33	16.63	15	20
Chicago	3.02	13.04	14	14
Cincinnati	2.94	12.52	13	13
St. Louis	2.77	13.40	12	16
Boston	5.07	17.67	19	21
Los Angeles	2.16	7.92	11	3
Providence	5.01	13.09	18	15
Miami	4.25	12.25	17	12
Detroit	6.91	15.17	20	19
Oakland	4.04	9.04	16	5
Newark	7.82	13.56	21	18
Average	$ 3.08	$11.57		
Counties listed by lowest unemployment to highest				
Hennepin, MN	$ .38	$5.03	5	10
Montgomery, OH	.36	2.82	3	4
Lake, IN	.44	3.66	6	6
Fulton, GA	.69	8.29	9	15
Norfolk, MA	.08	.38	1	1
Bernalillo, NM	.57	4.95	7	9
Allegheny, PA	.64	4.16	8	7
Worcester, MA	.19	.96	2	2
Comanche, OK	.37	2.16	4	3
Riverside, CA	1.64	7.85	12	14
Clark, NV	1.48	6.37	10	13
Multnomah, OR	1.74	6.22	13	12
Robeson, NC	2.83	10.09	16	16
Essex, NJ	1.61	4.69	11	8
Alameda, CA	1.89	5.23	15	11
Cape May, NJ	1.83	3.39	14	5
Average	$ .93	$ 4.55		

a/The period July 1, 1976, to Dec. 31, 1976, which equals the first two payment quarters of the antirecession program, was selected so the data will be comparable.

b/Ranking: 1 = Least amount received.