

DOCUMENT RESUME

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Impact of Antirecession Assistance on Governments Receiving Quarterly Payments of Less than \$2,000. G3D-78-30; B-146285. February 22, 1978. 5 pp. + enclosure (3 pp.).

Report to Rep. L. H. Fountain, Chairman, House Committee on Government Operations: Intergovernmental Relations and Human Resources Subcommittee; by Elmer B. Staats, Comptroller General.

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Contact: General Government Div.

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Organization Concerned: Department of the Treasury.

Congressional Relevance: House Committee on Government Operations: Intergovernmental Relations and Human Resources Subcommittee. Rep. L. H. Fountain.

Authority: Public Works Employment Act of 1976, title II (P.L. 94-369). P.L. 95-30.

Title II of the Public Works Employment Act of 1976 provided for distributing up to \$1.25 billion to State and local governments to assist those governments in maintaining basic services, thereby precluding possible tax increases which would run counter to Federal efforts to stimulate the economy. The characteristics of 44 governments receiving less than \$2,000 for the first two quarters varied widely: populations in 1973 ranged from 273 to 11,676, unemployment during the first two quarters of fiscal year 1977 ranged from 4.7% to 22.3%, cumulative antirecession assistance payments as of June 1977 ranged from \$454 to \$6,053, and the number of employees ranged from 1 part-time to 151 full-time. For most of the 44 governments, total payments were less than 1% of fiscal year 1976 revenues. About 150 local governments questioned or declined antirecession assistance payments. Allocations for only 2 counties out of the 44 governments reviewed were based on specific unemployment rates. All other quarterly allocations were either: (1) based on the unemployment rate for the county in which the government was located; or (2) derived from data based on the county or State unemployment rate excluding data applicable to governments with specific rates. Several governments felt that the funds were beneficial in meeting salary expenses, making needed repairs, and carrying out day-to-day operations without levying additional taxes. (RBS)

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

FEB 22 1978

B-146285

The Honorable L. H. Fountain
Chairman, Subcommittee on Intergovernmental
Relations and Human Resources
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

During our March 2, 1977, testimony on the antirecession assistance program, the Subcommittee expressed an interest in governments receiving small quarterly assistance payments. The Subcommittee raised questions about these limited payments' impact on maintaining basic services or reducing unemployment.

Title II of the Public Works Employment Act of 1976 (Public Law 94-369) provided for distributing up to \$1.25 billion to State and local governments over a period of 5 calendar quarters beginning July 1976. Public Law 95-30, passed May 23, 1977, increased funding by \$2.25 billion and extended the program through September 30, 1978. Title II is administered by the Office of Revenue Sharing in the Department of the Treasury. One objective of title II is to assist State and local governments in maintaining basic services, thereby precluding possible tax increases which run counter to Federal efforts to stimulate the economy.

During each of the program's first four quarters, an average of 68 percent of the governments which qualified for quarterly payments received less than \$2,000. This totaled about \$30.5 million or 3 percent of the \$1.18 billion distributed during that period. Enclosure I provides more specific information on the antirecession assistance allocations of less than \$2,000.

This review was based on financial data and opinions obtained from officials of 44 governments in seven States. Each government received less than \$2,000 for each of the first two quarters. In our selection of governments, we considered unemployment rates and the amount of antirecession assistance received during the program's first two

quarters. In addition, we reviewed about 150 letters sent to the Office of Revenue Sharing from governments questioning or declining antirecession assistance payments.

CHARACTERISTICS OF THE GOVERNMENTS
RECEIVING LESS THAN \$2,000

The characteristics of the 44 governments varied widely in some respects. For example, their

- population in 1973 ranged from 273 to 11,676;
- unemployment during the first two quarters of fiscal year 1977 ranged from 4.7 percent to 22.3 percent, in the third quarter from 3.9 to 21.2 percent; and in the fourth quarter from 2.9 to 14.2 percent;
- cumulative antirecession assistance payments as of June 1977 ranged from \$454 to \$6,053; and
- number of employees ranged from no full-time and 1 part-time to 151 full-time and 10 part-time.

However, some factors were common to many of the governments:

- Almost all of the local governments provided financial administration and public safety, and at least half also provided water, sewer, and garbage pickup services.
- Forty-three of the governments were providing the same services in 1977 which were provided in 1976; a few had expanded or added services.
- Officials with 41 of the governments described their financial condition as satisfactory to excellent; officials at the other 3 described their financial conditions as weak.
- Officials of 20 of the local governments believed that unemployment was a problem in their communities.

Specific details concerning the characteristics of each government are shown in enclosure II.

USE AND IMPACT OF ANTIRECESSION ASSISTANCE

As of April 1977, 29 governments had appropriated the antirecession assistance payments received, and 22 of these had disbursed some or all funds. The majority of the governments which had appropriated the payments intended to use them for new or existing employee salaries. The remaining governments which had appropriated the funds proposed to use them for purposes such as purchasing office equipment and repairing roads and buildings. The most frequently given reasons for not using the funds for employment were that the quarterly payments were too small and future assistance was uncertain.

For most of the 44 governments, total payments were less than 1 percent of their fiscal year 1976 revenues. Officials from 32 local governments said the payments have had no effect on their governments' operations in terms of the services provided. Many officials expressed the opinion that the services and associated salaries paid with the antirecession assistance funds still would have been provided had the assistance not been available. Officials from nine governments said that without the antirecession assistance, employment might have been affected. Officials from three governments said that without the payments, tax increases and/or service reductions would have been necessary.

More specific information concerning the status and use of antirecession assistance by each of the governments reviewed is provided in enclosure III.

Few local governments reject antirecession assistance

As of May 18, 1977, the Office had received about 150 letters from local governments questioning or declining antirecession assistance payments. Twenty-seven declined the payments because they believed the amounts were too small to be useful. Officials with many of the local governments questioned how they qualified for the payments since they did not believe they had unusually high unemployment or needed additional employees. Others believed the program to be too rigid and/or objected to an item on the statement of assurances which attests that the funds are needed to maintain basic services and requires that the recipient government certify it has made an effort to make substantial economies in its operations.

Source of unemployment rates

Unemployment is a key factor in the allocation of antirecession assistance funds. Of the 44 governments, only the allocations for the 2 counties reviewed were based on specific unemployment rates. All other quarterly allocations were either (1) based on the unemployment rate for the county in which the government was located or (2) derived from data based on the county or State unemployment rate excluding data applicable to governments with specific rates. Of the 36 government officials expressing an opinion, 27 believed the unemployment rates used by the Office reflected their jurisdiction's unemployment situation.

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While antirecession assistance funds are a welcomed additional form of revenue to most of the recipient governments, an analysis of the actual impact of these particular funds cannot readily be made. The interchangeability of the funds with revenues from other sources, the limited amount--generally less than 1 percent--in relation to total revenues, and the variety of items that can be funded make it difficult to identify net changes which resulted from the infusion of the additional funds.

Since unemployment rates have been established for few local governments, most are paid using adjusted general rates applicable to their respective counties or States. These calculated rates may or may not reflect a particular government's actual rate.

Representatives from several governments said the funds had been beneficial in meeting salary expenses, making needed repairs, and otherwise carrying on operations without levying additional taxes. Some governments indicated that, even with the antirecession assistance, they would have to use their surplus to meet operating costs in either fiscal year 1977 or 1978. Others, however, are increasing their surplus balances.

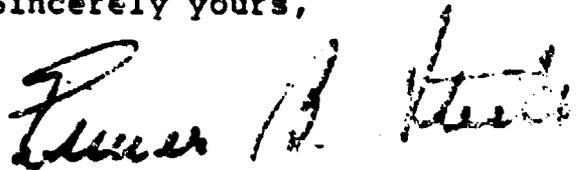
These conditions and results parallel many of those we found in our reviews of the impact of title II on State and larger county and city governments. We submitted the results of these reviews to the Congress in our summary report entitled "Antirecession Assistance is Helping But Distribution Formula Needs Reassessment" (GGD-77-76, July 20, 1977) and in three other reports just issued to the Congress detailing

the findings discussed in the summary report--one each on the program's impact on State, county, and city governments.

We discussed the above information with Office of Revenue Sharing officials and considered their comments in preparing this letter.

We are sending copies of this report to the Chairman of the Senate Subcommittee on Intergovernmental Relations, Committee on Governmental Affairs, to the Chairman of the Senate Committee on Finance, and to the Secretary of the Treasury. Copies will also be available to other interested parties who request them.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Luther A. Studd".

Comptroller General
of the United States

SUMMARY OF QUARTERLY ANTIRECESSION ASSISTANCE PAYMENTS

	<u>Governments</u>		<u>Allocations</u>	
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
			(millions)	
First quarter:				
\$100 - \$999 (note a)	13,459	56	\$ 5.0	1.6
\$1,000 - \$1,999	<u>3,147</u>	<u>13</u>	<u>4.5</u>	<u>1.4</u>
Total payments under \$2,000	<u>16,606</u>	<u>69</u>	<u>\$ 9.5</u>	<u>3.0</u>
Total payments	<u>23,975</u>	<u>100</u>	<u>\$310.9</u>	<u>100.0</u>
Second quarter:				
\$100 - \$999 (note a)	10,187	56	\$ 3.9	1.6
\$1,000 - \$1,999	<u>2,562</u>	<u>14</u>	<u>3.6</u>	<u>1.4</u>
Total payments under \$2,000	<u>12,749</u>	<u>70</u>	<u>\$ 7.5</u>	<u>3.0</u>
Total payments	<u>18,333</u>	<u>100</u>	<u>\$248.7</u>	<u>100.0</u>
Third quarter:				
\$100 - \$999 (note a)	8,455	52	\$ 3.3	1.1
\$1,000 - \$1,999	<u>2,348</u>	<u>14</u>	<u>3.3</u>	<u>1.0</u>
Total payments under \$2,000	<u>10,803</u>	<u>66</u>	<u>\$ 6.6</u>	<u>2.1</u>
Total payments	<u>16,338</u>	<u>100</u>	<u>\$310.9</u>	<u>100.0</u>
Fourth quarter:				
\$100 - \$999 (note a)	8,630	52	\$ 3.5	1.1
\$1,000 - \$1,999	<u>2,399</u>	<u>14</u>	<u>3.4</u>	<u>1.1</u>
Total payments under \$2,000	<u>11,029</u>	<u>66</u>	<u>\$ 6.9</u>	<u>2.2</u>
Total payments	<u>16,676</u>	<u>100</u>	<u>\$310.9</u>	<u>100.0</u>

a/Section 203(c) (5) of title II provides that payments will not be made to governments qualifying for less than \$100.

CHARACTERISTICS OF GOVERNMENTS REVIEWED

Unit of government	1973 Population	Quarterly average unemploy- ment rate (note a)		Services provided (note b)	1976 public employment		Antirecession allocations		Budget data fiscal year 1976			
		1st	4th		Full time	Part time	Number of quarters	Aggregate amount	Revenues	Expenditures	Surplus	Indebtedness
----- (thousands) -----												
COLOPADO:												
Federal Heights	6,001	7.8	5.8	ABC	31	23	4	\$5,312	\$1,686.8	\$1,299.2	\$ 913.9	\$ 69.0
Lafayette	4,615	6.5	4.8	AB	59	5	4	2,204	1,265.4	1,216.7	10.5	1,839.0
Leadville	4,423	5.6	7.3	ABF	26	5	4	2,986	563.0	563.0	265.0	-
Mt. View	845	7.0	5.4	AB	-	2	3	454	82.8	82.8	90.0	-
Summit County	4,622	5.6	6.3	ABDF	92	27	3	2,553	6,107.9	6,107.9	632.4	2,000.0
GEORGIA:												
Cave Spring	1,563	8.3	9.4	ABCDEF	14	2	4	2,583	189.4	167.1	38.2	323.8
Chickamauga	2,007	5.6	6.7	ABCDEF	96	17	4	1,483	2,104.2	1,964.4	2,435.8	940.0
Flowery Branch	349	8.8	8.5	ABCEF	4	-	4	2,191	129.7	93.6	87.2	-
Kennesaw	4,032	9.2	7.2	ABCDE	35	1	4	5,889	703.1	672.8	317.9	547.0
Lafayette	6,353	5.6	6.7	ABCDEF	107	1	4	3,654	3,993.8	3,434.2	62.2	3,467.0
Oakwood	273	8.8	8.5	A-CE	2	-	4	666	38.3	27.1	6.0	1.2
Pine Mountain	892	7.1	6.3	ABCDF	10	1	3	1,190	148.4	154.2	116.9	240.0
Rosville	4,227	5.6	6.7	ABEF	41	4	4	1,917	724.2	551.2	678.9	-
Union Point	1,624	7.1	9.8	ABCDEF	15	6	4	4,064	455.0	343.1	142.3	1,332.0
Warren County	6,948	7.1	5.7	AB	46	1	3	3,874	779.6	689.2	252.3	3.7
Watkinsville	1,040	7.1	11.0	ABCEF	8	2	4	2,002	107.5	115.3	113.4	86.9
ILLINOIS:												
Denning	5,428	7.7	9.7	AB	8	5	4	3,500	183.8	193.7	32.4	6.0
Frankfort (Franklin Co.)	7,355	7.7	9.7	ABF	7	17	4	4,089	219.3	213.9	70.2	7.0
Murphysboro (township)	11,676	8.3	6.5	AB	7	5	4	6,053	169.0	130.4	85.6	-
Somerset	2,918	8.3	6.5	AB	1	7	4	1,512	48.9	52.0	51.2	-
NORTH CAROLINA:												
Bethel	1,543	5.9	5.0	ABCDF	16	12	4	1,291	320.9	368.4	146.6	350.0
Gatesville	330	7.4	4.3	ABCE	-	5	3	481	57.2	51.9	19.9	121.0
Hobgood	537	8.8	9.7	ABCE	5	5	4	680	177.4	172.3	40.5	146.0
Littleton (Halifax Co.)	934	8.8	9.7	ABCDF	14	5	4	5,710	221.6	172.9	42.6	188.5
Murfreesboro	4,108	7.4	5.9	ABCDEF	29	5	4	5,481	515.5	452.9	183.4	165.0
Nashville	1,726	5.8	5.4	ABCDEF	21	11	4	2,463	480.2	564.1	189.6	835.0
Spring Hope	1,376	5.8	5.4	ABCDEF	15	6	4	1,961	301.0	226.1	147.7	99.0
Winterville	1,629	5.9	5.0	ABCD	16	1	4	583	738.0	769.4	25.4	418.0
OKLAHOMA:												
Cushing	7,422	5.4	2.9	ABCDEF	51	10	3	2,540	3,378.5	2,532.5	5,326.1	1,895.0
Dewar	993	17.5	10.5	A-CD	5	1	4	2,889	24.1	20.8	11.7	89.0
McLoud	3,242	8.5	6.0	ABCD	7	6	3	2,111	134.3	188.2	94.9	-
Nichols Hills	4,651	6.7	4.2	AB	56	8	3	991	886.8	779.6	147.3	4,735.0
Pittsburg	285	22.3	14.2	ACDEF	-	1	3	611	10.4	9.1	10.8	-
Tecumseh	4,858	8.5	6.0	ABCDE	43	5	4	5,773	828.3	700.0	(c)	432.0
Warr Acres	10,806	6.7	4.3	ABCDEF	67	-	3	5,980	1,247.9	884.3	274.5	15.5
UTAH:												
Hyrum	2,796	8.3	4.6	ABCDF	16	24	2	1,042	896.9	627.0	113.1	270.1
Midvale	8,189	5.9	4.3	ABCF	38	18	3	3,718	1,042.4	1,028.2	217.0	361.0
Morgan	1,664	8.3	3.4	ABCF	17	6	2	3,011	330.1	303.7	272.9	331.8
North Logan	1,540	8.3	4.6	ABC	4	4	2	708	201.3	187.8	72.7	290.0
Tremonton	2,943	8.3	4.7	ABCF	15	1	3	1,876	618.5	538.7	171.0	714.0
West Jordan	9,324	5.9	4.3	ABCDF	37	8	3	4,014	1,919.8	1,232.8	631.7	2,428.0
VIRGINIA:												
Cape Charles	1,728	6.4	11.1	ABCDEF	47	16	4	4,679	847.6	922.6	209.4	151.9
Smithfield	2,092	6.4	3.3	ABCDE	16	12	2	1,438	415.9	339.4	254.0	230.0
Waverly	1,803	6.4	9.3	ABCDE	11	18	4	2,015	219.5	201.5	276.5	619.8

a/Unemployment rates used in determining quarterly allocations. The unemployment rate used by the Office each quarter is for the calendar quarter ending 3 months before the quarter in which payments are made.

b/A--financial administration, B--public safety, C--water, D--sewage, E--garbage pickup, F--recreation.

c/Data not available at time of review.

STATUS AND USE OF ANTISECESSION ASSISTANCE PAYMENTS
FOR QUARTERS 1, 2, and 3 AS OF APRIL 1977

Selected government	Status of Payments			Use of payments Employment	Comment Specific use/reason funds were of used for employment
	Appro- priated	Unappro- priated	Partially disbursed		
Colorado:					
Federal Heights		X			
Lafayette	X			X	New hire.
Leadville		X			
Mt. View		X			
Summit County		X			
Georgia:					
Cave Spring		X			
Crickmauga	X			X	Enlarge city hall/net needd for salaries.
Flowery Branch	X			X	Repair streets and paint water tank/amount insufficient for employment purposes.
Kennesaw	X		a/X	X	Contract concession at roads/amount insufficient for employment purposes.
Lafayette	X		X	X	New hire.
Oakwood		X			
Pine Mountain	X		X	X	New hire.
Roseville	X		X	X	Repair garbage truck, fence and pool pump/amount insufficient for employment purposes.
Union Point	X		X	X	Salaries of employees already on the rolls.
Warren County	X		X	X	Gas and oil to operate road repair equipment/amount insufficient for employment purposes.
Watkinsville	X		X	X	Maintain basic services/amount insufficient for employment purposes.
ILLINOIS:					
Denning	X		X	X	Salaries of employees already on the rolls.
Frankfort (Franklin Co.)	X		X	X	New hire.
Murphysboro (township)	X		X	X	Salaries of employees already on the rolls.
Somerset	X		X	X	Salaries of employees already on the rolls.
NORTH CAROLINA:					
Bethel	X		X	X	Salaries of employees already on the rolls.
Gatesville	X			X	Salaries of employees already on the rolls.
Hobgood		X			
Littleton (Halifax Co.)	X			X	New hire.
Murfreesboro		X			
Nashville		X			
Spring Hope	X		X	X	Bridge repair and installation of doors/amount insufficient for employment purposes.
Winterville	X		a/X	X	Salaries of employees already on the rolls.
OKLAHOMA:					
Cushing	X		X	X	Purchase office machines/uncertainty of future payments and amount insufficient for employment purposes.
Dewar	X		X	X	Salaries of employees already on the rolls.
McCloud		X			
Nichols Hills	X		X	X	New hire.
Pittsburg	X		X	X	Salaries of employees already on the rolls.
Tecumseh	X		X	X	Salaries of employees already on the rolls.
Warr Acres	X			X	Garbage packer unit/uncertainty of future payments.
Utah:					
Hyrum	X			X	New hire.
Nidvale	X			X	Salaries of employees already on the rolls.
Morgan		X			
North Logan		X			
Tremonton		X			
West Jordan		X			
Virginia:					
Cape Charles	X		X	X	New hire.
Smithfield	X		X	X	Salaries of employees already on the rolls.
Waverly		X			

a/Entire amount received had been disbursed.